

# Boehringer Ingelheim Animal Health Denmark A/S

Strødamvej 52  
2100 Copenhagen  
Denmark

CVR no. 13 52 69 90

## **Annual report 2019**

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

27 May 2020

Thomas Heinrich  
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 2019.

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 2019 and of the results of the Company's operations for the financial year 1 January – 31 December 2019.

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.

Copenhagen, 27 May 2020  
Executive Board:

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Niels Berenth From

Board of Directors:

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Thomas Heinrich  
Chairman

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Nicolas Charles Dumoulin

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Niels Berenth From



## 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 2019 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 2019 and of the results of the Company's operations for the financial year 1 January – 31 December 2019 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' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

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



## Independent auditor's report

- 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.
  - 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.

Copenhagen, 27 May 2020

**KPMG**

Statsautoriseret Revisionspartnerselskab  
CVR no. 25 57 81 98

Lau Bent Baun  
State Authorised  
Public Accountant  
mne26708

Henrik Kyhnaav  
State Authorised  
Public Accountant  
mne40028

**Boehringer Ingelheim Animal Health Denmark A/S**  
Annual report 2019  
CVR no. 13 52 69 90

## **Management's review**

### **Company details**

Boehringer Ingelheim Animal Health Denmark A/S  
Strødamvej 52  
2100 Copenhagen  
Denmark

CVR no.: 13 52 69 90  
Registered office: Copenhagen  
Financial year: 1 January – 31 December

### **Board of Directors**

Thomas Heinrich, Chairman  
Nicolas Charles Dumoulin  
Niels Berenth From

### **Executive Board**

Niels Berenth From

### **Auditor**

KPMG  
Statsautoriseret Revisionspartnerselskab  
Dampfaergevej 28  
DK-2100 Copenhagen  
Denmark

## Management's review

### Financial highlights

DKK'000	2019	2018	2017	2016	2015
<b>Key figures</b>					
Revenue	596,526	573,663	615,004	0	0
Gross profit	100,394	109,667	923,046	39,000	34,999
Ordinary operating profit	14,583	18,673	812,466	6,430	5,948
Profit/loss from financial income and expenses	-7,178	-3,759	-1,984	-1,060	-854
Profit for the year	-21,145	7,631	628,833	3,876	3,679
<b>Total assets</b>					
Total assets	343,933	350,168	794,596	105,916	57,744
<b>Equity</b>					
Equity	46,701	70,463	687,459	27,603	23,727
Investment in property, plant and equipment	7,318	2,236	4,299	44	256
<b>Ratios</b>					
Gross margin	16.8%	19.1%	150.1%	0.0%	0.0%
Operating margin	2.4%	3.3%	131.9%	0.0%	0.0%
Return on invested capital	0.4%	4.9%	226.6%	24.9%	26.9%
Current ratio	115.0%	114.2%	718.2%	133.5%	165.8%
Return on equity	-36.1%	2.0%	175.9%	15.1%	16.8%
Solvency ratio	12.6%	20.1%	86.5%	26.1%	41.1%
<b>Average number of full-time employees</b>					
Average number of full-time employees	112	114	108	31	31

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

Financial ratios are calculated in accordance with the guidelines "Recommendations & Ratios" issued by the Danish Society of Financial Analysts. 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	$\frac{\text{Operating profit/loss} * 100}{\text{Average invested capital}}$
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). Furthermore, the Company develops, produces and sells veterinary diagnostic products through a branch based in Uppsala (Sweden).

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

Management have, based on COVID-19 and the measurements from the Danish Government, assessed that these do not have an adjusting effect on the financial position as of 31 December 2019. No other events materially affecting the annual report have occurred.

#### Development in activities and financial position

The 2019 revenue amounted to DKK 596,526 thousand compared to DKK 573,663 thousand in 2018. Management considers the revenue satisfactory. Market demand remained relatively constant resulting in stable market positions in all five primary business segments. Supply constraints, devaluation of SEK vs DKK and strong competition negatively affected the solid performance of the business units.

