

# **Eli Lilly Danmark A/S**

Lyskær 3 E, 2. tv.

2730 Herlev

CVR No. 51619811

## **Annual Report 2017**

40. financial year

The Annual Report was presented and  
adopted at the Annual General Meeting of  
the Company on 28 May 2018

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Richard Edström  
Chairman

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## Management's Statement

Today, Management has considered and adopted the Annual Report of Eli Lilly Danmark A/S for the financial year 1 January 2017 - 31 December 2017.

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 2017 and of the results of the Company's operations for the financial year 1 January 2017 - 31 December 2017.

In our opinion, the 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.

Herlev, 28 May 2018

### Executive Board

Morten Auscher  
Man. Director

### Supervisory Board

Richard Emanuel Edström  
Chairman

Morten Auscher  
Man. Director

Kurt Martin Stefan Cronehag

## Independent Auditor's Report

To the shareholders of Eli Lilly Danmark A/S

### Opinion

We have audited the financial statements of Eli Lilly 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 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 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.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

### 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 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 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.

## Independent Auditor's Report

- \* 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 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's Review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

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

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

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 28 May 2018

**Ernst & Young**

**Godkendt Revisionspartnerselskab**

CVR-no. 30700228

Christian S. Johansen

State Authorised Public Accountant

mne33234

## Eli Lilly Danmark A/S

### Company details

<b>Company</b>	Eli Lilly Danmark A/S Lyskær 3 E, 2. tv. 2730 Herlev
Telephone	+45 45 26 60 00
Telefax	+45 45 26 60 01
email	Danmark@lilly.com
Website	www.eli-lilly.dk
CVR No.	51619811
Date of formation	31 January 1975
Registered office	Herlev
Financial year	1 January 2017 - 31 December 2017
<b>Supervisory Board</b>	Richard Emanuel Edström, Chairman Morten Auscher, Man. Director Kurt Martin Stefan Cronehag
<b>Executive Board</b>	Morten Auscher, Man. Director
<b>Auditors</b>	Ernst & Young Godkendt Revisionspartnerselskab c/o Postboks 250 Osvold Helmuths Vej 4 2000 Frederiksberg CVR-no.: 30700228
<b>Bank</b>	BNP Paribas

## Management's Review

### Business activities

The activities of Eli Lilly Danmark A/S in 2017 included the product lines: Pharmaceutical products in Denmark, Finland, Iceland and Norway as well as Animal Health products in the Nordic Area.

### Business Review

For Eli Lilly Danmark A/S, the financial year 2017 was a good year in light of the difficult market situation and a continued challenging environment with hospital owners and national authorities introducing stricter conditions for market access for pharmaceuticals in Pharma and Elanco.

We saw significant delays in market access for both pharmaceuticals and for our animal health products, which affected both our topline result and our 2017 profit. This delay in access is equal to an under plan performance of DKK 200.000 thousand for Eli Lilly Danmark A/S compared to our 2017 expectations.

Products successfully launched in 2017 and already positively contributing to the 2017 topline results are Taltz (Ixekizumab), Dermatology, Olumiant (Baricitinib), Rheumatology, & Lartruvo (Olaratumab), mSTS.

2017 has also been a year with strong focus on sales execution and right sizing of Eli Lilly Danmark A/S. We have reduced our cost base to improve our opex to sales ratio, and invested in new digital solutions/channels to complement the work done by our customer facing teams.

### Net profit/loss for the year compared with previously expressed expectations

The annual report for 2017 showed a profit of DKK 31,222 thousand compared to a profit of DKK 38,617 thousand in 2016 and compared to expected profit for 2017 of DKK 50,000 thousand. Revenue is above last year with DKK 817,531 thousand against DKK 808,273 thousand in 2016 but less than expected for 2017 of DKK 1,046,022 thousand.

