

Boehringer Ingelheim Animal Health Denmark A/S

Strødamvej 52
DK-2100 Copenhagen

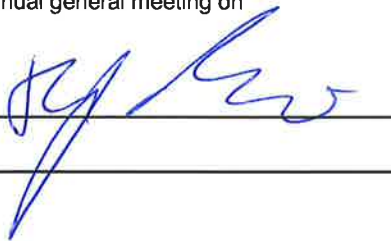
CVR no. 13 52 69 90

Annual report 2020

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

10 June 2021

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 2020.

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 2020 and of the results of the Company's operations for the financial year 1 January – 31 December 2020.

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, 10 June 2021
Executive Board:

DocuSigned by:
Niels From
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Niels Berenth From

Board of Directors:

DocuSigned by:
Thomas Heinrich
D17876947343443...
Thomas Heinrich
Chairman

DocuSigned by:
Nicolas Dumoulin
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Nicolas Charles Dumoulin

DocuSigned by:
Niels From
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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 2020 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 2020 and of the results of the Company's operations for the financial year 1 January – 31 December 2020 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.



Independent auditor's report

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.
- 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.



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Independent auditor's report

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, 10 June 2021

KPMG

Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

A handwritten signature in blue ink, appearing to read 'Lau Bent Baun'.

Lau Bent Baun
State Authorised
Public Accountant
mne26708

A handwritten signature in blue ink, appearing to read 'Carsten Nielsen'.

Carsten Nielsen
State Authorised
Public Accountant
mne30212

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Management's review

Company details

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

CVR no.:	13 52 69 90
Established:	1 October 1989
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
Dampfærgevej 28
DK-2100 København Ø

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Management's review

Financial highlights

DKK'000	2020	2019	2018	2017	2016
Key figures					
Revenue	622,610	596,526	573,663	615,004	0
Gross profit	147,651	100,394	109,667	923,046	39,000
Ordinary operating profit	62,897	14,583	18,673	812,466	6,430
Profit/loss from financial income and expenses	3,161	-7,178	-3,760	-1,984	-1,060
Profit/loss for the year	51,166	-21,145	7,630	628,833	3,876
Assets					
Total assets	283,049	436,011	534,635	794,596	105,916
Equity	98,211	46,701	70,462	687,459	27,603
Investment in property, plant and equipment	13,605	7,318	2,236	4,299	44
Ratios					
Gross margin	23.7%	16.8%	19.1%	150.1%	0.0%
Operating margin	10.1%	2.4%	3.3%	131.9%	0.0%
Return on invested capital	1.0%	0.4%	4.9%	226.6%	24.9%
Current ratio	153.2%	111.2%	108.5%	718.2%	133.5%
Return on equity	70.6%	-36.1%	2.0%	175.9%	15.1%
Solvency ratio	34.7%	12.6%	13.2%	86.5%	26.1%
Employees					
Average number of full-time employees	109	112	114	108	31

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

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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

No events materially affecting the annual report have occurred.

Development in activities and financial position

The 2020 revenue amounted to DKK 622,610 thousand compared to DKK 596,526 thousand in 2019. Management considers the revenue satisfactory. Market demand remained relatively constant resulting in stable market positions. The strong performance is further underlined by it being achieved in a year with supply constraints, devaluation of SEK and NOK vs DKK and increasingly strong competition negatively affecting the result of the business units.

The Kalundborg site performed as expected in 2020 continuing and adapting production to the constraint and restriction caused by the Covid 19 situation in Denmark. The site is expanding its production and warehousing area by 6.000 m² during 2020 to meet increasing demand on the international market.

The BI-AH Global Diagnostics strategy was changed in 2020 from own internal development to having close external collaboration partners specialized in the segment. Because of this strategy change a project has been initiated in 2020 that resulted in the sale of BI-AH SVANOVA assets as per 1st of April 2021. While the financial impact of the deal itself was not significant, the divestment of this loss making business is expected to have a positive effect on the Net Income of the company of approx. DKK 3 mill. in 2021. Also, we will be able to have a greater focus on our core activities in the future

The Company's income statement for 2020 shows a profit of 51,166 thousands against last years (2019) deficit of DKK 21,145 thousand, which was driven by a one-time special effect. This reflects the expected return to a target operating profit after comparable to the result in 2018.

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 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 Over The Counter 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

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Operating review

— 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 2021 comparable to the 2020 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 Svanova 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, Pet Health Care and Swine products occurred in 2020 and could increase in 2021.

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 as a consequence on the BIAH Nordic Livestock business.

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.

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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.

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 policy in matters of data protection, anticorruption, anti-discrimination. 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, and our aspiration is to have all management teams as diverse as possible.

