Eli Lilly Danmark A/S

Lyskær 3 E, 2. tv.

2730 Herlev

CVR No. 51619811

Annual Report 2020

43. financial year

The Annual Report was presented and
adopted at the Annual General Meeting of
the Company on 30 June 2021

Sandra Louise Coleman
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 2020 - 31 December 2020.

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 2020 and of the results of the Company's operations for the financial year 1 January 2020 - 31 December 2020.

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 June 2021

Executive Board

Lone Munk Hansen
Man. Director

Supervisory Board

Sandra Louise Coleman	Lone Munk Hansen	Kurt Martin Stefan Cronehag
Chairman	Member	Member

Independent Auditors' 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 2020 - 31 December 2020, 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 2020 and of the results of the Company´s operations for the financial year 1 January 2020 - 31 December 2020 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 Auditors' 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, 30. juni 2021

EY Godkendt Revisionspartnerselskab
CVR-no. 30700228

Mikkel Sthyr	Simon Blendstrup
State Authorised Public Accountant	State Authorised Public Accountant
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Company details

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CVR No.	51619811
Date of formation	31 January 1975
Registered office	Herlev
Supervisory Board	Sandra Louise Coleman Lone Munk Hansen, Man. Director Kurt Martin Stefan Cronehag
Executive Board	Lone Munk Hansen, Man. Director
Auditors	EY Godkendt Revisionspartnerselskab c/o Postboks 250 Dirch Passers Allé 36 2000 Frederiksberg CVR-no.: 30700228
Bank	BNP Paribas

Management's Review

The Company's principal activities
The activities of Eli Lilly Danmark A/S in 2020 included the product lines: Human pharmaceutical products in Denmark, Finland, Iceland and Norway.

Business review
For Eli Lilly Denmark A/S, the financial year 2020 was a good year considering the difficult market situation due to covid-19 and a continued challenging environment with hospital owners and national authorities introducing stricter conditions for market access for pharmaceuticals in Pharma. In majority of the year all employees were working from home due to covid-19 restrictions. This was supported by various initiatives from the company including increased focus on well-being, to ensure continued good mental and physical work conditions.

In 2020 more sales compared to previous years came from our newly launched products like Taltz, Olumiant and Verzenios. This is a good and healthy development, where new products drive sales, and the mature products continue to decline in sales because of newer molecules entering the marketplace or generic/Biosimilar competition drives sales erosion.

From an organizational point of view Eli Lilly Danmark A/S continued the collaboration with Nordic, UK and Irish colleagues, which was established in 2018. The newer Northern European organization continues to provide greater business opportunities, synergies and development for everyone in the organization and the collaboration between countries and functions continues to improve.

New products
Again in 2020 we made significant pipeline progress in areas of Dermatology, Rheumatology, Diabetes and Oncology with several new molecules or extended indications in regulatory review/approval. In 2021, we are expecting to receive marketing authorization for more of our products or indications within many of these therapeutic areas.

Unusual matters
The financial statements are not affected by any material unusual matters in 2020. In 2019 the one time divesting of the Animal Healthcare activities mentioned below, had a net effect on Equity with DKK 244,812 thousand.

Post financial year events
The company's business operation are still affected by the Covid-19 crisis in a way that the company's employees are working from home to the extent that this is possible, and that the company's interaction with the healthcare sector are lowered in respect of the increased burden of healthcare. Except for these two factors, business operations are affected to a limited extent by the Covid-19 crisis. This can affect the turnover for 2021 negatively.

Outlook 2021
In 2021 there will be a strong focus on Market Access, sales execution and continuing to launch our new molecules or indications with excellence across all 3 business units - Biomedicines, Diabetes and Oncology.

Our market situation will continue to be a challenge due to restricted access, parallel import and generic or biosimilar competition. In 2021 we will continue to work with local authorities to obtain access and reimbursement for our new Innovative medicines or line extensions of current medicines, that has received Marketing Authorization in the end of 2020 or expected during 2021. Our focus will be to continue the collaboration 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 2021 with profit estimated around DKK 24,000 thousand and forecasted revenue around DKK 515.000 thousand before any Covid-19 effect.

Management's Review

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, 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.

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 contribute to Eli Lilly's 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 2020, the company's research and development costs in Denmark was DKK 6,198 thousand.

Working Capital
The equity ratio is 50% at the end of 2020, compared to 45% end of 2019, corresponding to an equity of DKK 91,775 thousand December 31 2020 against DKK 81,670 end of 2019.

The company's financial preparedness amounts to DKK 61,605 thousand at the end of the financial year.