Lower topline result and lower profit in 2017 are mainly due to the delay in approval of Lufenuron in Norway leaving us with a DKK 200.000 thousand sales gap. Despite this delay in access for Lufenuron, we are very pleased with the result of our animal business unit, Elanco, and with the performance of our Pharma Business Units meeting sales expectation for 2017 across the different markets.

### New products

In 2017 we also made significant pipeline progress in areas of pain, migraine, psoriatic arthritis and oncology with several molecules in regulatory review/approval. Earliest candidate to potentially receiving marketing authorization is our CDK-4/CDK-6 inhibitor for the treatment of metastatic breast cancer, abemaciclib, currently under EMEA review and approval expected end of year 2018.

### Investments - Research and development activities

No major capital investments in Eli Lilly Danmark A/S, besides our ongoing investment in R&D activities, where we conduct multiple studies within Oncology, Diabetes, Neuroscience & autoimmune diseases. These studies are conducted either in-house or outsourced to 'Contract Research Organizations (CROs)', and we are a big contributor to our overall clinical program. The research is carried out on behalf of the Eli Lilly Group, from which the company received payments on ordinary market terms. In 2017 the company's research and development costs in Denmark was DKK 9,391 thousand.

### Working Capital

Eli Lilly Danmark A/S is well consolidated. The equity ratio is 67% end of 2017, compared to 60% end of 2016, corresponding to equity of DKK 216,269 thousand December 31 2017 against DKK 185,047 end of 2016.

The company's financial preparedness amounts to DKK 175,105 thousand at the end of the financial year.

There was no payment of dividend in 2017. The Supervisory Board propose a dividend of DKK 130,000 thousand to be paid out in 2018.

## Management's Review

### Outlook 2018

We will in 2018 have a strong focus on sales execution, and launching our new molecules across all 4 business units Diabetes, Biomedicine, Oncology and Animal Health.

Our market situation will continue to be a challenge due to restricted access, parallel import, generic competition and expiry of exclusivity on key brands, e.g. Cialis Nov-2017 and Strattera in 2019.

Our greatest challenge in 2018 will be to continue to obtain access and reimbursement for our new innovative medicines. To be successful we need to collaborate with authorities to position and secure access to our new molecules and/or line extensions through quality HTA submissions, Access Schemes & national/regional price negotiations.

Despite these challenges, management still expects a positive result for 2018 with profit estimated to DKK 33,000 thousand and forecasted revenue of DKK 855,280 thousand.

### General risks

Eli Lilly's most important operating risks are our ability to get access for new medicines, to protect our IP rights and work successfully with our key stakeholders.

### Financial risks

Due to our solidity and financial preparedness, Eli Lilly Danmark A/S has a limited exposure to changes in interest rates. However, Eli Lilly Danmark A/S is exposed to currency risks related to sales to other Nordic countries.

### Currency risks

As Eli Lilly Danmark A/S invoices our customers in DKK, SEK, NOK and EUR, while a substantial part of the purchase is in DKK, the company is exposed to currency fluctuations and to some currency risks. But the risk is considerate to be non-material to the overall performance.

### Credit risks

Eli Lilly Danmark A/S credit risks primarily relate to financial assets recognized in the balance sheet Accounts Receivables (AR). Eli Lilly Danmark A/S only invoices a few high value customers. To mitigate this risk, all major customers and other collaborators are credit rated on a regular basis

### Social responsibility

Eli Lilly Denmark A/S does not have a local CSR policy in place, including human rights, environment and climate impacts. More information on our corporate CSR group work can be found by clicking the link.

Website: <http://www.lilly.com/caring>

### Gender distribution

We believe embracing diversity means understanding, respecting and valuing differences. At Lilly, our commitment to diversity spans our workplace, marketplace and our relationships with suppliers. Gender distribution is part of the workplace diversity commitment and our goal is to keep a good balance between the genders in all management layers.

