

## Sanofi A/S

Lyngbyvej 2  
2100 København Ø  
CVR No. 19064301

### Annual report 2022

The Annual General Meeting adopted the annual report on 07.07.2023

*Kirstin Jagd*

[Kirstin Jagd \(Jul 7, 2023 10:05 GMT+2\)](#)

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**Kirstin Jagd**

Chair of the General Meeting

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# Entity details

## Entity

Sanofi A/S

Lyngbyvej 2

2100 København Ø

Business Registration No.: 19064301

Registered office: København

Financial year: 01.01.2022 - 31.12.2022

## Board of Directors

Kirstin Jagd, Chair

Rasmus Villemoes

Peter Wester Oldenzien

## Executive Board

Rasmus Villemoes, CEO

## Bank

Danske Bank

BNP

## Auditors

EY Godkendt Revisionspartnerselskab

Dirch Passers Allé 36

2000 Frederiksberg

CVR No.: 30700228

# Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of Sanofi A/S for the financial year 01.01.2022 - 31.12.2022.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2022 and of the results of its operations for the financial year 01.01.2022 - 31.12.2022.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Copenhagen, 07.07.2023

## Executive Board



Rasmus Villemoes (Jul 7, 2023 15:34 GMT+2)

**Rasmus Villemoes**  
CEO

## Board of Directors



Kirstin Jagd (Jul 7, 2023 10:05 GMT+2)

**Kirstin Jagd**  
Chair



**Peter Wester Oldenzien**



Rasmus Villemoes (Jul 7, 2023 15:34 GMT+2)

**Rasmus Villemoes**

# Independent auditor's report

## To the shareholders of Sanofi A/S

### Opinion

We have audited the financial statements of Sanofi A/S for the financial year 1 January - 31 December 2022, which comprise income statement, balance sheet, 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 financial position of the Company at 31 December 2022 and of the results of the Company's operations for the financial year 1 January - 31 December 2022 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

### 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.

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 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 the 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 content of the financial statements, including the note 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 commentary**

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, 07.07.2023

**EY Godkendt Revisionspartnerselskab**

CVR No. 30700228



**Ole Becker**

State Authorised Public Accountant

Identification No (MNE) mne33732



**Anders Roe Eriksen**

State Authorised Public Accountant

Identification No (MNE) mne46667

# Management commentary

## Financial highlights

	2022	2021	2020	2019	2018
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
<b>Key figures</b>					
Revenue	530,879	591,149	563,450	485,721	433,862
Gross profit/loss	114,996	135,675	204,353	114,941	98,673
Operating profit/loss	20,610	34,437	86,902	10,863	(2,108)
Net financials	(1,344)	(2,462)	(578)	(278)	(317)
Profit/loss for the year	15,919	21,982	67,215	7,223	(3,056)
Total assets	179,873	223,188	225,761	164,664	176,845
Investments in tangible fixed assets	0	0	0	1,441	0
Equity	43,706	69,317	77,175	36,843	16,120
Average number of employees	85	86	100	99	97
<b>Ratios</b>					
Gross margin (%)	21.66	22.95	36.27	23.66	22.74
EBIT margin (%)	3.88	5.83	15.42	2.24	(0.49)
Return on assets	10.20	25.70	(2.00)	6.60	(1.20)
Current ratio	129.40	161.66	158.20	110.00	106.30
Return on equity (%)	28.17	30.01	117.90	27.28	(17.32)
Equity ratio (%)	24.30	31.06	34.18	22.37	9.12

Financial highlights are defined and calculated the following way:

### Gross margin (%):

$\frac{\text{Gross profit/loss}}{\text{Revenue}} * 100$

### EBIT margin (%):

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

### Return on assets (%):

$\frac{\text{Profit/loss from operating activities}}{\text{Average assets}} * 100$



**Current Ratio (%):**

Current assets \* 100

Current liabilities

**Return on equity (%):**

Profit/loss for the year \* 100

Average equity

**Equity ratio (%):**

Equity \* 100

Total assets

### Primary activities

Sanofi A/S is engaged in the sale of originally produced prescription drugs and participates in extensive cooperation on clinical trials of present and future products. The Company's main activities are within immunology, vaccines, diabetes, oncology, multiple sclerosis, rare diseases, and cardio-vascular illnesses.

