

Boehringer Ingelheim Animal Health Denmark A/S

Strødamvej 52
2100 København Ø
Denmark

CVR no. 13 52 69 90

Annual report 2021

The annual report was presented and approved at
the Company's annual general meeting on

31 May 2022

Stefan Reinel
Chairman

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Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Boehringer Ingelheim Animal Health Denmark A/S for the financial year 1 January – 31 December 2021.

The annual report has been 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 2021 and of the results of the Company's operations for the financial year 1 January – 31 December 2021.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters, of the results for the year and of the Company's financial position.

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

København, 31 May 2022
Executive Board:

Niels Berenth From

Board of Directors:

Niko Rodio

Nicolas Charles Dumoulin

Niels Berenth From
Chairman



Independent auditor's report

To the shareholders of **Boehringer Ingelheim Animal Health Denmark A/S**

Opinion

We have audited the financial statements of **Boehringer Ingelheim Animal Health Denmark A/S** for the financial year 1 January – 31 December 2021 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 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.

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 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.



Independent auditor's report

- 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.
- 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 Statements Act. We did not identify any material misstatement of the Management's review.

København, 31 May 2022

KPMG

Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Carsten Nielsen
State Authorised
Public Accountant
mne30212

Boehringer Ingelheim Animal Health Denmark A/S
Annual report 2021
CVR no. 13 52 69 90

Management's review

Company details

Boehringer Ingelheim Animal Health Denmark A/S
Strødamvej 52
2100 København Ø

CVR no.:	13 52 69 90
Established:	1 October 1989
Registered office:	København
Financial year:	1 January – 31 December

Board of Directors

Niko Rodio, chairman
Nicolas Charles Dumoulin
Niels Berenth From

Executive Board

Niels Berenth From

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfærgevej 28
DK-2100 København Ø
CVR no. 25 57 81 98

Management's review

Financial highlights

DKK'000	2021	2020	2019	2018	2017
Key figures					
Revenue	588,519	622,610	596,526	573,663	615,004
Gross profit	111,363	147,651	100,394	109,667	923,046
Ordinary operating profit	33,008	62,897	14,583	18,673	812,466
Profit/loss from financial income and expenses	389	3,161	-7,178	-3,760	-1,984
Profit/loss for the year	25,014	51,166	-21,145	7,630	628,833
Total assets					
Equity	77,103	98,211	46,701	70,462	687,459
Investment in property, plant and equipment	3,588	13,605	7,318	2,236	4,299
Ratios					
Gross margin	18.9%	23.7%	16.8%	19.1%	150.1%
Operating margin	5.6%	10.1%	2.4%	3.3%	131.9%
Return on invested capital	10.3%	28.0%	4.3%	5.8%	267.1%
Current ratio	121.8%	153.2%	111.2%	108.5%	718.2%
Return on equity	28.5%	70.6%	-36.1%	2.0%	175.9%
Solvency ratio	19.8%	34.7%	12.6%	13.2%	86.5%
Average number of full-time employees					
	103	109	112	114	108

Pursuant to section 101(3) of the Danish Financial Statements Act, the Company has omitted to restate comparative figures for the 5th previous financial year in connection with the change of accounting policies.

The financial ratios have been calculated as follows:

Gross margin
$$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$$

Operating margin
$$\frac{\text{Operating profit/loss} \times 100}{\text{Revenue}}$$

Return on invested capital
$$\frac{\text{Operating profit/loss} \times 100}{\text{Average invested capital}}$$

Current ratio
$$\frac{\text{Current assets} \times 100}{\text{Current liabilities}}$$

Return on equity
$$\frac{\text{Profit/loss from ordinary activities after tax} \times 100}{\text{Average equity}}$$

Solvency ratio
$$\frac{\text{Equity ex. non-controlling interests at year end} \times 100}{\text{Total equity and liabilities at year end}}$$

Management's review

Operating review

Principal activities

Boehringer Ingelheim Animal Health Denmark A/S' (BIAHDK) main activity is sale and marketing of veterinary products in the Nordic region. The Company also produces food supplements for animals in a production facility located in Kalundborg (Denmark).

Additionally, the Company is engaged in veterinary clinical development programs and contributes to the overall Research & Development activities of the corporation.

