

Eli Lilly Danmark A/S

Lyskær 3 E, 2. tv.

2730 Herlev

CVR No. 51619811

Annual Report 2019

42. financial year

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 17 September 2020

Lone Munk Hansen
Chairman

Contents

Management's Statement	3
Independent Auditors' Report.....	4
Company Information.....	6
Management's Review	7
Key Figures and Financial Ratios.....	10
Accounting Policies.....	11
Income Statement	17
Balance Sheet	18
Statement of changes in Equity.....	20
Notes	21

Management's Statement

Today, Management has considered and adopted the Annual Report of Eli Lilly Danmark A/S for the financial year 1 January 2019 - 31 December 2019.

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 2019 and of the results of the Company's operations for the financial year 1 January 2019 - 31 December 2019.

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, 17 September 2020

Executive Board

Lone Munk Hansen
Man. Director

Supervisory Board

Sandra Louise Coleman
Chairman

Lone Munk Hansen
Member

Kurt Martin Stefan Cronehag
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 2019 - 31 December 2019, 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 Company's financial position at 31 December 2019 and of the results of its operations for the financial year 1 January 2019 - 31 December 2019 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 "auditors' 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 responsibility 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 are as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is no guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect 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 the 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 an attitude of professional scepticism 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 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 in 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 auditors' 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 auditors' report. However, future event 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 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 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 Statement 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, 17. september 2020

EY Godkendt Revisionspartnerselskab

CVR-no. 30700228

Christian S. Johansen
State Authorised Public Accountant
mne33234

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State Authorised Public Accountant
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Company details

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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 2019 included the product lines: Pharmaceutical products in Denmark, Finland, Iceland and Norway.

Business Review

For Eli Lilly Denmark A/S, the financial year 2019 was a good year considering 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.

In 2019 we had several new products placed in local guidelines, and 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 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

In 2019 we made significant pipeline progress in areas of Dermatology, Rheumatology, Pain, Migraine, Type 2 Diabetes and Oncology with several molecules in regulatory review/approval. In 2020, we are expecting to receive marketing authorization for more of our products or indications within many of these therapeutic areas.

Unusual matters

According to management, the financial statements are not affected by any unusual matters, except for the one time divesting of the Animal Healthcare activities mentioned below, that had a net effect on Equity with DKK 244,812 thousand.

Post financial year events

The company's business operation have been affected by the Covid-19 crisis in a way that the company's employees have been working from home to the extent that this has been possible, and that the company's interaction with the healthcare sector have been lowered in respect of the increased burden of healthcare. Except for these two factors, business operations have been affected to a limited extent by the Covid-19 crisis. This can affect the turnover for 2020 negatively.

Outlook 2020

In 2020 there will be a strong focus on 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. Our greatest challenge in 2020 will be to continue to obtain access and reimbursement for our new innovative medicines where we expect Marketing Authorization. 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 2020 with profit estimated around DKK 25,000 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 contributor 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 2019, the company's research and development costs in Denmark was DKK 4,472 thousand.

Working Capital

Eli Lilly Danmark A/S is well consolidated. The equity ratio is 40% end of 2019, compared to 46% end of 2018, corresponding to equity of DKK 73,561 thousand December 31 2019 against DKK 114,033 end of 2018.

The company's financial preparedness amounts to DKK 70,613 thousand at the end of the financial year.

There was a dividend payment of DKK 70,000 thousand and an additional extraordinary dividend payment of DKK 225,000 thousand in 2019. The Supervisory Board do not propose any dividend to be paid out in 2020.

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

The annual report for 2019 show a profit of DKK 17,825 thousand compared to a profit of DKK 27,765 thousand in 2018 related to continued operations, which is lower than the expectations of DKK 25,000 thousand for 2019. This is primarily due to effect from discontinued operations. Additionally, there was a profit from discontinued operations of DKK 244,812 thousand in 2019, due to the sales of the Animal Health activities shown under Net profit from discontinued Operations in the Income Statement.

Revenue is below last year with DKK 527,957 thousand against DKK 544,179 thousand in 2018, as we have seen challenges with parallel import across the different markets. However, revenue is higher than expected DKK 516,452 thousand for 2019, mainly due to our newly launched products, and we are overall satisfied with the result for 2019.

Social Responsibility

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 further information and to download the United Nations Global Compact Communications on Progress Report - 2019 (<http://www.lilly.com/responsibility/corporate-responsibility-reports>).

Management's Review

In Eli Lilly Danmark A/S, we actively encourage our employees to volunteer through Connecting Hearts Abroad, our global service program. In 2019, one employee from Eli Lilly Danmark A/S participated in a program in Kenya. Each year we arrange a Global Day of Service and do volunteer work that are meaningful to us.