### Development in activities and finances

In 2022, the Company's revenue amounted to DKK 530.879 thousand against DKK 591.149 thousand last year. The income statement for 2022 shows a profit of DKK 15.919 thousand against DKK 21.982 thousand last year, and the balance sheet on 31 December 2022 shows equity of DKK 43.706 thousand, therefore management considers the Company's financial performance in the year satisfactory.

### Profit/loss for the year in relation to expected developments

Revenue of financial year 2022 was higher than the estimated outlook mainly due to higher sales than estimated which offset some of the negative impact we estimated from the Carve-out of our Consumer Health Care Business Unit. For the operating profit we ended with a profit of DKK 15.919 thousand, which is in line with the expected outlook for 2022 of a profit after tax in the range of DKK 10-20 million.

### Uncertainty relating to recognition and measurement

Management evaluates that no certain risks are related to recognition and measurement in connection with the presentation of the annual report.

### Outlook

The Company will introduce new products within its strategic focus areas the coming years, which is anticipated to have a positive effect on the future sales performance of the company.

Furthermore, the expectations for the future sales performance and earnings in the Company are that the market share for parallel imports do not exceed the Company's expectations and that the reimbursement rules and prices in the market remain relative stable.

The management expects the revenue to be in the range of DKK 500.000 thousand and a profit in the range of DKK 10.000 – 20.000 thousand for the financial year of 2023.

### Knowledge resources

The Company's future economic viability is dependent on the research and development work undertaken by the group, which is described further below. As the Company's activities consist of marketing, sale and distribution, knowledge resources in these areas are of significant importance to the future success of the business.

### Environmental performance

Management does not consider the Company's impact on the external environment significant.

### Research and development activities

Future income from products is dependent on the success of research and development activities within the group.

**Statutory report on corporate social responsibility**

For description of business model, see “Primary activities” on page 9.

Sanofi A/S has not adopted local formal policies on CSR, including human rights, environmental and climate issues, social and employee conditions as well as anti-corruption, because it has been assessed by management that the impact on the aforementioned areas are minimal. In addition, these aspects are on high alert from Sanofi globally and there are several policies in place to cover these areas. All Sanofi employees are obliged to follow these policies.

**Statutory report on the underrepresented gender**

The Company has a policy for the gender composition of Management. The Company's Management has equal gender representation, with the Executive Board comprising of 1 woman and the Board of Directors comprising of 1 woman and 2 men. In addition to this, the Company has a gender composition on other executive levels (level 2-5 and including executive level) with 61% female and 39% male representation.

**Statutory report on data ethics policy**

Sanofi has Global Internal Standards and guidelines covering different areas around data ethics that all Sanofi companies and employees are obliged to follow. There is currently no separate local policy in place in Denmark for Data Ethics, but through the standards and guidelines provided from global, that we are obliged to follow, we are working to ensure compliance with applicable data protection laws. In general, we have a strong focus on the principles of self-determination, human dignity, responsibility, equality and fairness, progressiveness, and diversity in all our day-to-day work.

**Events after the balance sheet date**

No events materially affecting the Company's financial position have occurred after the financial year-end.

# Income statement for 2022

	Notes	2022 DKK'000	2021 DKK '000
Revenue	2	530,879	591,149
Other operating income	3	22,490	35,296
Cost of sales		(383,406)	(427,647)
Other external expenses	4	(54,967)	(63,123)
<b>Gross profit/loss</b>		<b>114,996</b>	<b>135,675</b>
Staff costs	5	(93,946)	(97,326)
Depreciation, amortisation and impairment losses	6	(440)	(3,911)
<b>Operating profit/loss</b>		<b>20,610</b>	<b>34,438</b>
Other financial income	7	885	295
Other financial expenses	8	(2,229)	(2,758)
<b>Profit/loss before tax</b>		<b>19,266</b>	<b>31,975</b>
Tax on profit/loss for the year	9	(3,347)	(9,993)
<b>Profit/loss for the year</b>	10	<b>15,919</b>	<b>21,982</b>