As per 31-12-2017 there was 73% women employed in Eli Lilly Danmark A/S. The Managing Director of the company is a male and the Supervisory Board consists of three males. While Board members continue to be appointed on the basis of qualifications and not on the basis of ethnicity, gender, religious beliefs etc., Eli Lilly Denmark A/S appreciates the value and importance of diversity in the Board and therefore, the Board has set a target of having at least one female board member within the next 4 years.



## **Management's Review**

From an internal management perspective, Denmark is part of the UK Hub (UK, Ireland & Nordic). In the UK HUB leadership team, there are 60% women. The CEO of the UK HUB is a woman. The company consider all our leadership layers to be equally distributed and we therefore do not find it necessary to develop a local policy for achieving an equal gender distribution.

## Key Figures and Financial Ratios

The development in the Company's key figures and financial ratios can be described as follows:

	2017	2016	2015	2014	2013
In t.DKK					
Net turnover	817.531	808.273	844.179	741.012	671.363
Operating profit/loss	38.226	37.983	44.308	37.384	36.306
Net financial income and expenses	2.379	12.410	-10.420	-6.848	-7.908
Investment in non-current assets	0	0	96	32	179
Total assets	324.999	308.642	338.440	324.044	293.557
Total equity	216.269	185.047	146.430	151.309	169.805
Avg. number of full-time employees	74	75	76	72	80
Ratios					
Return on assets (%)	12	12	13	12	12
Return on equity (ROE) (%)	19	23	17	8	12
Equity Ratio (%)	67	60	43	47	57

For definitions of key ratios, see Accounting and Valuation Principles

Financial ratios are calculated in accordance with the recommendations of the Danish Finance Society. For terms and definitions, please see the accounting policies.

## Accounting Policies

### Reporting Class

The Annual Report of Eli Lilly Danmark A/S for 2017 has been presented 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.

### Reporting currency

The Annual Report is presented in Danish kroner.

### Foreign Currency Translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rate at the transaction date and the rate at the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at closing rates. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

## General Information

### Basis of recognition and measurement

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.

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

#### Revenue

On the conclusion of sales contracts which consist of several, separate sales transactions, the contract price is split up into the individual sales transactions based on the relative fair value approach. The separate sales transactions are recognised as revenue when the criteria for sale of goods and services are met.

A contract is split up into individual transactions when the fair value of each individual sales transaction can be calculated reliably and when each individual sales transaction has a separate value for the purchaser. Sales transactions are deemed to have a separate value for the purchaser when the transaction is individually identifiable and is usually sold separately.

Revenue is measured at fair value of the agreed consideration exclusive of VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

#### Other operating income

Other operating income comprises items secondary to the Company's activities, including service fee.

#### Cost of sales

Cost of sales comprise purchase of goods and services for resale.

#### Other external expenses

Other external expenses comprise expenses regarding sale, administration, distribution, advertising, premises, lease payments, other operation leases etc.

#### Employee expenses

Employee expenses comprise wages and salaries, pensions and social security costs.

Other employee expenses are recognised in other external expenses.

#### Intangible Assets

Goodwill are measured at cost less accumulated depreciation and impairment losses.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight-line basis over the expected useful life. The expected useful lives of the assets are as follows:

	<b>Useful life</b>	<b>Residual value</b>
Goodwill	15 years	0%

Depreciation is recognised in the income statement as Depreciation of intangible assets.

The basis of depreciation is based on the residual value of the asset and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

In case of changes in the amortisation period or the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

An impairment test of goodwill is performed in the event of indications of a decrease in value. The impairment test is performed for the activity or the business area to which the goodwill relates. Goodwill is written down to the higher of the value in use and the net selling price for the activity or business area to which the goodwill relates (recoverable amount) in the event that this one is lower than the carrying amount.

## Accounting Policies

Gains and losses on the disposal of goodwill are calculated as the difference between the selling price less costs to sell and the carrying amount at the date of disposal. The gains or losses are recognised in the income statement as other operating income or other operating expenses, respectively.

