

Elanco Denmark ApS
Lautrupvang 12, 1,
2750 Ballerup

CVR no. 39640163

Annual report for 2024

Adopted at the Annual General
Meeting on 30 June 2025

Egbert Thomas

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Statement by management on the annual report

The Executive board have today discussed and approved the annual report of Elanco Denmark ApS for the financial year 1 January - 31 December 2024.

The annual report is 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 2024 and of the results of the Company's operations for the financial year 1 January - 31 December 2024.

In our opinion, management's review includes a fair review of the matters dealt with in the management's review.

Management recommends that the annual report should be approved at the annual general meeting.

Ballerup, 30 June 2025

Executive Board

Egbert Thomas

Isabel Hortense A. Roels

Anna Karin Lindberg

Independent auditor's report

To the Shareholder of Elanco Denmark ApS

Opinion

We have audited the financial statements of Elanco Denmark ApS for the financial year 1 January – 31 December 2024, which comprise accounting policies, income statement, balance sheet, statement of changes in equity and notes. 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 2024 and of the results of the Company's operations for the financial year 1 January - 31 December 2024 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' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the 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 these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional scepticism throughout the audit.

Independent auditor's report

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.
- 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 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 Management's Review.

Our opinion on the financial statements does not cover 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 Management's Review and, in doing so, consider whether 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 Management's Review provides the information required under the Danish Financial Statements Act.

Independent auditor's report

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

Copenhagen, 30 June 2025

EY Godkendt Revisionspartnerselskab

CVR-no.: 30700228

Simon Blendstrup
State Authorised Public Accountant
mne44060

Morten Vedel-Ritter
State Authorised Public Accountant
mne50639

Management's review

Company details

The Company

Elanco Denmark ApS
Lautrupvang 12, 1,
2750 Ballerup

Telephone: +45 4526 6060

Website: www.elanco.dk

CVR no.: 39640163

Reporting period: 1 January - 31 December 2024

Executive Board

Egbert Thomas
Isabel Hortense A. Roels
Anna Karin Lindberg

Auditors

EY Godkendt Revisionspartnerselskab
Dirch Passers Alle 36
2000 Frederiksberg

Management's review**Financial highlights**

Seen over a 5-year period, the development of the Company may be described by means of the following financial highlights:

	2024	2023 *	2022 *	2021 *	2020 *
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Revenue	301.211	736.547	682.247	552.061	464.644
Gross profit	85.160	114.872	110.549	104.386	97.139
Profit before net financials	14.075	38.422	35.179	22.195	24.721
Net financials	(658)	(2.168)	(2.826)	(4.208)	(8.536)
Profit for the year	30.847	27.998	25.018	13.945	12.544
Profit for the year from continued operations	10.097	—	—	—	—
Profit for the year from discontinued operations	20.750	—	—	—	—
Balance sheet					
Balance sheet total	454.753	623.116	608.278	517.685	476.147
Investment in property, plant and equipment	106	—	121	1.103	1.241
Equity	406.491	488.885	461.093	436.820	422.816
Average number of full time employees	46	49	49	59	47
Financial ratios					
Gross margin	28 %	16 %	16 %	19 %	21 %
Profit margin	5 %	5 %	5 %	4 %	5 %
Return on assets	3 %	6 %	6 %	4 %	5 %
Solvency ratio	89 %	78 %	76 %	84 %	89 %
Return on equity	7 %	6 %	6 %	3 %	3 %

*Figures relating to discontinued operations are unadjusted and thus not directly comparable.

For definitions of how the financial ratios are calculated, see the summary of significant accounting policies.

Management's review

The Company's principal activities

Elanco Denmark ApS principal activities consist in sale of Animal Health pharmaceutical products in the Nordic Area.

Recognition and measurement uncertainties

The recognition and measurement of items in the financial statements is not subject to any significant uncertainty.

Unusual matters

According to management, the financial statements are not affected by any unusual matters, besides the sale of the Aqua business. For further information, see 'Business Review'.

Events after the balance sheet date

According to management, no events have occurred after the balance sheet date.

Business review

On 5 February 2024, Elanco Animal Health Inc. announced the sale of its global Aqua business to Merck Animal Health. This transaction had a material impact on the group globally and also affected Elanco Denmark ApS. The Aqua business represented revenue of DKK 466 million in 2023 and DKK 242 million in 2024 for Elanco Denmark ApS, corresponding to approximately 63% and 45% of total revenue in those years, respectively. Elanco continued to sell Aqua products until June 2024.

