

Sandoz A/S

Edvard Thomsens Vej 14, 1., 2300 København S

CVR no. 27 74 45 32

Annual report 2023

Approved at the Company's annual general meeting on 28 May 2024

Chair of the meeting:

28-May-2024 | 9:15:13 AM GMT
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Carsten Glerup | 2286947AD50E4BC...

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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 Sandoz 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, 28 May 2024
Executive Board:

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Carsten Glerup

Board of Directors:

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Rebecca Guntern
Chairman

DocuSigned by:

.....2286947AD50E4BC.....
Carsten Glerup

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.....58225043F2DD452.....
Nete Brændgaard

Independent auditor's report

To the shareholder of Sandoz A/S

Opinion

We have audited the financial statements of Sandoz 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 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, 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, 28 May 2024

KPMG

Statsautoriseret Revisionspartnerselskab

CVR no. 25 57 81 98

DocuSigned by:

Henrik Barner Christiansen

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Henrik Barner Christiansen

State Authorised Public Accountant

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Management's review

Company details

Name	Sandoz A/S
Address, Postal code, City	Edvard Thomsens Vej 14, 1., 2300 København S
CVR no.	27 74 45 32
Established	17 May 2004
Registered office	København
Financial year	1 January - 31 December
Website	www.sandoz.dk
Telephone	+45 63 95 10 00
Board of Directors	Rebecca Guntern, Chairman Carsten Gleerup Nete Brændgaard
Executive Board	Carsten Gleerup
Auditors	KPMG Statsautoriseret Revisionspartnerselskab Dampfærgevej 28, 2100 København Ø
Lawyer	Horten Advokatpartnerselskab Philip Heymans Allé 7, DK - 2900 Hellerup

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Management's review

Financial highlights

DKK'000	2023	2022	2021	2020	2019
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Key figures

Revenue	2,291,832	2,163,937	2,011,917	2,130,514	1,842,299
Gross profit	233,628	230,610	219,994	199,433	183,886
Operating profit/loss	84,691	83,483	75,574	68,941	25,575
Net financials	4,112	-28,240	758	-1,528	-3,057
Profit for the year	68,521	42,920	58,023	89,423	-120,957

Total assets	1,443,702	1,174,038	1,015,689	1,230,701	923,529
Investments in property, plant and equipment	959	0	17	147	355
Equity	529,577	461,056	418,136	360,113	270,690

Financial ratios

Operating margin	3.7%	3.9%	3.8%	3.2%	1.4%
Gross margin	10.2%	10.7%	10.9%	9.4%	10.0%
Return on assets	6.5%	7.6%	6.7%	6.4%	3.1%
Equity ratio	36.7%	39.3%	41.2%	29.3%	29.3%

Average number of full-time employees	149	106	104	100	108
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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	$\frac{\text{Operating profit/loss (EBIT)}}{\text{Revenue}} \times 100$
Gross margin	$\frac{\text{Gross profit/loss}}{\text{Revenue}} \times 100$
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

Sandoz A/S undertakes registration of generic pharmaceutical substances and sale and distribution of these in the Danish and Nordic markets.

A major part of the product range is manufactured and delivered by companies within the Sandoz Group, of which Sandoz A/S constitutes a fully owned but separate legal entity.

On October 4, 2023, Sandoz shares were listed and traded on the SIX Swiss Exchange.

Financial review

The income statement for 2023 shows a profit of DKK 68,521 thousand against a profit of DKK 42,920 thousand last year, and the balance sheet at 31 December 2023 shows equity of DKK 529,577 thousand.

The development in revenue for the year has been positively affected due to new product launches. This development met the company's expectation for 2023.

Capital resources

The Company's balance sheet and capital structure are subject to continuous assessment together with the majority shareholder with a view to ensuring that the Company has adequate capital and funding.

Knowledge resources

It is of great importance that the employees have a profound insight in the handling of products and equipment in connection with both packaging, distribution and marketing, including extensive knowledge about chemical processes and the effect of the Group's pharmaceuticals. This requires a high competency level in general, which is ensured through continuous development of the individual employee.

Financial risks and use of financial instruments

Foreign exchange risks

The Group's activities abroad imply that results, cash flows and equity are affected by the exchange and interest rate movements for a number of currencies.

The most significant effect is derived from exchange rate movements. The Company's sales are invoiced primarily in DKK, EUR, SEK and NOK. The net exposure relating to the above primary currencies is not hedged as the currencies are not considered highly fluctuating.

