

Novartis Healthcare A/S

Edvard Thomsens Vej 14, 3., 2300 København S

CVR no. 20 57 57 86

Annual report 2023

12-Jun-2024 | 06:24 PDT

Approved at the Company's annual general meeting on 12 June 2024

Chairman of the meeting:

DocuSigned by:

Uffe Mark Hansen
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Uffe Mark Hansen

12-Jun-2024 | 14:45 CEST

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Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Novartis Healthcare A/S for the financial year 1 January - 31 December 2023.

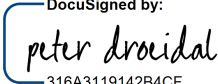
The annual report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2023 and of the results of the Company's operations for the financial year 1 January - 31 December 2023.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the annual general meeting.

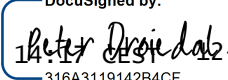
Copenhagen, 12 June 2024
Executive Board:

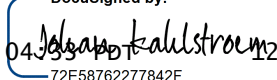
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Peter Drøidal
CEO

Board of Directors:

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Uffe Mark Hansen
Chairman

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Peter Drøidal

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12-Jun-2024 | 12:00 GMT
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Johan Mikael Olof
Kahlström

Independent auditor's report

To the shareholder of Novartis Healthcare A/S

Opinion

We have audited the financial statements of Novartis Healthcare A/S for the financial year 1 January – 31 December 2023 comprising income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2023 and of the results of the Company's operations for the financial year 1 January – 31 December 2023 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control, that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements in Denmark will always detect a material misstatement when it exists. Misstatements may arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of financial statement users made on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

Independent auditor's report

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 12 June 2024

KPMG

Statsautoriseret Revisionspartnerselskab

CVR no. 25 57 81 98

DocuSigned by:

Henrik Barner Christiansen -2024 | 06:24 PDT

Henrik Barner Christiansen

State Authorised Public Accountant

mne10778

Management's review

Company details

Name	Novartis Healthcare A/S
Address, Postal code, City	Edvard Thomsens Vej 14, 3., 2300 København S
CVR no.	20 57 57 86
Established	17 December 1997
Registered office	Copenhagen
Financial year	1 January - 31 December
Telephone	+45 39 16 84 00
Board of Directors	Uffe Mark Hansen, Chairman Peter Drøidal Johan Mikael Olof Kahlström
Executive Board	Peter Drøidal, CEO
Auditors	KPMG Statsautoriseret Revisionspartnerselskab Dampfærgevej 28, 2100 København Ø
Lawyer	Plesner, Advokatpartnerselskab Amerika Plads 37, DK-2100 København Ø

Management's review

Financial highlights

DKK'000	2023	2022	2021	2020	2019
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Key figures

Revenue	914,827	592,697	701,904	1,002,388	966,611
Operating profit/loss	-46,694	-78,259	-48,616	-20,840	-68,692
Profit before interest and tax (EBIT)	39,207	17,552	36,042	51,367	31,684
Net financials	221,114	42,023	-2,201	-2,534	-1,698
Profit for the year	251,036	56,162	84,886	127,707	-98,558

Total assets	651,310	942,616	906,815	820,851	748,523
Investments in property, plant and equipment	480	1,093	686	0	513
Equity	540,957	289,921	233,759	148,874	21,167

Financial ratios

Operating margin	4.3%	3.0%	5.1%	5.1%	3.3%
Return on assets	-5.9%	-8.5%	-5.6%	-2.7%	-8.8%
Equity ratio	83.1%	30.8%	25.8%	18.1%	2.8%

Average number of full-time employees	104	128	121	126	125
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The financial ratios stated under "Financial highlights" have been calculated as follows:

Operating profit/loss	$\frac{\text{Profit/loss before net financials +/- Other operating income and other operating expenses}}{\text{Revenue}} \times 100$
Operating margin	$\frac{\text{Operating profit/loss (EBIT)}}{\text{Revenue}} \times 100$
Return on assets	$\frac{\text{Profit/loss from operating activities}}{\text{Average assets}} \times 100$
Equity ratio	$\frac{\text{Equity, year-end}}{\text{Total equity and liabilities, year-end}} \times 100$

Management's review

Business review

The main activity of the Company has consisted of sale of medical products, which have all been purchased from group companies.

