PAGE 50–80

CONSOLIDATED FINANCIAL STATEMENTS

OVERVIEW OF SELECTED CONSOLIDATED COMPANIES

C.H. BOEHRINGER SOHN AG & CO. KG, INGELHEIM AM RHEIN

BOEHRINGER INGELHEIM VETMEDICA GMBH, INGELHEIM AM RHEIN

ARGENTINA — D
Boehringer Ingelheim Animal Health Argentina S.A., *Buenos Aires*

AUSTRALIA — D R
Boehringer Ingelheim Animal Health Australia Pty. Ltd., *North Ryde*

BELGIUM — D P R
Boehringer Ingelheim Animal Health Belgium S.A., *Brussels*

Global Stem cell Technology NV, *Evergem*

BRAZIL — D P R
Boehringer Ingelheim Animal Health do Brasil Ltda., *São Paulo*

CANADA — D
Boehringer Ingelheim Animal Health Canada Inc., *Burlington*

CHINA — D P R
Nanchang Boehringer Ingelheim Animal Health Co., Ltd., *Nanchang*

Boehringer Ingelheim Animal Health (Shanghai) Co., Ltd., *Shanghai*

Boehringer Ingelheim Animal Health Operations (China) Co., Ltd., *Taizhou*

Boehringer Ingelheim Vetmedica (China) Co., Ltd., *Taizhou*

DENMARK — D P
Boehringer Ingelheim Animal Health Denmark A/S, *Copenhagen*

FRANCE — D P R
Boehringer Ingelheim Animal Health France, *Lyon*

GREAT BRITAIN — D P
Boehringer Ingelheim Animal Health UK Limited, *Bracknell*

ITALY — D P
Boehringer Ingelheim Animal Health Italia S.p.A., *Milan*

JAPAN — D R
Boehringer Ingelheim Animal Health Japan Co., Ltd., *Tokyo*

MEXICO — D
Boehringer Ingelheim Animal Health México S.A. de C.V., *Mexico City*

NETHERLANDS — D P R
Boehringer Ingelheim Animal Health Netherlands B.V., *Velserbroek*

NEW ZEALAND — D P R
Boehringer Ingelheim Animal Health New Zealand Limited, *Auckland*

PHILIPPINES — D
Boehringer Ingelheim Animal Health Philippines, Inc., *Makati City*

PUERTO RICO — P
Boehringer Ingelheim Animal Health Puerto Rico LLC, *Barceloneta*

SOUTH AFRICA — D
Boehringer Ingelheim Animal Health South Africa Pty Ltd., *Randburg*

SOUTH KOREA — D
Boehringer Ingelheim Animal Health Korea Ltd., *Seoul*

SPAIN — D
Boehringer Ingelheim Animal Health España, S.A., *Barcelona*

TAIWAN — D
Boehringer Ingelheim Animal Health Taiwan Co., Ltd., *Taipei*

THAILAND — D
Boehringer Ingelheim Animal Health (Thailand) Limited, *Bangkok*

USA — D P R
Boehringer Ingelheim Animal Health USA, Inc., *Wilmington, Delaware*

Newport Laboratories, Inc., *Wilmington, Delaware*

GERMANY — D P R
Boehringer Ingelheim Corporate Center GmbH, *Ingelheim am Rhein*

Boehringer Ingelheim GmbH, *Ingelheim am Rhein*

Boehringer Ingelheim Pharma GmbH & Co. KG, *Ingelheim am Rhein*

Boehringer Ingelheim microParts GmbH, *Dortmund*

Boehringer Ingelheim Venture Fund GmbH, *Ingelheim am Rhein*

Boehringer Ingelheim Biopharmaceuticals GmbH, *Ingelheim am Rhein*

Boehringer Ingelheim Middle East and Africa GmbH, *Ingelheim am Rhein*

D *Distribution*
P *Production*
R *Research and development*

C.H. BOEHRINGER SOHN GRUNDSTÜCKSVERWALTUNG GMBH & CO. KG, INGELHEIM AM RHEIN

BOEHRINGER INGELHEIM INTERNATIONAL GMBH, INGELHEIM AM RHEIN

ARGENTINA D
Boehringer Ingelheim S.A., *Buenos Aires*

AUSTRALIA D
Boehringer Ingelheim Pty. Ltd., *North Ryde*

AUSTRIA D P R
Boehringer Ingelheim RCV GmbH & Co. KG, *Vienna*
Forschungsinstitut für molekulare Pathologie Gesellschaft mbH, *Vienna*
ViraTherapeutics GmbH, *Rum*