# Balance sheet at 31.12.2022

## Assets

	Notes	2022 DKK'000	2021 DKK'000
Goodwill		0	0
<b>Intangible assets</b>	11	<b>0</b>	<b>0</b>
Other fixtures and fittings, tools and equipment		191	223
Leasehold improvements		2,450	2,858
<b>Property, plant and equipment</b>	12	<b>2,641</b>	<b>3,081</b>
Other receivables		997	997
<b>Financial assets</b>	13	<b>997</b>	<b>997</b>
<b>Fixed assets</b>		<b>3,638</b>	<b>4,078</b>
Manufactured goods and goods for resale		83,805	115,896
<b>Inventories</b>		<b>83,805</b>	<b>115,896</b>
Trade receivables		66,103	61,964
Receivables from group enterprises		22,200	27,596
Deferred tax	14	2,471	4,140
Other receivables		13	13
Tax receivable		1,274	0
Prepayments	15	75	753
<b>Receivables</b>		<b>92,136</b>	<b>94,466</b>
<b>Cash</b>		<b>294</b>	<b>8,748</b>
<b>Current assets</b>		<b>176,235</b>	<b>219,110</b>
<b>Assets</b>		<b>179,873</b>	<b>223,188</b>

**Equity and liabilities**

	<b>Notes</b>	<b>2022 DKK'000</b>	<b>2021 DKK'000</b>
Contributed capital	16	7,000	7,000
Retained earnings		36,706	20,787
Proposed dividend		0	41,530
<b>Equity</b>		<b>43,706</b>	<b>69,317</b>
Trade payables		11,660	14,196
Payables to group enterprises	17	91,909	100,781
Tax payable		0	7,555
Other payables		32,598	31,339
<b>Current liabilities other than provisions</b>		<b>136,167</b>	<b>153,871</b>
<b>Liabilities other than provisions</b>		<b>136,167</b>	<b>153,871</b>
<b>Equity and liabilities</b>		<b>179,873</b>	<b>223,188</b>
Events after the balance sheet date	1		
Unrecognised rental and lease commitments	18		
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# Statement of changes in equity for 2022

	<b>Contributed capital DKK'000</b>	<b>Retained earnings DKK'000</b>	<b>Proposed dividend DKK'000</b>	<b>Total DKK'000</b>
Equity beginning of year	7,000	20,787	41,530	69,317
Ordinary dividend paid	0	0	(41,530)	(41,530)
Profit/loss for the year	0	15,919	0	15,919
<b>Equity end of year</b>	<b>7,000</b>	<b>36,706</b>	<b>0</b>	<b>43,706</b>

# Notes

## 1 Events after the balance sheet date

No events materially affecting the Company's financial position have occurred subsequent to the financial year-end.

## 2 Revenue

	2022 DKK'000	2021 DKK'000
Exports	4,651	3,898
Domestics	526,228	587,251
<b>Total revenue by geographical market</b>	<b>530,879</b>	<b>591,149</b>
Vaccines	109,453	128,717
Genzyme	330,241	224,857
Primary Care	91,185	206,233
Consumer Healthcare	0	31,342
<b>Total revenue by activity</b>	<b>530,879</b>	<b>591,149</b>

The allocation of revenue to activities and geographical markets is disclosed where these activities and markets differ significantly in the organisation of sales of goods and services.

## 3 Other operating income

	2022 DKK'000	2021 DKK'000
Recharges	22,490	21,290
R&D	0	14,006
	<b>22,490</b>	<b>35,296</b>

## 4 Fees to the auditor appointed by the Annual General Meeting

	2022 DKK'000	2021 DKK'000
Statutory audit services	325	188
	<b>325</b>	<b>188</b>



**5 Staff costs**

	<b>2022</b>	<b>2021</b>
	<b>DKK'000</b>	<b>DKK'000</b>
Wages and salaries	86,404	89,710
Pension costs	6,843	6,947
Other social security costs	699	669
	<b>93,946</b>	<b>97,326</b>
Average number of full-time employees	<b>85</b>	<b>86</b>

By reference to section 98b(3), (ii), of the Danish Financial Statements Act, remuneration to Management is not disclosed.

**6 Depreciation, amortisation and impairment losses**

	<b>2022</b>	<b>2021</b>
	<b>DKK'000</b>	<b>DKK'000</b>
Amortisation of intangible assets	0	747
Impairment losses on intangible assets	0	2,671
Depreciation of property, plant and equipment	440	493
	<b>440</b>	<b>3,911</b>

**7 Other financial income**

	<b>2022</b>	<b>2021</b>
	<b>DKK'000</b>	<b>DKK'000</b>
Financial income from group enterprises	79	138
Exchange rate adjustments	806	157
	<b>885</b>	<b>295</b>