The Kalundborg site performed as expected in 2019. The site is expanding its production and warehousing area by 6.000 m<sup>2</sup> during 2019/2020 to meet increasing demand on the international market. The Svanova branch still needs strengthening of its development output and in market performance. Measures are being instigated to rectify the Svanova performance issues.

The Company's income statement for 2019 shows a deficit of DKK 21,145 thousand as against a profit of DKK 7,631 thousand in 2018. The decline in profitability is a result of DKK 25,000 thousand accrued as expected tax costs related to income year 2017 based on the outcome of a transfer pricing audit 2013 - 2016 where tax adjustment has been paid in administration company CVR: 14 45 07 08 as the AH businesses were a part of the administration company until income year 2016. Equity in the Company's balance sheet at 31 December 2019 amounted to DKK 46,701 thousand compared to DKK 70,463 thousand at 31 December 2018.

Management expects a positive result in profit after tax in 2020 and an operating profit comparable to the result in 2019.



## Management's review

### Operating review

#### Outlook

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

Special focus will be on:

- Maintaining our leading position 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
- Finding long term solutions for the Svanova site

Based on the above, we expect a turnover and result in 2020 comparable to the 2019 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.

The Svanona branch holds specific expertise on development and productions of diagnostic assays for infectious diseases.

#### 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 2019 and could increase in 2020.

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 observed in wild boar 12 km from the German border in 2019.

## Management's review

### Operating review

#### Research and development activities

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

##### **Svanova**

At the Svanova site in Uppsala Sweden, the R&D team is specialising in the development of immunodiagnostic assays for veterinary use with primary focus on combatting infectious diseases in livestock animals.

##### **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**

The business does not have any research and development projects but takes part in the overall clinical development programs contributing to the R&D activities of the corporation.

#### 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). Furthermore, the Company develops, produces and sells veterinary diagnostic products through a branch based in Uppsala (Sweden).

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

The company does not have any local policy for the following areas:

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

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, and our aspiration is to have all management teams as diverse as possible.

## Management's review

### Operating review

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. 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 31.12.2019, there were 2 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 Danmark A/S (CVR: 14 45 08 07). Disregarding members of the board of managers, the management levels below then consist of 6 female and 6 male managers as per 31.12.2019, giving a distribution of 50/50. 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.

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 2020.

The timeframe for meeting our targets is set to be in 2022 at the latest.

### Treasury shares

Treasury shares can be specified as follows:

DKK'000	No.	Nom.	% of contributed capital
Treasury shares acquired during the financial year			0
Treasury shares at 31 December 2019	2499	2,499	54
			2019
Total purchase price			
Total purchase price			625,341

Treasury shares were acquired in 2018.

## Financial statements 1 January – 31 December

### Income statement

DKK'000	Note	2019	2018
<b>Revenue</b>	2	596,526	573,663
Costs of raw materials and consumables		-383,744	-337,367
Other operating income		328	381
Other external costs		-112,716	-127,010
<b>Gross profit</b>		100,394	109,667
Staff costs	3	-78,432	-83,812
Depreciation	4	-7,379	-7,182
<b>Operating profit</b>		14,583	18,673
Financial income		1,523	609
Financial expenses		-8,701	-4,368
<b>Profit before tax</b>		7,405	14,914
Tax on profit for the year	5	-28,550	-7,283
<b>Profit/loss for the year</b>	6	-21,145	7,631