BELGIUM D
SCS Boehringer Ingelheim Comm.V., *Brussels*

BRAZIL D P
Boehringer Ingelheim do Brasíl Química e Farmaceutica Ltda., *São Paulo*

CANADA D
Boehringer Ingelheim (Canada) Ltd., *Toronto*

CHILE D
Boehringer Ingelheim Ltda., *Santiago de Chile*

CHINA D P
Boehringer Ingelheim Shanghai Pharmaceuticals Co., Ltd., *Shanghai*
Boehringer Ingelheim Biopharmaceuticals (China) Co., Ltd., *Shanghai*
Boehringer Ingelheim (China) Investment Co., Ltd.,*Shanghai*
Boehringer Ingelheim International Trading (Shanghai) Co., Ltd., *Shanghai*

COLOMBIA D
Boehringer Ingelheim S.A., *Santa Fé de Bogotá*

CZECH REPUBLIC D
Boehringer Ingelheim, spol. s.r.o., *Prague*

DENMARK D
Boehringer Ingelheim Danmark A/S, *Copenhagen*

ECUADOR D
Boehringer Ingelheim Del Ecuador Cia. Ltda., *Quito*

FINLAND D
Boehringer Ingelheim Finland Ky, *Espoo*

FRANCE D
Boehringer Ingelheim France S.A.S., *Paris*

GREAT BRITAIN D
Boehringer Ingelheim Ltd., *Bracknell*

GREECE D P
Boehringer Ingelheim Ellas A.E., *Athens*

HONG KONG D
Boehringer Ingelheim (Hong Kong) Ltd., *Hong Kong*

INDIA D
Boehringer Ingelheim India Private Ltd., *Mumbai*

INDONESIA D P
PT Boehringer Ingelheim Indonesia, *Jakarta*

ISRAEL D
Boehringer Ingelheim Israel Ltd., *Tel Aviv*

ITALY D P
Boehringer Ingelheim Italia S.p.A., *Milan*
Bidachem S.p.A., *Fornovo S. Giovanni*

JAPAN D P R
Nippon Boehringer Ingelheim Co., Ltd., *Tokyo*
Boehringer Ingelheim Seiyaku, *Yamagata*

MEXICO D P
Boehringer Ingelheim Mexico S.A. de C.V., *Mexico City*
Boehringer Ingelheim Vetmedica S.A. de C.V., *Guadalajara*
Boehringer Ingelheim Promeco S.A. de C.V., *Mexico City*

NETHERLANDS D
Boehringer Ingelheim B.V., *Alkmaar*

NEW ZEALAND D
Boehringer Ingelheim (N.Z.) Ltd., *Auckland*

NORWAY D
Boehringer Ingelheim Norway KS, *Asker*

PERU D
Boehringer Ingelheim Peru S.A.C., *Lima*

PHILIPPINES D
Boehringer Ingelheim (Philippines), Inc., *Manila*

POLAND D
Boehringer Ingelheim Sp. z o.o., *Warsaw*

PORTUGAL D
Unilfarma-Uniao Internacional de Laboratórios Farmacêuticos, Lda., *Lisbon*

RUSSIA D
OOO Boehringer Ingelheim, *Moscow*

SAUDI ARABIA D
Boehringer Ingelheim Saudi Arabia Trading, *Riyadh*

SERBIA D
Boehringer Ingelheim Serbia DOO Beograd, *Belgrade*

SOUTH AFRICA D
Ingelheim Pharmaceuticals (Proprietary) Ltd., *Randburg*

SOUTH KOREA D
Boehringer Ingelheim Korea Ltd., *Seoul*

SPAIN D P
Boehringer Ingelheim España S.A., *Barcelona*

SWEDEN D
Boehringer Ingelheim Aktiebolag, *Stockholm*

SWITZERLAND D R
Boehringer Ingelheim (Schweiz) GmbH, *Basel*
Amal Therapeutics S.A., *Geneva*

