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# ***Boehringer Ingelheim Danmark A/S***

Strødamvej 52, DK-2100 København Ø

## **Annual Report for 2017**

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CVR No 14 45 08 07

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
04/06 2018

Stefan Reinel  
Chairman



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# Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Boehringer Ingelheim Danmark A/S for the financial year 1 January - 31 December 2017.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2017 of the Company and of the results of the Company operations for 2017.

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

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

København, 4 June 2018

## Executive Board

Nedim Pipic  
CEO

Jesper Peulicke  
CFO

## Board of Directors

Stefan Reinell  
Chairman

Heribert Lorenz Eckert

Stefan Helmut Kilian

# Independent Auditor's Report

To the Shareholder of Boehringer Ingelheim Danmark A/S

## Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2017 and of the results of the Company's operations for the financial year 1 January - 31 December 2017 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Boehringer Ingelheim Danmark A/S for the financial year 1 January - 31 December 2017, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' 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 requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

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

## Management's responsibilities for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

# Independent Auditor's Report

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 about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- 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.

# Independent Auditor's Report

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Hellerup, 4 June 2018

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

*CVR No 33 77 12 31*

Jan Wright  
State Authorised Public Accountant  
mne10053

Thomas Lauritsen  
State Authorised Public Accountant  
mne34342

## Company Information

### **The Company**

Boehringer Ingelheim Danmark A/S  
Strødamvej 52  
DK-2100 København Ø

CVR No: 14 45 08 07

Financial period: 1 January - 31 December

Incorporated: 1 August 1990

Financial year: 27th financial year

Municipality of reg. office: Copenhagen

### **Board of Directors**

Stefan Reinel, Chairman  
Heribert Lorenz Eckert  
Stefan Helmut Kilian

### **Executive Board**

Nedim Pipic  
Jesper Peulicke

### **Auditors**

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
Strandvejen 44  
DK-2900 Hellerup

## Financial Highlights

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

	2017 TDKK	2016 TDKK	2015 TDKK	2014 TDKK	2013 TDKK
<b>Key figures</b>					
<b>Profit/loss</b>					
Revenue	325,630	770,374	771,447	731,952	727,847
Gross profit/loss	81,319	183,660	204,883	210,574	228,086
Profit/loss before financial income and expenses	10,170	30,209	56,678	63,713	84,032
Net financials	1,554	2,490	526	1,402	-3,202
Net profit/loss for the year	10,113	22,119	43,864	45,175	57,257
<b>Balance sheet</b>					
Balance sheet total	120,600	363,458	366,012	299,377	303,415
Equity	31,383	85,060	104,285	109,328	121,410
Investment in property, plant and equipment	0	5,627	18,769	13,586	5,506
Number of employees	92	171	177	177	172
<b>Ratios</b>					
Gross margin	25.0%	23.8%	26.6%	28.8%	31.3%
Profit margin	3.1%	3.9%	7.3%	8.7%	11.5%
Return on assets	8.4%	8.3%	15.5%	21.3%	27.7%
Solvency ratio	26.0%	23.4%	28.5%	36.5%	40.0%
Return on equity	17.4%	23.4%	41.1%	39.2%	47.0%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

Comparative figures 2013-2016 are not adjusted after the demerger of Boehringer Ingelheim Danmark A/S' Animal Health activities into Boehringer Ingelheim Animal Health Denmark A/S in 2017.



# Management's Review

## Key activities

The company's main activities are sales and marketing of Human Pharmaceuticals (HP) in Denmark.

The company has no own research projects within human pharmaceuticals. Overall, the company is engaged significantly in clinical development programs and contributes to the overall R&D activities of the corporation.

## Significant events during the year

Until the end of 2016 preparations have been done for a 2017 carve-out of the BI Consumer Healthcare (CHC) portfolio as part of a Corporate agreement with the French Pharmaceutical company Sanofi. In return Sanofi's AH branch Merial would be integrated into BI Animal Health (AH).

The CHC carve-out has had limited impact at local level due to limited CHC product range. The integration of the Merial AH business into BI AH Nordics was a large task on top of the daily operations in 2017. From January 2017 the two AH businesses have been operating out of the office in Copenhagen and a full integration of the businesses occurred during the year.

As a consequence of the above and following Global guidance, in 2017 the company legal setup has been changed to a split into 2 separate legal entities:

- Boehringer Ingelheim Danmark A/S (including HP business)
- Boehringer Ingelheim Animal Health Denmark A/S (incorporation of BI AH Nordics business into existing Merial legal entity incl. a renaming of that entity).