Events after the balance sheet date

No events materially affecting the annual report have occurred.

Development in activities and financial position

The 2021 revenue amounted to DKK 588,519 thousand compared to DKK 622,610 thousand in 2020. Management considers the revenue satisfactory finishing the year slightly above budget, but below 2020. Market demand remained relatively constant resulting in stable market positions for 4 out of 5 primary business segments. Our swine vaccine business was under heavy pressure during 2021 due to general market instability and increase in competitive pressure with new launches and price reductions. The performance of the 4 other segments is further underlined by being achieved in a year with supply constraints, generic launches and discontinuation of products affecting the result.

The Kalundborg site performed as expected in 2021 continuing and adapting production to the constraint and restriction caused by the Covid 19 situation in Denmark. The service level remained high all through 2021.

The BI-AH Global Diagnostics strategy was changed in 2020 from own internal development to having close external collaboration partners specialized in the segment. Due to this strategy change BI AH Svanova has been sold in March 2021 to Indical.

The income statement of the Company for 2021 shows a pre-tax profit of DKK 33,397 thousand. This is a 49,44% variation compared to 2020 where the pre-tax profit was 66,058 thousand DKK.

Outlook

The main strategy for BIAHDK is to continue, through a dedicated specialised teams, to align our market approach to the evolving needs of our primary customers and portfolio opportunities.

Special focus will be on:

- Slowing down the decline in the swine vaccine market
- Utilize a multimedia approach to protecting and growing our broad companion animal portfolio for both Equine and Pets.
- Strengthen our competences in the OTC market to capitalise on the opportunities in different channels in the Nordic markets.
- Promoting a responsible use of antibiotics in livestock and thereby maintaining our strong position in the segment.
- Continued automation and expansion of the Kalundborg plant to ensure reliable cost competitive production.

Management's review

Operating review

Based on the above, we expect a turnover and result in 2022 comparable to the 2021 in operating profit.

Intellectual capital

Intellectual capital resources in BIAHDK are a vital part in improving the value and competitiveness of the organisation. BIAHDK's intellectual/human capital is driven by the knowledge and competencies residing with the Company's employees – our most valuable and relevant resource. This collective know-how is constantly developed with leadership development and training programs as well as proper recruiting of suitable talents. It will remain a key priority for the organisation moving forward (at global, regional and local level).

At Kalundborg, there is a specific know-how on production of boluses for cattle.

Particular risks

Operating risks

With the head office located in Denmark and covering the Nordic region, an inherent risk of exchange rate fluctuation between the Danish and Swedish and the Danish and Norwegian Kroner exists. No measures are in place to mitigate the risk. Parallel import of Pets, PHC and Swine products occurred in 2021 and are foreseen to increase in 2022.

Consolidation of primary business relations continues, increasing the pressure for animal health companies to offer preferential terms. The potential impact is considered in the budgeting process. Diseases such as African Swine Fever (ASF) can on short notice impact the Livestock business. ASF was in 2018 detected in Belgium and in 2020 in Germany. The consequence of it crossing the Danish border will have a significant impact on the Danish swine production and therefore on the BIAH Nordic Livestock business.

Continues pressure on the swine business has been included into the financial plans for 2022, but if the decline is greater an underlying turnover risk is inherent.

European Union New Veterinary Regulation will apply in all member states from the 28th January 2022. The impact on the Nordic veterinary markets cannot yet be fully assessed as the local authority's interpretation of the regulation is not available at this time.

Research and development activities

Research and development follow the primary business purpose of the different sites in BIAHDK:

Kalundborg

R&D for the Kalundborg site is the responsibility of the Head Office in Ingelheim Germany, with only one employee located in the BIAHDK organization specializing in nutritional product development for livestock and companion animals.

BI AH Nordics

BI AH Nordics conducts research and development projects by contributing to activities organised by the Global R&D and Commercial Business teams.

Management's review

Operating review

Corporate social responsibility

Boehringer Ingelheim Animal Health Denmark A/S (BIAHDK) main activity is sale and marketing of veterinary products in the Nordic region. The Company also produces food supplements for animals in a production facility located in Kalundborg (Denmark).

Additionally, the Company is engaged in veterinary clinical development programs and contributes to the overall Research & Development activities of the corporation.