TAIWAN D
Boehringer Ingelheim Taiwan Ltd., *Taipei*

THAILAND D
Boehringer Ingelheim (Thai) Ltd., *Bangkok*

TURKEY D
Boehringer Ingelheim Ilaç Ticaret A.S., *Istanbul*

USA D P R
Boehringer Ingelheim Pharmaceuticals, Inc., *Wilmington, Delaware*
Boehringer Ingelheim Fremont, Inc., *Wilmington, Delaware*
Boehringer Ingelheim USA Corporation, *Wilmington, Delaware*

VIETNAM D
Boehringer Ingelheim Animal Health Vietnam Limited Liability Company, *Ho Chi Minh City*

CONSOLIDATED BALANCE SHEET

Assets (in million EUR)	Notes [1]	31.12.2020	31.12.2019
Intangible assets	(3.1)	4,295	4,882
Tangible assets	(3.2)	5,050	4,754
Financial assets	(3.3)	8,553	9,162
Fixed assets		**17,898**	**18,798**
Inventories	(3.4)	3,863	3,563
Accounts receivable and other assets	(3.5)	5,252	5,437
Securities		1,499	0
Cash and cash equivalents		4,606	2,195
Current assets		**15,220**	**11,195**
Prepaid expenses		330	313
Deferred tax assets		3,194	3,000
Exceeding amount of plan assets		245	174
Total assets		**36,887**	**33,480**

Equity and liabilities (in million EUR)	Notes [1]	31.12.2020	31.12.2019
Shareholders' capital		178	178
Group reserves		17,672	14,709
Balance sheet currency conversion difference		−544	−207
Equity attributable to the parent company		**17,306**	**14,680**
Non-controlling interests		1	1
Group equity		**17,307**	**14,681**
Difference from capital consolidation		**1,283**	**1,471**
Provisions	(3.6)	15,320	14,521
Accounts payable and loans	(3.7)	1,912	1,715
Liabilities		**17,232**	**16,236**
Deferred income		385	441
Deferred tax liabillities		680	651
Total equity and liabilities		**36,887**	**33,480**

[1] For explanations, see relevant section in the notes to the consolidated financial statements.

CONSOLIDATED PROFIT AND LOSS STATEMENT

(in million EUR)	Notes [1]	2020	2019
Net sales	(4.1)	**19,566**	**18,997**
Changes in finished goods and work in process		328	224
Other own work capitalized		2	11
Other operating income	(4.2)	3,358	2,040
Total revenues		**23,254**	**21,272**
Cost of materials	(4.3)	−2,567	−2,534
Personnel expenses	(4.4)	−5,587	−5,367
Amortization of intangible assets and depreciation of tangible assets	(4.5)	−1,376	−1,180
Other operating expenses	(4.6)	−9,100	−8,409
Operating income		**4,624**	**3,782**
Financial income	(4.7)	−523	−369
Holding income	(4.8)	204	83
Income before taxes		**4,305**	**3,496**
Income taxes [2]	(4.9)	−1,243	−775
Income after taxes		**3,062**	**2,721**
Net income	(4.10)	3,062	2,721
Non-controlling interests		0	0
Group profit		**3,062**	**2,721**

[1] For explanations, see relevant section in the notes to the consolidated financial statements.
[2] Due to legal requirements, the shareholders’ personal taxes arising from group business activities are shown as withdrawals from the group reserves.