Interest rate risks

Interest risk primarily relates to interest earning net payables to group enterprises. The debt earns interest at a floating rate. Interest risks are not hedged.

Credit risks

Credit risk related to cash is handled by continuously assessing existing and new customers' default risk.

Impact on the external environment

Efforts are made continuously to reduce the impact of the operations on the environment, and the Parent Company has introduced an environmental policy which places the Group under an obligation to demonstrate environmental propriety and to continuously work for environmental improvements. The Company does not have production in the Nordics.

Research and development activities

There are no local research & development activities in the Company.

Foreign branches

Sandoz A/S has during 2023 established two new branches, one in Finland and one in Sweden.

Management's review

Statutory CSR report

The policies of the Sandoz Group on social responsibility apply to the Company. We refer to the Group's website (<https://prod.cms.static.my-sandoz.com/ar/sandoz2023-12March2024-V2/documents/2023-Integrated-Annual-Report.pdf>) for further information.

Data ethics

Sandoz A/S implements a variety of global policies that form Sandoz' Data Ethics Framework, including: Global Privacy Policy (compliant with Danish Data Protection law, implementing GDPR), Global Policy on AI use, Global Policy & Schedule for Record Management retention/deletion, Data Governance Framework and Global Information Security Framework – these policies together ensure compliance with Section 99d of the Danish Financial Statements Act. Some of these policies will be combined in 2024 to create a new Data Ethics Policy.

Sandoz uphold high standards of data ethics to ensure processing is transparent, secure and respects individuals' control over their own data. Having access to the right information is instrumental to achieving our vision. Data ethics and the responsible use of technologies, including artificial intelligence, helps us maintain trust with our people and external stakeholders to maintain access to the kind of data we need to operate.

Report on the gender composition of Management

Listed companies are required to set a target for the share of the underrepresented gender on the Board of Directors. As of 1 January 2023, listed companies are also required to set a target as well as a policy for the share of the underrepresented gender in upper management.

Target for the board of directors

As of 31 December 2023, the Board of Directors is regarded as having equal gender representation and is therefore not legally required to set a gender target for the Board. As diversity remains important for the Board, it has maintained a voluntary target of having an equal gender representation in the Board of directors.

We have adopted a diversity and inclusion target to increase the share of the underrepresented gender in upper management. In 2023 the share of men in upper management (BoD, Director, Senior LT) at Sandoz A/S was 36%, and the target is to keep the level of men in upper management around 40% for the coming years.

Policy for increase of the underrepresented gender in general management

Our aspirational targets and priorities

At Sandoz, diversity, equity and inclusion are at the heart of all we do. Our inclusive culture ensures all differences are valued, all practices are fair, and everyone feels respected and heard. When we strongly believe that when we feel valued and accepted, we can make our greatest contributions. We do not tolerate discrimination, harassment, abuse of authority, retaliation, bullying workplace incivility.

Our inclusive culture is a big part of both what makes our organization a great place to work and how we deliver our strategy to fulfil our purpose. It is founded on integrity and inclusion, with the intention that we can all be at our best.

At Sandoz, each of us has a unique story that shapes who we are and how we see the world. When we are free to share our stories, we can understand, empathize and learn from one another. It's the best way to generate new ideas and drive innovation. We want to build a workplace that reflects the patients we serve.

Management's review

For Gender and Pay Equity we commit:

- To covering all associates by pay equity studies by 2025 to increase pay transparency and to remove historical salary comparisons from the offer process,
- To maintain our gender balance in management.
- To on a Nordic level achieve a minimum of 40% women and a minimum of 40% men in senior (overall) leadership positions by the end of 2025.

We define balance as the range between 40%-60% to leave up to 20% flexibility for women and men while also allowing for non-binary gender, recognizing that some employees may not wish to be categorized. Gender is only one dimension of diversity and we fully recognize that diversity is any dimension that differentiates our people and enables a diverse line of thought – for example ethnicity, race, age, nationality, disability status or sexual orientation.

Due to legal constraints we currently do not have consistent global measures on all the aspects of diversity.

At the end of 2023, 67% of all leaders were women, and 64% of leaders in senior leadership positions were women compared to 60% and 73%, respectively, at the end of 2022. To mitigate bias in pay processes and decisions, we conduct yearly equal pay reviews and take actions in case of any identified pay gaps.

