

Elanco Denmark ApS

Lyskær 3 E, 2. tv.

2730 Herlev

CVR No. 39640163

Annual Report 2018

1. financial year

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 12 June 2019

Ralph Heuser
Chairman

Contents

| | |
|------------------------------|----|
| Management's Statement | 3 |
| Company Information | 4 |
| Management's Review | 5 |
| Accounting Policies | 6 |
| Income Statement | 8 |
| Balance Sheet | 9 |
| Notes | 11 |

Management's Statement

Today, Management has considered and adopted the Annual Report of Elanco Denmark ApS for the financial year 8 June 2018 - 31 December 2018.

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 assets, liabilities and financial position of the Company at 31 December 2018 and of the results of the Company's operations for the financial year 8 June 2018 - 31 December 2018.

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

It was decided by the foundation that the company's Financial Statements should not be audited. The conditions for not conducting an audit of the Financial Statement have been met.

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

Herlev, 12 June 2019

Executive Board

Egbert Thomas
Manager

Anna Karin Lindberg
Manager

Andreas Schwarzl
Manager

Company details

| | |
|------------------------|---|
| Company | Elanco Denmark ApS Lyskær 3 E, 2. tv. 2730 Herlev |
| CVR No. | 39640163 |
| Date of formation | 8 June 2018 |
| Registered office | Herlev |
| Financial year | 8 June 2018 - 31 December 2018 |
| Executive Board | Egbert Thomas, Manager Anna Karin Lindberg, Manager Andreas Schwarzl, Manager |

Management's Review

The Company's principal activities

The Company's principal activities consist in sale of Animal Health pharmaceutical products in the Nordic Area.

Development in activities and financial matters

The Company's Income Statement of the financial year 8 June 2018 - 31 December 2018 shows a result of DKK -183 and the Balance Sheet at 31 December 2018 a balance sheet total of DKK 372.294.840 and an equity of DKK 372.092.465.

Post financial year events

As per 1 January 2019 the Animal Health business of Eli Lilly A/S, was divested into Elanco Denmark ApS. The Animal Health business was purchased for USD 56,175,000.

Expectations for the future

The Company expects its operations to develop positively next year, with revenue of TDKK 240,000 and a positive net result of TDKK 12,000.

Accounting Policies

Reporting Class

The Annual Report of Elanco Denmark ApS for 2018 has been presented in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B.

As the financial year 2018 is the Company's first financial year, the Financial Statements with associated notes have been prepared without comparative figures from the previous year.

Reporting currency

The Annual Report is presented in Danish kroner.

Translation policies

Transactions in foreign currencies are translated into DKK at the exchange rate prevailing at the date of transaction. Monetary assets and liabilities in foreign currencies are translated into DKK based on the exchange rates prevailing at the balance sheet day. Realised and unrealised foreign exchange gains and losses are included in the Income Statement under Financial Income and Expenses.

General Information

Basis of recognition and measurement

The financial statement have been prepared under the historical cost princip.

Income is recognised in the Income Statement as it is earned, including value adjustments of financial assets and liabilities that are measured at fair value or amortised cost. 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 accrue 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 attributable to the asset will flow out of the Company, and the value of the liability can be measured reliably.

At initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the term. Amortised cost is calculated as original cost less repayments and with the addition/deduction of the accumulated amortisation of the difference between the cost and the nominal amount. This way, exchange losses and gains are allocated over the term.

In connection with recognition and measurement, consideration is given to predictable losses and risks occurring prior to the presentation of the Annual Report, i.e. losses and risks which prove or disprove matters which exist at the balance sheet date.

Accounting Policies

Income Statement

Gross profit/loss

The Company has decided to aggregate certain items of the Income Statement in accordance with the provisions of Section 32 of the Danish Financial Statements Act.

Gross profit is a combination of the items of other external expenses.

Other external expenses

Other external costs include costs for administration.

Financial expenses

Financial expenses are recognised in the Income Statement based on the amounts that concern the financial year. Financial expenses include interest expenses

Tax on net profit for the year

Tax on net profit/loss for the year comprises current tax on expected taxable income of the year and the year's adjustment of deferred tax less the part of the tax of the year that relates to changes in equity. Current and deferred tax regarding changes in equity is recognised directly in equity.

The Company and the Danish associates are taxed jointly. The Danish income tax is distributed between profit- and loss-making Danish enterprises in relation to their taxable income (full distribution).

Balance Sheet

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank.

Deferred tax

Deferred tax and the associated adjustments for the year are determined according to the balance-sheet liability method as the tax base of all temporary differences between carrying amounts and the tax bases of assets and liabilities.

Deferred tax assets, including the tax base of tax losses allowed for carryforward, are recognised at the value at which they are expected to be used, either by elimination in tax on future earnings or by set-off against deferred tax liabilities in enterprises within the same legal entity and jurisdiction.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax.

Current tax liabilities

Current tax liabilities and current tax receivables are recognised in the Balance Sheet as calculated tax on the expected taxable income for the year, adjusted for tax on taxable income for previous years as well as for tax prepaid.

Liabilities

Other liabilities, comprising deposits, trade payables and other accounts payable, are measured at amortised cost, which usually corresponds to the nominal value.

Contingent assets and liabilities

Contingent assets and liabilities are not recognised in the Balance Sheet but appear only in the notes.

Income Statement

| | Note | 2018 kr. |
|--|------|--------------------|
| Gross profit | | -235 |
| Profit from ordinary activities before tax | | <u>-235</u> |
| Tax expense on ordinary activities | | <u>52</u> |
| Profit | | <u>-183</u> |
| Proposed distribution of results | | |
| Retained earnings | | <u>-183</u> |
| Distribution of profit | | <u>-183</u> |

Balance Sheet as of 31 December

| | Note | 2018 kr. |
|---|-------------|---------------------|
| Assets | | |
| Short-term tax receivables from group enterprises | | 52 |
| Receivables | | <u>52</u> |
| Cash and cash equivalents | | <u>372.294.788</u> |
| Current assets | | <u>372.294.840</u> |
| Assets | | <u>372.294.840</u> |

Balance Sheet as of 31 December

| | Note | 2018 kr. |
|--|-------------|---------------------------|
| Liabilities and equity | | |
| Contributed capital | | 50.000 |
| Retained earnings | | 372.042.465 |
| Equity | | <u>372.092.465</u> |
| Prepayments received from customers | | 202.375 |
| Short-term liabilities other than provisions | | <u>202.375</u> |
| Liabilities other than provisions within the business | | <u>202.375</u> |
| Liabilities and equity | | <u>372.294.840</u> |
| Contingent liabilities | 1 | |
| Collaterals and assets pledges as security | 2 | |

Notes

1. Contingent liabilities

The Company is jointly taxed with the other enterprises in the group and are jointly and severally liable for the taxes that concern the joint taxation.

The total amount appears from the annual report of Eli Lilly Danmark A/S which is the administration company in the joint taxation.

2. Collaterals and securities

No securities or mortgages exist at the balance sheet date.