As the company is part of a larger Group, it hasn't deemed material to the business to develop any local specific policy for the following areas:

- Environmental impact
- Climate impact
- Anti-corruption
- Social and Staff matters
- Human rights

However, the company has a strong compliance to Boehringer Ingelheim group policies policy in matters of data protection, anticorruption, anti-discrimination and Human Rights. Initiatives have been put in place in 2020 for sustainability: waste management, introduction of e-cars in car policy. After careful consideration and performed risk assessment we have not identified any material risks to our business model.

Goals and policies for the underrepresented gender

BIAHDK values and respects its employees' differences and actively promotes a diverse, cooperative and open working environment. We are conscious of the fact that the diversity of our markets and customers should be reflected in our workforce. For us, diversity – with focus on e.g. Gender, Geography and Generation – makes the right mix, but it is inclusion which brings out the best results from this mix. We therefore focus on encouraging an inclusive environment where diversity can thrive.

BIAHDK strives – at all times – to achieve (whenever possible in relation to skills) a state of equilibrium between men and women in management, as we are convinced that diversity improves work quality and cooperation in top management through, for example, different approaches to management tasks. BIAHDK believes that the best innovative ideas and results comes out of ensuring equal opportunities and non-discriminating behaviour.

Target figure for the Board of Directors: BIAHDK's target figure for the underrepresented gender (in this case women) on the Board of Directors is set at 1:3. BIAHDK strives to maintain a balanced composition of women and men on the Board of Directors whenever possible in relation to skills. Target is to be achieved by 2024. The current composition is three men. The aspiration is – in case of a vacancy in the Board of Directors – to elect a woman.

Target figure for other management levels: As per 31.12.2021, there were 8 female and 5 male managers, of which 1 man is member of the daily Board of Managers (Local Management Team (LMT)). LMT consists of 1 member from BIAHDK and 4 from sister company Boehringer Ingelheim Denmark A/S (CVR: 14 45 08 07). Disregarding members of the board of managers, the management levels below then consist of 8 female and 4 male managers as per 31.12.2021, giving a distribution of 70/30. Successor planning will always take diversity into consideration whenever possible in relation to competencies. BIAHDK has focus on the equal distribution between genders, not wishing to give one gender any preferential position compared to the other gender in relation to job and career options.

Management's review

Operating review

In 2013/2014, our parent company put Diversity and Inclusion on the agenda. All things considered, this will create more focus on various initiatives to promote equality at the corporation's management levels both globally and locally. In order to reach the above target figures/objectives for more females at management level, the company has since 2013 focused on and implemented a number of initiatives to foster the development and support of female leaders. Since the setting of the 2013/2014 objectives, initiatives like mentor schemes and regional as well as global leadership development programs could be mentioned.

The target figure for the share of female leaders at board level for this year regarding 'a balanced composition of women and men on the board of managers' is not regarded as fulfilled, since all 3 seats are taken by men. The reason for the lack of development is a.o. the absence of changes among these management positions, which naturally limits the development. However, there will continue to be focus on this topic in case of any change of these positions.

Still, the target figure for female leaders on other management levels is satisfactory with a stable development. The (positive) constant development is based on the Company's ongoing focus on the gender distribution in terms of internal activities to maintain and develop existing, female talents, which will also be a focus area in 2022.

Data Ethics

The company has not currently formulated a policy for data ethics. Our collection as well as processing of personal data has only taken place to a limited extent, and therefore we have not assessed that there was a need for a policy to limit any risks. However in the future we will prepare a policy for data ethics

Financial statements 1 January – 31 December

Income statement

DKK'000	Note	2021	2020
Revenue	2	588,519	622,610
Costs of raw materials and consumables		-371,116	-360,250
Other operating income		1,682	359
Other external costs		<u>-107,722</u>	<u>-115,068</u>
Gross profit		111,363	147,651
Staff costs	4	-74,953	-77,665
Depreciation	5	<u>-3,402</u>	<u>-7,089</u>
Profit before financial income and expenses		33,008	62,897
Other financial income	6	807	4,242
Other financial expenses	7	<u>-418</u>	<u>-1,081</u>
Profit before tax		33,397	66,058
Tax on loss for the year	8	<u>-8,383</u>	<u>-14,892</u>
Profit for the year	9	<u><u>25,014</u></u>	<u><u>51,166</u></u>