The total revenue for Elanco Denmark ApS in 2024 amounted to DKK 543 million, including revenue from discontinued operations. Of this, DKK 242 million related to the Aqua business. Revenue from continuing operations thus amounted to DKK 301 million.

The original 2024 outlook forecasted revenue of DKK 511 million and a profit before tax of DKK 39 million, and this outlook did take the sale of the Aqua business into account.

Compared to this outlook, Elanco Denmark ApS delivered a revenue performance of DKK 301.1 million from continuing operations, which is slightly above the expected level when excluding discontinued activities.

Elanco Denmark ApS has delivered a revenue of 301M DKK, which is lower than the 2024 outlook of 511M DKK. Elanco Denmark ApS has delivered a profit before tax of 13M DKK, which is lower than the 39M DKK profit in the 2024 outlook. The reason for this deviation / development is mainly due to discontinued operations, and is further explained in the sections below.

The 2024 revenue of 301M DKK solely comprises of the Pet health/Farm Animal revenue (2023: 270M DKK).

Aqua

Before the sale of the Aqua business to Merck in July 2024, Aqua revenue amounted to DKK 242 million in 2024, compared to DKK 466 million in 2023. The 2024 Aqua revenue was realized during the first six months of the year.

Pet Health

2024 showed a 23% increase in revenue compared to 2023, which is a growth of 43M DKK. The main growth driver is the Over-the-Counter business, (hereafter: "OTC"), meaning non-prescription products. The main product driving this growth is AdTab, launched in Q4 2023. In 2024, AdTab realized a revenue of 41M DKK, an increase of 35M DKK compared to 2023. While brands like Seresto, Advantix and Credelio also prevent fleas and ticks, we experienced little cannibalization on this revenue. The combined revenue of Seresto, Advantix and Credelio grew with 2M DKK.

Management's review

Farm Animal

The Farm Animal business - excluding Aqua - has grown 8% compared to 2023, with an increased revenue of 5M DKK. The FAB Business growth is driven by 2 top brands: Coliprotec (3.6M DKK) and Avipro (2.7M DKK).

Research and development

The R&D organization is a global organization within Elanco. We do not have any R&D in Denmark. Products sold in Denmark are based on patents and R&D costs owned and based within the Group.

Foreign branches

Elanco Denmark ApS maintains a registered branch in Norway and Sweden.

Outlook 2025

In 2025 we expect to reach a total revenue of 339M DKK, and an income before taxes (IBT) of 16M DKK. In terms of revenue, this is a decrease of 204M DKK compared to 2024 due to the sale of the Aqua activities in 2024. Excluding Aqua, we expect the 2024 revenue of 301M DKK to increase with 38M DKK to 339M DKK.

We see 2025 as a challenging year from a macroeconomic standpoint and therefore our outlook has taken a cautious approach. We considered the following external factors when assessing our business environment: High inflation driving higher interest rates contracting the economy, higher supply chain costs, price pressure on farmers and generic competition.

However, we expect to grow by 13% in revenue compared to 2024 thanks to the yearly price increase and continuous investments in advertising and promotion to build on the successful year of 2024.

General risks

Elanco Denmark ApS'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, Elanco Denmark ApS has a limited exposure to changes in interest rates.

Currency risks

As Elanco Denmark ApS invoices our customers in DKK, NOK, SEK and EUR, while a substantial part of the revenue is in NOK, the Company is exposed to currency fluctuations and to some currency risks. But the risk is considered to be non-material to the overall performance.

Credit risks

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

Corporate Social Responsibility (CSR), cf. §99a

Elanco Denmark ApS is a wholesaler company without manufacturing, with its focus on sales and marketing activities.

Management's review

We have conducted an assessment for Environmental and Climate matters and have not found any significant risks in this area. This is because Elanco Denmark ApS, as a subsidiary company, does not engage in any manufacturing activities that could have a negative impact on the environment or climate. Furthermore, Elanco Denmark ApS rents its workplace from another company, which further limits its direct environmental footprint. Therefore, we do not have any local policies for Elanco Denmark ApS related to Environmental and Climate matters.

However, we have identified possible risks related to human rights, anti-corruption, and social and employee relations, given the above-mentioned business model. Accordingly, we have provided the required information under §99a in relation to human rights, anti-corruption, social, and employee relations below.

Human Rights

Elanco purchases raw materials (including pharmaceutical ingredients, excipients, and other components such as packaging materials), finished products and services from an extensive supply chain (including external contracted manufacturers) around the world. In most cases, Elanco Denmark ApS may be multiple tiers away from third party suppliers. Although Elanco expects its suppliers to source materials, products and services responsibly Elanco acknowledges that any multi-tiered global supply chain presents possible risks of modern slavery due to significant reach and complex structure, including suppliers operating from a range of countries including those with varying labor laws, ranging from developing to mature labor standards and practices. Suppliers who operate in jurisdictions which have developing labor practices may have an increased risk of modern slavery practices if they follow such local labor practices.