Our purpose is to reimagine medicine to improve and extend people's lives.

Financial review

The income statement for 2023 shows a profit of DKK 251,036 thousand against a profit of DKK 56,162 thousand last year, and the balance sheet at 31 December 2023 shows equity of DKK 540,957 thousand.

As announced globally by Novartis in August 2022 the Spin-off of Sandoz were completed in October 4, 2023 to enable Novartis to become a leading, focused medicines company.

Research and development activities

There are local Research & Development activities in the Company and the costs are recharged with a Mark-Up to Novartis Pharma AG in Switzerland.

Intellectual capital resources

It is of significant importance that the employees have extensive insight into the handling of products and chemical processes as well as the effects of the Group's medical products in connection with both distribution and marketing. This requires an overall high level of competence, which is ensured through current development of the individual employee.

Statutory CSR report

The policies of the parent company Novartis AG on social responsibility apply to the Company and are developed in accordance with section 99a of the Danish Financial Statement Act. We refer to the Group's website <https://www.novartis.com/investors/reporting-and-transparency-hub>
Prior years archive: <https://www.novartis.com/investors/reporting-and-transparency-hub/reporting-archive#tabnovartis-in-society-40776>

Report on the gender composition of Management

In accordance with section 99b of the Danish financial statements Act Novartis Healthcare A/S must account for the share of the underrepresented gender in the board of directors and general management.

Target for the board of directors

In accordance with Section 99b of the Danish Financial Statement Act, Novartis Healthcare A/S discloses that we strive towards an equal gender distribution in the board of directors and at the end of 2023 the board is constituted of 3 men, thus the target was not met. The board of directors has an ambition to have 33% of the board being women within the next 2 years which has not been achieved in 2023. To reach the target the company will continue to pursue to propose suitable candidates for the board.

Policy for increase of the underrepresented gender in general management

Novartis Healthcare A/S believes in diversity among employees, including equal distribution of gender will contribute to a positive work environment and enhances the Company's development and competitiveness. Novartis Healthcare A/S therefore has a policy to strive for gender equality in general management.

When relevant and to the extent possible suited candidates of the underrepresented gender will be proposed to management roles to achieve the target. As part of the Novartis Group, Novartis Healthcare A/S continuously develop talents across gender.

By the end of 2023 the distribution was 7 men and 8 women in the country management team and the target in gender distribution is considered met.

More information on how we work with diversity and inclusion can be found on the Groups website: <https://www.novartis.com/about/diversity-equity-inclusion>

Management's review

Overview

	2023
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Supreme governing body

Total number of members	3
Underrepresented gender in %	0
Target figure in %	33
Year in which the target figure is expected to be met	2025

Other levels of management

Total number of members	15
Underrepresented gender in %	47

Data ethics

Novartis Healthcare A/S adhere to internal rules and principles for use of data described in corporate guidelines of the Novartis Group.

At Novartis, and as reflected in the Code of Ethics, we are committed to the responsible use of Personal Information in our business processes and the setting of the appropriate standards to achieve this purpose.

In relation to the use of Artificial intelligence (AI) which are an increasing factor to drive automation which can help to improve the speed and accuracy of diagnosis, drug development etc. and can help to improve patients' lives and optimize the healthcare ecosystem. Novartis will ensure that the use of AI systems has a clear purpose and are used in a transparent and responsible way.

By adhering to the principles and using data ethically Novartis Healthcare A/S maintain trust with stakeholders including associates, patients, health care professionals and society and this ensures continued access to data needed for innovation and operation.

Decisions regarding the use of data are taken by Novartis Group and all employees are mandatory trained in Code of Ethics where Data ethical principles are introduced, and this ensures that all employees are aware of the ethical dilemmas in regard to the use of IT.