Gender distribution

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.

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, 2019 there was 73% women employed in Eli Lilly Danmark A/S. Eli Lilly Danmark A/S changed Managing Director October 1st, and the new Managing Director is a woman. The Supervisory Board now consists of two males and one female, and thereby achieving the target set of having at least one female board member.

Eli Lilly Danmark A/S is part of the Northern European Hub with UK, Ireland and the Nordic countries, having managers across countries. The CEO of the Northern European Hub is a woman, 62% of the Northern European Hub management team are women and 53% in management leadership roles within the Northern European Hub are women. The company consider 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:

	2019	2018	2017	2016	2015
In T.DKK					
Revenue from continued operations	527.956	544.179	612.774	808.273	844.179
Operating profit/loss from continued operations	24.015	26.461	28.722	37.983	44.308
Net financial income and expenses from continued operations	-1.087	-1.610	3.196	12.410	-10.420
Net result from continued operations	17.826	19.112	24.670	38.617	25.121
Net result from discontinued operations	244.811	8.652	6.552	0	0
Investment in non-current assets	0	0	0	0	96
Total assets from continued operations	183.165	183.839	285.505	308.642	338.440
Total equity from continued operations	81.670	114.033	216.269	185.047	146.430
Avg. number of full-time employees	46	49	55	75	76
Ratios					
Return on assets (%)	11	9	10	13	13
Return on equity (ROE) (%)	268	16	18	23	17
Equity ratio (%)	45	46	76	60	43

For definitions of key ratios, see Accounting and Valuation Principles

Key figures and financial ratios for the years 2015-2016 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 2019 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.

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.

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.

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.

Accounting Policies

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.

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.

Accounting Policies

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.

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

Accounting Policies

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 group are jointly and severally liable for the taxes, royalties etc. that 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.

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

Accounting Policies

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.

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.

Accounting Policies

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 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.

Explanation of financial ratios

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	2019 TDKK	2018 TDKK
Revenue	1	527.956	544.179
Cost of sales		-379.162	-387.723
Other operating income		10.208	13.243
Other external expenses		-91.483	-95.353
Gross result		67.519	74.346
Staff costs	2	-43.484	-47.841
Depreciation, amortisation expense and impairment losses of property, plant and equipment and intangible assets recognised in profit or loss	3	-20	-44
Profit from ordinary operating activities		24.015	26.461
Finance income		3.583	3.339
Finance expences		-4.670	-4.949
Profit from ordinary activities before tax		22.928	24.851
Tax expense on ordinary activities	4	-5.102	-5.739
Net profit from discontinued operations	5	244.811	8.652
Profit	6	262.637	27.764

Balance Sheet as of 31 December

	Note	2019 TDKK	2018 TDKK
Assets			
Fixtures, fittings, tools and equipment	3	13	33
Leasehold improvements	7	0	0
Property, plant and equipment		13	33
Deposits, investments	8	570	570
Investments		570	570
Fixed assets		583	603
Short-term trade receivables		109.113	120.024
Short-term receivables from group enterprises		71.769	58.017
Current deferred tax	9	24	28
Short-term tax receivables		0	3.821
Other short-term receivables		343	202
Prepaid expenses	10	1.333	1.747
Receivables		182.582	183.839
Current assets		182.582	183.839
Assets relating to discontinued operations	5	0	64.798
Assets		183.165	249.240

Balance Sheet as of 31 December

	Note	2019 TDKK	2018 TDKK
Liabilities and equity			
Contributed capital		10.000	10.000
Retained earnings		71.670	34.033
Proposed dividend recognised in equity		0	70.000
Equity		81.670	114.033
Other payables		1.369	0
Long-term liabilities other than provisions	11	1.369	0
Trade payables		5.977	2.682
Payables to group enterprises		72.947	58.447
Tax payables		95	0
Other payables		21.107	24.572
Short-term liabilities other than provisions		100.126	85.701
Liabilities other than provisions within the business		101.495	85.701
Liabilities relating to discontinued operations	5	0	49.506
Liabilities and equity		183.165	249.240
Contingent liabilities	12		
Collaterals and assets pledged as security	13		
Parent company	14		
Related parties	15		
Fees for auditors elected on the general meeting	16		

Statement of changes in Equity

	Contributed capital	Retained earnings	Proposed dividend recognised in equity	Total
Equity 1 January 2019	10.000	34.033	70.000	114.033
Dividend distributed	0	0	-70.000	-70.000
Transfer through appropriation of loss	0	262.637	0	262.637
Extraordinary dividend distributed	0	-225.000	0	-225.000
Equity 31 December 2019	10.000	71.670	0	81.670