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	31/12 2021	31/12 2020
ASSETS			
Fixed assets			
Property, plant and equipment			
	10		
Land and buildings		0	1,456
Plant and machinery		14,215	16,057
Fixtures and fittings, tools and equipment		269	1,084
Leasehold improvements		1,376	0
Property, plant and equipment in progress		22,982	19,870
		<u>38,842</u>	<u>38,467</u>
Investments			
	11		
Deposits		1,925	1,923
Total fixed assets		<u>40,767</u>	<u>40,390</u>
Current assets			
Inventories			
Raw materials and consumables		15,165	14,528
Work in progress		2,702	7,900
Finished goods		156,289	126,159
Prepayments for goods		10,854	0
		<u>185,010</u>	<u>148,587</u>
Receivables			
Trade receivables		122,417	55,888
Receivables from group entities		41,070	36,558
Other receivables		376	124
Corporation tax		280	606
Prepayments	12	21	756
		<u>164,164</u>	<u>93,932</u>
Cash at bank and in hand		<u>152</u>	<u>140</u>
Total current assets		<u>349,326</u>	<u>242,659</u>
TOTAL ASSETS		<u><u>390,093</u></u>	<u><u>283,049</u></u>

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	31/12 2021	31/12 2020
EQUITY AND LIABILITIES			
Equity			
Contributed capital	13	2,132	2,132
Retained earnings		74,971	50,079
Proposed dividends for the financial year		0	46,000
Total equity		77,103	98,211
Provisions			
Provisions for deferred tax	13	1,287	1,394
Other provisions	15	25,000	25,000
Total provisions		26,287	26,394
Liabilities other than provisions			
Non-current liabilities other than provisions			
Other payables		0	5,252
Current liabilities other than provisions			
Prepayments received from customers		64	11
Trade payables		29,164	20,885
Payables to group entities		203,370	79,087
Other payables		54,105	53,209
		286,703	153,192
Total liabilities other than provisions		286,703	158,444
TOTAL EQUITY AND LIABILITIES		390,093	283,049
Fees to auditor appointed at the general meeting	3		
Contractual obligations, contingencies, etc.	16		
Currency risk	17		
Related party disclosures	18		

Financial statements 1 January – 31 December

Statement of changes in equity

DKK'000	Contributed capital	Retained earnings	Proposed dividends for the financial year	Total
Equity at 1 January 2021	2,132	50,079	46,000	98,211
Ordinary dividends paid	0	0	-46,000	-46,000
Exchange adjustment	0	-122	0	-122
Transferred over the profit appropriation	0	25,014	0	25,014
Equity at 31 December 2021	2,132	74,971	0	77,103

Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of Boehringer Ingelheim Animal Health Denmark A/S for 2021 has been prepared in accordance with the provisions applying to reporting class C large entities under the Danish Financial Statements Act.

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

Omission of cash flow statement

Pursuant to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared.

Foreign currency translation

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. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

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.

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.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Income statement

Revenue

Revenue from the sale of veterinary products and food supplements for animals are 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.

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

Cost of raw materials and consumables

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

Other operating income

Other operating income comprises items secondary to the activities of the entity.

Other external costs

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

Staff costs

Staff expenses comprise wages and salaries as well as payroll expenses other than production wages.

Depreciation

Depreciation comprise depreciation and impairment of property, plant and equipment.

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 for the year

Tax for the year consists of current tax for the year, changes in deferred tax for the year and adjustment of tax concerning previous years. 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.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Discontinued operations

Discontinued operations constitute a significant part of the Company if activities and cash flows can be separated from the Company's other activities and if, according to an overall plan, they are to be sold, discontinued or abandoned.

Profit/loss after tax on discontinued operations and assets and related liabilities for discontinued operations are recognised as a separate line item without restatement of comparative figures. Principal items are specified in the notes.

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.

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:

Buildings	5 years
Plant and machinery	10 years
Fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	3-10 years

Depreciation period and residual value are reassessed annually.

Land is not depreciated.