More information can be found on Novartis global websites for Code of Ethics https://www.novartis.com/sites/novartis_com/files/code-of-ethics-english.pdf and Data Privacy Policy https://www.novartis.com/sites/novartis_com/files/novartis-data-privacyprinciples.pdf.

Events after the balance sheet date

No events materially affecting the Company's financial position have occurred subsequent to the financial year-end.

Outlook

The expectation for 2024 is higher than for 2023. Sales for 2024 are expected to increase. A positive profit before tax is expected.

Financial statements 1 January - 31 December

Income statement

Note	DKK'000	2023	2022
4	Revenue	914,827	592,697
	Cost of sales	-710,271	-368,847
5	Other operating income	85,901	95,813
6	Other external expenses	-130,210	-128,866
	Gross profit	160,247	190,797
7	Staff costs	-120,507	-172,457
	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-534	-786
	Other operating expenses	0	-3
	Profit before net financials	39,206	17,551
	Income from investments in group enterprises	218,944	42,920
8	Financial income	15,251	448
9	Financial expenses	-13,081	-1,345
	Profit before tax	260,320	59,574
10	Tax for the year	-9,284	-3,412
	Profit for the year	251,036	56,162

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2023	2022
	ASSETS		
	Fixed assets		
12	Property, plant and equipment		
	Fixtures and fittings, other plant and equipment	987	1,471
	Leasehold improvements	0	4
	Property, plant and equipment under construction	6	139
		<u>993</u>	<u>1,614</u>
13	Investments		
	Investments in group enterprises	0	461,056
	Other receivables	11,700	18,620
		<u>11,700</u>	<u>479,676</u>
	Total fixed assets	<u>12,693</u>	<u>481,290</u>
	Non-fixed assets		
	Inventories		
	Finished goods and goods for resale	166,154	168,127
		<u>166,154</u>	<u>168,127</u>
	Receivables		
	Trade receivables	83,437	88,604
14	Receivables from group enterprises	371,230	174,876
15	Deferred tax assets	1,266	5,709
	Corporation tax receivable	4,104	13,532
	Other receivables	9,817	8,922
16	Prepayments	2,609	1,556
		<u>472,463</u>	<u>293,199</u>
	Total non-fixed assets	<u>638,617</u>	<u>461,326</u>
	TOTAL ASSETS	<u>651,310</u>	<u>942,616</u>

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2023	2022
	EQUITY AND LIABILITIES		
	Equity		
17	Share capital	14,001	14,001
	Retained earnings	226,956	275,920
	Dividend proposed	300,000	0
	Total equity	<u>540,957</u>	<u>289,921</u>
	Provisions		
18	Other provisions	<u>3,702</u>	<u>3,345</u>
	Total provisions	<u>3,702</u>	<u>3,345</u>
	Liabilities other than provisions		
19	Non-current liabilities other than provisions		
	Payables to group entities	0	500,000
	Other payables	<u>2,018</u>	<u>976</u>
		<u>2,018</u>	<u>500,976</u>
	Current liabilities other than provisions		
19	Short-term part of long-term liabilities other than provisions	882	1,337
	Trade payables	37,884	33,595
20	Payables to group enterprises	2,619	34,567
	Other payables	<u>63,248</u>	<u>78,875</u>
		<u>104,633</u>	<u>148,374</u>
	Total liabilities other than provisions	<u>106,651</u>	<u>649,350</u>
	TOTAL EQUITY AND LIABILITIES	<u><u>651,310</u></u>	<u><u>942,616</u></u>

- 1 Accounting policies
- 2 Events after the balance sheet date
- 3 Special items
- 11 Appropriation of profit
- 21 Contractual obligations and contingencies, etc.
- 22 Related parties

Financial statements 1 January - 31 December

Statement of changes in equity

Note	DKK'000	Share capital	Retained earnings	Dividend proposed	Total
	Equity at 1 January 2022	14,001	219,758	0	233,759
11	Transfer, see "Appropriation of profit"	0	56,162	0	56,162
	Equity at 1 January 2023	14,001	275,920	0	289,921
11	Transfer, see "Appropriation of profit"	0	-48,964	300,000	251,036
	Equity at 31 December 2023	14,001	226,956	300,000	540,957

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Novartis Healthcare A/S for 2023 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to large reporting class C entities.