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

	2019	2018
	TDKK	TDKK
Activity:		
Endocrinology	142.597	139.877
Oncology	111.733	135.954
Neuroscience	139.037	169.129
Immunology	90.825	47.541
Other	43.764	51.678
Total	527.956	544.179
Geographically:		
Denmark	137.931	159.534
Iceland	6.353	5.705
Norway	159.476	169.823
Finland	224.196	209.117
Total	527.956	544.179

2. Staff costs

	2019	2018
	TDKK	TDKK
Wages and salaries	39.947	43.845
Post-employment benefit expense	3.292	3.544
Social security contributions	245	452
	43.484	47.841
<i>Hereof remuneration to management</i>		
Management	3.428	0
	3.428	0
Average number of employees	46	49

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.

Comparative figures are not disclosure with reference to section 98b(3)(ii) of the Danish Financial Statements Act.

Employee expenses related to the discontinued operation are presented in the note regarding discontinued operation

Notes

3. Fixtures, fittings, tools and equipment

	2019	2018
	TDKK	TDKK
Cost at the beginning of the year	779	871
Disposal during the year	0	-92
Cost at the end of the year	779	779
Depreciation and amortisation at the beginning of the year	-746	-794
Amortisation for the year	-20	-44
Reversal of impairment losses and amortisation of disposed assets	0	92
Impairment losses and amortisation at the end of the year	-766	-746
Carrying amount at the end of the year	13	33

4. Tax for the year

	2019	2018
	TDKK	TDKK
Tax expense		
Tax for the year	5.903	5.737
Deferred tax assets adjustment	-801	2
Tax expense for discontinued operations	69.064	2.464
Deferred tax liability adjustment discontinued operations	0	149
Balance at 31 December	74.166	8.352
Tax payable		
Balance at 1 January	-1.357	5.824
Tax received/paid	1.357	-5.824
Prepaid tax	-74.872	-9.558
Tax for the year	74.967	8.201
Balance at 31 December	95	-1.357
Deferred tax, Total		
Balance at 1 January	777	626
Deferred tax liability adjustment	-801	151
Balance at 31 December	-24	777

Notes

5. Discontinued operation**Income Statement 1 January - 31 December**

As per 1 January 2019, Eli Lilly Danmark A/S has divested the Animal Healthcare activities to a new owner. Management has concluded, that the divesting is to be considered as discontinued operation as defined in the Danish Financial Statement Act, and on this basis, the 2018 figures have been restated to adhere to the disclosure requirements in respect of results of continuing operations and discontinued operations.

Revenue from discontinued operations relates to the sale of Animal Healthcare products.

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

Profit from discontinued operations is broken down on main items below

	2019	2018
	TDKK	TDKK
Revenue (5.1)	0	243.156
Cost of sales	0	-169.217
Other operating income	313.875	1.884
Other external expenses	0	-44.442
Staff costs (5.2, 5.3)	0	-18.709
Depreciation and impairment losses of intangible assets	0	-892
Profit operating activities from discontinued operations	313.875	11.780
Profit from operating activities	313.875	11.780
Finance income	0	1.242
Finance expenses	0	-1.756
Profit before tax from discontinued operations	313.875	11.266
Profit before tax from discontinued operations	313.875	11.266
Tax on profit/loss (5.4)	-69.064	-2.614
Profit after tax from discontinued operations	244.811	8.652
Balance Sheet as of 31 December Assets		
Goodwill (5.5)	0	9.815
Intangible assets	0	9.815
Short-term trade receivables	0	54.876
Other short-term receivables	0	107
Receivables	0	54.983
Intangible assets	0	9.815
Receivables	0	54.983
Total assets relating to discontinued operations	0	64.798

Notes

Balance Sheet as of 31 December Liabilities

Deferred tax, liability	0	805
Provisions	0	805
Trade payables	0	1.771
Payables to group enterprises	0	35.659
Tax payables	0	2.464
Other payables	0	8.807
	0	48.701
Provisions	0	805
Liabilities other than provisions	0	48.701
Total liabilities relating to discontinued operations	0	49.506
5.1 Segment information		
Animal Health	0	243.156
Total revenue	0	243.156
5.1 Segment information - continued		
Denmark	0	64.065
Sweden	0	59.300
Iceland	0	158
Norway	0	99.658
Finland	0	19.975
	0	243.156
5.2 Staff costs		
Wages and salaries	0	17.326
Post-employment benefit expense	0	1.326
Social security contribution	0	57
	0	18.709
5.3 Average number of employees		
Average number of employees	0	20
5.4 Tax expense on discontinued operations		
Tax on profit for the year	69.064	2.465
Deferred tax adjustment	0	149
	69.064	2.614