**8 Other financial expenses**

	<b>2022</b>	<b>2021</b>
	<b>DKK'000</b>	<b>DKK'000</b>
Financial expenses from group enterprises	375	77
Exchange rate adjustments	1,423	953
Other financial expenses	431	1,728
	<b>2,229</b>	<b>2,758</b>

**9 Tax on profit/loss for the year**

	<b>2022</b>	<b>2021</b>
	<b>DKK'000</b>	<b>DKK'000</b>
Current tax	3,252	8,586
Change in deferred tax	1,669	(326)
Adjustment concerning previous years	(1,574)	1,733
	<b>3,347</b>	<b>9,993</b>

**10 Proposed distribution of profit and loss**

	<b>2022</b>	<b>2021</b>
	<b>DKK'000</b>	<b>DKK'000</b>
Ordinary dividend for the financial year	0	41,530
Retained earnings	15,919	(19,548)
	<b>15,919</b>	<b>21,982</b>

**11 Intangible assets**

	<b>Goodwill</b>
	<b>DKK'000</b>
Cost beginning of year	4,620
<b>Cost end of year</b>	<b>4,620</b>
Amortisation and impairment losses beginning of year	(4,620)
<b>Amortisation and impairment losses end of year</b>	<b>(4,620)</b>
<b>Carrying amount end of year</b>	<b>0</b>

**12 Property, plant and equipment**

	<b>Other fixtures and fittings, tools and equipment</b>	<b>Leasehold improvements</b>
	<b>DKK'000</b>	<b>DKK'000</b>
Cost beginning of year	393	3,674
<b>Cost end of year</b>	<b>393</b>	<b>3,674</b>
Depreciation and impairment losses beginning of year	(170)	(816)
Depreciation for the year	(32)	(408)
<b>Depreciation and impairment losses end of year</b>	<b>(202)</b>	<b>(1,224)</b>
<b>Carrying amount end of year</b>	<b>191</b>	<b>2,450</b>

**13 Financial assets**

	<b>Other receivables</b>
	<b>DKK'000</b>
Cost beginning of year	997
<b>Cost end of year</b>	<b>997</b>
<b>Carrying amount end of year</b>	<b>997</b>

## 14 Deferred tax

	2022	2021
	DKK'000	DKK'000
<b>Changes during the year</b>		
Beginning of year	4,140	3,814
Adjustment of the deferred tax change for the year	(1,669)	326
<b>End of year</b>	<b>2,471</b>	<b>4,140</b>

### Deferred tax assets

Deferred tax asset related to timing differences on accounting and tax values of PPE, inventories and provisions.

## 15 Prepayments

Prepayments consist of costs that cover both the current financial year and those future, as well as prepaid expenses relating to the coming financial year

## 16 Share capital

	Number	Nominal value DKK'000
Class A-shares, each of 100	70,000	7,000
	<b>70,000</b>	<b>7,000</b>

The Company's share capital has remained DKK 7,000 thousand over the past 5 years.

## 17 Payables to group enterprises

The Sanofi Group has entered a cash pool arrangement with the Group's bank, where Sanofi A/S is participating with other group entities. The characteristics of the cash pool arrangement give the bank the possibly to net deposits and loan towards each other, which means that it is only the net amount of covered group accounts that constitutes the amounts towards the bank.

Sanofi A/S' accounts in the cash pool arrangement, which are recognized under payables to group enterprises amounts to DKK 30,292 thousand as of 31 December 2022 compared to DKK 7,701 thousand as of 31 December 2021.

## 18 Unrecognised rental and lease commitments

	2022 DKK'000	2021 DKK'000
Liabilities under rental or lease agreements until maturity in total	4,743	7,921

Rent and lease liabilities include a rent obligation totaling DKK 2,493 thousand in interminable rent agreements with remaining contract terms of 1-5 years with DKK 1,995 thousand falling due in the next 12 months.

Furthermore, the Company has liabilities under operating leases for cars and IT equipment, totaling DKK 2,157 thousand with remaining contract terms of 1-5 years, with DKK 1,702 thousand falling due in the next 12 months.

## 19 Assets charged and collateral

The Company has not provided any security or other collateral in assets at 31 December 2022.

## 20 Related parties with controlling interest

- Sanofi-Aventis Participations SA, France owns all shares in the Entity, thus exercising control. Parent Company.
- Sanofi SA, France. Shares. Ultimate parent company.