Pursuant to section 112(2) of the Danish Financial Statements Act, the Company has not prepared consolidated financial statements. The financial statements of Novartis Healthcare A/S are included in the consolidated financial statements of Novartis Pharma AG, Lichtstrasse 35, 4002 Basel, Switzerland, (reg. no. CHE 106.052.527)

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

In the comparison numbers, a reclassification on TDKK 2.602 has been made from financial expenses to other external costs.

Omission of a cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The Company's cash flows are reflected in the consolidated cash flow statement for the higher-ranking parent company Novartis Pharma AG (<https://www.novartis.com/ch-de/>)

Basis of recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

Reporting currency

The financial statements are presented in Danish kroner (DKK'000).

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the most recent financial statements is recognised in the income statement as financial income or financial expenses.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Income statement

Revenue

The Company has chosen IFRS 15 as interpretation for revenue recognition.

Revenue from the sale of goods for resale and finished goods is recognised in the income statement when the sale is considered effected based on the following criteria:

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

In the Pharma sector, purchases and resales are effected at the same prices, while commission is received to cover expenses and result in a profit from resales.

Consumer Health resells purchased goods at a profit.

Other operating income

Other operating income comprise items of a secondary nature relative to the Company's core activities, including gains on the sale of fixed assets.

Cost of sales

Cost of sales includes the cost of goods used in generating the year's revenue.

Other external expenses

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Staff costs

Staff costs include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

The value of share based payment, including share option and warrant plans that do not involve an out-flow of cash and cash equivalents, offered to the Executive Board and a number of senior employees is not recognised in the income statement. The most significant conditions of the share option plans are disclosed in the notes.

Depreciation

The item comprises depreciation of property, plant and equipment.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Fixtures and fittings, other plant and equipment	3-10 years
Leasehold improvements	10 years

Depreciation is based on the residual value of the asset and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the acquisition date and are reassessed annually. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

In the case of changes in the depreciation period or the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Other operating expenses

Other operating expenses comprise items of a secondary nature relative to the Company's core activities, including losses on the sale of fixed assets.

Profit/loss from investments in group entities

The income statement includes the proportional share of the underlying companies' profit or loss after elimination of internal profit/loss and after tax. In group entities, the full elimination of internal profit and loss is carried out without regard to ownership shares.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts that concern the financial year. Net financials include interest income and expenses as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

Tax

The parent company is covered by the Danish rules on mandatory joint taxation of the Group's Danish group entities. Group entities are included in the joint taxation arrangement from the date at which they are included in the consolidated financial statements and up to the date when they are no longer consolidated.

The parent company acts as management company for the joint taxation arrangement and consequently settles all corporate income tax payments with the tax authorities.

On payment of joint taxation contributions, the Danish corporate income tax charge is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have been able to use the tax losses to reduce their own taxable income.

Tax for the year, which comprises the current income tax charge, joint taxation contributions and deferred tax adjustments, including adjustments arising from changes in tax rates, is recognised in the income statement as regards the portion that relates to the profit/loss for the year and directly in equity as regards the portion that relates to entries directly in equity.

Balance sheet

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

Gains or losses are calculated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses from the disposal of property, plant and equipment are recognised in the income statement as other operating income or other operating expenses.

Leases

The Company has chosen IAS 17 as interpretation for classification and recognition of leases.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Leases that do not transfer substantially all the risks and rewards incident to the ownership to the Company are classified as operating leases. Payments relating to operating leases and any other rent agreements are recognised in the income statement over the term of the lease. The Company's aggregate liabilities relating to operating leases and other rent agreements are disclosed under "Contingent liabilities".