CASH FLOW STATEMENT

(in million EUR)	2020
Income after taxes (including non-controlling interests)	3,062
Amortization/reversal of write-downs of intangible assets and depreciation/reversal of write-downs of tangible assets	1,376
Change in provisions for pensions and similar obligations (including change of plan assets)	365
Change in other provisions	868
Other non-cash income and expenses	– 196
Gain/loss from disposals of fixed assets	– 195
Grants received	– 87
Change in inventories	– 517
Change in accounts receivable and other assets not related to investing or financing activities	– 414
Change in accounts payable and other liabilities not related to investing or financing activities	100
Interest income/interest expenses	29
Other income from investments	– 13
Income/expenses from the sale of businesses	– 298
Income taxes	1,243
Income taxes paid	– 1,360
Cash flow from operating activities	**3,963**
Payments to aquire intangible fixed assets	– 170
Payments to aquire tangible fixed assets	– 1,046
Payments to aquire financial fixed assets	– 265
Payments to aquire or generate plan assets	– 28
Payments relating to purchase price adjustments of consolidated entities	– 7
Investments in consolidated companies	– 152
Proceeds from disposals of intangible fixed assets	0
Proceeds from disposals of tangible fixed assets	13
Proceeds from disposals of financial fixed assets	1,052
Cash receipts from the sale of businesses	302
Interest received	22
Income from dividends	13
Income taxes paid from the sale of businesses	– 60
Cash flow from investing activities	**– 326**

CASH FLOW STATEMENT

(in million EUR)	2020
Cash receipts from grants	66
Interest paid	– 37
Cash receipts from shareholders of the parent company [1]	103
Proceeds from loans	178
Cash repayments of loans	– 142
Cash flow from financing activities	**168**
Change in financial funds from cash relevant transactions	**3,805**
Changes in financial funds due to change of consolidated companies	1
Changes in financial funds due to exchange rate movements and valuation adjustments	104
Financial funds [2] as of 1.1.	**2,195**
Financial funds [2] as of 31.12.	**6,105**

[1] This line mainly contains aperiodic tax refunds of personal taxes arising from the group business activities of the shareholders.
[2] Cash and cash equivalents and securities within current assets.
(+) = source of funds, (-) = use of funds

STATEMENT OF CHANGES IN GROUP EQUITY

(in million EUR)	Shareholders' capital [1]	Group reserves [2]	Balance sheet currency conversion difference	Equity attributable to the parent company	Non-controlling interests	Group equity
Balance as of 31.12.2018	**178**	**12,453**	**–298**	**12,333**	**1**	**12,334**
Withdrawals	0	– 465	0	– 465	0	– 465
Net income	0	2,721	0	2,721	0	2,721
Currency effects	0	0	91	91	0	91
Balance as of 31.12.2019	**178**	**14,709**	**–207**	**14,680**	**1**	**14,681**
Withdrawals	0	– 99	0	– 99	0	– 99
Net income	0	3,062	0	3,062	0	3,062
Currency effects	0	0	– 337	– 337	0	– 337
Balance as of 31.12.2020	**178**	**17,672**	**–544**	**17,306**	**1**	**17,307**

[1] The shareholders' capital consists of the equity of C.H. Boehringer Sohn AG & Co. KG and C.H. Boehringer Sohn Grundstücksverwaltung GmbH & Co. KG. The shareholders' capital consists only of the limited partner's capital contribution.
[2] The shareholders' personal taxes arising from group business activities are shown as withdrawals from the group reserves.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Principles and methods

1.1 General principles

The consolidated financial statements of Boehringer Ingelheim for the 2020 financial year were prepared in accordance with Section 264a of the German Commercial Code (HGB), in line with the legal requirements to prepare consolidated financial statements under Section 290 et seq. HGB.

In accordance with Section 297 (1) HGB, the consolidated financial statements consist of the consolidated balance sheet, the consolidated profit and loss statement, the notes to the consolidated financial statements, the cash flow statement, and the statement of changes in equity.

The consolidated financial statements were prepared in euros in accordance with Section 298 (1) in conjunction with Section 244 HGB.

To improve the clarity and transparency of the consolidated financial statements, subtotals have been added in the consolidated profit and loss statement; furthermore, individual items of the consolidated balance sheet and the consolidated profit and loss statement have been combined. These items are presented and explained separately in the notes. The additional disclosures required for the individual items can also be found in the notes.

1.2 Registry information

The parent company is registered under the name C.H. Boehringer Sohn AG & Co. KG, with its headquarters in Ingelheim am Rhein, in the commercial register of Mainz district court under the number HRA 21732.