The expected future earning from goodwill is 15 years. This expectation is based on estimate prepared in connection with the global acquisition within the Animal Health division in 2015. The calculation and estimation of the value of goodwill connected to Eli Lilly Denmark was prepared by Eli Lilly and Company, but shows a true picture for the Danish affiliate.

### Property, plant and equipment

Leasehold improvements and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, sub-suppliers, and wages and salaries as well as borrowing costs relating to specific and general borrowing directly attributable to the construction of the individual asset.

Interest expenses on loans to finance the production of items of property, plant and equipment, and which relate to the production period, are recognised in cost. All other borrowing costs are recognised in the income statement.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight-line basis over the expected useful life. The expected useful lives of the assets are as follows:

	Useful life	Residual value
Leasehold improvements	5 years	0%
Other fixtures and fittings, tools and equipment	4-5 years	0%

Depreciation is recognised in the income statement as Depreciation of property, plant and equipment.

The basis of depreciation is based on the residual value of the asset and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

In case of changes in the amortisation period or the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Gains and losses on the disposal of items of property, plant and equipment are calculated as the difference between the selling price less costs to sell and the carrying amount at the date of disposal. The gains or losses are recognised in the income statement as other operating income or other operating expenses, respectively.

### Financial income and expenses

Financial income and expenses are recognised in the Income Statement with the amounts that concern the financial year. Financial income and expenses include interest income and expenses, realised and unrealised capital gains and losses regarding debt and foreign currency transactions as well as surcharges and allowances under the tax repayment scheme.

## Accounting Policies

### Tax on net profit/loss 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.

## Balance Sheet

### Intangible assets

Goodwill is measured at cost less accumulated amortisation and impairment losses.

An impairment test of goodwill is performed in the event of indications of a decrease in value. The impairment test is performed for the activity or the business area to which the goodwill relates. Goodwill is written down to the higher of the value in use and the net selling price for the activity or business area to which the goodwill relates (recoverable amount) in the event that this one is lower than the carrying amount.

### Tangible assets

Tangible assets are measured at cost and less accumulated amortisation and impairment losses. Cost comprises the purchase price and costs directly attributable to the purchase until the date when the asset is available for use.

The depreciation basis is measured as the cost with deductions of the expected scrap value. The depreciation period and the scrap value are estimated at the time of purchase and reestimated yearly. If the scrap value is estimated to be higher than the tangible assets booked value then no depreciation will take place.

An impairment test of tangible assets is performed in the event of indications of a decrease in value. The impairment test is performed for each individual asset and group of assets, respectively. The assets are written down to the higher of the asset's or asset group's value in use and the net selling price (recoverable amount) in the event that this one is lower than the carrying amount.

### Other investments

Other financial investments are measured at cost.

### Receivables

Receivables are measured at amortised cost.

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.

Receivables in respect of which there is no objective evidence of individual impairment are assessed for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the country of domicile and credit ratings of the debtors in accordance with the Group's credit risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the net 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.

### Prepaid expenses

Prepaid expenses recognised in assets comprises prepaid costs regarding subsequent financial years.

### Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand.

## Accounting Policies

### Equity

Dividend proposed for the year is recognised as a liability at the date when it is adopted at the annual general meeting (declaration date). Dividend expected to be distributed for the financial year is presented as a separate line item under "Equity".

### Income tax and deferred tax

Current tax payables and receivables are recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on prior-year taxable income and tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes or on office premises and other items where temporary differences arise at the date of acquisition without affecting neither the profit/loss for the year nor the taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax value of tax loss carry-forwards, are recognised at the expected value of their utilisation; 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 and jurisdiction.

Adjustment is made to deferred tax resulting from elimination of unrealised intra-group profits and losses.

Deferred tax is measured according to the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax.

### Financial liabilities

Financial liabilities are recognised at the date of borrowing at the net 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.

Other liabilities are measured at net realisable value.

### Accounting policies Cash Flow Statement

According to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared.