## Financial statements 1 January – 31 December

### Balance sheet

DKK'000	Note	31/12 2019	31/12 2018
<b>ASSETS</b>			
<b>Fixed assets</b>			
<b>Property, plant and equipment</b>	7		
Land and buildings		3,540	3,414
Plant and machinery		20,403	24,976
Fixtures and fittings, tools and equipment		1,279	2,013
Property, plant and equipment in progress		6,729	1,609
		<u>31,951</u>	<u>32,012</u>
<b>Financial fixed assets</b>			
Deposits		859	951
<b>Total fixed assets</b>		<u>32,810</u>	<u>32,963</u>
<b>Current assets</b>			
<b>Inventories</b>			
Raw materials and consumables		13,765	19,509
Work in progress		9,161	8,609
Finished goods and goods for resale		153,874	157,713
Prepayments for goods		4,788	6,624
		<u>181,588</u>	<u>192,455</u>
<b>Receivables</b>			
Trade receivables		128,031	110,494
Other receivables		289	1,361
Corporation tax		297	11,707
Prepayments		778	1,072
		<u>129,395</u>	<u>124,634</u>
<b>Cash at bank and in hand</b>		140	116
<b>Total current assets</b>		<u>311,123</u>	<u>317,205</u>
<b>TOTAL ASSETS</b>		<u>343,933</u>	<u>350,168</u>

## Financial statements 1 January – 31 December

### Balance sheet

DKK'000	Note	31/12 2019	31/12 2018
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Contributed capital	8	4,631	4,631
Retained earnings		42,070	65,832
<b>Total equity</b>		<u>46,701</u>	<u>70,463</u>
<b>Provisions</b>			
Provisions for deferred tax		1,696	1,896
Other provisions	9	25,000	0
<b>Total provisions</b>		<u>26,696</u>	<u>1,896</u>
<b>Liabilities other than provisions</b>			
<b>Current liabilities other than provisions</b>			
Prepayments received from customers		161	209
Trade payables		6,204	11,657
Payables to group entities		203,805	199,998
Other payables		60,366	65,945
		<u>270,536</u>	<u>277,809</u>
<b>Total liabilities other than provisions</b>		<u>270,536</u>	<u>277,809</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>343,933</u></u>	<u><u>350,168</u></u>
<b>Fees to auditor appointed at the general meeting</b>	10		
<b>Contractual obligations, contingencies, etc.</b>	11		
<b>Related party disclosures</b>	12		

## Financial statements 1 January – 31 December

### Statement of changes in equity

DKK'000	Contributed capital	Reserve for purchase of own shares	Retained earnings	Total
Equity at 1 January 2019	2,182	2,449	65,832	70,463
Exchange adjustment	0	0	-262	-262
Transferred over the profit appropriation	0	0	-21,145	-21,145
Dividends paid	0	0	-5,000	-5,000
Dividends on treasury shares	0	0	2,645	2,645
<b>Equity at 31 December 2019</b>	<b>2,182</b>	<b>2,449</b>	<b>42,070</b>	<b>46,701</b>

## Financial statements 1 January – 31 December

### Notes

#### 1 Accounting policies

The annual report of Boehringer Ingelheim Animal Health Denmark A/S for 2019 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.

Comparative figures have been reclassified. Reclassification has had no effect on the profit/loss statement or earnings in current and previous financial years.

#### Omission of cash flow statement

Pursuant to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The Company's cash flows are included in the cash flow statement in the consolidated financial statements of Boehringer Ingelheim Auslandsbeteiligung GmbH.

#### 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 raw materials and consumables comprises 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 costs comprise wages and salaries, including holiday allowance, pension and other social security costs, etc., to the Company's employees, excluding reimbursements from public authorities.

#### Depreciation

Depreciation on Fixed assets.

#### Financial income and expenses

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

## Financial statements 1 January – 31 December

### Notes

#### 1 Accounting policies (continued)

##### Tax on profit 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.

##### 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:

Land and buildings	5 years
Plant and machinery	10 years
Fixtures and fittings, tools and equipment	3-5 years

Depreciation period and residual value are reassessed annually.

##### Financial fixed assets

Financial fixed assets consists of deposits.

##### 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.

## Financial statements 1 January – 31 December

### Notes

#### 1 Accounting policies (continued)

##### 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.

##### 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.

##### 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.

##### Equity

###### *Dividends*

The expected dividends payment for the year is disclosed as a separate item under equity.

## Financial statements 1 January – 31 December

### Notes

#### 1 Accounting policies (continued)

##### Treasury shares

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

##### 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.

DKK'000	2019	2018
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#### 2 Revenue

##### Geographical segments

Revenue, Denmark	487,005	467,224
Revenue, Exports	109,521	106,439
	596,526	573,663

Business segments consists of only one segment.