To date, we have screened our entire business partner population for industry-level social and environmental risks. We are further prioritizing organizations for more detailed evaluation, ongoing monitoring and engagement based on geography, level of spend and identified potential for bribery, corruption, environmental protection, human rights or other labor and/or operational concerns.

We will continue to monitor, analyse, and evaluate our risks and their specific connection to our company through ongoing structured risk assessments in our own business activities and the supply chain.

Our most material risks are infringement upon freedom of association and collective bargaining rights since our operations may expose us to said risks.

In 2023, Elanco launched a global Human Rights Policy which applies to Elanco and its direct and indirect subsidiaries, joint venture and affiliates worldwide. Elanco also expects its suppliers and other third parties working on Elanco's behalf to commit to compliance with the principles set out in the Policy. The Policy outlines Elanco's commitments and procedures, that apply to our own operation, supply chain and other business partners. The plan is valid for a period of three years and will be revised in 2026 to ensure continued alignment with evolving human rights standards and business practices.

In 2024 we did not find any breaches of our global Human Rights Policy within Elanco Denmark ApS. Elanco will continue this work on the Policy in the future.

Further, Elanco Denmark ApS and its Norway Branch publish an annual due diligence account on the Company website regarding its obligations under the Norwegian Transparency Law (åpenhetsloven or "Lov om virksomheters åpenhet og arbeid med grunnleggende menneskerettigheter og anstendige arbeidsforhold") to inform the public on how Elanco Denmark ApS ensures its respect for fundamental human rights and decent working conditions.

Anticorruption

Our most material risks are risks associated with lack of integrity and transparency in the vendor network or in our sales interactions that pose a threat of exposure o corrupt practices, impacting operational efficiency and brand reputation.

Management's review

As part of Elanco's anti-corruption and third-party management program, Elanco is committed to compliance with anti-corruption and anti-bribery laws globally. Elanco conducts anti-corruption due diligence (ACDD) on third parties with whom Elanco does business that meet certain pre-determined criteria. Elanco relies on an external service provider to facilitate the completion of due diligence including questionnaires and desktop checks on available data like sanction list checks and background screening and enhanced due diligence when necessary. ACDD helps Elanco assess that the third party is trustworthy and shares a commitment to doing business the right way. The process screens these third parties prior to Elanco engaging in work with them to look for common "red flags" that may signal corruption, and we renew the ACDD screen for third parties on a regular basis.

If during the process possible red flags are observed, Elanco employees are asked to contact and consult their Regional Ethics & Compliance Leaders, Local lawyer or Local Compliance Officer to define individual mitigation measures on a case-by-case basis and are required to report suspected improper activity accordingly.

During 2024 we published an updated Business Partner Code of Conduct to support our enhanced expectations and efforts and will continue to monitor possible breaches and update the Code of Conduct if required. During 2024 we did not find any violation of the Business Partner Code of Conduct.

At Elanco, we foster a culture of integrity and doing the right thing in the right way. We encourage all Elanco employees, customers, and Business Partners to report any known or suspected violation. We do not tolerate retaliation in any form against persons who report a known or suspect violation in good faith.

- Elanco employees may raise concerns with any member of management, Human Resources, or a member of our ethics and compliance team.
- Elanco employees, customers and Business Partners can also raise a concern through Elanco's established reporting channel, Integrity Line, which is available 24 hours a day, seven (7) days a week by telephone or online.

It is a convenient and confidential way to report issues, concerns, or behaviors that could harm Elanco or those we serve. Reports may be made anonymously, where allowed by law. We take each report seriously, responding timely and thoroughly to each allegation.

Social and Employee Matters

Our most material risks pertain to ensuring a safe working environment and maintaining compliance with applicable environmental regulations. Any shortcomings in managing workplace safety or environmental obligations could adversely affect employee health, operational efficiency, and the company's reputation.

At Elanco Denmark ApS we have an HSE policy which has successfully passed an internal audit in 2024. We are ensuring that our employees enjoy a safe working environment by having, among others, periodic Behind the Wheel (BTW) training, Ergonomic posture reviews as well as emergency preparedness drills.

We review and update our global HSE standards, functional procedures and business practices every three years, or as changes are needed.

Our Culture: At Elanco Group as well as Elanco Denmark ApS, we are committed to fostering an inclusive culture where employees can make a difference, encouraging ownership, growth, and well-being. The following gives an overview of our approach to managing human capital resources.

