Eli Lilly Danmark A/S

Lyskær 3 E, 2. tv.

2730 Herlev

CVR No. 51619811

Annual Report 2016

39. financial year

The Annual Report was presented and
adopted at the Annual General Meeting of
the Company on 30 May 2017

Poul Flemming Hansen
Chairman

Contents

Management's Statement

Today, Management has considered and adopted the Annual Report of Eli Lilly Danmark A/S for the financial year 1 January 2016 - 31 December 2016.

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 2016 and of the results of the Company's operations for the financial year 1 January 2016 - 31 December 2016.

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, 30 May 2017

Executive Board

Morten Auscher
Man. Director

Board of Directors

Poul Flemming Hansen Chairman	Morten Auscher Man. Director	Bjarke Mollerup Bitsch
Grethe Bjerre Højlund		

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 2016 - 31 December 2016, which comprise an 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 2016 and of the results of the company's operations for the financial year 1 January 2016 - 31 December 2016 in accordance with the Danish Financial Statements Act.

Basis of 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 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 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 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 skepticism throughout the audit. We also:

* Identify and assess the risk of material misstatements in 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.

Independent auditor's report

* 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 conclusion is 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 notes disclosures, and wether 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 which 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 our procedures, 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, 30. maj 2017

Ernst & Young
Godkendt Revisionspartnerselskab
CVR-no. 30700228

Christian S. Johansen
State Authorised Public Accountant

Company details

Company	Eli Lilly Danmark A/S Lyskær 3 E, 2. tv. 2730 Herlev
Telephone	45 45 26 60 00
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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 2016 - 31 December 2016
Board of Directors	Poul Flemming Hansen, Chairman Morten Auscher, Man. Director Bjarke Mollerup Bitsch Grethe Bjerre Højlund
Executive Board	Morten Auscher, Man. Director
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvald Helmuths Vej 4 Postboks 250 2000 Frederiksberg CVR-no.: 30700228
Bank	BNP Paribas

Management's Review

Business activities and mission
The activities of Eli Lilly Danmark A/S in 2016 included the product lines: Pharmaceutical products in Denmark, Finland, Iceland and Norway as well as Animal Health products in the Nordic Area.

Our Mission: We make medicines that help people live longer, healthier, more active lives.

Our local Vision: We aim to change patient expectations in Diabetes, Oncology and Biomedicine as well as in our future therapeutic areas. We will achieve this by making breakthrough products available to patients early, through commercial innovation and by further developing our cluster skills and capabilities.

Business Review
For Eli Lilly Danmark A/S, the financial year 2016 was another satisfactory year in the light of the difficult market situation and a continued challenging environment with hospital owners introducing stricter conditions for market access for pharmaceuticals.

In 2016 Eli Lilly Danmark A/S has started a new important era of growth with new brands in Diabetes, Oncology, Autoimmune and Animal Health with significant sales opportunities (near-term and long-term). Especially our successful launch of our GLP-1 analog, Trulicity, our new drug candidate, Taltz, for Psoriasis and the national decision in Denmark to make Cyramza standard of care in 2nd line Gastric cancer made an important contribution to our topline in 2016.
In 2016 we also made significant pipeline progress in areas of rheumatology and dermatology. We have several potential submissions, approvals and launches in 2017. Across our three BU's (Oncology, Diabetes & Biomedicine) we could possibly launch up to 20 new products in the period between 2014 and 2023.

In addition to this we are very pleased with the result of our animal business unit, Elanco, and area with a promising pipeline of new medicines in both sub- divisions: food and companion animals. Elanco is and will continue to be an important part of our local business and a strong contributor to our sales line.

The annual report for 2016 showed a profit of DKK 38,617 thousand compared to a profit of DKK 25,121 thousand in 2015 and compared to expected profit for 2016 of DKK 32,500 thousand. Revenue is below last year with DKK 808,273 thousand against DKK 844,179 thousand in 2015 but better than expected revenue in 2016, the two biggest contributors being:

1) We planned for generic competition within oncology, which did not happen, resulting in increased top-line.
2) Norwegian kroner continued to deflate in 2016, and as Norwegian prices are adjusted for currency fluctuations, we saw several mandatory price increases in Norway. Combined with a strong performance in Norway, we ended well above plan for the Norwegian sales which are reported in Danish books.