#### 3 Staff costs

Wages and salaries	67,455	71,778
Pensions	6,230	6,970
Other social security costs	4,747	5,064
	78,432	83,812

Average number of full-time employees	112	114
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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.

#### 4 Depreciation

Depreciation of property, plant and equipment	7,379	7,182
	7,379	7,182

## Financial statements 1 January – 31 December

### Notes

DKK'000			<u>2019</u>	<u>2018</u>		
<b>5 Tax on profit for the year</b>						
Current tax for the year			2,874	4,831		
Deferred tax for the year			-201	-127		
Adjustment of tax concerning previous years			25,877	2,746		
Adjustment of deferred tax concerning previous year			<u>0</u>	<u>-167</u>		
			<u>28,550</u>	<u>7,283</u>		
<b>6 Proposed profit appropriation/distribution of loss</b>						
Retained earnings			<u>-21,145</u>	<u>7,631</u>		
<b>7 Property, plant and equipment</b>						
DKK'000	Land and buildings	Plant and machinery	Fixtures and fittings, tools and equipment	Leasehold improvement s	Property, plant and equipment in progress	Total
Cost at 1 January 2019	8,591	50,940	5,611	318	1,609	67,069
Additions for the year	<u>1,936</u>	<u>172</u>	<u>91</u>	<u>0</u>	<u>5,119</u>	<u>7,318</u>
Cost at 31 December 2019	<u>10,527</u>	<u>51,112</u>	<u>5,702</u>	<u>318</u>	<u>6,728</u>	<u>74,387</u>
Depreciation at 1 January 2019	-5,177	-25,964	-3,598	-318	0	-35,057
Depreciation for the year	<u>-1,809</u>	<u>-4,745</u>	<u>-825</u>	<u>0</u>	<u>0</u>	<u>-7,379</u>
Depreciation at 31 December 2019	<u>-6,986</u>	<u>-30,709</u>	<u>-4,423</u>	<u>-318</u>	<u>0</u>	<u>-42,436</u>
<b>Carrying amount at 31 December 2019</b>	<u>3,541</u>	<u>20,403</u>	<u>1,279</u>	<u>0</u>	<u>6,728</u>	<u>31,951</u>
<b>8 Equity</b>						
The share capital consists of 4,631 shares of a nominal value of DKK 1,000 each. No shares carry any special rights.						
<b>9 Other provisions</b>						
Transfer pricing liabilities			<u>25,000</u>	<u>0</u>		
			<u>25,000</u>	<u>0</u>		
<b>10 Fees to auditor appointed at the general meeting</b>						
The fee to the auditor is not disclosed in accordance with the Danish Financial Statement Act section 96(3).						

## Financial statements 1 January – 31 December

### Notes

#### 11 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.

DKK'000	2019	2018
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##### Operating lease obligations

##### Lease obligations under operating leases. Total future lease payments:

Within 1 year	9,095	8,139
Between 1 and 5 years	26,469	18,011
More than 5 years	12,744	17,195
	48,308	43,345

#### 12 Related party disclosures

##### Control

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

Boehringer Ingelheim Animal Health Denmark A/S holds the majority of the contributed capital in the Company.

##### Related party transactions

Sales of goods to group enterprises	92,436	83,865
Sales of services to group enterprises	6,639	10,858
Purchase of goods from group enterprises	291,024	304,162
Purchase of services from group enterprises	41,723	62,842
Interest income from group enterprises	1,278	274
Interest expense to group enterprises	2,033	458

**Boehringer Ingelheim Animal Health Denmark A/S**  
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## **Financial statements 1 January – 31 December**

### **Notes**

#### **Consolidated financial statements**

The company is a part of the consolidated financial statement of Boehringer Ingelheim Auslandsbeteiligung GmbH, Binger Str. 173 Ingelheim Am Rhein, 55218 Germany.

The consolidated financial statements can be obtained from the Group's website at:  
[www.boehringeringelheim.com/annual-results-press-conference](http://www.boehringeringelheim.com/annual-results-press-conference)