We commit to create a culture built on the foundation of three values and four behavioural pillars:

Values that Guide our Decisions:

- Integrity - Do the right thing in the right way.
- Respect - Respect people, our customers, and the animals in their care.
- Excellence - Be accountable. Continuously improve. Deliver with discipline.

Management's review

Behavioural Pillars that Guide our Actions:

- Involve - We seek participation and input to gain commitment and passionate performance and create an engaged community. We act with humility as One Elanco, collaborating for the best outcomes for the entire company.
- Deliver - We focus on the essential, build mastery, and diligently deliver on our commitments to our colleagues, customers, and shareholders.
- Own - We are accountable and empowered. We ask questions and raise concerns. We are fully invested in Elanco's success.
- Innovate - We bring an innovative mindset that drives continuous improvement of our processes, products, and services.

Our employees are driven by these values and behavioural pillars. At Elanco, this culture drives employee performance. Leadership and employees are encouraged to evaluate performance with these values and behavioural pillars in mind.

Diversity, Equity, and Inclusion: We are focused on discovering new ways in which healthier animals can solve the world's greatest health and environmental challenges, and this innovation is only possible through an inclusive culture of employees with diverse backgrounds, strengths, and perspectives. Our efforts to enhance diversity, equity and inclusion are critical to creating and maintaining our purpose-driven culture and strengthening our promises to our employees and customers.

Total Reward: We invest in our workforce by offering competitive salaries, incentives, and benefits. Our pay for performance philosophy is designed to create ownership and help ensure that we attract and retain talent as well as reward and recognize top-performing employees through merit increases and other rewards. We benchmark our total rewards annually to ensure our compensation and benefit programs remain competitive with our peers. Our benefits are one way we support our employees' well-being and live up to our employee promise.

Development: A good working environment with a strong focus on well-being is therefore a high priority. For example, in 2022, Elanco Denmark ApS has amended the employment agreements with a flexible working addendum. Through this we trust our employees to make better choices in their time management and deliver on their objectives. In addition, we offer our employees opportunities to advance in their careers. We want to equip them with skills which help them thrive and meet the ever-changing needs of the stakeholders in this dynamic animal health industry. We have no new initiatives for 2024 – the above still applies.

Beyond professional growth and development, Elanco employees actively engage in initiatives aligned to Elanco's Healthy Purpose. This is in our ESG and sustainability framework, i.e. to advance the well-being of animals, people, the planet, and our enterprise, enabling us to realize our vision of "Food and Companionship Enriching Life."

As a result, all these initiatives have contributed to maintaining a good working environment.

In the future, at Elanco Denmark ApS we expect to maintain and continuously improve our healthy work environment.

Data ethics

With reference to the requirements under section 99(d) of the Danish Financial Statements Act Elanco Denmark ApS does not have a separate local policy on Data ethics. We have not established a local policy on Data ethics, because the Elanco Group have several policies describing different aspect of Data ethics such as Respecting Privacy, GDPR in general etc.

For more details of Elanco Groups corporate governance, including our Corporate Governance Guidelines, Code of Conduct, Financial Code of Ethics, Articles of Incorporation, Bylaws, Committee Charters; information concerning our executive officers and members of our board of directors; and ways to communicate are available on our website www.elanco.com.

Accounting policies

The annual report of Elanco Denmark ApS for 2024 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

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

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 Elanco Animal Health Inc.

Business combinations

Recently acquired business are recognised in the financial statements from the date of acquisition and are accounted for using the acquisition method. Comparative figures are not restated to reflect newly acquired business.

The date of acquisition is the date when the Company actually obtains control of the acquiree.

The acquisition method is applied to the acquisition of new business of which the Company obtains control. The acquirees' identifiable assets, liabilities and contingent liabilities are measured at fair value at the date of acquisition. Identifiable intangible assets are recognised if they are separable or arise from a contractual right. Deferred tax related to the revaluations is recognised.

Positive differences (goodwill) between, on the one hand, the consideration for the acquired business, the value of non-controlling interests in the acquired entity and the fair value of any previously acquired equity investments and, on the other hand, the fair value of the assets, liabilities and contingent liabilities acquired are recognised as goodwill under "Intangible assets". Goodwill is amortised on a straight-line basis in the income statement based on an individual assessment of the economic life of the asset.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred a reassessment will be performed, whether all of the assets acquired and all of the liabilities assumed are correctly identified and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

The consideration paid for a business consists of the fair value of the agreed consideration in the form of assets transferred, liabilities assumed and equity instruments issued. If part of the consideration is contingent on future events or compliance with agreed terms, such part of the consideration is recognised at fair value at the date of acquisition. Subsequent adjustments of contingent considerations are recognised in the income statement. Expenses incurred to acquire business are recognised in the income statement in the year in which they are incurred.

