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# ***Novartis Healthcare A/S***

Edvard Thomsensvej 14, 3. sal, DK-2300 København  
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## **Annual Report for 1 January - 31 December 2021**

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CVR No 20 57 57 86

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
23/6 2022

René Kristoffersen  
Chairman of the General  
Meeting

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# **Management's Statement**

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Novartis Healthcare A/S for the financial year 1 January - 31 December 2021.

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 at 31 December 2021 of the Company and of the results of the Company operations for 2021.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

København, 23 June 2022

## **Executive Board**

Peter Drøidal

## **Board of Directors**

Carsten Gleerup  
Chairman

Geir Roger Høli

Peter Drøidal

# Independent Auditor's Report

To the Shareholder of Novartis Healthcare A/S

## Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2021 and of the results of the Company's operations for the financial year 1 January - 31 December 2021 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Novartis Healthcare A/S for the financial year 1 January - 31 December 2021, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

## 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.

## Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover 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 Management's Review and, in doing so, consider whether 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 Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

## Management's responsibilities 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 as 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

## Independent Auditor's Report

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 about 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 applicable in Denmark will always detect a material misstatement when it exists. Misstatements can 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 users taken 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 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.
- 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.

## Independent Auditor's Report

- 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.

Hellerup, 23 June 2022

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

*CVR No 33 77 12 31*

Martin Lunden

statsautoriseret revisor

mne32209

## Company Information

### **The Company**

Novartis Healthcare A/S  
Edvard Thomsensvej 14, 3. sal  
DK-2300 København S

Telephone: + 45 39 16 84 00  
Facsimile: + 45 39 16 84 01  
Website: [www.novartis.dk](http://www.novartis.dk)

CVR No: 20 57 57 86  
Financial period: 1 January - 31 December  
Municipality of reg. office: København

### **Board of Directors**

Carsten Glerup, Chairman  
Geir Roger Høli  
Peter Drøidal

### **Executive Board**

Peter Drøidal

### **Auditors**

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
Strandvejen 44  
DK-2900 Hellerup

### **Lawyers**

Plesner Svane Grønberg  
Amerika Plads 37  
DK-2100 København Ø

## Financial Highlights

Seen over a five-year period, the development of the Company is described by the following financial highlights:

	2021 TDKK	2020 TDKK	2019 TDKK	2018 TDKK	2017 TDKK
<b>Key figures</b>					
<b>Profit/loss</b>					
Revenue	701.904	1.002.388	966.611	867.835	731.758
Profit/loss before financial income and expenses	36.719	51.367	31.684	31.327	57.817
Net financials	55.822	86.889	-122.656	59.379	-14.837
Net profit/loss for the year	84.886	127.707	-98.558	83.223	29.437
<b>Balance sheet</b>					
Balance sheet total	943.865	820.851	748.523	808.814	911.383
Equity	233.759	148.874	21.167	119.724	186.501
Investment in property, plant and equipment	621	-403	436	-642	-431
Number of employees	121	126	125	131	126
<b>Ratios</b>					
Profit margin	5,2%	5,1%	3,3%	3,6%	7,9%
Return on assets	3,9%	6,3%	4,2%	3,9%	6,3%
Solvency ratio	24,8%	18,1%	2,8%	14,8%	20,5%

In connection with changes to accounting policies, the comparative figures back to 2017 have not been restated. See the description under accounting policies.



# **Management's Review**

## **Key activities**

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

## **Development in the year**

The income statement of the Company for 2021 shows a profit of TDKK 84,886, and at 31 December 2021 the balance sheet of the Company shows equity of TDKK 233,759.

## **Targets and expectations for the year ahead**

Targets and expectations for the year 2021 were lower than expected of management.

The expectation for 2022 is lower than for 2021. Sales for 2022 are expected to decrease. A positive profit before tax in the same range as for 2021 is expected

## **Basis of earnings**

### **Research and development**

There are no local research & development activities in the Company. All development activities are carried out by other entities within the Novartis Group.

### **External environment**

Efforts are made on a current basis to reduce the environmental impact from the operations, and the Parent Company has developed an environmental policy calling for environmental responsibility and current environmental improvements.

### **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 statement of corporate social responsibility**

The policies of the Novartis Group on social responsibility apply to the Company. We refer to the Group's website (<https://www.novartis.com/our-company/corporate-responsibility/corporate-responsibility-reporting-and-disclosure/novartis-society-report>) for further information.