Investments in group entities

Equity investments in group entities are measured according to the equity method.

On initial recognition, equity investments in group entities are measured at cost, i.e. plus transaction costs. The cost is allocated in accordance with the acquisition method; see the accounting policies regarding business combinations.

The cost is adjusted by shares of profit/loss after tax calculated in accordance with the Group's accounting policies less or plus unrealised intra-group gains/losses.

Identified increases in value and goodwill, if any, compared to the underlying entity's net asset value are amortised in accordance with the accounting policies for the assets and liabilities to which they can be attributed. Negative goodwill is recognised in the income statement.

Dividend received is deducted from the carrying amount.

Equity investments in group entities measured at net asset value are subject to impairment test requirements if there is any indication of impairment.

The group goodwill stated is amortised over 20 years.

Gains and losses on disposal of group entities and associates are made up as the difference between the sales price and the carrying amount of net assets at the date of disposal including non-amortised goodwill and anticipated costs of disposal. Gains or losses are recognised in the income statement as financial income or financial expenses.

Other securities and investments

Other receivables under fixed asset investments consist of receivables that are due after 1 year.

Impairment of fixed assets

The carrying amount of property, plant and equipment and investments in group entities is assessed for impairment on an annual basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists.

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value. The net realisable value of inventories is calculated as the sales amount less costs of completion and expenses required to effect the sale and is determined taking into account marketability, obsolescence and development in the expected selling price.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Receivables

The Company has chosen IAS 39 as interpretation for impairment write-down of financial receivables. Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the debtors' domicile and credit ratings in line with the Company's risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

Cash

Given the nature of the Group's cash pool arrangement, cash pool balances are not considered cash, but are recognised under "Receivables from group entities".

Equity

Proposed dividends

Dividend proposed for the year is recognised as a liability once adopted at the annual general meeting (declaration date). Dividends expected to be distributed for the financial year are presented as a separate item under "Equity".

Provisions

Provisions comprise anticipated expenses relating to warranty commitments, onerous contracts, restructurings, etc. Provisions are recognised when the Company has a legal or constructive obligation at the balance sheet date as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Provisions are measured at net realisable value or at fair value if the obligation is expected to be settled far into the future.

Income taxes and deferred taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Liabilities

The Company has chosen IAS 39 as interpretation for liabilities.

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan. Financial liabilities also include the capitalised residual lease liability in respect of finance leases.

Other liabilities are measured at net realisable value.

Segment information

The allocation of revenue to activities and geographical markets is disclosed where these activities and markets differ significantly in the organisation of sales of goods and services.

Financial statements 1 January - 31 December

Notes to the financial statements

2 Events after the balance sheet date

No events, materially affecting the assessment and the Annual Report have occurred after the balance sheet date.

3 Special items

Special items for the year, regarding the restructuring, are specified below just as are the items under which they are recognised in the income statement.

DKK'000	2023	2022
Expenses		
Staff costs	-2,548	-24,138
	<u>-2,548</u>	<u>-24,138</u>
Special items are recognised in the below items of the financial statements		
Staff costs	-2,548	-24,138
Net loss on special items	<u>-2,548</u>	<u>-24,138</u>

4 Segment information

Breakdown of revenue by business segment:

Innovative Medicines	824,400	562,948
Gene Therapy	90,427	29,749
	<u>914,827</u>	<u>592,697</u>

Breakdown of revenue by geographical segment:

Revenue, Denmark	855,448	538,487
Revenue, exports	59,379	54,210
	<u>914,827</u>	<u>592,697</u>

5 Other operating income

Services rendered to group companies	85,849	95,813
Gain on the sale of property, plant and equipment	52	0
	<u>85,901</u>	<u>95,813</u>

6 Fee to the auditors appointed in general meeting

Audit fees are not disclosed with reference to section 96(3) of the Danish Financial Statements Act. The fee is specified in the consolidated financial statements of the Group.