Where, at the date of acquisition, the identification or measurement of acquired assets, liabilities or contingent liabilities or the determination of the consideration is associated with uncertainty, initial recognition will take place on the basis of provisional amounts. If it turns out subsequently that the identification or measurement of the consideration transferred acquired assets, liabilities or contingent liabilities was incorrect on initial recognition, the statement will be adjusted retrospectively, including goodwill, until 12 months after the acquisition, and comparative figures will be restated. Hereafter, any adjustments are recognised as misstatements.

Accounting policies

Reporting currency

The Annual Report is presented in Danish kroner (TDKK). In general, rounding will occur and cause variances in sums and percentages in the financial statements.

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.

Foreign group entities

On recognition of foreign subsidiaries/branches which are integral entities, monetary items are translated at closing rates. Non monetary items are translated at the exchange rate at the acquisition date or at the date of any subsequent revaluation or impairment of the asset. Income statement items are translated at the exchange rates at the transaction date. However, items derived from non monetary items are translated at historical exchange rates for the non monetary item. The exchange rate difference resulting from the conversion of the equity at the beginning of the financial year into the exchange rate on the balance sheet date and from the conversion of the profit and loss at the average exchange rate at the exchange rate on the balance sheet date shall be recognised directly on the equity.

Basis of recognition and measurement

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

Income is recognised in the Income Statement as it is earned, including value adjustments of financial assets and liabilities that are measured at fair value or amortised cost. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the Income Statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the Income Statement.

Assets are recognised in the Balance Sheet when it is probable that future economic benefits attributable to the asset will accrue to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the Balance Sheet when it is probable that future economic benefits attributable to the asset will flow out of the Company, and the value of the liability can be measured reliably.

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

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

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

Accounting policies

Income Statement

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 goods sold includes the cost of goods used in generating the year's revenue.

Other operating income and expenses

Other operating income and expenses comprise items of a secondary nature to the activities of the enterprises.

Other external expenses

Other external costs include costs for distribution, sales, advertising, administration, premises, operating leasing costs and contract labor 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 Property, plant and equipment 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. 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:

Goodwill	10 years
Leasehold improvements	5 years
Other fixtures and fittings, tools and equipment	3-10 years

Accounting policies

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

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

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

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 resulting from the sale of property, plant and equipment is determined as the difference between the selling price less selling costs and the carrying amount at the date of sale, and is recognised in the Income Statement under other operating income or expenses.

The expected future earning from goodwill is 10 years. This expectation is based on estimate prepared in connection with the global acquisition and other acquisition performed on a global level within the last year, but shows a true picture for the Danish affiliate.

Financial income and expenses

Financial income and expenses are recognised in the Income Statement based on the amounts that concern the financial year. Financial income and expenses include interest revenue and expenses and realised and unrealised capital gains and losses regarding transactions in foreign currencies.

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.

Discontinued operations

Discontinued operations constitute a significant part of the company, whose activities and cash flows can be clearly separated operationally and accounting-wise from the rest of the company, and where the unit is either disposed of, closed, abandoned, or classified as held for sale, with the sale, closure, or abandonment expected to be completed within one year according to an overall formal plan.

Discontinued activities also include businesses that have been classified as held for sale. The after-tax result of discontinued activities, as well as gains/losses from sales, is presented in a separate line in the income statement without adjustment of comparative figures. The notes disclose revenue, expenses and taxes for the discontinued activity.

Balance Sheet

Intangible assets

Acquired goodwill is measured at cost on initial recognition and subsequently at cost less accumulated amortisation and impairment losses.

Accounting policies

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

Property, plant and equipment

Property, plant and equipment are measured at cost on initial recognition and subsequently at cost less accumulated depreciation and impairment losses.

The depreciable amount is calculated taking into consideration the residual value of the asset at the end of its useful life, reduced by impairment losses, if any. The depreciation period and the residual value are determined at the date of acquisition. If the residual value exceeds the carrying amount of the asset, depreciation is discontinued.

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

Cost includes the purchase price and expenses directly related to the acquisition until the time when the asset is ready for use.

The carrying amounts of property, plant and equipment are tested annually to determine whether there is any indication of impairment other than what is expressed by amortisation and depreciation. If so, the assets are tested for impairment to determine whether the recoverable amounts are lower than the carrying amounts and the relevant assets are written down to such lower recoverable amounts. An impairment test is carried out annually of ongoing development projects, whether or not there is any indication of impairment.