Novartis AG is a member of the UN Global Compact and our progress report may be obtained at: <https://www.unglobalcompact.org/what-is-gc/participants>

# Management's Review

## Data ethics

Novartis Healthcare A/S adhere to internal rules and principles for use of data described in corporate guidelines of the Novartis Group but will consider for the future to apply their own guidelines for data ethics policy.

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](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](https://www.novartis.com/sites/novartis_com/files/novartis-data-privacyprinciples.pdf)

## Share of the underrepresented gender

Novartis Healthcare A/S must according to the Danish financial statements Act account for the share of the underrepresented gender in the board of directors and general management.

### *Target for the board of directors*

Novartis Healthcare A/S will strive towards an equal gender distribution in the board of directors and thus have a target to have 25% women in the board of directors by 2021. At the end of 2021 the board is constituted of three men and one woman.

### *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.

## **Management's Review**

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. It is expected to have an improved equal gender distribution in management over time.

By the end of 2021 the distribution was 50% men and 50% women in the management team.

### **Uncertainty relating to recognition and measurement**

Recognition and measurement in the Annual Report have not been subject to any uncertainty.

### **Unusual events**

The financial position at 31 December 2021 of the Company and the results of the activities of the Company for the financial year for 2021 have not been affected by any unusual events.

### **Subsequent events**

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

## Income Statement 1 January - 31 December

	Note	2021 TDKK	2020 TDKK
<b>Revenue</b>	1	<b>701.904</b>	<b>1.002.388</b>
Other operating income	2	85.335	72.207
Cost of sales		-520.991	-765.976
Other external expenses		-95.715	-111.831
<b>Gross profit/loss</b>		<b>170.533</b>	<b>196.788</b>
Staff expenses	3	-133.226	-144.805
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	4	-588	-616
<b>Profit/loss before financial income and expenses</b>		<b>36.719</b>	<b>51.367</b>
Income from investments in subsidiaries	5	58.023	89.423
Financial income		23	159
Financial expenses	6	-2.224	-2.693
<b>Profit/loss before tax</b>		<b>92.541</b>	<b>138.256</b>
Tax on profit/loss for the year	7	-7.655	-10.549
<b>Net profit/loss for the year</b>		<b>84.886</b>	<b>127.707</b>

# Balance Sheet 31 December

## Assets

	Note	2021 TDKK	2020 TDKK
Fixtures and fittings, tools and equipment		1.301	1.197
Leasehold improvements		8	12
<b>Property, plant and equipment</b>	<b>8</b>	<b>1.309</b>	<b>1.209</b>
Investments in subsidiaries	9	418.136	360.113
Other receivables	10	37.050	4.680
<b>Fixed asset investments</b>		<b>455.186</b>	<b>364.793</b>
<b>Fixed assets</b>		<b>456.495</b>	<b>366.002</b>
<b>Inventories</b>		<b>103.653</b>	<b>177.668</b>
Trade receivables		156.298	221.379
Receivables from group enterprises		204.064	30.038
Other receivables		4.300	8.965
Deferred tax asset	12	376	663
Corporation tax		18.679	16.136
<b>Receivables</b>		<b>383.717</b>	<b>277.181</b>
<b>Currents assets</b>		<b>487.370</b>	<b>454.849</b>
<b>Assets</b>		<b>943.865</b>	<b>820.851</b>

# Balance Sheet 31 December

## Liabilities and equity

	Note	2021 TDKK	2020 TDKK
Share capital		14.001	14.001
Retained earnings		219.758	134.873
<b>Equity</b>		<b>233.759</b>	<b>148.874</b>
Other provisions	13	4.150	0
<b>Provisions</b>		<b>4.150</b>	<b>0</b>
Other payables		14.078	13.962
<b>Long-term debt</b>	14	<b>14.078</b>	<b>13.962</b>
Trade payables		71.091	49.537
Payables to group enterprises		541.122	522.585
Other payables	14	79.665	85.893
<b>Short-term debt</b>		<b>691.878</b>	<b>658.015</b>
<b>Debt</b>		<b>705.956</b>	<b>671.977</b>
<b>Liabilities and equity</b>		<b>943.865</b>	<b>820.851</b>
Distribution of profit	11		
Contingent assets, liabilities and other financial obligations	15		
Related parties	16		
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## Statement of Changes in Equity

	Share capital	Retained earnings	Total
	TDKK	TDKK	TDKK
Equity at 1 January	14.001	134.872	148.873
Net profit/loss for the year	0	84.886	84.886
<b>Equity at 31 December</b>	<b>14.001</b>	<b>219.758</b>	<b>233.759</b>