Impairment of fixed assets

The carrying amount of property, plant and equipment is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the forecast net cash flows from the use of the asset or the group of assets, including forecast net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Financial fixed assets

Financial fixed assets consists of deposits.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Inventories

Goods for resale and raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

Finished goods and work in progress are measured at cost, comprising the cost of raw materials, consumables, direct wages and salaries and indirect production overheads. Indirect production overheads comprise indirect materials and wages and salaries as well as the maintenance of depreciation of production machinery, buildings and equipment as well as factory administration and management. Borrowing costs are not included in cost.

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account 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 provision for bad debts.

Equity

Treasury shares

Dividends from treasury shares are recognised directly in equity in retained earnings.

Corporation tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for 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.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities based on the planned use of the asset or settlement of the liability. However, deferred tax is not recognised on temporary differences relating to goodwill non-deductible for tax purposes and on office premises and other items where the temporary differences arise at the date of acquisition without affecting either profit/loss or taxable income.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation within the foreseeable future; 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. Any deferred net assets are measured at net realisable value.

Deferred tax is measured in accordance with 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. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement or equity, respectively.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Prepayments

Prepayments comprise prepayment of costs incurred relating to subsequent financial years.

Cash at bank and in hand

Cash at bank and in hand comprise cash in banks.

Provisions

Provisions are recognised when, as a result of past events, the Company has a legal or a constructive obligation, and it is probable that there may be outflow of resources embodying economic benefits to settle the obligation. Provisions are measured at value in use.

Liabilities other than provisions

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

Financial statements 1 January – 31 December

Notes

DKK'000 2021 2020

2 Revenue

Geographical segments

Revenue, Denmark	501,627	509,277
Revenue, Exports	<u>86,892</u>	<u>113,333</u>
	<u>588,519</u>	<u>622,610</u>

Business segments consists of only one segment.

3 Fees to auditor appointed at the general meeting

The fee to the auditor is not disclosed in accordance with the Danish Financial Statement Act section 96(3).

4 Staff costs

Wages and salaries	65,606	67,354
Pensions	5,419	6,199
Other social security costs	<u>3,928</u>	<u>4,112</u>
	<u>74,953</u>	<u>77,665</u>

Average number of full-time employees	<u>103</u>	<u>109</u>
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Remuneration to the Executive Board has not been disclosed in accordance with section 98b (3) of the Danish Financial Statements Act.

5 Depreciation

Depreciation of property, plant and equipment	<u>3,402</u>	<u>7,089</u>
	<u>3,402</u>	<u>7,089</u>

6 Other financial income

Interest income from group entities	36	202
Exchange adjustments	<u>771</u>	<u>4,040</u>
	<u>807</u>	<u>4,242</u>

7 Other financial expenses

Interest expense to group entities	408	1,074
Other financial costs	<u>10</u>	<u>7</u>
	<u>418</u>	<u>1,081</u>

Financial statements 1 January – 31 December

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DKK'000	2021		2020			
8 Tax on profit for the year						
Current tax for the year		8,291		15,354		
Deferred tax for the year		-107		-302		
Adjustment of tax concerning previous years		199		-160		
		<u>8,383</u>		<u>14,892</u>		
9 Proposed profit appropriation						
Proposed dividends for the year		0		46,000		
Retained earnings		<u>25,014</u>		<u>5,166</u>		
		<u>25,014</u>		<u>51,166</u>		
10 Property, plant and equipment						
DKK'000	Land and buildings	Plant and machinery	Fixtures and fittings, tools and equipment	Leasehold improvements	Property, plant and equipment in progress	Total
Cost at 1 January 2021	10,532	51,304	5,877	318	19,870	87,901
Correction to cost at 1 January 2021	-10,055	0	0	10,055	0	0
Additions for the year	0	1,013	165	0	3,588	4,766
Disposals for the year	-477	-520	-2,584	0	0	-3,581
Transfers for the year	0	476	0	0	-476	0
Cost at 31 December 2021	<u>0</u>	<u>52,273</u>	<u>3,458</u>	<u>10,373</u>	<u>22,982</u>	<u>89,086</u>
Depreciation and impairment losses at 1 January 2021	-9,076	-35,247	-4,793	-318	0	-49,434
Correction to depreciation at 1 January 2021	8,642	0	0	-8,642	0	0
Depreciation for the year	0	-3,258	-107	-37	0	-3,402
Reversed depreciation and impairment losses on assets sold	434	447	1,711	0	0	2,592
Depreciation and impairment losses at 31 December 2021	<u>0</u>	<u>-38,058</u>	<u>-3,189</u>	<u>-8,997</u>	<u>0</u>	<u>-50,244</u>
Carrying amount at 31 December 2021	<u>0</u>	<u>14,215</u>	<u>269</u>	<u>1,376</u>	<u>22,982</u>	<u>38,842</u>