Financial statements 1 January - 31 December

Notes to the financial statements

DKK'000	2023	2022
7 Staff costs and incentive programmes		
Wages/salaries	110,895	160,260
Pensions	8,912	10,863
Other social security costs	700	1,334
	<u>120,507</u>	<u>172,457</u>
Average number of full-time employees	<u>104</u>	<u>128</u>
Incentive programmes		
<p>A number of the Company's employees participate in a share based incentive program of the ultimate parent company. The employees are granted a number of performance share units (PSUs) every year, based on their annual base salary and target incentive. PSUs have a vesting period of three years. The total estimated value of granted PSUs granted to all employees in the year amounts to DKK'000 2,900 (2022: DKK'000 2,313). The payout range of granted PSUs are dependent on the Group's results in terms of financial targets, innovation and total shareholders' return, compared to the Global healthcare peer group.</p>		
<p>Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.</p>		
8 Financial income		
Interest received from group enterprises	14,793	238
Other financial income	458	210
	<u>15,251</u>	<u>448</u>
9 Financial expenses		
Interest paid to group enterprises	12,322	1,288
Other financial expenses	759	57
	<u>13,081</u>	<u>1,345</u>
10 Tax for the year		
Estimated tax charge for the year	4,848	8,740
Deferred tax adjustments in the year	4,443	-5,334
Tax adjustments, prior years	-7	6
	<u>9,284</u>	<u>3,412</u>
11 Appropriation of profit		
Recommended appropriation of profit		
Proposed dividend recognised under equity	300,000	0
Retained earnings/accumulated loss	-48,964	56,162
	<u>251,036</u>	<u>56,162</u>

Financial statements 1 January - 31 December

Notes to the financial statements

12 Property, plant and equipment

DKK'000	Fixtures and fittings, other plant and equipment	Leasehold improvements	Property, plant and equipment under construction	Total
Cost at 1 January 2023	6,317	2,127	139	8,583
Additions	474	0	6	480
Disposals	-1,560	0	0	-1,560
Transferred	139	0	-139	0
Cost at 31 December 2023	5,370	2,127	6	7,503
Impairment losses and depreciation at 1 January 2023	4,846	2,123	0	6,969
Depreciation	530	4	0	534
Reversal of accumulated depreciation and impairment of assets disposed	-993	0	0	-993
Impairment losses and depreciation at 31 December 2023	4,383	2,127	0	6,510
Carrying amount at 31 December 2023	987	0	6	993
Depreciated over	3-10 years	10 years		

13 Investments

DKK'000	Investments in group enterprises	Other receivables	Total
Cost at 1 January 2023	1,405,551	18,620	1,424,171
Disposals	-1,405,551	-6,920	-1,412,471
Cost at 31 December 2023	0	11,700	11,700
Value adjustments at 1 January 2023	-944,495	0	-944,495
Reversal of impairment losses on assets disposed	944,495	0	944,495
Carrying amount at 31 December 2023	0	11,700	11,700

14 Receivables from group enterprises

The Novartis group has entered into an agreement on a cash-pool arrangement with the group's bank, where Novartis Investments S.a.r.l is the account holder and Novartis Healthcare A/S is the sub-account holder together with the group's other affiliated companies. The terms and conditions of the cash-pool scheme give the bank the right to be able to settle withdrawals and deposits against each other, whereby it is only the net balance of the total cash-pool accounts that constitutes the Novartis group's balance with the bank.

Novartis Healthcare A/S' accounts in the cash-pool scheme, which are recognized under receivables from group companies, amount to 31 December 2023 a deposit of DKK'000 348,715 (per 31 December 2022 a deposit of DKK'000 163.320).