At year-end 2016 the company's equity amounts to DKK 185,047 thousand against DKK 146,430 in 2015. No dividend was paid in 2016.

Outlook 2017
We will in 2017 have a strong focus on launching new molecules in all four business unitsDiabetes, Oncology, Biomedicine and Animal Health - while our promising pipeline in areas of neurodegeneration and pain continues to mature.

Our market situation is still under pressure in 2017, primarily due to parallel import, generic competition and expiry of exclusivity on several key brands, e.g. Cialis. Cialis will lose exclusivity in November.

Management's Review

Our greatest challenge in 2017 will continue to be to obtain access and reimbursement for our new innovative medicines. 'Danish Regions' will introduce a new negotiation model. As a new feature, this model will include economy-based evaluations of medicines. We as an organization will need to fully understand the new model, and build the needed capabilities to work with new 'Medicines Council' to position and secure access to our new molecules and/or line extensions.

We also see an increased political pressure on the price. LIF, the Ministry of Finance, the Ministry of Health and Danish Regions signed a price agreement effective May 1st 2016 - reducing pricing for hospital medicine 10% over the next 3.5 years.

However, management still expects a positive result for 2017, profit estimated to DKK 50,000 thousand and forecasted revenue of DKK 1,046,022 thousand. Our 2017 result will be achieved through several new product launches within Oncology, Biomedicines, Diabetes and Animal Health.

Unusual risks
In management's opinion the annual report is not influenced by unusual risks.

Research and development activities
In NO, FI and DK we conduct multiple studies within Oncology, Diabetes, Neuroscience, Rheumatoid Arthritis & Psoriasis. These studies are conducted either in-house or outsourced to 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 2016 the company's research and development costs in Denmark and Norway totaled DKK 11,893 thousand.

Net profit/loss for the year compared with previously expressed expectations
The company has fully met its previously expressed expectations of net results.

Unusual matters
It is the management's opinion that no unusual matters have affected the financial statements.

Statutory statement regarding social responsibility according to section 99a of the Danish Financial Statements Act
We do not have a local CSR policy in place, including human rights, environment and climate impacts, for Eli Lilly Danmark A/S. More information on our corporate CSR group work can be found by clicking the link:

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

Staturoy statement regarding gender distribution §99b of the Danish Financial Statements Act
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. Here our goal is to keep a good balance between the genders in all management layers. See table below, per 31-12-2016:

Table – gender distribution §99b	*Men*	*Women*	*Total*
Danish Board	*3*	*1 (25%)*	*4*
Lead team	*2*	*1 (33%)*	*3*

Based on the statistics above, we consider all our leadership layers to be equally distributed and therefore not fund is 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:

	2016	2015	2014	2013	2012
In tkr.					
Net turnover	808.273	844.179	741.012	671.363	695.994
Operating profit/loss	37.983	44.308	37.384	36.303	44.627
Net financial income and expenses	12.410	-10.420	-6.848	-7.908	2.975
Profit/loss for the year	38.617	25.121	11.504	19.519	33.825
Total equity	185.047	146.430	151.309	169.805	200.285
Total assets	308.642	338.440	324.044	293.557	322.626
Investment in tangible assets	0	96	32	179	0
Avg. number of full-time employees	75	76	72	80	85
Ratios					
Return on assets (%)	12	13	12	12	14
Return on equity (%)	23	17	8	12	17
Equity Ratio (%)	60	43	47	57	62

For definitions of key ratios, see Accounting and Valuation Principles

Accounting Policies

Reporting Class
The Annual Report of Eli Lilly Danmark A/S for 2016 has been presented in accordance with the provisions of the Danish Financial Statements Act applying to large reporting class C entities.

Changed accounting policies, estimates and errors
Effective 1 January 2016, the Company has adopted act no. 738 of 1 June 2015. This implies changes in the recognition and measurement in the following areas:

- Yearly reassessment of residual values of property, plant and equipment

In future, residual values of property, plant and equipment are subject to annual reassessment. The Company has no significant residual values relating to property, plant and equipment other than those relating to the Company's land. Consequently, the change is made in accordance with section 4 of the executive order on transitional provisions with future effect only as a change in accounting estimates with no impact on equity.

None of the above changes affects the income statement or the balance sheet for or the comparative figures.