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 December 2020, 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 4 male managers as per 31 December 2020, giving a distribution of 60/40. 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.

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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 2021.

Treasury shares

Treasury shares can be specified as follows:

DKK'000	<u>No.</u>	<u>Nom.</u>	<u>% of contributed capital</u>
Treasury shares at 31 December 2019	<u>2,499</u>	<u>2,499</u>	<u>54</u>
			<u>2020</u>
Total purchase price			<u>625,341</u>

Treasury shares were acquired in 2018 and treasury shares were cancelled during the year ended 31 December 2020.

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Income statement

DKK'000	Note	2020	2019
Revenue	2	622,610	596,526
Costs of raw materials and consumables		-360,250	-383,744
Other operating income		359	328
Other external costs		<u>-115,068</u>	<u>-112,716</u>
Gross profit		147,651	100,394
Staff costs	3	-77,665	-78,432
Depreciation	4	<u>-7,089</u>	<u>-7,379</u>
Operating profit		62,897	14,583
Financial income	5	4,242	1,278
Financial expenses	6	<u>-1,081</u>	<u>-8,456</u>
Profit before tax		66,058	7,405
Tax on profit for the year	7	<u>-14,892</u>	<u>-28,550</u>
Profit/loss for the year	8	<u><u>51,166</u></u>	<u><u>-21,145</u></u>

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Balance sheet

DKK'000	Note	2020	2019
ASSETS			
Fixed assets			
Property, plant and equipment			
	9		
Land and buildings		1,456	3,540
Plant and machinery		16,057	20,403
Fixtures and fittings, tools and equipment		1,084	1,279
Property, plant and equipment in progress		19,870	6,729
		<u>38,467</u>	<u>31,951</u>
Investments			
Deposits		1,923	859
Total fixed assets		<u>40,390</u>	<u>32,810</u>
Current assets			
Inventories			
Raw materials and consumables		14,528	13,765
Work in progress		7,900	9,161
Finished goods		126,159	153,874
Prepayments for goods		0	4,788
		<u>148,587</u>	<u>181,588</u>
Receivables			
Trade receivables		55,888	127,353
Receivables from group entities		36,558	92,078
Other receivables		124	967
Corporation tax		606	297
Prepayments	10	756	778
		<u>93,932</u>	<u>221,473</u>
Cash at bank and in hand		<u>140</u>	<u>140</u>
Total current assets		<u>242,659</u>	<u>403,201</u>
TOTAL ASSETS		<u><u>283,049</u></u>	<u><u>436,011</u></u>

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Balance sheet

DKK'000	Note	2020	2019
EQUITY AND LIABILITIES			
Equity			
Contributed capital	11	2,132	4,631
Reserve for purchase of own shares		0	-2,499
Retained earnings		50,079	44,569
Proposed dividends for the financial year		46,000	0
Total equity		98,211	46,701
Provisions			
Provisions for deferred tax	12	1,394	1,696
Other provisions	13	25,000	25,000
Total provisions		26,394	26,696
Liabilities other than provisions			
Non-current liabilities other than provisions			
Other payables		5,252	1,863
Current liabilities other than provisions			
Prepayments received from customers		11	161
Trade payables		20,885	6,204
Payables to group entities		79,087	295,883
Other payables		53,209	58,503
		153,192	360,751
Total liabilities other than provisions		158,444	362,614
TOTAL EQUITY AND LIABILITIES		283,049	436,011
Fees to auditor appointed at the general meeting	14		
Contractual obligations, contingencies, etc.	15		
Related party disclosures	17		

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Statement of changes in equity

DKK'000	Contributed capital	Reserve for purchase of own shares	Retained earnings	Proposed dividends for the financial year	Total
Equity at 1 January 2020	4,631	-2,499	44,569	0	46,701
Exchange adjustment	0	0	344	0	344
Cancellation of own shares	-2,499	2,499	0	0	0
Transferred over the profit appropriation	0	0	5,166	46,000	51,166
Equity at 31 December 2020	2,132	0	50,079	46,000	98,211

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1 Accounting policies

The annual report of Boehringer Ingelheim Animal Health Denmark A/S for 2020 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.

Few reclassifications have been made in the comparison figures to comply with the current year presentation.

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.

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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.

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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

Depreciation period and residual value are reassessed annually.

Land is not depreciated.

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.

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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.

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.

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.

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1 Accounting policies (continued)

Liabilities other than provisions

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

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DKK'000 2020 2019

2 Revenue

Geographical segments

Revenue, Denmark	509,277	487,005
Revenue, Exports	<u>113,333</u>	<u>109,521</u>
	<u>622,610</u>	<u>596,526</u>

Business segments consists of only one segment.