Therefore, the Company's AH activities have been demerged into Boehringer Ingelheim Animal Health Denmark A/S using the pooling of interest method (net book values) with accounting effect 1 January 2017. The net effect of the demerger is recognised directly on the Equity in an amount of TDKK 41,671.

The comparatives have not been restated.

## Result for the year

The income statement of the Company for 2017 shows a profit of TDKK 10,113, and at 31 December 2017 the balance sheet of the Company shows equity of TDKK 31,383.

Actual net sales 2017 in HP division amounted to TDKK 325,630, close to the level of the previous year (HP sales separated in 2017 report as now in separate legal entity). Hence, the development has been satisfactory in view of the current financial situation.

In the Human Pharma division, the sales development in 2017 was below 2016 (-2%) mainly due to Spiriva® (generic expiry) and Pradaxa® (negative guideline impact), but the launched therapies Spiolto® and Ofev® as well as strong growth of the diabetes portfolio (Jardiance® and Trajenta®) have

# Management's Review

been very promising.

Again in 2017, we noted a strong parallel import (PI) of our Human Pharma products (PI almost 10% of total Net Sales incl. PI loss) mainly from other EU countries.

## **The past year and follow-up on development expectations from last year**

The management considers the results of the year as satisfactory with the 2017 target met (as set in 2016).

## ***Special risks - operating risks and financial risks***

The main risk continues to be the high level of parallel import of Human Pharma division's products, which represents the biggest uncertainty in the assessment of the sales development. This depends on the development of the European price levels, where government-dictated price reductions are part of the agenda in a number of European countries.

## **The future**

The main strategy for BI HP business in Denmark is to continue healthy portfolio management and to provide additional patient benefit with our new products, for which we have received approval over the past years. Special focus on:

- Expanding market leadership within diabetes with Jardiance® (launched Juli 2014) and further growing the rest of BI's diabetes portfolio
- Maintaining leadership in the respiratory market by maintaining Spiriva® Respimat performance, reaching in-class leadership with Spiolto® Respimat in COPD (launched Q3 2015) and offering treatment to IPF patients with Ofev® (launched Q1 2015) in the area of rare diseases
- Continuing to be an innovation leader in stroke prevention with Pradaxa®/Praxbind®

Based on the above, we expect a turnover and result in 2018 in line with or slightly above 2017.

## **Research and development**

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

## **External environment**

The main activities of the company are sales and marketing of Human Pharmaceuticals (HP) in Denmark, which we do not consider having a significant impact on external environment.

# Management's Review

## Intellectual capital resources

Intellectual capital resources in BIDK are a vital part in improving the value and competitiveness of the organization. BIDK'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 organization moving forward (at global, regional and local level).

## Statement of corporate social responsibility acc. section 99a of the Danish Financial Statements Act

The company is only limitedly influenced by the surrounding environment. Any unsaleable pharmaceutical products are sent for destruction with a competent and authorized company. Any excess packaging material etc. is to the extent possible sorted and recirculated – in agreement with the very strict rules in this area.

Ongoing efforts are made to ensure a good working environment for the employees of the company. It is an integrated part of the recruitment strategy and applies to all employee groups of the company. For further information on CSR, we refer to the Annual Report 2017 of the parent company in which a detailed description is presented. The company complies with the corporate guidelines on CSR. The Annual Report is available at <http://annualreport.boehringer-ingelheim.com>.

## Statement on gender composition acc. section 99b of the Danish Financial Statements Act

Boehringer Ingelheim Danmark A/S (BIDK) 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 this kind of diversity can thrive.

BIDK strives – at all times – to achieve (whenever possible in relation to competencies) a state of equilibrium between men and women in top management, as we are convinced that diversity improves work quality and cooperation in top management through, for example, different approaches to management tasks.

Target figure for the Board of Directors: BIDK's target figure for the underrepresented gender (in this case women) on the Board of Directors is set at a minimum of 1:3. BIDK strives to maintain a balanced composition of women and men on the Board of Directors whenever possible in relation to competencies. The target was set at the end of 2013 and endeavours will be made to reach the target during the current account period.