Apart from the above changes as well as new and changed presentation and disclosure requirements, which follow from act no. 738 of 1 June 2015, the accounting policies are consistent with those of 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.

Accounting Policies

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.

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:

	Useful life	Residual value
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.

Accounting Policies

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.

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.

Accounting Policies

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.

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.

Inventories
Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Goods for resale are measured at cost, comprising purchase price plus delivery costs.

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

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.

Accounting Policies

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.

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 consolidted financial statements for Eli Lilly and Company, Indianapolis.

Accounting Policies

Segment information
Segment information is provided about activicy 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.

Explanation of financial ratios

$$\text{Return on equity (\%)} = \frac{\text{Profit/loss for the year X 100}}{\text{Avg. equity}}$$

$$\text{Return on assets (\%)} = \frac{\text{Operating profit (EBIT) X 100}}{\text{Avg. assets}}$$

$$\text{Equity ratio (\%)} = \frac{\text{Total equity X 100}}{\text{Total assets}}$$

Income Statement

	Note	2016 tkr.	2015 tkr.
Revenue	1	808.273	844.179
Other operating income		22.662	16.349
Cost of sales		-538.942	-541.530
Other external expenses	2	-190.347	-193.237
Gross result		**101.646**	**125.761**
Employee expenses	3	-62.557	-80.289
Depreciation of property, plant and equipment and intangible assets recognised in profit or loss		-1.106	-1.164
Profit from operating activities		**37.983**	**44.308**
Other finance income from group enterprises	4	25	143
Finance income	4	17.027	7.292
Finance expences	5	-4.642	-17.855
Profit from activities before tax		**50.393**	**33.888**
Tax expense on activities	6	-11.776	-8.767
Profit	7	**38.617**	**25.121**

Balance Sheet as of 31. December

	Note	2016 tkr.	2015 tkr.
Assets			
Goodwill	8	11.600	12.492
Intangible assets		**11.600**	**12.492**
Fixtures, fittings, tools and equipment	9	140	205
Leasehold improvements	10	0	153
Property, plant and equipment		**140**	**358**
Deposits, investments	11	584	510
Investments		**584**	**510**
Fixed assets		**12.324**	**13.360**
Manufactured goods and goods for resale		0	34.760
Inventories	12	**0**	**34.760**
Short-term trade receivables		161.118	169.558
Short-term receivables from group enterprises		130.967	113.193
Current deferred tax	13	0	1.424
Other short-term receivables		3.279	4.401
Prepaid expenses	14	954	1.744
Receivables		**296.318**	**290.320**
Current assets		**296.318**	**325.080**
Assets		**308.642**	**338.440**

Balance Sheet as of 31. December

	Note	2016 tkr.	2015 tkr.
Liabilities and equity			
Contributed capital		10.000	10.000
Retained earnings		175.047	136.430
Equity		**185.047**	**146.430**
Provisions for deferred tax	15	396	0
Provisions		**396**	**0**
Trade payables		14.462	9.485
Payables to group enterprises		82.530	146.534
Tax payables		4.632	3.883
Other payables		21.575	32.108
Short-term liabilities other than provisions		**123.199**	**192.010**
Liabilities other than provisions within the business		**123.199**	**192.010**
Liabilities and equity		**308.642**	**338.440**

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Eli Lilly Danmark A/S

Statement of changes in Equity

	Contributed capital Tkr.	Retained earnings Tkr.	Proposed dividend recognised in equity Tkr.	Total Tkr.
Equity 1 January 2016	10.000	136.430	0	146.430
Profit (loss)	0	38.617	0	38.617
Equity 31 December 2016	**10.000**	**175.047**	**0**	**185.047**

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 in tkr.

1. Segment information

	2016	2015
Blomed	398.060	433.752
Oncology	129.219	155.905
Diabetes	84.333	70.500
Animal Health	196.661	184.022
Total activity	**808.273**	**844.179**
Denmark	250.567	270.486
Sweden	50.218	53.271
Iceland	14.078	14.895
Norway	263.977	247.132
Finland	229.433	258.395
Total geographically	**808.273**	**844.179**

2. Fees for auditors elected on the general meeting

Statutory audit	471	338
Other assurance reports	12	12
Tax consultancy	0	0
Other services	8	8
	491	**358**

3. Employee expenses

Wages and salaries	57.307	74.494
Post-employement benefit expense	4.755	5.071
Social security contributions	495	724
	62.557	**80.289**
Hereof remuneration to management		
Executive Board and Board of Directors	1.507	1.354
	1.507	**1.354**
Average number of employees	75	76

4. Finance income

Currency adjustment	17.027	7.292
Interest income, intra-group	25	143
	17.052	**7.435**

Notes in tkr.