The recoverable amount of an asset is determined as the higher of the net sales price and the value in use. Where the recoverable amount of the individual assets cannot be determined, the assets are grouped together into the smallest group of assets that can be estimated to determine an aggregate reliable recoverable amount for those units.

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.

Prepaid expenses, assets

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

Accounting policies

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank.

Equity

Equity comprises the contributed capital and retained earnings.

Proposed dividend

Proposed dividend is recognized as a liability at the date when it is adopted at the annual general meeting (declaration date). Dividend expected to be distributed for the year is presented as a separate line item in equity.

Provisions

Provisions comprise anticipated expenses relating to rebate provisions, onerous contracts, restructuring, 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.

Deferred tax

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

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

Deferred tax assets is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. And are recognized at the expected value of its utilization.

Current tax liabilities

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

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.

Leases

The Company has chosen IAS 17 as interpretation for classification and recognition of leases.

Leases that do not transfer substantially all the risks and rewards incident to ownership to the Company are operating leases. Payments relating to operating leases and any other leases are recognised in the income statement over the term of the lease. The Company's total liabilities relating to operating leases and other leases are disclosed under contingencies.

Contingent assets and liabilities

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

Segment information

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

Accounting policies**Financial Highlights**

Definitions of financial ratios.

Gross margin	$\text{Gross Profit} \times 100 / \text{Revenue}$
Profit Margin	$\text{Profit/loss before financials} \times 100 / \text{Revenue}$
Return on Assets	$\text{Profit/loss before financials} \times 100 / \text{Total assets}$
Solvency Ratio	$\text{Equity at year-end} \times 100 / \text{Total assets}$
Return on Equity	$\text{Net Profit/loss for the year} \times 100 / \text{Average equity}$

Income statement 1 January - 31 December

	Note	2024	2023
		TDKK	TDKK
Revenue	1	301.211	736.547
Cost of sales		(168.196)	(575.492)
Other operating income		—	18
Other external expenses		(47.855)	(46.201)
Gross profit		85.160	114.872
Staff costs	2	(36.586)	(40.830)
Amortisation / depreciation of intangible assets and property, plant and equipment		(34.476)	(34.536)
Other operating expenses		(23)	(1.084)
Profit before net financials		14.075	38.422
Finance income	3	12.440	8.811
Finance expenses	4	(13.098)	(10.979)
Profit from continued operations before tax		13.417	36.254
Tax on profit from continued operations	5	(3.320)	(8.256)
Profit for the year from continued operations		10.097	27.998
Profit for the year after tax from discontinued operations	6	20.750	—
Net result	7	30.847	27.998

Balance sheet 31 December

	Note	2024	2023
		TDKK	TDKK
Assets			
Goodwill		139.059	173.144
Intangible assets	8	139.059	173.144
Other fixtures and fittings, tools and equipment		1.046	1.332
Leasehold improvements		—	60
Property, plant and equipment in progress		57	—
Property, plant and equipment	9	1.103	1.392
Deposits		510	626
Investments	10	510	626
Fixed assets		140.672	175.162
Trade receivables		19.042	137.388
Receivables from group enterprises	16	220.775	210.375
Deferred tax assets	11	—	587
Other receivables		2.411	27.713
Prepaid expenses	12	304	112
Receivables		242.532	376.175
Cash and cash equivalents		71.549	71.779
Current assets		314.081	447.954
Total assets		454.753	623.116

Balance sheet 31 December

	Note	2024	2023
		TDKK	TDKK
Liabilities and equity			
Share capital		50	50
Reserve for exchange rate gain/loss		(829)	(587)
Retained earnings		407.270	489.422
Equity	13	406.491	488.885
Provisions for deferred tax	11	18.069	15.226
Provisions		18.069	15.226
Trade payables		4.708	4.477
Payables to group enterprises	16	15.111	99.174
Income tax payable		6.037	5.878
Other payables		4.337	9.476
Short-term liabilities other than provisions		30.193	119.005
Liabilities other than provisions within the business		30.193	119.005
Total equity and liabilities		454.753	623.116
Contingent assets, liabilities and other financial obligations	14		
Collaterals and securities	15		
Related parties and ownership	16		
Fees to the auditors appointed by the Company in general meeting	17		
Events after the Balance sheet date	18		

Statement of changes in equity

	Share capital	Retained earnings	Reserve for exchange rate gain/loss	Total
	TDKK	TDKK	TDKK	TDKK
Equity at 1 January 2024	50	489.423	(587)	488.886
Net profit/loss for the year	—	30.847	—	30.847
Extraordinary dividend to shareholders during the year	—	(113.000)	—	(113.000)
Foreign exchange adjustments	—	—	(242)	(242)
Equity at 31 December 2024	50	407.270	(829)	406.491

The share capital has remained unchanged since the date of inception.