Target figure for other management levels: As per 31.12.2017 there were 9 female and 5 male managers, of which 2 women and 3 men are members of the daily Board of Managers, giving a distribution of 40/60

## **Management's Review**

for the board of managers. Disregarding members of the board of managers, the other management levels then consist of 7 female and 2 male managers as per 31.12.2017, giving a distribution of 78/22. We will not establish any specific equality policy to increase the share of the underrepresented gender on the Board of Directors in BIDK or other management levels, as the present distribution is considered equal gender distribution. Successor planning for daily Board of Managers will always take diversity into consideration whenever possible in relation to competencies.

BIDK 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 highly 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 2018.

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

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

### **Unusual events**

No unusual event occurred during the year, except the Company's Animal Health activities were demerged into Boehringer Ingelheim Animal Health Denmark A/S.

### **Subsequent events**

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

## Income Statement 1 January - 31 December

	Note	2017 TDKK	2016 TDKK
<b>Revenue</b>	1	<b>325,630</b>	<b>770,374</b>
Other operating income	2	32,402	51,117
Expenses for raw materials and consumables		-195,109	-457,397
Other external expenses		-81,604	-180,434
<b>Gross profit/loss</b>		<b>81,319</b>	<b>183,660</b>
Staff expenses	3	-70,368	-145,852
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	4	-781	-7,599
<b>Profit/loss before financial income and expenses</b>		<b>10,170</b>	<b>30,209</b>
Financial income	5	2,236	3,833
Financial expenses	6	-682	-1,343
<b>Profit/loss before tax</b>		<b>11,724</b>	<b>32,699</b>
Tax on profit/loss for the year	7	-1,611	-10,580
<b>Net profit/loss for the year</b>		<b>10,113</b>	<b>22,119</b>

# Balance Sheet 31 December

## Assets

	Note	2017 TDKK	2016 TDKK
Goodwill		0	0
<b>Intangible assets</b>	8	<b>0</b>	<b>0</b>
Land and buildings		127	7,006
Plant and machinery		0	29,025
Other fixtures and fittings, tools and equipment		418	3,173
Leasehold improvements		29	175
Property, plant and equipment in progress		0	1,533
<b>Property, plant and equipment</b>	9	<b>574</b>	<b>40,912</b>
Other receivables		2,097	2,921
<b>Fixed asset investments</b>	10	<b>2,097</b>	<b>2,921</b>
<b>Fixed assets</b>		<b>2,671</b>	<b>43,833</b>
<b>Inventories</b>	11	<b>46,000</b>	<b>150,367</b>
Trade receivables		34,288	109,705
Receivables from group enterprises		35,033	51,379
Other receivables		584	1,467
Deferred tax asset	12	192	0
Corporation tax		0	5,414
Prepayments		1,782	1,148
<b>Receivables</b>		<b>71,879</b>	<b>169,113</b>
<b>Cash at bank and in hand</b>		<b>50</b>	<b>145</b>
<b>Currents assets</b>		<b>117,929</b>	<b>319,625</b>
<b>Assets</b>		<b>120,600</b>	<b>363,458</b>

# Balance Sheet 31 December

## Liabilities and equity

	Note	2017 TDKK	2016 TDKK
Share capital		6,000	6,000
Retained earnings		15,270	56,941
Proposed dividend for the year		10,113	22,119
<b>Equity</b>	13	<b>31,383</b>	<b>85,060</b>
Provision for deferred tax	12	0	2,349
<b>Provisions</b>		<b>0</b>	<b>2,349</b>
Prepayments received from customers		0	99
Trade payables		4,714	17,779
Payables to group enterprises		49,555	191,112
Corporation tax		4,500	0
Other payables		30,448	67,059
<b>Short-term debt</b>		<b>89,217</b>	<b>276,049</b>
<b>Debt</b>		<b>89,217</b>	<b>276,049</b>
<b>Liabilities and equity</b>		<b>120,600</b>	<b>363,458</b>
Distribution of profit	14		
Contingent assets, liabilities and other financial obligations	15		
Related parties	16		
Fee to auditors appointed at the general meeting	17		
Accounting Policies	18		

## Statement of Changes in Equity

	Share capital	Retained	Proposed	Total
	TDKK	earnings	dividend for the	TDKK
	TDKK	TDKK	year	TDKK
	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	6,000	56,941	22,119	85,060
Net effect from demerger and business sale under the uniting of interests method	0	-41,671	0	-41,671
Adjusted equity at 1 January	6,000	15,270	22,119	43,389
Ordinary dividend paid	0	0	-22,119	-22,119
Net profit/loss for the year	0	0	10,113	10,113
<b>Equity at 31 December</b>	<b>6,000</b>	<b>15,270</b>	<b>10,113</b>	<b>31,383</b>

The net effect from demerger and business sale under the pooling of interests method is related to the demerger of Boehringer Ingelheim Danmark A/S' Animal Health activities into Boehringer Ingelheim Animal Health Denmark A/S as of 1 January 2018 with accounting effect from 1 January 2017.