# Notes to the Financial Statements

	2021 TDKK	2020 TDKK
<b>1 Revenue</b>		
<b>Geographical segments</b>		
Revenue, Denmark	640.243	944.043
Revenue, exports	61.661	58.345
	<b>701.904</b>	<b>1.002.388</b>
<b>Business segments</b>		
Pharma	412.079	618.223
Oncology	289.825	384.165
	<b>701.904</b>	<b>1.002.388</b>
<b>2 Other operating income</b>		
Other operating income	0	175
Services rendered to group companies	85.335	72.032
	<b>85.335</b>	<b>72.207</b>



# Notes to the Financial Statements

	2021 TDKK	2020 TDKK
<b>3 Staff expenses</b>		
Wages and salaries	121.862	133.408
Pensions	9.983	10.179
Other social security expenses	1.381	1.218
	<b>133.226</b>	<b>144.805</b>
<b>Average number of employees</b>	<b>121</b>	<b>126</b>

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 945k (2020: DKK 1.473k). 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.

Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.

## 4 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment

Depreciation of property, plant and equipment	588	605
Gain and loss on disposal	0	11
	<b>588</b>	<b>616</b>
Which is specified as follows:		
Other fixtures and fittings, tools and equipment	584	601
Leasehold improvements	4	4
Loss/(profit) on sale of property, plant and equipment	0	11
	<b>588</b>	<b>616</b>

## Notes to the Financial Statements

	2021 TDKK	2020 TDKK
<b>5 Income from investments in subsidiaries</b>		
Share of profits of subsidiaries	58.023	89.423
	<b>58.023</b>	<b>89.423</b>
<b>6 Financial expenses</b>		
Interest paid to group enterprises	1.353	1.313
Other financial expenses	710	1.380
Exchange loss	161	0
	<b>2.224</b>	<b>2.693</b>
<b>7 Tax on profit/loss for the year</b>		
Current tax for the year	7.614	10.756
Deferred tax for the year	322	161
Adjustment of tax concerning previous years	-281	-368
	<b>7.655</b>	<b>10.549</b>
Tax on profit/loss for the year is calculated as follows:		
Calculated 22% / % tax on profit/loss for the year before tax	20.359	30.416
Tax effect of:		
Tax on non-deductible expenses and non-taxable income	186	1.143
Income from subsidiaries	-12.765	-19.674
Temporary differences	156	-968
Adjustment of tax concerning previous years	-281	-368
	<b>7.655</b>	<b>10.549</b>

# Notes to the Financial Statements

## 8 Property, plant and equipment

	Fixtures and fittings, tools and equipment TDKK	Leasehold improvements TDKK
Cost at 1 January	4.899	2.127
Additions for the year	686	0
Disposals for the year	-64	0
Cost at 31 December	5.521	2.127
Impairment losses and depreciation at 1 January	3.701	2.115
Depreciation for the year	583	4
Impairment and depreciation of sold assets for the year	-64	0
Impairment losses and depreciation at 31 December	4.220	2.119
<b>Carrying amount at 31 December</b>	<b>1.301</b>	<b>8</b>
Depreciated over	3-10 years	10 years

## 9 Investments in subsidiaries

	2021 TDKK	2020 TDKK
Cost at 1 January	1.405.551	1.405.551
Cost at 31 December	1.405.551	1.405.551
Value adjustments at 1 January	-1.045.438	-1.134.861
Net profit/loss for the year	58.023	89.423
Value adjustments at 31 December	-987.415	-1.045.438
<b>Carrying amount at 31 December</b>	<b>418.136</b>	<b>360.113</b>

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership	Equity	Net profit/loss for the year
Sandoz A/S	Copenhagen	12.000.000	100%	418.136	58.023

# Notes to the Financial Statements

## 10 Other fixed asset investments

	Other receivables
	TDKK
Cost at 1 January	4.680
Additions for the year	32.370
Cost at 31 December	37.050
Impairment losses at 31 December	0
<b>Carrying amount at 31 December</b>	<b>37.050</b>

## 11 Distribution of profit

Retained earnings	84.886	127.707
	<b>84.886</b>	<b>127.707</b>

## 12 Deferred tax asset

Deferred tax asset at 1 January	663	825
Amounts recognised in the income statement for the year	-322	-161
Amounts recognised in equity for the year	35	-1
<b>Deferred tax asset at 31 December</b>	<b>376</b>	<b>663</b>

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

## 13 Other provisions

Other provisions	4.150	0
	<b>4.150</b>	<b>0</b>

The provisions are expected to mature as follows:

Within 1 year	917	0
Between 1 and 5 years	3.233	0
	<b>4.150</b>	<b>0</b>

Other provisions consist of deferred revenue.