1.3 Information on the group of consolidated companies

The parent company of the Boehringer Ingelheim Group is C.H. Boehringer Sohn AG & Co. KG, Ingelheim am Rhein. Boehringer AG, Ingelheim am Rhein, is the sole unlimited partner of this company.

The Boehringer Ingelheim Group consists of a total of 176 affiliated companies in Germany and abroad. 149 subsidiaries have been included in the consolidated financial statements of C.H. Boehringer Sohn AG & Co. KG under full consolidation rules. C.H. Boehringer Sohn Grundstücksverwaltung GmbH & Co. KG is a special purpose entity in which C.H. Boehringer Sohn AG & Co. KG bears a majority of the risks and opportunities in economic terms. C.H. Boehringer Sohn AG & Co. KG holds a majority of the voting rights in the other subsidiaries, either directly or indirectly.

In accordance with Section 296 (2) HGB, 24 subsidiaries were not included in the consolidation in the reporting year, as they are individually and collectively insignificant to the Group’s net assets, financial, and earnings position. The total amount of the sales, equity, and net income for the year of the subsidiaries not included in consolidation accounts for less than 1% of the aggregated Group financial statements totals. For two further subsidiaries there are ongoing restrictions on control due to the terms of the articles of association. In accordance with Section 296 (1) No. 1 HGB, these companies were not consolidated either.

The total number of subsidiaries increased by one compared to the previous year:

- Four companies were acquired.
- One company lost its separate legal identity by merger.
- Two affiliated companies were liquidated.

The following subsidiaries were exempted from the reporting and disclosure obligations of Section 264 (3) HGB:

- Boehringer Ingelheim GmbH, Ingelheim am Rhein
- Boehringer Ingelheim Europe GmbH, Ingelheim am Rhein
- Boehringer Ingelheim Finanzierungs GmbH, Ingelheim am Rhein
- Boehringer Ingelheim Secura Versicherungsvermittlungs GmbH, Ingelheim am Rhein
- Boehringer Ingelheim Grundstücks-GmbH, Ingelheim am Rhein
- Boehringer Ingelheim R&D Beteiligungs GmbH, Ingelheim am Rhein
- Boehringer Ingelheim Venture Fund GmbH, Ingelheim am Rhein
- Boehringer Ingelheim Invest GmbH, Ingelheim am Rhein
- Boehringer Ingelheim Animal Health France Participations GmbH, Ingelheim am Rhein

The following subsidiaries were exempted from the reporting and disclosure obligations of Section 264b HGB:

- C.H. Boehringer Sohn AG & Co. KG, Ingelheim am Rhein
- C.H. Boehringer Sohn Grundstücksverwaltung GmbH & Co. KG, Ingelheim am Rhein
- Boehringer Ingelheim Pharma GmbH & Co. KG, Ingelheim am Rhein
- Boehringer Ingelheim Veterinary Research Center GmbH & Co. KG, Hanover

Boehringer Ingelheim participates in one joint venture company, which has not been included in the consolidated financial statements using either the proportionate method or the equity method, since it is not material. Furthermore, Boehringer Ingelheim holds an interest in 20 associated companies, which also have not been accounted for using the equity method due to their lack of significance. The resulting effect on the Group's total assets and net income is less than 1%.

1.4 Consolidation methods

For inventories and fixed assets, receivables, liabilities, and income and expense items, transactions between the companies included in consolidation were eliminated as part of debt consolidation procedures in accordance with Section 303 HGB, procedures to eliminate intercompany profits in accordance with Section 304 HGB and income and expenses consolidation procedures in accordance with Section 305 HGB.

The revaluation method was applied when including subsidiaries in the consolidation for the first time in accordance with Section 301 HGB. Companies were included in the consolidation for the first time on the date on which the company became a subsidiary.

The book value of the shares held by the parent company was offset against the corresponding equity of the subsidiary. Equity was carried at the amount of the fair value of the assets, liabilities, prepaid expenses, deferred income, and special reserves included in the consolidated financial statements as of the time of consolidation. Any remaining positive balance was recorded as goodwill; any remaining negative balance was recorded as a difference from capital consolidation.