# Notes to the Financial Statements

	2017 <u>TDKK</u>	2016 <u>TDKK</u>
<b>1 Revenue</b>		
<b>Geographical segments</b>		
Revenue, Denmark	317,298	522,671
Revenue, exports	<u>8,332</u>	<u>247,703</u>
	<b><u>325,630</u></b>	<b><u>770,374</u></b>
<b>Business segments</b>		
Human Pharma	325,630	331,664
Animal Health	<u>0</u>	<u>438,710</u>
	<b><u>325,630</u></b>	<b><u>770,374</u></b>
<b>2 Other operating income</b>		
The items mainly consist of income incurred in connection with clinical tests carried out for the Boehringer Ingelheim group.		
Other income	<u>32,402</u>	<u>51,117</u>
	<b><u>32,402</u></b>	<b><u>51,117</u></b>
<b>3 Staff expenses</b>		
Wages and salaries	64,665	127,587
Pensions	4,832	11,642
Other social security expenses	<u>871</u>	<u>6,623</u>
	<b><u>70,368</u></b>	<b><u>145,852</u></b>
Including remuneration to the Executive Board of:		
Executive Board	<u>4,052</u>	<u>4,439</u>
	<b><u>4,052</u></b>	<b><u>4,439</u></b>
<b>Average number of employees</b>	<u>92</u>	<u>171</u>

## Notes to the Financial Statements

	2017 TDKK	2016 TDKK
<b>4 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment</b>		
Depreciation of property, plant and equipment	781	7,599
	<b>781</b>	<b>7,599</b>
Which is specified as follows:		
Buildings	29	1,747
Plant and machinery	8	4,488
Other fixtures and fittings, tools and equipment	689	1,231
Leasehold improvements	55	133
	<b>781</b>	<b>7,599</b>
<b>5 Financial income</b>		
Interest received from group enterprises	343	216
Exchange gains	1,893	3,617
	<b>2,236</b>	<b>3,833</b>
<b>6 Financial expenses</b>		
Interest paid to group enterprises	611	1,059
Other financial expenses	64	284
Exchange loss	7	0
	<b>682</b>	<b>1,343</b>
<b>7 Tax on profit/loss for the year</b>		
Current tax for the year	2,842	9,435
Deferred tax for the year	-39	102
Adjustment of tax concerning previous years	59	102
Adjustment of deferred tax concerning previous years	-1,251	941
	<b>1,611</b>	<b>10,580</b>

# Notes to the Financial Statements

## 8 Intangible assets

	Goodwill TDKK
Cost at 1 January	1,632
Net effect from demerger and business sale	-1,632
Cost at 31 December	0
Impairment losses and amortisation at 1 January	1,632
Reversal of amortisation of disposals for the year	-1,632
Impairment losses and amortisation at 31 December	0
<b>Carrying amount at 31 December</b>	<b>0</b>
Amortised over	3 years

## 9 Property, plant and equipment

	Land and buildings TDKK	Plant and machinery TDKK	Other fixtures and fittings, tools and equipment TDKK	Leasehold improvements TDKK	Property, plant and equipment in progress TDKK
Cost at 1 January	9,068	45,720	9,533	4,529	1,533
Net effect from demerger and business sale	-8,591	-45,679	-4,412	-318	-1,533
Disposals for the year	0	0	-665	0	0
Cost at 31 December	477	41	4,456	4,211	0
Impairment losses and depreciation at 1 January	2,062	16,695	6,360	4,354	0
Depreciation for the year	29	8	689	55	0
Reversal of impairment and depreciation of sold assets	-1,741	-16,608	-3,065	-227	0
Transfers for the year	0	-54	54	0	0
Impairment losses and depreciation at 31 December	350	41	4,038	4,182	0
<b>Carrying amount at 31 December</b>	<b>127</b>	<b>0</b>	<b>418</b>	<b>29</b>	<b>0</b>
Depreciated over	20 years	10 years	3-5 years	3-10 years	