There was a dividend payment in 2020. The Supervisory Board propose a dividend of DKK 60,000 thousand to be paid out in 2021.

Net profit/loss for the year compared with previously expressed expectations
The annual report for 2020 show a profit of DKK 10,105 thousand compared to a profit of DKK 17,825 thousand in 2019 related to continued operations, which is lower than the expectations of DKK 25,000 thousand for 2020. This is primarily due to Covid-19 and currency fluctuation on Norwegian Kroner. In 2019 there was a profit from discontinued operations of DKK 244,812 thousand, due to the sales of the Animal Health activities shown under Net profit from discontinued Operations in the Income Statement.

Revenue is close to last year with DKK 531,909 thousand against DKK 527,957 thousand in 2019. However, revenue is higher than expected DKK 515,000 thousand for 2020, due to our newly launched products and slower erosion than expected of LOE products (Loss of Exclusivity). We are overall satisfied with the result for 2020.

Management's Review

Social Responsibility
Lilly has a strong focus on promoting a healthy environment, maintaining a safe workplace and operating responsibly, with the global Health Safety Environment program being managed under a unified governance structure.

We operate under a number of principle-based policy statements that are implemented through global procedures which describe our basic principles and expectations, and through global standards, which outline more detailed, auditable requirements.

Lilly remains committed to improving our environmental impact across our product life cycles and supply chain and have set new goals to further reduce emissions and waste and to actively execute water-management plans for all Lilly sites in water-stressed areas. We have set aggressive new targets and have an established global energy-management program. Our 2030 goal is for 100% of purchased electricity to come from renewable sources, enhance tracking and reporting of emissions from our full value-chain, and achieve carbon neutrality in our operations. Lilly fully understands that the most effective way to reduce waste is to not create it, and we are committed to minimizing waste to conserve energy and resources and reduce landfill space. The company has a goal of zero waste to landfill, all plastic waste repurposed for beneficial use and that sustainable design principles are incorporated into product and packaging design processes.

The policies of Eli Lilly & Company on corporate social responsibility apply to Eli Lilly Danmark A/S. Eli Lilly Danmark A/S does not have a local policy in place concerning social responsibility, including human rights, environment, and climate impacts. We refer to our corporate website for further information and to review the online report “2020 Environmental, Social and Governance Report.
https://esg.lilly.com/

In Lilly Danmark A/S, we actively promote recycling and a paperless culture. We minimize the use of plastic and buy sustainable and environmentally friendly products for the office. We continuously assess our supply chain to identify the safest and environmentally friendly distribution routes. We also recognize our social responsibility during the covid-19 pandemic to keep our communities safe. All employees were working from home since March 2020 and all face-to-face activities with health care professionals were paused. Employees volunteered to support the healthcare system, e.g., providing expertise and support at the early covid-19 test centers, and local communities.

Gender distribution
Empowering a diverse workforce, continues to be a key focus area for Lilly, and we are committed to creating and sustaining an open, inclusive and diverse environment, where all employees feel valued, respected and heard. Embracing diversity at Lilly means understanding, respecting, and valuing differences, including race, religion, sexual orientation, gender identity, disability status, work style, national origin, and age.

In order to foster a strong culture of belonging, there are 5 employee resource groups actively engaged across the Northern European Hub, including the Gender Inclusion Network which works to remove obstacles that prevent women and men at Lilly from achieving their full potential; Generation-Lilly whose purpose is to promote and embrace a multi-generational culture; ENABLE which has the objective of creating a disability-confident culture; LGBT+Allies which promotes the equal experience, treatment and safety for Lesbian, Gay, Bi and Trans people; and embRACE, a newly established employee resource group established in 2020, which has the purpose of creating an environment where people of color are empowered to be their authentic selves and a culture where we celebrate differences.

Management's Review

At Lilly, our commitment to diversity spans our workplace, but also shapes our understanding of the marketplace, and our relationships with suppliers. A focus on diversity and inclusion is built into our workplace culture. From recruiting and hiring to talent management processes and supervisor coaching, we see direct benefit when our workforce is representative of the customers we serve. We also benefit from each employee's diverse views and ideas. A strong emphasis has been placed on inclusive leadership, unconscious bias education and psychological safety to assist employees to be the best they can be. 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 December 31, 2020 there was 39 women (72%) and 15 men (28%) employed by Eli Lilly Danmark A/S. The Managing Director for Eli Lilly Danmark A/S is a woman, and the Supervisory Board persists of two females and one male. Lilly Danmark A/S is part of the Northern European Hub consisting of UK, Ireland, Denmark, Finland, Norway, and Sweden, with a female CEO for the Northern European Hub. Managers in the Hub have responsibility for more countries and have employees from other Hub countries reporting to them and employees from Eli Lilly Danmark A/S are reporting to a manager in Denmark or in another Hub country.