# Notes to the Financial Statements

## 14 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	2021 TDKK	2020 TDKK
<b>Other payables</b>		
After 5 years	14.078	13.962
Long-term part	14.078	13.962
Other short-term payables	79.665	85.893
	<b>93.743</b>	<b>99.855</b>

## 15 Contingent assets, liabilities and other financial obligations

### Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

Within 1 year	6.366	7.664
Between 1 and 5 years	2.149	5.093
After 5 years	0	0
	<b>8.515</b>	<b>12.757</b>

### Guarantee obligations

Rent guarantee obligation to KLP Ørestad 5G A/S	2.275	2.275
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### Other contingent liabilities

The Company is jointly taxed with its subsidiary Sandoz A/S. The Company is 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

# Notes to the Financial Statements

## 16 Related parties

	<u>Basis</u>
<b>Controlling interest</b>	
Novartis Pharma AG, CH-4002 Basel, Switzerland	Main shareholder

### Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

### Consolidated Financial Statements

The Company is included in the Group Annual Report of the ultimate Parent Company.

<u>Name</u>	<u>Place of registered office</u>
Novartis AG	Lichtstrasse 35, 4056 Basel, Switzerland

The Group Annual Report of Novartis AG may be obtained at the address above.

# Notes to the Financial Statements

## 17 Accounting Policies

The Annual Report of Novartis Healthcare A/S for 2021 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2021 are presented in TDKK.

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of Novartis AG, the Company has not prepared consolidated financial statements.

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of Novartis AG, the Company has not prepared a cash flow statement.

In accordance with section 96 (3) of the Danish Financial Statements Act fee to auditor appointed at the general meeting is disclosed in the Group Annual report.

### 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.

### Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

# Notes to the Financial Statements

## 17 Accounting Policies (continued)

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

### Revenue

Information on business segments and geographical segments based on the Company's risks and returns and its internal financial reporting system. Business segments are regarded as the primary segments.

### Incentive schemes

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.

## Income Statement

### Revenue

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.

### Cost of sales

Cost of sales comprise the raw materials and consumables consumed to achieve revenue for the year.

### Other external expenses

Other external expenses comprise expenses for premises, sales and distribution as well as office expenses, etc.

### Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.



# Notes to the Financial Statements

## 17 Accounting Policies (continued)

### **Amortisation, depreciation and impairment losses**

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

### **Other operating income and expenses**

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of intangible assets and property, plant and equipment.

### **Income from investments in subsidiaries**

The item "Income from investments in subsidiaries" in the income statement includes the proportionate share of the profit for the year.

### **Financial income and expenses**

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

### **Tax on profit/loss for the year**

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with Danish group companies. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

## **Balance Sheet**

### **Property, plant and equipment**

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

# Notes to the Financial Statements

## 17 Accounting Policies (continued)

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Fixtures and fittings, tools and equipment	3-10 years
Leasehold improvements	10 years

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

### Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, an impairment test is carried out to determine whether the recoverable amount is lower than the carrying amount. If so, the asset is written down to its lower recoverable amount.

The recoverable amount of the asset is calculated as the higher of net selling price and value in use. Where a recoverable amount cannot be determined for the individual asset, the assets are assessed in the smallest group of assets for which a reliable recoverable amount can be determined based on a total assessment.

### Investments in subsidiaries

Investments in subsidiaries are recognised and measured under the equity method.

The item "Investments in subsidiaries" in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

The group goodwill stated is amortised over 20 years.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to "Reserve for net revaluation under the equity method" under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries.

# Notes to the Financial Statements

## 17 Accounting Policies (continued)

### **Other fixed asset investments**

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

### **Inventories**

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

### **Receivables**

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

### **Equity**

#### ***Dividend***

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

### **Provisions**

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

### **Deferred tax assets and liabilities**

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

# Notes to the Financial Statements

## 17 Accounting Policies (continued)

### Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

### Financial debts

Debts are measured at amortised cost, substantially corresponding to nominal value.

## Financial Highlights

### Explanation of financial ratios

Gross margin	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$
Profit margin	$\frac{\text{Profit before financials} \times 100}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$