# Notes to the Financial Statements

## 10 Fixed asset investments

	Other receiv- ables <u>TDKK</u>
Cost at 1 January	2,921
Net effect from demerger and business sale	-875
Additions for the year	<u>51</u>
Cost at 31 December	<u>2,097</u>
<b>Carrying amount at 31 December</b>	<b><u>2,097</u></b>

## 11 Inventories

	<u>2017</u> TDKK	<u>2016</u> TDKK
Raw materials and consumables	0	16,427
Finished goods and goods for resale	<u>46,000</u>	<u>133,940</u>
	<b><u>46,000</u></b>	<b><u>150,367</u></b>

## 12 Deferred tax asset

Deferred tax asset at 1 January	-2,349	-325
Amounts recognised in the income statement for the year	1,290	-2,024
Amounts recognised in equity for the year	<u>1,251</u>	<u>0</u>
<b>Deferred tax asset at 31 December</b>	<b><u>192</u></b>	<b><u>-2,349</u></b>

Amount recognised in equity is due to the demerger of Boehringer Ingelheim Danmark A/S' Animal Health activities into Boehringer Ingelheim Animal Health Denmark A/S as of 1 January 2017.

The recognised tax asset comprises temporary differences due to different treatment of certain assets and provision for accounting and tax purposes. There are no special assumptions for the use of the deferred tax asset.

## 13 Equity

The share capital consists of 60 shares of a nominal value of TDKK 100,000. No shares carry any special rights.

## Notes to the Financial Statements

	2017 TDKK	2016 TDKK
<b>14 Distribution of profit</b>		
Proposed dividend for the year	10,113	22,119
	<b>10,113</b>	<b>22,119</b>

## 15 Contingent assets, liabilities and other financial obligations

### Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

Within 1 year	6,742	10,709
Between 1 and 5 years	7,558	8,414
After 5 years	82	1,433
	<b>14,382</b>	<b>20,556</b>

### 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.

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

# Notes to the Financial Statements

## 16 Related parties

	<b>Basis</b>
<b>Controlling interest</b>	
Boehringer Ingelheim Auslandbeteiligungs GmbH, Germany	Controlling shareholder
<b>Other related parties</b>	
Stefan Reinel	Member of the Board of Directors
Heribert Lorenz Eckert	Member of the Board of Directors
Stefan Helmut Kilian	Member of the Board of Directors
Nedim Pipic	Executive Board
Jesper Peulicke	Executive Board

### Transactions

With reference to section 98 C(7) section of the Danish Financial Statements Act, related parties transactions have not been disclosed in the Annual Report.

## 17 Fee to auditors appointed at the general meeting

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

# Notes to the Financial Statements

## 18 Accounting Policies

The Annual Report of Boehringer Ingelheim Danmark A/S for 2017 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2017 are presented in TDKK.

### **Demerger of Animal Health activities into Boehringer Ingelheim Animal Health Denmark A/S**

The Company's Animal Health activities have been demerged into Boehringer Ingelheim Animal Health Denmark A/S using the pooling of interest method (net book values) with accounting effect as of 1 January 2017. The net effect of the demerger are recognised directly on the Equity in an amount of DKK 41,671k. The Comparatives has not been restated.

### **Cash flow statement**

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

# Notes to the Financial Statements

## 18 Accounting Policies (continued)

### Translation policies

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

### Revenue

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

### Revenue

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

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

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

### Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.



# Notes to the Financial Statements

## 18 Accounting Policies (continued)

### Other external expenses

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

### Staff expenses

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

### Amortisation, depreciation and impairment losses

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

### Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of 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/loss for the year

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

## Balance Sheet

### Intangible assets

Goodwill acquired is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over its useful life, which is assessed at 3 years.

### Property, plant and equipment

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

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

# Notes to the Financial Statements

## 18 Accounting Policies (continued)

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

Production buildings	20 years
Plant and machinery	10 years
Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	3-10 years

Depreciation period and residual value are reassessed annually.

Assets costing less than DKK 13,200 are expensed in the year of acquisition.

### Impairment of fixed assets

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

If so, the asset is written down to its lower recoverable amount.

### Fixed asset investments

Fixed asset investments consist of other receivables.

### Inventories

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

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

The cost of goods for resale, raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

# Notes to the Financial Statements

## 18 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 provisions for bad debts.

### **Prepayments**

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

### **Equity**

#### ***Dividend***

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

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

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

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

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

### **Current tax receivables and liabilities**

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

### **Financial debts**

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

# Notes to the Financial Statements

## 18 Accounting Policies (continued)

### Financial Highlights

#### Explanation of financial ratios

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