We are continuously challenging the customary ways of working and in 2021, we launched a new global parental leave policy offering a minimum of 14 weeks paid leave within the first year of becoming a parent to all non-birthing parents globally, regardless of gender. Our ambition is that recognition of the non-birthing parents' right to leave will result in greater inclusion and equality for parents – both at work and at home.

Our leaders are held accountable.

We expect all our leaders to embrace their role as inclusive leaders by being committed to building diverse teams of complementary strengths, valuing diverse skills, experiences and perspectives and creating a safe space in which all employees feel free to speak up.

Overview

	2023	2022	2021	2020	2019
<i>Supreme governing body</i>					
Total number of members	4	3	3	3	4
Underrepresented gender in %	50	33	33	33	75
<i>Other levels of management</i>					
Total number of members	44	45	45	45	41
Underrepresented gender in %	32	38	38	42	39
Target figure in %	40	0	0	0	0
Year in which the target figure is expected to be met	2025				

Events after the balance sheet date

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

Outlook

The competition is expected to stay intense with continuously declining prices as one of the most significant market characteristics.

Sales for 2024 are expected to grow positively. The Company will continuously explore new opportunities to add appropriate activities and launches. The company also expect the profit before tax to grow positively and the profitability level before tax will be within the same range as 2023.

Financial statements 1 January - 31 December

Income statement

Note	DKK'000	2023	2022
2	Revenue	2,291,832	2,163,937
	Cost of sales	-1,857,187	-1,756,087
3	Other external expenses	-201,017	-177,240
	Gross profit	233,628	230,610
4	Staff costs	-147,206	-145,340
5	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-1,732	-1,787
	Other operating expenses	-187	0
	Profit before net financials	84,503	83,483
6	Financial income	27,442	697
7	Financial expenses	-23,330	-28,937
	Profit before tax	88,615	55,243
8	Tax for the year	-20,094	-12,323
	Profit for the year	68,521	42,920

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2023	2022
	ASSETS		
	Fixed assets		
10	Intangible assets		
	Rights	1,518	2,820
	Goodwill	0	0
		<u>1,518</u>	<u>2,820</u>
11	Property, plant and equipment		
	Fixtures and fittings, other plant and equipment	766	406
	Leasehold improvements	36	59
		<u>802</u>	<u>465</u>
12	Investments		
	Deposits	1,834	1,666
		<u>1,834</u>	<u>1,666</u>
	Total fixed assets	<u>4,154</u>	<u>4,951</u>
	Non-fixed assets		
	Inventories		
	Finished goods and goods for resale	463,616	551,607
		<u>463,616</u>	<u>551,607</u>
	Receivables		
	Trade receivables	639,126	432,058
13	Receivables from group enterprises	330,140	174,282
14	Deferred tax assets	784	1,248
	Other receivables	661	5,107
15	Prepayments	5,221	4,785
		<u>975,932</u>	<u>617,480</u>
	Total non-fixed assets	<u>1,439,548</u>	<u>1,169,087</u>
	TOTAL ASSETS	<u>1,443,702</u>	<u>1,174,038</u>

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2023	2022
	EQUITY AND LIABILITIES		
	Equity		
16	Share capital	12,000	12,000
	Retained earnings	517,577	449,056
	Total equity	529,577	461,056
	Provisions		
17	Other provisions	238,957	200,887
	Total provisions	238,957	200,887
	Liabilities other than provisions		
	Current liabilities other than provisions		
	Trade payables	92,642	130,596
18	Payables to group enterprises	517,607	322,848
	Corporation tax payable	10,270	12,169
	Other payables	54,649	46,482
		675,168	512,095
	Total liabilities other than provisions	675,168	512,095
	TOTAL EQUITY AND LIABILITIES	1,443,702	1,174,038

- 1 Accounting policies
- 9 Appropriation of profit
- 19 Contractual obligations and contingencies, etc.
- 20 Security and collateral
- 21 Related parties

Financial statements 1 January - 31 December

Statement of changes in equity

Note	DKK'000	Share capital	Retained earnings	Total
	Equity at 1 January 2022	12,000	406,136	418,136
9	Transfer, see "Appropriation of profit"	0	42,920	42,920
	Equity at 1 January 2023	12,000	449,056	461,056
9	Transfer, see "Appropriation of profit"	0	68,521	68,521
	Equity at 31 December 2023	12,000	517,577	529,577

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Sandoz 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.

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

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 Sandoz AG (<https://www.investors.sandoz.com/>).

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.

