

Our focus is our strength

The year 2008 is likely to be remembered by many as the year when, like a flash of lightning, a severe economic crisis brought an end to the belief in uninterrupted growth. The globalisation we have witnessed in recent years, which has had many positive effects, suddenly showed another face: no nation, no company and no individual is unaffected by the economic downturn. Businesses, large and small, are in crisis. Some that were considered icons in their industries no longer exist.

Against such a backdrop it is with great humility, but also with pride and satisfaction, that we can report on a year that has been very positive for Novo Nordisk, demonstrating the results of our focused business approach. We increased sales by 12% (measured in local currencies) and our reported operating profit by 38%. Our investment in research and development resulted in a strengthened pipeline of new products. And we continued to optimise processes and globalise our sales and production activities, which makes our organisation even better prepared for challenges in coming years.

One of the reasons why Novo Nordisk came through 2008 in better shape than many other companies is that we produce lifesaving medicines. Our customers, particularly people with chronic conditions, require treatment during recessions as well as periods of economic prosperity. But a great deal of our success is attributable to our more than 27,000 Novo Nordisk colleagues who have once again delivered excellent results. With doctors and patients, in the laboratories, in production, in administration and throughout our value chain, there has been a focus on achieving results for all stakeholders both in the short and long term.

Innovation boosts competitiveness

Innovation in our pipeline is the source of long-term competitiveness in our industry, and in this area 2008 was very eventful.

Not everything has worked out as planned. In early 2008, we discontinued our attempts to develop inhalable insulin. Later in the year we had to reconcile ourselves to the fact that the effect of NovoSeven® for treatment of acute bleeds in trauma could not be proven in controlled clinical trials within the foreseeable future. We also decided to discontinue trials to investigate the benefits of growth hormone therapy for dialysis patients because of the difficulty in recruiting trial participants.

However, 2008 will mostly be remembered as the year in which Novo Nordisk made two significant breakthroughs that may have great impact on future diabetes treatment. The development of liraglutide for the treatment of type 2 diabetes was finalised and regulatory approval was sought in the US, Europe, Japan and many other countries. In addition, a new generation of insulins for both type 1 and type 2 diabetes showed promising results in phase 2 trials.

Liraglutide has the potential to improve the treatment of type 2 diabetes. Even though requirements for approval of new medicines have become increasingly challenging, we are cautiously optimistic about the final outcome of regulatory assessment. We currently anticipate regulatory approval in the US and some European countries in 2009, followed by Japan and a number of other countries in 2010.

We know that even the best insulins available in the market today are not perfect. Phase 2 results for the company's new generation of insulins have demonstrated that long-acting insulins and insulins with a combined short- and long-acting effect can be further improved. If preliminary results are confirmed by additional trials, this new generation of insulins has the potential to offer better treatment for people with diabetes and to strengthen Novo Nordisk's competitive position.

In 2008, we decided to focus our biopharmaceutical research efforts in haemostasis, growth disorders and inflammation. Research in inflammation will be conducted by our Danish research organisation and a newly established research centre for inflammation in Seattle, US. Collaboration with a number of biotech companies also plays a significant role in our ability to bring new products to market in this area.

In 2008, Novo Nordisk made two significant breakthroughs that may have great impact on future diabetes treatment.

International expansion supports growth

In the diabetes market we have maintained our position as the world leader with a market share of more than 50% by volume. Demand for our products has increased and we see a continuing transition from traditional human insulin to modern insulins. Novo Nordisk won market share for modern insulins in 2008 and remains the only company with a full portfolio of short-acting, mixed and long-acting insulins. To expand our competitive position and brand awareness, not least among general practitioners, we have expanded our sales organisation in several key markets.

In November, we laid the foundation stone for a major expansion of our production site in Tianjin, China, which will create 500 new jobs. The new insulin formulation and filling plant is one of the largest investments in the history of Novo Nordisk and our biggest single investment outside Denmark. The second-largest single investment, the production site in Montes Claros, Brazil, became fully operational in 2008 and today provides insulin to a number of markets.



Sten Scheiby, chairman of the Board of Directors, and Lars Rebien Sørensen, president and chief executive officer.

Managing responsibly

Many readers of this *Annual Report* will know that Novo Nordisk is managed using the Triple Bottom Line business principle. We assess our performance from three perspectives: financial, social and environmental. As we see it, a business can only be sustainable in the long term if it meets stakeholders' expectations in relation to all three aspects.

In this report we provide examples of how we conduct our activities in ways that are socially and environmentally responsible. We think a couple of them deserve particular mention.

In November, we announced a new programme to offer diabetes treatment, including free insulin, to 10,000 children in some of the world's poorest countries. This is part of a five-year programme called 'Changing the Future for Children with Diabetes', which begins in 2009. In addition to making free insulin available to a particularly vulnerable population of people with diabetes, the project will also build long-term solutions for distribution of insulin and sustainable diabetes treatment in the world's poorest countries.

We are well on our way to achieving the ambitious target for CO₂ reduction we set for ourselves in 2006 and, as a result of our efforts, the majority of our future electricity supplies will be generated from wind. Just as the financial crisis is global, so is climate change, and everyone must take responsibility for addressing it. We will leave it to the scientists to debate to what extent climate change is human-induced or caused by natural developments that are not related to human activity. There are, however, many reasons, including financial, for managing a business in a way that minimises environmental impact, and we will retain our focus on this in coming years.

Challenges ahead

The pharmaceutical industry today is faced with a number of challenges that have certainly not diminished with the current global recession.

We believe that the current economic downturn will impair societies' and individuals' ability to pay for healthcare, including

life-saving medicines. The increasing prevalence of chronic disease is already a major financial burden with treatment costs putting pressure on healthcare budgets, even in wealthy countries. It will be a huge challenge to finance public health systems in the future in a way that makes it attractive to bring new and improved medicines to market and at the same time secure equal access to care.

It is well known that new medicines are needed to improve the treatment of many diseases, but it is also evident that public healthcare providers and insurance companies are subjecting the costs versus the benefits of new medicines to increased scrutiny. At the same time, increasing requirements to document potential long-term side effects make bringing new treatments to market even more costly. These challenges impact the outlook for the entire industry.

At Novo Nordisk we are, however, optimistic about the future. With our focus on diabetes care and biopharmaceutical niche products, we believe that we are uniquely placed. We also believe our unique market position justifies further investment in our research and development and in expanding our international organisation and global supply through controlled growth and with continued focus on financial results.

We would like to take this opportunity to thank our customers, shareholders and partners for their trust in Novo Nordisk during 2008. We also thank everyone at Novo Nordisk for their great efforts, creativity and engagement, which is the heart of our organisation and the foundation of the strong results presented in this report.

Lars Rebien Sørensen

President and
chief executive officer

Sten Scheiby

Chairman of the
Board of Directors