Notes to the annual report

1 Revenue

Information on segments

Activities - primary segment

	<u>2024</u>	<u>2023</u>
	TDKK	TDKK
PH Disease Prevention	138.889	103.873
PH Therapeutics	92.752	83.077
FA Future Protein & Health	30.479	493.843
FA Ruminants & Swine	38.450	37.841
Other	641	17.913
	<u>301.211</u>	<u>736.547</u>

Geographical - secondary segment

	<u>2024</u>	<u>2023</u>
	TDKK	TDKK
Denmark	99.020	109.340
Norway	43.992	497.879
Sweden	100.734	81.982
Other	57.465	29.433
	<u>301.211</u>	<u>736.547</u>

The figures shown above relate to revenue from the continuing operations of the Company.

2 Staff

	<u>2024</u>	<u>2023</u>
	TDKK	TDKK
Wages and Salaries	31.410	34.479
Pension costs	2.842	3.444
Other social security costs	2.334	2.907
	<u>36.586</u>	<u>40.830</u>
Average number of full time employees	46	49
Remuneration to the Executive Board	<u>2.602</u>	<u>2.862</u>

A part of the remuneration to the executive board is not paid by the Company itself but by other entities within the Elanco Group, and is allocated to the Company as a primary share under other external expenses.

Notes to the annual report

3 Financial income

	<u>2024</u>	<u>2023</u>
	TDKK	TDKK
Intercompany interest income	2.970	4.058
Interest income	2.796	226
Exchange rate adjustments	6.674	4.528
	<u>12.440</u>	<u>8.811</u>

4 Financial costs

	<u>2024</u>	<u>2023</u>
	TDKK	TDKK
Interest expenses	311	314
Exchange rate adjustments	12.659	10.384
Other financial expenses	128	281
	<u>13.098</u>	<u>10.979</u>

5 Tax on profit/loss for the year

	<u>2024</u>	<u>2023</u>
	TDKK	TDKK
Current tax for the year	(93)	(5.084)
Change in deferred tax	(3.227)	(3.172)
	<u>(3.320)</u>	<u>(8.256)</u>

Notes to the annual report

6 Discontinued operations

On 5 February 2024, Elanco Animal Health Inc. announced the sale of the Aqua business to Merck Animal Health. The sale has been completed at the balance sheet date, and consequently, the net assets are transferred. Thus in the balance sheet no assets or liabilities are shown as discontinued operations. Profit/loss after taxes of the Aqua Business is recognised as a separate line item in the Income statement. Comparative figures for 2023 have not been restated for discontinued operations. The sale was effectuated in July 2024, and therefore, the figures presented for the discontinued operations reflect the results for the period from 1 January 2024 up to the effectuation date.

The results of the discontinued operation, which have been included in the profit for the year, were as follows:

	<u>2024</u>	<u>2023</u>
	TDKK	TDKK
Revenue	242.573	—
Cost of sales	(222.379)	—
Other external expenses	(1.720)	—
Gross profit	18.474	—
Staff costs	(4.938)	—
Other operating expenses	(387)	—
Profit before income tax	13.149	—
Income tax expense	(2.893)	—
Profit after income tax of discontinued operation	10.256	—
Gain on sale of the operation after income tax	10.494	—
Profit for the year from discontinued operation	20.750	—

7 Distribution of result

	<u>2024</u>	<u>2023</u>
	TDKK	TDKK
Transfer to retained earnings	30.847	27.998
	30.847	27.998

Notes to the annual report

8 Intangible assets

Goodwill	Total TDKK
Cost at 1 January 2024	340.853
Cost at 31 December 2024	<u><u>340.853</u></u>
Impairment losses and depreciation at 1 January 2024	(167.709)
Amortisation for the year	(34.085)
Impairment losses and depreciation at 31 December 2024	<u><u>(201.794)</u></u>
Carrying amount at 31 December 2024	139.059
Carrying amount at 31 December 2023	173.144
Amortized over	10 years