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.

Income statement

Revenue

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

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Services are recognised at the rate of completion of the service to which the contract relates by using the percentage-of-completion method, which means that revenue equals the selling price of the service completed for the year. This method is applied when total revenues and expenses in respect of the service and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the service.

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

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.

Amortisation/depreciation and impairment

The item comprises amortisation/depreciation and impairment of intangible assets and property, plant and equipment.

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

Rights	10 years
Goodwill	16 years

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

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.

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.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Financial income and expenses

Financial income and expenses are recognised in the income statements at the amounts that concern the financial year. Net financials include interest income and expenses etc.

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

The Company and its Danish group entities were jointly taxed until 4th October 2023. The total Danish income tax charge is allocated between profit/loss-making Danish entities in proportion to their taxable income (full absorption).

Jointly taxed entities entitled to a tax refund are reimbursed by the management company based on the rates applicable to interest allowances, and jointly taxed entities which have paid too little tax pay a surcharge according to the rates applicable to interest surcharges to the management company.

Balance sheet

Intangible assets

Goodwill acquired is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over its useful life, which is assessed at 16 years.

Patents and licences are measured at the lower of cost less accumulated amortisation and recoverable amount. Patents are amortised over the remaining patent period, and licences are amortised over the licence period; however not exceeding 10 years.

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.

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".

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Other securities and investments

Fixed asset investments consist of deposit to lease.

Impairment of fixed assets

The carrying amount of intangible assets, property, plant and equipment 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. Impairment losses on goodwill are not reversed.

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.

The cost of raw materials and consumables comprises the cost of acquisition plus delivery costs.

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

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.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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".

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.

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.

Other payables

Debts are measured at amortised cost, substantially corresponding to nominal 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

DKK'000	2023	2022
2 Segment information		
Breakdown of revenue by business segment:		
Retail	1,481,873	1,402,297
Biopharmaceuticals	809,959	761,640
	<u>2,291,832</u>	<u>2,163,937</u>
Breakdown of revenue by geographical segment:		
Denmark	527,454	511,550
Nordics	1,764,378	1,652,387
	<u>2,291,832</u>	<u>2,163,937</u>
3 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 for the group.		
4 Staff costs and incentive programmes		
Wages/salaries	123,164	97,679
Pensions	10,420	7,667
Other social security costs	8,101	666
Remuneration other group companies	5,521	39,328
	<u>147,206</u>	<u>145,340</u>
Average number of full-time employees	<u>149</u>	<u>106</u>

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

The board of directors does not receive remuneration.

Incentive programmes

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'000 705 (2022: DKK'000 4,908). 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.

5 Amortisation/depreciation and impairment of intangible assets and property, plant and equipment		
Amortisation of intangible assets	1,302	1,302
Depreciation of property, plant and equipment	427	485
Impairment of property, plant and equipment	3	0
	<u>1,732</u>	<u>1,787</u>

Financial statements 1 January - 31 December

Notes to the financial statements

DKK'000	2023	2022	
6 Financial income			
Interest receivable, group entities	5,307	697	
Exchange gain	22,132	0	
Other financial income	3	0	
	<u>27,442</u>	<u>697</u>	
7 Financial expenses			
Interest expenses, group entities	6,644	1,685	
Exchange losses	16,084	27,108	
Other financial expenses	602	144	
	<u>23,330</u>	<u>28,937</u>	
8 Tax for the year			
Estimated tax charge for the year	19,194	12,169	
Deferred tax adjustments in the year	464	154	
Tax adjustments, prior years	436	0	
	<u>20,094</u>	<u>12,323</u>	
9 Appropriation of profit			
Recommended appropriation of profit			
Retained earnings	68,521	42,920	
	<u>68,521</u>	<u>42,920</u>	
10 Intangible assets			
DKK'000	Rights	Goodwill	Total
Cost at 1 January 2023	26,816	913,610	940,426
Cost at 31 December 2023	26,816	913,610	940,426
Impairment losses and amortisation at 1 January 2023	23,996	913,610	937,606
Amortisation for the year	1,302	0	1,302
Impairment losses and amortisation at 31 December 2023	25,298	913,610	938,908
Carrying amount at 31 December 2023	<u>1,518</u>	<u>0</u>	<u>1,518</u>
Amortised over	<u>10 years</u>	<u>16 years</u>	