## 21 Transactions with related parties

	<b>Associates</b> <b>DKK'000</b>
Recharges of services (Income)	22,490
Purchase of goods	351,390
Sale of goods	4,651
Insurance and rebilling of services	920
Dividend distributed	41,530
Payables	91,909
Receivables	22,200

In addition refer to note 3, 7 and note 8 regarding further transactions with related parties.

## 22 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:  
Sanofi SA, France

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:  
Sanofi-Aventis Participations SA, France

Copies of the consolidated financial statements of Sanofi SA may be ordered at the following address:  
[https:// www.sanofi.com/en/investors](https://www.sanofi.com/en/investors)

# Accounting policies

## Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (large).

The accounting policies applied to these financial statements are consistent with those applied last year.

## Recognition and measurement

Income is recognised in the profit and loss account concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs, these including depreciation, amortisation, writedown, provisions, and reversals which are due to changes in estimated amounts previously recognised in the profit and loss account are recognised in the profit and loss account.

Assets are recognised in the balance sheet when the company is liable to achieve future, financial benefits and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the company is liable to lose future, financial benefits and the value of the liability can be measured reliably.

At the first recognition, assets and liabilities are measured at cost. Later, assets and liabilities are measured as described below for each individual accounting item.

Certain fixed asset investments and liabilities are measured at amortised cost, by which method a fixed, effective interest is recognised during the useful life of the asset or the liability. Amortised cost is recognised as the original cost with deduction of any payments and additions/deductions of the accrued amortisation of the difference between cost and nominal amount. In this way capital losses and capital profits are spread over the useful life.

At recognition and measurement, such predictable losses and risks are taken into consideration, which may appear before the annual report is presented, and which concern matters existing on the balance sheet date.

## Foreign currency translation

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of the transaction. Differences in the rate of exchange arising between the rate at the date of transaction and the rate at the date of payment are recognised in the profit and loss account as an item under net financials.

Debtors, creditors, and other monetary items in foreign currency are translated by using the closing rate. The difference between the closing rate and the rate at the time of the occurrence or the recognition in the latest annual accounts of the amount owed or the liability is recognised in the profit and loss account under financial income and expenses.

Fixed assets and other non-monetary assets acquired in foreign currency and which are not considered to be investment assets purchased in foreign currencies are measured at the exchange rate on the transaction date.

## **Income statement**

### **Revenue**

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

Revenue from contracts with customers is recognised when control of the goods are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods before transferring them to the customer.

Revenue from sale of products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the product.

The Company considers whether there are other promises in the revenue contracts that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., discounts and rebates). In determining the transaction price for the sale of products, the Company considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer (if any).

### **Other operating income**

Other operating income comprises accounting items of secondary nature in proportion to the principal activities of the enterprise, including gains on disposal of intangible and tangible fixed assets.

### **Cost of sales**

Cost of sales include costs for the purchase of raw materials and consumables less discounts and changes in inventories

### **Other external expenses**

Other external expenses comprise costs for distribution, sales, advertisement, administration, premises, loss on debtors, and operational leasing costs.

### **Staff costs**

Staff costs include salaries and wages including holiday allowances, pensions and other costs for social security etc. for staff members. Staff costs are less public reimbursements.

### **Depreciation, amortisation and impairment losses**

Depreciation, amortisation and writedown comprise depreciation on, amortisation of and writedown relating to intangible and tangible fixed assets respectively.

### **Other financial income**

Other financial income comprises interest income, including interest income on receivables from group enterprises, net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets, and tax relief under the Danish Tax Prepayment Scheme etc.

### **Other financial expenses**

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities, and tax surcharge under the Danish Tax Prepayment Scheme etc.

### Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

## Balance sheet

### Goodwill

Acquired goodwill is measured at cost with deduction of accumulated amortisation. As it is not possible to determine a reliable estimate of the useful life, the amortisation period is set at 7 years.

### Property, plant and equipment

Other tangible fixed assets are measured at cost with deduction of accrued depreciation and write-down. The basis of depreciation is cost with deduction of any expected residual value after the end of the useful life of the asset. The amortisation period and the residual value are determined at the acquisition date and reassessed annually. If the residual value exceeds the book value, the amortisation discontinues.

If the amortisation period or the residual value is changed, the effect on amortisation will in the future be recognised as a change in the accounting estimates.

The cost comprises the acquisition cost and costs directly attached to the acquisition until the time when the asset is ready for use.