9 Tangible assets

Property, plant and equipment	Leasehold improvements TDKK	Other fixtures and fittings, tools and equipment TDKK	Property, plant and equipment in progress TDKK	Total TDKK
Cost at 1 January 2024	286	2.458	—	2.744
Additions for the year	—	49	57	106
Disposals	—	(81)	—	(81)
Cost at 31 December 2024	<u>286</u>	<u>2.426</u>	<u>57</u>	<u>2.769</u>
Impairment losses and depreciation at 1 January 2024	(226)	(1.126)	—	(1.352)
Depreciation for the year	(60)	(324)	—	(384)
Disposals	—	70	—	70
Accumulated Depreciation at 31 December 2024	<u>(286)</u>	<u>(1.380)</u>	<u>—</u>	<u>(1.666)</u>
Carrying amount at 31 December 2024	—	1.046	57	1.103
Carrying amount at 31 December 2023	60	1.332	—	1.392
Depreciated over	5 years	3-10 years	—	

Notes to the annual report

10 Deposits

	<u>2024</u>	<u>2023</u>
	TDKK	TDKK
Cost at 1 January	626	633
Additions	—	—
Disposals	(116)	(7)
Cost at 31 December	<u>510</u>	<u>626</u>
Carrying amount at 31 December	<u>510</u>	<u>626</u>

Additions and disposals during the year are related to deposits.

11 Deferred tax

	<u>2024</u>	<u>2023</u>
	TDKK	TDKK
Deferred tax at 1 January	14.639	12.035
Deferred tax adjustment for the year	3.430	2.604
Deferred tax at 31 December	<u>18.069</u>	<u>14.639</u>

Deferred tax relates to:

Intangible assets	18.350	15.240
Property, plant and equipment	46	66
Accruals and provisions	(327)	(667)
	<u>18.069</u>	<u>14.639</u>

Deferred tax has been provided at 22% per the current tax rate.

Deferred tax

Calculated tax assets	—	(587)
Calculated tax liability	18.069	15.226
Total deferred tax	<u>18.069</u>	<u>14.639</u>

The recognition of deferred tax assets is assessed by management.

Deferred tax assets, are recognised as management estimates that the tax assets can be utilised within a foreseeable future by offsetting against future positive taxable income.

12 Prepaid expenses

	<u>2024</u>	<u>2023</u>
	TDKK	TDKK
Other prepaid expenses	304	112
	<u>304</u>	<u>112</u>

Notes to the annual report

13 Equity

The share capital consists of 50.000 shares of a nominal value of DKK1,00. No shares carry any special rights.

14 Contingent liabilities and other financial obligations

The Company has an operating lease liability concerning cars, rent and other operating assets.

Apart from the below, the Company has not undertaken any other lease liabilities.

Other financial obligations

	<u>2024</u>	<u>2023</u>
	TDKK	TDKK
Rental agreements and lease commitments		
Operating lease commitments		
Total future lease payments:		
Within 1 year	1.153	1.435
Between 1 and 5 years	661	1.631
	<u>1.814</u>	<u>3.066</u>

15 Collaterals and securities

No securities and mortgages exist at the balance sheet date.

16 Related parties and ownership

Controlling interest

Elanco Nederland B.V
Van Deventerlaan 31, 3528 AG Utrecht

Immediate parent company

Elanco Animal Health Inc.
2500 Innovation Way Greenfield, IN 46140 USA

Ultimate parent company

Ownership

According to the Company's register of shareholders, the following shareholders hold a minimum of 5% of the voting rights or a minimum of 5% of the share capital:

Elanco Nederland B.V
Van Deventerlaan 31, 3528 AG Utrecht

Consolidated financial statements

The Company is included in the group annual report of Elanco Animal Health Inc.

The group annual report of Elanco Animal Health Inc. may be obtained at the following address: 2500 Innovation Way Greenfield, IN 46140 USA. The same can be found at this link <https://investor.elanco.com/financials/annual-reports/default.aspx>

Notes to the annual report

	<u>2024</u>	<u>2023</u>
	TDKK	TDKK
Intra-group transactions in Income Statement		
Other finance income	2.970	4.058
Cost of sales*	(380.646)	(564.222)
Intra-group transactions in Balance Sheet		
Receivables from group enterprises	220.775	210.375
Payables to group enterprises	15.111	99.174

*The Cost of sales presented in this note includes costs related to both continued and discontinued operations.

A part of the remuneration to the executive board is not paid by the Company itself but by other entities within the Elanco Group, and is allocated to the Company as a primary share under other external expenses.

17 Fee to the auditors appointed by the Company in general meeting

	<u>2024</u>	<u>2023</u>
	TDKK	TDKK
Fee for statutory audit	700	637
Assurance engagements	90	—
	<u>790</u>	<u>637</u>

18 Events after the Balance Sheet date

According to management, no events have occurred after the balance sheet date.