Per 31-Dec-2020, the Northern European Hub management team consists of 8 females (57%) and 6 males (43%). The company consider all our management layers to be equally gender 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:

	2020	2019	2018	2017	2016
In T.DKK					
Revenue from continued operations	531.908	527.956	544.179	612.774	808.273
Operating profit/loss from continued operations	17.918	24.015	26.461	28.722	37.983
Net financial income and expenses from continued operations	-4.888	-1.087	-1.610	3.196	12.410
Net result from continued operations	10.108	17.826	19.112	24.670	38.617
Net result from discontinued operations	0	244.811	8.652	6.552	0
Investment in non-current assets	0	0	0	0	0
Total assets from continued operations	183.982	183.165	183.839	285.505	308.642
Total equity from continued operations	91.778	81.670	114.033	216.269	185.047
Avg. number of full-time employees	49	46	49	55	75
Ratios					
Return on assets (%)	10	11	9	10	13
Return on equity (ROE) (%)	12	268	16	18	23
Equity ratio (%)	50	45	46	76	60

For definitions of key ratios, see Accounting and Valuation Principles

Key figures and financial ratios for the year 2016 have not been restated to reflect results from continued and discontinued operations.

Accounting Policies

Reporting Class
The Annual Report of Eli Lilly Danmark A/S for 2020 has been presented in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

Effective from the financial year 2020, the Company has implemented amending act no. 1716 of 27 December 2018 to the Danish Financial Statements Act. The implementation of the amending act has not affected the Company's accounting policies on recognition and measurement of assets and liabilities but has solely entailed a requirement for further disclosures.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

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.

Discontinued operations
Discontinued operations constitute a significant part of the business whose activities and cash flows can be clearly distinguished from the rest of the business, and where the unit is either disposed or separated as intended for sale, and the sale is expected to be implemented within one year according to a formal plan.

As per 1st of January 2019 the company has sold the Animal Health activities to Elanco Denmark ApS. In the Income Statement and Balance Sheet the activities, assets and liabilities regarding Animal Health is presented as discontinuing operations in a single line.

The comparative figures are adjusted according to the discontinuing operations. The accounting policies for the discontinuing activities are not changed from the accounting policies from last year.

The discontinuing operations are specified in the notes.

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.

Accounting Policies

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.

Income Statement

Revenue
The company has chosen IAS 11 / IAS 18 as interpretation for revenue recognition.

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.

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

Other operating income
Other operating income comprises items of a secondary nature to the activities of the enterprises, including profits on sale of intangible and tangible assets.

Accounting Policies

Other external expenses
Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Staff costs
Staff costs include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

Amortisation and impairment of tangible and 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.

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**
Goodwill	15 years	0%
Other fixtures and fittings, tools and equipment	4-5 years	0%
Leasehold improvements	5 years	0%

Depreciation is recognised in the income statement as Depreciation of intangible and tangible 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.

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.

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.

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 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).

The company has been jointly taxed with Elanco Denmark ApS up until 10 March 2019. Until this date, the enterprises in the gorup are jointly and severally liable for the taxes, royalities etc. that the concern the joint taxation. Eli Lilly Denmark A/S was the administration company in the joint taxation.

Balance Sheet

Intangible assets
Acquired goodwill is measured at cost on initial recognition and subsequently 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.

Accounting Policies

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.

Deposits
Deposits 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.

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

Accrued income, assets
Accrued income 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".

Provisions and contingent liabilities
Provisions for legal disputes are recognised where a legal or constructive obligation has been incurred as a result of past events and it is probable that there will be an outflow of resources that can be reliably estimated. In this case, Eli Lilly Danmark arrives at an estimate based on an evaluation of the most likely outcome. Disputes for which no reliable estimate can be made are disclosed as contingent liabilities.

Provisions are measured at the present value of the anticipated expenditure for settlement. This is calculated using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision for interest is recognised as a financial expense.

Accounting Policies

Provisions for legal disputes consist of various types of provision linked to ongoing legal disputes. Management makes estimates regarding provisions and contingencies, including the probability of pending and potential future litigation outcomes. These are by nature dependent on inherently uncertain future events. When determining likely outcomes of litigation etc. Management considers the input of external counsels on each case, as well as known outcomes in case law.

Although Management believes that the total provisions for legal proceedings are adequate based on currently available information, there can be no assurance that there will not be any changes in facts or matters, or that any future lawsuits, claims, proceedings or investigations will not be material.