3 Staff costs

Wages and salaries	67,354	67,455
Pensions	6,199	6,230
Other social security costs	<u>4,112</u>	<u>4,747</u>
	<u>77,665</u>	<u>78,432</u>

Average number of full-time employees	<u>109</u>	<u>112</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.

4 Depreciation

Depreciation of property, plant and equipment	<u>7,089</u>	<u>7,379</u>
	<u>7,089</u>	<u>7,379</u>

5 Financial income

Interest income from group entities	202	1,278
Exchange adjustments	<u>4,040</u>	<u>0</u>
	<u>4,242</u>	<u>1,278</u>

6 Financial expenses

Interest expense to group entities	1,074	2,033
Other financial costs	7	85
Exchange adjustments costs	<u>0</u>	<u>6,338</u>
	<u>1,081</u>	<u>8,456</u>

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DKK'000			<u>2020</u>	<u>2019</u>		
7	Tax on profit for the year					
	Current tax for the year		15,354	2,874		
	Deferred tax for the year		-302	-200		
	Adjustment of tax concerning previous years		-160	25,876		
			<u>14,892</u>	<u>28,550</u>		
8	Proposed profit appropriation/distribution of loss					
	Proposed dividends for the year		46,000	0		
	Retained earnings		5,166	-21,145		
			<u>51,166</u>	<u>-21,145</u>		
9	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 2020	10,527	51,112	5,702	318	6,728	74,387
Additions for the year	0	0	285	0	13,320	13,605
Disposals for the year	0	0	-91	0	0	-91
Transfers for the year	5	192	-19	0	-178	0
Cost at 31 December 2020	<u>10,532</u>	<u>51,304</u>	<u>5,877</u>	<u>318</u>	<u>19,870</u>	<u>87,901</u>
Depreciation at 1 January 2020	-6,986	-30,709	-4,423	-318	0	-42,436
Depreciation for the year	-2,084	-4,527	-478	0	0	-7,089
Transfer for the year	-6	-11	17	0	0	0
Reversed depreciation and impairment losses on assets sold	0	0	91	0	0	91
Depreciation at 31 December 2020	<u>-9,076</u>	<u>-35,247</u>	<u>-4,793</u>	<u>-318</u>	<u>0</u>	<u>-49,434</u>
Carrying amount at 31 December 2020	<u>1,456</u>	<u>16,057</u>	<u>1,084</u>	<u>0</u>	<u>19,870</u>	<u>38,467</u>
10	Prepayments					
	Prepayments comprise prepayment of costs incurred relating to subsequent financial years.					

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11 Equity

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

During the year 2,449 of own shares were canceled.

All shares rank equally.

DKK'000	2020	2019
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12 Provision for deferred tax

Provision for deferred tax at 1 January	1,696	1,896
Amounts recognised in the income statement for the year	-302	-200
Provision for deferred tax at 31 December	1,394	1,696

13 Other provisions

Transfer pricing provision	25,000	25,000
	25,000	25,000

14 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).

15 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.

Operating lease obligations

Lease obligations under operating leases. Total future lease payments:

Within 1 year	9,686	9,095
Between 1 and 5 years	21,642	26,469
	31,328	35,564

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16 Currency risks

The Company does not use hedging at the local level.

Balances in currencies other than DKK as of 31 December 2020 are as follows:

DKK'000	Trade receivables	Receivables from group entities	Trade payables	Payables to group entities	Net position
EUR	3,380	4,645	-3,290	0	4,735
SEK	14,198	17,918	-152	-5,500	26,464
NOK	4,501	5,624	-10	0	10,115
NZD	0	0	-451	0	-451
USD	137	14	0	0	151
	<u>22,216</u>	<u>28,201</u>	<u>-3,903</u>	<u>-5,500</u>	<u>41,014</u>

17 Related party disclosures

Control

Boehringer Ingelheim Animal Health Denmark A/S is part of the consolidated financial statements of Boehringer Ingelheim Aauslandsbeteiligung GmbH, Bingr Str. 173 Ingelheim Am Rhein, 55218 Germany, which is the smallest and largest group in which the Company is included as a subsidiary.

The consolidated financial statements of Boehringer Ingelheim Auslandsneteiligung GmbH can be obtained from the Group's website at: www.boehringeringelheim.com/annual-results-press-conference

Related party transactions

DKK'000	2020
Sales of goods to group enterprises	81,903
Sales of services to group enterprises	21,073
Purchase of goods from group enterprises	276,182
Purchase of services from group enterprises	41,865
Interest income from group enterprises	202
Interest expense to group enterprises	1,074

Payables and receivables to group entities are disclosed on the face of the balance sheet.