Notes

5.5 Goodwill

Goodwill, beginning of the year	0	13.384
Depreciation and amortisation at the beginning of the year	0	-2.676
Amortisation for the year	0	-893
Goodwill, total	0	9.815

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

Other operating income	313.875	1.884
Cost of sales	0	-161.656
Other External expenses	0	-33.717

Intra-group transactions related to the discontinued operation:**Balance Sheet**

Short tem trade receivables from group enterprises	0	0
Payables to group enterprises	0	35.659

6. Distribution of profit

	2019	2018
	TDKK	TDKK
Proposed dividend	0	70.000
Extraordinary dividend distributed in the year	225.000	0
Retained earnings	37.637	-42.236
	262.637	27.764

Hereof the retained earnings regarding discontinued operations are TDKK 244,811 (2018: TDKK 8,652).

7. Leasehold improvements

	2019	2018
	TDKK	TDKK
Cost at the beginning of the year	1.676	1.676
Cost at the end of the year	1.676	1.676
Depreciation and amortisation at the beginning of the year	-1.676	-1.676
Impairment losses and amortisation at the end of the year	-1.676	-1.676
Carrying amount at the end of the year	0	0

Notes

8. Deposits, investments

	2019	2018
	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

	2019	2018
	TDKK	TDKK
Current deferred tax	24	28
Balance at the end of the year	24	28

Deferred tax regarding discontinued operations are not calculated in current deferred tax. For specification of deferred tax for discontinued operations, see note 5.

10. Prepaid expenses

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

Assets relating to discontinued operations does not include any prepaid expenses.

11. Long-term liabilities

	Due	Due	Due
	after 1 year	within 1 year	after 5 years
	TDKK	TDKK	TDKK
Other payables	1.369	0	0
	1.369	0	0

12. Contingent liabilities

	2019	2018
	TDKK	TDKK
Rent liability	820	1.639
Operating lease liability concerning cars and computer equipment	295	3.263
	1.115	4.902

The company has been jointly taxed with Elanco Denmark ApS up until 10 March 2019. Until this date, the enterprises in the group are jointly and severally liable for the taxes, royalties etc. that concern the joint taxation.

Eli Lilly Denmark A/S was the administration company in the joint taxation up until 10 March 2019.

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

Notes

13. 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.

Furthermore, in 2018 the company issued a bank guarantee of DKK 15,000,000 to the Danish Maritime and Commercial High Court in connection with a court order of 15 June 2018, whereby a preliminary injunction was granted against Sandoz A/S (case no. A-49-17) regarding Sandoz' sale of a generic version of Cialis. The bank guarantee was issued as guarantee to any damages claim that Sandoz 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 not appealed by Sandoz.

In June 2020 Eli Lilly and Sandoz A/S have notified the Maritime and Commercial High Court that the case is requested closed. Sandoz A/S accepts that the Court releases the security provided by Eli Lilly in the case no. A-49-17. The parties have agreed that each party shall bear its own costs in the proceedings.

In addition to this, in 2019 the company issued a bank guarantee of DKK 6,500,000 to the Danish Maritime and Commercial High Court in connection with a court order of 1 February 2019, whereby a preliminary injunction was granted against Mylan AB and Generics UK limited (case no. BS-33415/2018-SHR) regarding Mylan's sale of a generic version of Cialis. The bank guarantee was issued as guarantee to any damages claim that Mylan may have if the preliminary injunction is later found to be invalid. Mylan did not appeal the Danish Maritime and Commercial High Court's decision to grant the preliminary injunction. The main infringement case regarding patent validity against Mylan was joined with the main infringement case against Sandoz.

Like the Sandoz case, Eli Lilly and Mylan have in June 2020 notified the Maritime and Commercial High Court that the case is requested closed. Mylan accepts that the Court releases the security provided by Eli Lilly in the case no. BS-33415/2018-SHR. The parties have agreed that each party shall bear its own costs in the proceedings.

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.

Intra-group transactions in Income Statement	2019	2018
	TDKK	TDKK
Other operating income	8.635	13.243
Other operating income related to discontinued operations	313.875	0
Cost of sales	-377.374	-377.024
Other external expenses	-68.793	-71.237
Other finance income from group enterprises	22.595	16.383
Intra-group transactions in Balance Sheet		
Short term trade receivables from group enterprises	71.769	58.017
Payables to group enterprises	72.947	58.447

Intra-group transactions related to the discontinued operation are presented in the note regarding discontinued operation, see note 5.

16. Fees for auditors elected on the general meeting

	2019	2018
	TDKK	TDKK
Statutory audit	373	376
Other assurance reports	15	13
Tax consultancy	17	0
Other services	30	24
	435	413