5. Finance expenses

Interest expenses, external	213	301
Currency adjustments	4.429	17.554
	4.642	**17.855**

6. Tax for the year

Expensed tax		
Deferred tax asset adjustment	0	-1.360
Deferred tax liability adjustment	1.820	0
Tax for the year	9.956	10.127
Balance at 31 December	**11.776**	**8.767**
Tax receivable		
Balance at 1 January	-3.883	-3.739
Tax paid	3.883	3.739
Prepaid tax	5.324	6.244
Tax for the year	-9.956	-10.127
Balance at 31 December	**-4.632**	**-3.883**
Deferred tax asset/liability		
Balance at 1 January	1.424	64
Deferred tax asset adjustment	-1.820	1.360
Balance at 31 December	**-396**	**1.424**

7. Proposed distribution of results

Retained earnings	38.617	25.121
Distribuation of profit	**38.617**	**25.121**

8. Goodwill

Cost at the beginning of the year	13.384	0
Addition during the year, incl. improvements	0	13.384
Cost at the end of the year	**13.384**	**13.384**
Depreciation and amortisation at the beginning of the year	-892	0
Amortisation for the year	-892	-892
Impairment losses and amortisation at the end of the year	**-1.784**	**-892**
Carrying amount at the end of the year	**11.600**	**12.492**

Notes in tkr.

9. Fixtures, fittings, tools and equipment

Cost at the beginning of the year	1.083	987
Addition during the year, incl. improvements	0	96
Disposal during the year	-4	0
Cost at the end of the year	**1.079**	**1.083**
Depreciation and amortisation at the beginning of the year	-878	-836
Amortisation for the year	-61	-42
Impairment losses and amortisation at the end of the year	**-939**	**-878**
Carrying amount at the end of the year	**140**	**205**

10. Leasehold improvements

Cost at the beginning of the year	1.147	1.147
Cost at the end of the year	**1.147**	**1.147**
Depreciation and amortisation at the beginning of the year	-994	-764
Impairment losses for the year	-153	-230
Impairment losses and amortisation at the end of the year	**-1.147**	**-994**
Carrying amount at the end of the year	**0**	**153**

11. Deposit

Cost at the beginning of the year	510	510
Addition during the year, incl. improvements	74	0
Cost at the end of the year	**584**	**510**
Carrying amount at the end of the year	**584**	**510**

12. Inventories

Inventories are stated as follows:

Manufactured goods and goods for resale	0	34.760
Inventories in total	**0**	**34.760**

13. Current deferred tax

Current deferred tax	0	1.424
Balance at the end of the year	**0**	**1.424**

Notes in tkr.

14. Prepaid expenses

Prepaid expenses includes: Prepaid expenses, prepaid insurance payments, salary bankaccount and credit card transactions that have not yet been cleared through the travel expense software.

Prepaid Expenses	652	659
Prepaid Insurance	0	302
Prepaid Expense - Other	302	751
Cash Advance Credit Card	0	32
Balance at the end of the year	**954**	**1.744**

15. Provisions for deferred tax

Provisions for deferred tax	396	0
Balance at the end of the year	**396**	**0**

16. 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.

17. Contingent liabilities

Rent liability for 2016 is TDKK 2,350 (2015: TDKK 2,137).

Operating leaseliability concerning cars and computer equipment is for 2016 TDKK 2,338 (2015: TDKK 3,480)

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

18. Collaterals and securities

No securities or mortgages exist at the balance sheet date.

19. 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 Papendorpseweg 83,3528 BJ Utrecht, Netherlands. The parent company and the controlling influence 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 in tkr.

20. Related parties

Related parties include the parent, group entities and associates.

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

Intra-group transactions in Income Statement:	**2016**
Other operating income	22.662
Cost of sales	-521.538
Other external expenses	-135.108
Other finance income from group enterprises	25
Intra-group transactions in Balance Sheet:	
Short term trade receivables from group enterprises	130.967
Payables to group enterprises	82.530