The cash flow statement is part of the cash flow statement in the consolidated financial statements for Eli Lilly and Company, Indianapolis.

### Segment information

Compared to previous year, there has been a change in Segment information and comparative figures have been adjusted accordingly.

Segment information is provided about activity and geographically. Segmentation is in accordance with the Company's internal reporting and responsibilities. The segment figures are prepared according to the same policies as the Corporate Financial Statements.

## Accounting Policies

### Explanation of financial ratios

Financial ratios are calculated in accordance with the Danish Finance Society's guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015".

The financial ratios stated in the survey of financial highlights have been calculated as follows

Return on equity (%)	=	$\frac{\text{Profit/loss for the year}}{\text{Avg. equity}}$
Return on assets (%)	=	$\frac{\text{Operating profit (EBIT) X 100}}{\text{Avg. assets}}$
Equity ratio (%)	=	$\frac{\text{Total equity X 100}}{\text{Total assets}}$



## Income Statement

	Note	2017 tkr.	2016 tkr.
Revenue	1	817.531	808.273
Cost of sales		-518.840	-538.942
Other operating income		20.117	22.662
Other external expenses		-198.262	-190.347
<b>Gross result</b>		<b>120.546</b>	<b>101.646</b>
Staff costs	2	-81.365	-62.557
Depreciation of goodwill, fixtures, fittings, tools and equipment	3, 4	-955	-1.106
<b>Profit from ordinary operating activities</b>		<b>38.226</b>	<b>37.983</b>
Finance income from group enterprises		0	25
Finance income		12.247	17.027
Finance expenses		-9.868	-4.642
<b>Profit from ordinary activities before tax</b>		<b>40.605</b>	<b>50.393</b>
Tax for the year	5	-9.383	-11.776
<b>Profit</b>		<b>31.222</b>	<b>38.617</b>

## Balance Sheet as of 31 December

	Note	2017 tkr.	2016 tkr.
<b>Assets</b>			
Goodwill	3	10.708	11.600
<b>Intangible assets</b>		<b>10.708</b>	<b>11.600</b>
Fixtures, fittings, tools and equipment	4	77	140
Leasehold improvements	7	0	0
<b>Property, plant and equipment</b>		<b>77</b>	<b>140</b>
Deposits, investments	8	570	584
<b>Investments</b>		<b>570</b>	<b>584</b>
<b>Fixed assets</b>		<b>11.355</b>	<b>12.324</b>
Short-term trade receivables		134.913	161.118
Short-term receivables from group enterprises		177.245	130.967
Other short-term receivables		88	3.279
Prepaid expenses	9	1.398	954
<b>Receivables</b>		<b>313.644</b>	<b>296.318</b>
<b>Current assets</b>		<b>313.644</b>	<b>296.318</b>
<b>Assets</b>		<b>324.999</b>	<b>308.642</b>

## Balance Sheet as of 31 December

	Note	2017 tkr.	2016 tkr.
<b>Liabilities and equity</b>			
Share capital		10.000	10.000
Retained earnings		76.269	175.047
Dividend proposed for the year		130.000	0
<b>Equity</b>		<b>216.269</b>	<b>185.047</b>
Provisions for deferred tax	10	626	396
<b>Provisions</b>		<b>626</b>	<b>396</b>
Trade payables		5.889	14.462
Payables to group enterprises		49.866	82.530
Tax payables		5.824	4.632
Other payables		46.525	21.575
<b>Short-term liabilities other than provisions</b>		<b>108.104</b>	<b>123.199</b>
<b>Liabilities other than provisions within the business</b>		<b>108.104</b>	<b>123.199</b>
<b>Liabilities and equity</b>		<b>324.999</b>	<b>308.642</b>
Significant events occurring after end of reporting period	11		
Contingent liabilities	12		
Collaterals and assets pledges as security	13		
Ownership	14		
Related parties	15		
Fees for auditors elected on the general meeting	16		

## Statement of changes in Equity

	Share capital	Retained earnings	Dividend proposed for the year	Total
Equity 1 January 2017	10.000	175.047		185.047
Dividend		-130.000	130.000	0
Profit (loss)	0	31.222		31.222
<b>Equity 31 December 2017</b>	<b>10.000</b>	<b>76.269</b>	<b>130.000</b>	<b>216.269</b>

The share capital has remained unchanged for the last 5 years.