Financial statements 1 January - 31 December

Notes to the financial statements

11 Property, plant and equipment

DKK'000	Fixtures and fittings, other plant and equipment	Leasehold improvements	Total
Cost at 1 January 2023	3,274	1,193	4,467
Additions	959	0	959
Disposals	-1,901	0	-1,901
Cost at 31 December 2023	2,332	1,193	3,525
Impairment losses and depreciation at 1 January 2023	2,868	1,134	4,002
Depreciation	570	23	593
Reversal of accumulated depreciation and impairment of assets disposed	-1,872	0	-1,872
Impairment losses and depreciation at 31 December 2023	1,566	1,157	2,723
Carrying amount at 31 December 2023	766	36	802
Depreciated over	3-10 years	10 years	

12 Investments

DKK'000	Deposits
Cost at 1 January 2023	1,666
Additions	168
Cost at 31 December 2023	1,834
Carrying amount at 31 December 2023	1,834

13 Receivables from group enterprises

The Sandoz group has entered into an agreement on a cash-pool arrangement with the group's bank, where Sandoz AG is the account holder and Sandoz 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 Sandoz group's balance with the bank.

Sandoz 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'000 329,410 (per 31 December 2022: deposit of DKK'000 173,264).

Financial statements 1 January - 31 December

Notes to the financial statements

DKK'000	2023	2022
14 Deferred tax		
Deferred tax at 1 January	-1,248	-1,402
Amounts recognised in the income statement for the year	-5,625	154
Other deferred tax	6,089	0
Deferred tax at 31 December	<u>-784</u>	<u>-1,248</u>
15 Prepayments		
Prepayments include accrual of expenses relating to subsequent financial years, including rent, insurance policies etc.		
16 Share capital		
Analysis of the share capital:		
12,000 shares of DKK 1,000.00 nominal value each	12,000	12,000
	<u>12,000</u>	<u>12,000</u>
No shares carry any special rights.		
17 Other provisions		
The provisions are expected to be payable in:		
0-1 year	238,957	200,887
	<u>238,957</u>	<u>200,887</u>

Other provisions consist of provisions to chargebacks, returns, price changes and other deductions.

18 Payables to group enterprises

The Sandoz group has entered into an agreement on a cash-pool arrangement with the group's bank, where Sandoz AG is the account holder and Sandoz 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 Sandoz group's balance with the bank.

Sandoz 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'000 265,162 (per 31 December 2022: debt of DKK'000 187,388).

Financial statements 1 January - 31 December

Notes to the financial statements

19 Contractual obligations and contingencies, etc.

Other contingent liabilities

Pending litigation

As a consequence of the Group doing business in generic drugs, the Group is currently party to enforcement proceedings and other lawsuits in relation to the right to produce and distribute specific drugs.

The cases to which the Group is party are expected to be pending for several years. Management considers these cases currently and whether any related obligations are to be recognised in the Financial Statements. In Management's opinion, the outcome of these cases will not have any material effect on the financial position of the Group.

Other financial obligations

Other rent liabilities:

DKK'000	2023	2022
Rent liabilities	2,344	1,846

Rent liabilities include a rent obligation with remaining contract terms of 6 months and with a yearly rent on DKK'000 4,688 (2022: 3,691).

Lease obligations

Lease obligations under operating leases. Total future lease payments:

DKK'000	2023	2022
Within 1 year	19	405
Between 1 and 5 years	396	362
	415	767

20 Security and collateral

The Company has not provided any security or other collateral in assets at 31 December 2023.

Financial statements 1 January - 31 December

Notes to the financial statements

21 Related parties

Sandoz A/S' related parties comprise the following:

Parties exercising control

<u>Related party</u>	<u>Domicile</u>	<u>Basis for control</u>
Sandoz Group AG	Suurstoffi 14 6343 Rotkreuz Risch Schweiz	Parent company ultimate parent

Information about consolidated financial statements

<u>Parent</u>	<u>Domicile</u>	<u>Requisitioning of the parent company's consolidated financial statements</u>
Sandoz Group AG	Suurstoffi 14 6343 Rotkreuz Risch Schweiz	https://www.investors.sandoz.com/

Related party transactions

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

DKK'000	<u>2023</u>	<u>2022</u>
Revenue	0	2,237
Production costs	1,810,923	1,702,772
Other operating income	1,760	4,680
Other operating expenses	23,488	53,425
Financial income	5,307	540
Financial expenses	6,644	1,685
Intercompany receivables	330,308	174,282
Intercompany payables	517,775	322,848