Provisions
Provisions comprise anticipated expenses relating to warranty commitments, onerous contracts, restructurings, etc. Provisions are recognized when the Company has a legal or constructive obligation at the balance sheet date as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

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.

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

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 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.

Accounting Policies

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

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

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

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

Income Statement

	Note	2020 TDKK	2019 TDKK
Revenue	1	531.908	527.956
Cost of sales		-382.504	-379.162
Other operating income		9.313	10.208
Other external expenses		-89.981	-91.483
Gross profit		**68.736**	**67.519**
Staff costs	2	-50.805	-43.484
Depreciation, amortisation expense and impairment losses of equipment recognised in profit or loss	3	-13	-20
Profit before net financials		**17.918**	**24.015**
Finance income		7.532	3.583
Finance expences		-12.420	-4.670
Profit before tax		**13.030**	**22.928**
Tax expense on ordinary activities	4	-2.922	-5.102
Net profit from discontinued operations	5	0	244.811
Profit for the year	6	**10.108**	**262.637**

Balance Sheet as of 31 December

	Note	2020 TDKK	2019 TDKK
Assets			
Fixtures, fittings, tools and equipment	3	0	13
Leasehold improvements	7	0	0
Property, plant and equipment		**0**	**13**
Deposits, investments	8	570	570
Investments		**570**	**570**
Fixed assets		**570**	**583**
Short-term trade receivables		118.318	109.113
Short-term receivables from group enterprises		61.605	71.769
Current deferred tax	9	20	24
Short-term tax receivables		1.637	0
Other short-term receivables		185	343
Prepaid expenses	10	1.647	1.333
Receivables		**183.412**	**182.582**
Current assets		**183.412**	**182.582**
Assets		**183.982**	**183.165**

Balance Sheet as of 31 December

	Note	2020 TDKK	2019 TDKK
Liabilities and equity			
Contributed capital		10.000	10.000
Retained earnings		21.778	71.670
Proposed dividend recognised in equity		60.000	0
Equity		**91.778**	**81.670**
Trade payables		8.293	5.977
Payables to group enterprises		46.358	72.947
Tax payables		0	95
Other payables		37.553	22.476
Short-term liabilities other than provisions		**92.204**	**101.495**
Liabilities other than provisions within the business		**92.204**	**101.495**
Liabilities and equity		**183.982**	**183.165**

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Statement of changes in Equity

	Contributed capital	Retained earnings	Proposed dividend recognised in equity	Total
Equity 1 January 2020	10.000	71.670	0	81.670
Dividend	0	0	60.000	60.000
Transfer through appropiration of loss	0	-49.892	0	-49.892
Equity 31 December 2020	**10.000**	**21.778**	**60.000**	**91.778**

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

	2020	2019
	TDKK	TDKK
Activity:		
Endocrinology	136.421	142.597
Oncology	104.535	111.733
Neuroscience	125.980	139.037
Immunology	134.658	90.825
Other	30.314	43.764
Total	**531.908**	**527.956**
Geographically:		
Denmark	144.520	137.931
Iceland	5.416	6.353
Norway	172.789	159.476
Finland	209.183	224.196
Total	**531.908**	**527.956**

2. Staff costs

	2020	2019
	TDKK	TDKK
Wages and salaries	46.903	39.947
Post-employement benefit expense	3.517	3.292
Social security contributions	385	245
	50.805	**43.484**
*Hereof remuneration to management**		
Management		3.428
		3.428
Average number of employees	49	46

*The total remuneration to Management for 2019 of DKK 3,428 thousand is disclosed as one, with reference to section 98b(3)(i) of the Danish Financial Statements Act.
The total remuneration to management for 2020 are not disclosure with reference to section 98b(3)(ii) of the Danish Financial Statements Act.

Notes

3. Fixtures, fittings, tools and equipment

	2020	2019
	TDKK	TDKK
Cost at the beginning of the year	779	779
Disposal during the year	-240	0
Cost at the end of the year	**539**	**779**
Depreciation and amortisation at the beginning of the year	-766	-746
Amortisation for the year	-13	-20
Reversal of impairment losses and amortisation of disposed assets	240	0
Impairment losses and amortisation at the end of the year	**-539**	**-766**
Carrying amount at the end of the year	**0**	**13**

4. Tax for the year

Tax expense	**2020**	**2019**
	TDKK	TDKK
Tax for the year	2.918	5.903
Deferred tax assets adjustment	4	-801
Tax expense for discontinued operations	0	69.064
Deferred tax liability adjustment discontinued operations	0	0
Balance at 31 December	**2.922**	**74.166**
Tax payable		
Balance at 1 January	95	-1.357
Tax received/paid	-95	1.357
Prepaid tax	-4.555	-74.872
Tax for the year	2.918	74.967
Balance at 31 December	**-1.637**	**95**
Deferred tax, Total		
Balance at 1 January	-24	777
Deferred tax liability adjustment	4	-801
Balance at 31 December	**-20**	**-24**

Notes

5. Discontinued operation

Income Statement 1 January - 31 December

As per 1 January 2019, Eli Lilly Denmark A/S has divested the Animal Healthcare activities to a new owner.