The company's share capital consists of 10,000 shares of DKK 1,000 each, totalling DKK 10,000.

## Notes

## 1. Segment information

	2017	2016
	tkr	tkr
Human Pharmaceutical products	612.775	611.612
Animal Health products	204.756	196.661
<b>Total activity</b>	<b>817.531</b>	<b>808.273</b>

Denmark	248.383	250.567
Sweden	62.985	50.218
Iceland	14.406	14.078
Norway	263.468	263.977
Finland	228.289	229.433
<b>Total geographically</b>	<b>817.531</b>	<b>808.273</b>

## 2. Staff costs

	2017	2016
	tkr	tkr
Wages and salaries	75.651	57.307
Post-employment benefit expense	5.126	4.755
Social security contributions	588	495
	<b>81.365</b>	<b>62.557</b>

*Hereof remuneration to management*

Executive Board and Board of Directors	1.871	1.507
	<b>1.871</b>	<b>1.507</b>

Average number of employees	74	75
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## 3. Goodwill

	2017	2016
	tkr	tkr
Cost at the beginning of the year	13.384	13.384
<b>Cost at the end of the year</b>	<b>13.384</b>	<b>13.384</b>
Depreciation and amortisation at the beginning of the year	-1.784	-892
Amortisation for the year	-892	-892
<b>Impairment losses and amortisation at the end of the year</b>	<b>-2.676</b>	<b>-1.784</b>
<b>Carrying amount at the end of the year</b>	<b>10.708</b>	<b>11.600</b>

## Notes

**4. Fixtures, fittings, tools and equipment**

	<b>2017</b>	<b>2016</b>
	tkr	tkr
Cost at the beginning of the year	1.079	1.083
Disposal during the year	-208	-4
<b>Cost at the end of the year</b>	<b>871</b>	<b>1.079</b>
Depreciation and amortisation at the beginning of the year	-939	-878
Amortisation for the year	-63	-61
Reversal of impairment losses and amortisation of disposed assets	208	0
<b>Impairment losses and amortisation at the end of the year</b>	<b>-794</b>	<b>-939</b>
<b>Carrying amount at the end of the year</b>	<b>77</b>	<b>140</b>

**5. Tax for the year**

	<b>2017</b>	<b>2016</b>
	tkr	tkr
Expensed tax		
Tax for the year	9.153	9.956
Deferred tax liability adjustment	230	1.820
<b>Balance at 31 December</b>	<b>9.383</b>	<b>11.776</b>

**Tax payable**

Balance at 1 January	4.632	3.883
Tax paid	-4.632	-3.883
Prepaid tax	-3.329	-5.324
Tax for the year	9.153	9.956
<b>Balance at 31 December</b>	<b>5.824</b>	<b>4.632</b>

**Deferred tax, liability**

Balance at 1 January	396	-1.424
Deferred tax asset adjustment	230	1.820
<b>Balance at 31 December</b>	<b>626</b>	<b>396</b>

**6. Dividend proposed for the year**

	<b>2017</b>	<b>2016</b>
	tkr	tkr
Dividend proposed for the year	130.000	0
Retained earnings	-98.778	38.617
<b>Distribution of profit</b>	<b>31.222</b>	<b>38.617</b>