Depreciation takes place on a straight-line basis and based on an evaluation of the expected useful life and the residual value of the individual assets:

	Useful life	Residual value
Other fixtures and fittings, tools and equipment	3-10 years	0-20 %
Leasehold improvements	5 years	

Minor assets with an expected useful life of less than 1 year are recognised as costs in the profit and loss account in the year of acquisition.

Profit or loss deriving from the sales of tangible fixed assets is measured as the difference between the sales price reduced by the selling costs and the book value at the time of the sale. Profit or losses are recognised in the profit and loss account as other operating income or other operating expenses.

### Leasing contracts

The Company has chosen IAS 17 as interpretation for leasing contracts.

At the first recognition in the balance sheet, leasing contracts concerning tangible fixed assets by which the company holds all essential risks and advantages attached to the proprietary right (financial leasing) are measured either at fair value or at the present value of the future leasing services, whichever value is lower. When calculating the present value, the internal interest rate of the leasing contract or alternatively, the borrowing rate of the enterprise is used as discount rate. Afterwards, financially leased assets are treated in the same way as other similar tangible assets.

The capitalised residual leasing liability is recognised in the balance sheet as a liability, and the interest part of the leasing contract is recognised in the profit and loss account over the term of the contract.

All other leasing contracts are considered operational leasing. Payments in connection with operational leasing and other rental agreements are recognised in the profit and loss account over the term of the contract. The company's total liabilities concerning operational leasing and rental agreements are recognised under contingencies etc.

#### **Write-down of fixed assets**

The book values of both intangible and tangible fixed assets as well as equity investments in subsidiaries and associated enterprises are subject to annual impairment tests in order to disclose any indications of impairment beyond those expressed by amortisation and depreciation respectively.

If indications of impairment are disclosed, impairment tests are carried out for each individual asset or group of assets respectively. Write-down takes place to the recoverable amount, if this value is lower than the book value.

The recoverable value is equal to the value of the net selling price or the value in use, whichever is higher. The value in use is determined as the present value of the expected net cash flow deriving from the use of the asset or the group of assets.

Previously recognised write-down is reversed when the condition for the write-down no longer exists. Write-down relating to goodwill is not reversed.

#### **Receivables**

The Company has chosen IAS 39 as interpretation for impairment of financial receivables.

Receivables are measured as amortised cost, which usually corresponds to the nominal value. The value is reduced by write-downs for bad debts.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired an impairment loss is recognised on an individual basis.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.



**Inventories**

Inventories are measured at cost based on the FIFO method. In case the net realisable value of the inventories are lower than the cost, write-down takes place to this lower value.

The cost for trade goods, raw materials, and consumables comprises the acquisition cost with the addition of the delivery costs.

The cost for manufactured goods and works in progress comprises the cost for raw materials, consumables, direct wages, and indirect production costs. Indirect production costs comprise indirect materials and wages, maintenance of and depreciation on machinery, factory buildings and equipment applied during the production process, and costs for factory administration and factory management.

Borrowing costs are not recognised in cost.

The net realisable value for inventories is recognised as the market price with deduction of completion costs and selling costs. The net realisable value is determined taking into consideration the negotiability, obsolescence, and development of the expected market price.

**Deferred tax**

Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset. However, no deferred tax is recognised for amortisation of goodwill disallowed for tax purposes and temporary differences arising at the date of acquisition that do not result from a business combination and that do not have any effect on profit or loss or on taxable income.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

**Tax payable or receivable**

Current tax payable or receivable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax.

**Prepayments**

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

**Cash**

Cash comprises cash in bank deposits, which are not part of the Group's cash pool arrangement.

Deposits in the Group's cash pool arrangement is due to the characteristics of the arrangement classified as receivables from group enterprises or payables to group enterprises.

**Proposed dividends**

Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity.

**Other financial liabilities**

Financial liabilities are recognised at the date of borrowing at the proceeds received less transaction costs paid.

On subsequent recognition, financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

Financial liabilities also include the capitalised residual lease commitment in respect of finance leases.

Other liabilities are measured at net realisable value.

**Cash flow statement**

With reference to section 86(4) of the Danish Financial Statements Act, no cash flow statement for the Company is prepared, as the Company's cash flows are part of the consolidated cash flow statement for Sanofi aventis Participations SA, which can be required from the following homepage:

[https:// www.sanofi.com/en/investors](https://www.sanofi.com/en/investors)