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11 Investments

DKK'000	<u>Deposits</u>
Cost at 1 January 2021	1,923
Additions for the year	<u>2</u>
Cost at 31 December 2021	1,925
Carrying amount at 31 December 2021	<u>1,925</u>

12 Prepayments

Prepayments comprise prepayment of costs incurred relating to subsequent financial years.

13 Equity

The share capital consists of 2,132 shares of a nominal value of DKK 1,000 each.

All shares rank equally.

DKK'000	<u>31/12 2021</u>	<u>31/12 2020</u>
14 Provision for deferred tax		
Provision for deferred tax at 1 January	1,394	1,696
Amounts recognised in the income statement for the year	<u>-107</u>	<u>-302</u>
Provision for deferred tax at 31 December	<u>1,287</u>	<u>1,394</u>
15 Other provisions		
Transfer pricing provision	<u>25,000</u>	<u>25,000</u>
	<u>25,000</u>	<u>25,000</u>

16 Contractual obligations, contingencies, etc.

Other contingent liabilities

The Danish group companies are jointly and severally liable for tax on the Group's jointly taxed income as well as for Danish withholding taxes through dividend tax and tax on unearned income. The total amount of tax payables is included in the annual report of Boehringer Ingelheim Danmark A/S which is the administration company in relation to the joint taxation.

The Company has faced a claim regarding a product liability. At the moment, there is no solution in this particular case. Management does not consider the liability to materialise and, hence, no provision has been recognised.

Furthermore, the Company has assumed those for the branch customary repurchase commitments in respect of goods sold.

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DKK'000	<u>31/12 2021</u>	<u>31/12 2020</u>
Operating lease obligations		
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	7,497	9,686
Between 1 and 5 years	25,050	21,642
More than 5 years	<u>4,751</u>	<u>0</u>
	<u><u>37,298</u></u>	<u><u>31,328</u></u>

17 Currency risks

The Company does not use hedging at the local level.

Balances in currencies other than DKK as of 31 December 2021 are as follows:

DKK'000	Receivables from group entities	Trade payables	Payables to group entities	Net position
EUR	0	-1,087	-881	-1,968
SEK	596	-1,765	-6,466	-1,626
NOK	<u>0</u>	<u>-114</u>	<u>0</u>	<u>-114</u>
	<u><u>596</u></u>	<u><u>-2,966</u></u>	<u><u>-7,347</u></u>	<u><u>-3,708</u></u>

18 Related party disclosures

Boehringer Ingelheim Animal Health Denmark A/S' related parties comprise the following:

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Boehringer Ingelheim Animal Health International GmbH, Bingr Str. 173 Ingelheim Am Rhein, 55218 Germany.

Boehringer Ingelheim Animal Health International GmbH holds the majority of the contributed capital in the Company.

Boehringer Ingelheim Animal Health Denmark A/S is part of the consolidated financial statements of Bohringer Ingelheim Aauslandsbeteiligung GmbH, Bingr Str. 173 Ingelheim Am Rhein, which is the smallest and largest group, in which the Company is included as a subsidiary.

The consolidated financial statements of Bohringer Ingelheim Aauslandsbeteiligung GmbH can be obtained by contacting the Company at the above address.

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Related party transactions

DKK'000	<u>2021</u>	<u>2020</u>
Sales of goods to group enterprises	81,700	81,903
Sales of services to group enterprises	9,493	21,073
Purchase of goods from group enterprises	330,530	276,182
Purchase of services from group enterprises	64,500	41,865
Interest income from group enterprises	0	202
Interest expense to group enterprises	332	1,074

Payables and receivables to group entities are disclosed in the balance sheet.