## Notes

**7. Leasehold improvements**

	<b>2017</b>	<b>2016</b>
	tkr	tkr
Cost at the beginning of the year	1.147	1.147
<b>Cost at the end of the year</b>	<b>1.147</b>	<b>1.147</b>
Depreciation and amortisation at the beginning of the year	-1.147	-994
Amortisation for the year	0	-153
<b>Impairment losses and amortisation at the end of the year</b>	<b>-1.147</b>	<b>-1.147</b>
<b>Carrying amount at the end of the year</b>	<b>0</b>	<b>0</b>

**8. Deposit**

	<b>2017</b>	<b>2016</b>
	tkr	tkr
Cost at the beginning of the year	584	510
Addition during the year, incl. improvements	0	74
Disposal during the year	-14	0
<b>Cost at the end of the year</b>	<b>570</b>	<b>584</b>
<b>Carrying amount at the end of the year</b>	<b>570</b>	<b>584</b>

**9. Prepaid expenses**

Prepaid expenses includes: Prepaid expenses, prepaid insurance payments and balance on salary bankaccount.

	<b>2017</b>	<b>2016</b>
	tkr	tkr
Prepaid Expenses	1.398	954
<b>Balance at the end of the year</b>	<b>1.398</b>	<b>954</b>

**10. Provisions for deferred tax**

	<b>2017</b>	<b>2016</b>
	tkr	tkr
Provisions for deferred tax	626	396
<b>Balance at the end of the year</b>	<b>626</b>	<b>396</b>

**11. Post financial year events**

No events have occurred after the end of the financial year, which may change the financial position of the company substantially.

## Notes

### 12. Contingent liabilities

	2017	2016
	tkr	tkr
Rent liability	3.278	788
Operating lease liability concerning cars and computer equipment	6.003	9.294
	<u>9.281</u>	<u>10.082</u>

Apart from the above, the company has not undertaken any other lease liabilities.

### 13. Collaterals and securities

The company has, together with Eli Lilly and Company, Indianapolis, US, signed a counter guarantee of DKK 40.000.000 to BNP Paribas S.A., Denmark.

The credit facility has been used to issue a bank guarantee of DKK 30.000.000 to the Danish Maritime and Commercial High Court in connection with a court order of 8. December 2017 whereby a preliminary injunction was granted against Fresenius Kabi AB v/Fresenius Kabi, affiliate of Fresenius Kabi Oncology Plc (in case no. A-19-17) regarding Fresenius Kabi's sale of a generic version of Alimta. The bank guarantee was issued as a guarantee to any damages claim that Fresenius Kabi may have if the preliminary injunction is later found to be invalid.

In the opinion of the management, none of the pending litigation will have a material adverse effect on Eli Lilly Denmark A/S nor the Lilly Group's financial position or results of operations when ultimately resolved.

No other securities or mortgages exist at the balance sheet date.

### 14. Parent company

The parent company and the controlling influence of the entire group is Eli Lilly and Company.

The company's financial statements are included in the consolidated financial statements of the parent company, Lilly Holding, BV, whose annual report is available at the parent company's office at Paperdorpseweg 83,3528 BJ, Utrecht, Netherlands. The parent company of the entire group is Eli Lilly and Company, P.O. Box 88665, Indianapolis, Indiana 46208-0665.

The company is fully owned by Lilly Holding, BV.



## Notes

### 15. Related parties

Related parties include the parent, group entities and associates. The company purchases goods and services from related parties. In addition, the company sells administrative services to related parties.

During the year, the company did not enter into any significant related party transactions other than ordinary intra-group transactions.

<b>Intra-group transactions in Income Statement:</b>	<b>2017</b>
	tkr
Other operating income	19.767
Cost of sales	-503.649
Other external expenses	-153.425

<b>Intra-group transactions in Balance Sheet:</b>	
Short term trade receivables from group enterprises	177.245
Payables to group enterprises	49.865

### 16. Fees for auditors elected on the general meeting

	<b>2017</b>	<b>2016</b>
	tkr	tkr
Statutory audit	370	471
Other assurance reports	12	12
Tax consultancy	0	0
Other services	88	8
	<b>470</b>	<b>491</b>