Other operating income relates to service provided to other group enterprises.

Profit from discontinued operations is broken down on main items below

	2020	2019
	TDKK	TDKK
Revenue	0	0
Cost of sales	0	0
Other operating income	0	313.875
Other external expenses	0	0
Staff costs	0	0
Depreciation and impairment losses of intangible assets	0	0
Profit operating activities from discontinued operations	**0**	**313.875**
Profit from operating activities	0	313.875
Finance income	0	0
Finance expenses	0	0
Profit before tax from discontinued operations	**0**	**313.875**
Profit before tax from discontinued operations	0	313.875
Tax on profit/loss (5.1)	0	-69.064
Profit after tax from discontinued operations	**0**	**244.811**

5.1 Tax expense on discontinued operations

Tax on profit for the year	0	69.064
Total Tax expense on discontinued operations	**0**	**69.064**

Intra-group transactions related to the discontinued operation:
Income Statement

Other operating income	0	313.875

Notes

6. Distribution of profit

	2020	2019
	TDKK	TDKK
Proposed dividend	60.000	0
Extraordinary dividend distributed in the year	0	225.000
Retained earnings	-49.892	37.637
	10.108	**262.637**

Hereof the retained earnings regarding discontinued operations are TDKK 244,811 in 2019.

7. Leasehold improvements

	2020	2019
	TDKK	TDKK
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	-1.147	-1.147
Impairment losses and amortisation at the end of the year	**-1.147**	**-1.147**
Carrying amount at the end of the year	**0**	**0**

8. Deposits, investments

	2020	2019
	TDKK	TDKK
Cost at the beginning of the year	570	570
Cost at the end of the year	**570**	**570**
Carrying amount at the end of the year	**570**	**570**

9. Current deferred tax

	2020	2019
	TDKK	TDKK
Current deferred tax	20	24
Balance at the end of the year	**20**	**24**

10. Prepaid expenses

Prepaid expenses includes: Prepaid expenses and balance on salary bankaccount.

Notes

11. Contingent liabilities

	2020	2019
	TDKK	TDKK
Rent liability	820	820
Operating lease liability concerning cars and computer equipment	3.192	295
	4.012	**1.115**

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

12. Collaterals and securities

The company did in 2017 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 sale of a generic version of Alimta. The bank guarantee was issued as guarantee to any damages claim that Fresenius Kabi may have if the preliminary injunction is later found to be invalid.
The Danish Maritime and Commercial High Court's decision to grant the preliminary injunction was thereafter appealed by Fresenius Kabi to the Eastern District High Court in Copenhagen. The Eastern District High Court decided in Lilly's favour on 20 December 2018 that the preliminary injunction should be upheld against Fresenius Kabi until the main proceedings (regarding certain patent infringement/validity) had been decided on by the Danish Maritime and Commercial High Court.

In April 2021 Eli Lilly, Fresenius Kabi AB and Fresenius Kabi Oncology Plc have notified the Maritime and Commercial High Court that the case is requested closed without further financial effect for Eli Lilly Danmark A/S. Fresenius Kabi AB and Fresenius Kabi Oncology Plc accepts that the Court releases the security provided by Eli Lilly in the case no. A-19-17.

13. 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 i Eli Lilly and Company, P.O. Box 88665, Indianapolis, Indiana 46208-0665.

The company is fully owned by Lilly Holding, BV.

Notes

14. Related parties

Related parties include the parent, group enties 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.

Intra-group transactions in Income Statement	**2020**	**2019**
	TDKK	TDKK
Other operating income	9.073	8.635
Other operating income related to discontinued operations	0	313.875
Cost of sales	380.907	-377.374
Other external expenses	67.667	-68.793
Other finance income from group enterprises	18.917	22.595
Intra-group transactions in Balance Sheet		
Short term trade receivables from group enterprises	61.605	71.769
Payables to group enterprises	46.358	72.947

15. Fees for auditors elected on the general meeting

	2020	**2019**
	TDKK	TDKK
Statutory audit	377	373
Other assurance reports	15	15
Tax consultancy	0	17
Other services	0	30
	392	**435**