Financial statements 1 January - 31 December

Notes to the financial statements

DKK'000	2023	2022
15 Deferred tax		
Deferred tax at 1 January	-5,709	-376
Amounts recognised in the income statement for the year	<u>4,443</u>	<u>-5,333</u>
Deferred tax at 31 December	<u>-1,266</u>	<u>-5,709</u>

The deferred tax assets primarily consists of temporary differences between the accounting and tax values of property, plant and equipment other plant, equipment.

16 Prepayments

Prepayments include accrual of expenses relating to subsequent financial years, including rent, insurance policies etc.

17 Share capital

Analysis of the share capital:

14,001 shares of DKK 1,000.00 nominal value each	<u>14,001</u>	<u>14,001</u>
	<u>14,001</u>	<u>14,001</u>

No shares are given special rights.

The Company's share capital has remained DKK 14,001 thousand over the past 5 years.

18 Other provisions

The provisions are expected to be payable in:

0-1 year	2,672	1,098
> 1 year	<u>1,030</u>	<u>2,247</u>
	<u>3,702</u>	<u>3,345</u>

19 Non-current liabilities other than provisions

DKK'000	Total debt at 31/12 2023	Short-term portion	Long-term portion	Outstanding debt after 5 years
Other payables	<u>2,900</u>	<u>882</u>	<u>2,018</u>	<u>0</u>
	<u>2,900</u>	<u>882</u>	<u>2,018</u>	<u>0</u>

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Notes to the financial statements

20 Payables to group enterprises

The Novartis group has entered into an agreement on a cash-pool arrangement with the group's bank, where Novartis Investments S.a.r.l is the account holder and Novartis Healthcare A/ S is the sub-account holder together with the group's other affiliated companies. The terms and conditions of the cash-pool scheme give the bank the right to be able to settle withdrawals and deposits against each other, whereby it is only the netbalance of the total cash-pool accounts that constitutes the Novartis group's balance with the bank.

Novartis Healthcare A/S' accounts in the cash-pool scheme, which are recognized under payables to group companies, amount to 31 December 2023 a debt of DKK'000 0 (per 31 December 2022: debt of DKK'000 484).

21 Contractual obligations and contingencies, etc.

The Company was jointly taxed with Sandoz A/S up until October 4 2023 where the shares in Sandoz was sold, and thus up until October 4 2023 unlimited, jointly and severally liable together with the other companies for Danish corporation taxes and withholding taxes on dividend, interest and royalties within the group of jointly taxed companies

Other financial obligations

Other rent liabilities:

DKK'000	2023	2022
Rent liabilities	<u>2,208</u>	<u>2,164</u>

Rent liabilities include a rent obligation with remaining contract terms of 6 months and with a yearly rent on DKK'000 4,416 (2022: 4,328).

Rent guarantee obligation per 31 December 2023 DKK'000 2,275 (2022: DKK'000 2,275).

DKK'000	2023	2022
Within 1 year	<u>2,209</u>	<u>2,030</u>
Between 1 and 5 years	<u>3,694</u>	<u>910</u>
	<u>5,903</u>	<u>2,940</u>

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Notes to the financial statements

22 Related parties

Novartis Healthcare A/S' related parties comprise the following:

Parties exercising control

<u>Related party</u>	<u>Domicile</u>	<u>Basis for control</u>
Novartis Pharma AG	Lichtstrasse 35, 4002 Basel, Switzerland	Main shareholder

Information about consolidated financial statements

<u>Parent</u>	<u>Domicile</u>	<u>Requisitioning of the parent company's consolidated financial statements</u>
Novartis Pharma AG	Lichtstrasse 35, 4002 Basel, Switzerland	https://www.novartis.com/c-h-de/

Related party transactions

Novartis Healthcare A/S was engaged in the below related party transactions:

DKK'000	<u>2023</u>	<u>2022</u>
Revenue	0	251
Productions costs	710,271	368,365
Other operating income	85,849	95,813
Other operating expenses	18,689	32,292
Financial income	14,793	238
Financial expenses	12,322	1,258
Intercompany receivables	371,230	174,876
Intercompany payables	2,687	34,567
Intercompany loan	0	500,000