1.5 Currency translation

Assets and liabilities resulting from foreign currency transactions were translated using the average spot exchange rate as of the balance sheet date. The realization principle (Section 298 (1) in conjunction with Section 252 (1) No. 4 half-sentence 2 HGB) and the historical cost convention (Section 298 (1) in conjunction with Section 253 (1) sentence 1 HGB) were applied to items with a remaining term of more than one year.

In these consolidated financial statements, the financial statements of foreign subsidiaries domiciled in a state outside the eurozone that are denominated in a foreign currency have been converted into euros using the modified closing rate method, in accordance with Section 308a HGB.

Using the modified closing rate method, the asset and liability items of the annual financial statements prepared in foreign currency were translated into euros using the average spot exchange rate as of the balance sheet date, with the exception of equity, which was translated using the historical rate. Items included in the profit and loss statement were translated into euros using the annual average rate. The resulting translation differences were reported within consolidated equity below the reserves in “Balance sheet currency conversion difference”.

The exchange rates for the Group’s most important currencies changed as follows during the reporting year (basis: 1 EUR):

	Spot rate		Average rate	
	31.12.2020	31.12.2019	2020	2019
US dollar	1.23	1.12	1.14	1.12
Japanese yen	126.49	121.94	121.78	122.06
Chinese renminbi	8.02	7.82	7.87	7.73

2 Accounting policies

2.1 Fixed assets

Acquired tangible and intangible assets are carried at cost, less scheduled straight-line amortization and depreciation determined under consideration of the technical and economic circumstances. This is based on the following useful lives:

Goodwill	10 years
Other intangible assets	2 to 19 years
Buildings	20 years
Technical facilities and machines	10 years
Other facilities, operating equipment	3 to 10 years

Only straight-line depreciation and amortization are used in the consolidated financial statements. Additional write-downs are recorded to reflect impairments when the value of assets has been considered permanently impaired. Manufacturing costs include materials and labor manufacturing costs, an appropriate portion of materials and labor overheads, and the depreciation of fixed assets (to the extent caused by production). Manufacturing costs do not include financing costs.

All capitalized intangible assets have finite useful lives.

In the current financial year, the acquisition of Global Stem cell Technology NV and an additional milestone payment for ICD-Therapeutics GmbH resulted in a total increase in goodwill of 84 million EUR.

Financial assets primarily include investment securities, shareholder rights, and loans and were carried at the lower of cost or fair market value, if impaired. In the event that the reasons for the impairment losses recognized in previous financial years were no longer applicable, corresponding reversals were recorded.

2.2 Current assets, prepaid expenses, deferred income, and exceeding amount of plan assets

Inventories are carried at the lower of cost or fair market value.

Raw materials, consumables, and supplies are capitalized at the lower of average acquisition prices or fair market value on the balance sheet date.

Finished goods and work in progress are measured at manufacturing cost on the basis of individual calculations, taking into account the directly attributable costs of materials, direct labor costs, special direct costs, an appropriate share of material and production overhead costs, and production-related depreciation.

Goods for resale are valued at the lower of either acquisition cost or fair market value.

All identifiable risks in inventories arising from above-average storage periods, diminished marketability, and lower replacement costs were taken into account by recording appropriate valuation adjustments.

Inventories are valued loss-free – that is, deductions were made from the expected sales prices to reflect costs yet to be incurred.

Receivables and other assets were recognized at cost less allowances for specific risks and general credit risk. Low-interest or non-interest-bearing receivables with a term of more than one year were discounted.

Securities classified as current assets solely include other securities and have been recognized at the lower of cost or the fair market value/the stock market price as of the reporting date.

Cash and cash equivalents, consisting of cash, balances at banks, and checks, were recognized at the lower of cost or fair market value.

Prepaid expenses recorded in accordance with Section 250 (1) HGB include expenses paid in advance in respect of a defined period of time after the balance sheet date.

Deferred income recorded in accordance with Section 250 (2) HGB includes proceeds that represent income in respect of a defined period of time after the balance sheet date.

The fair market value of pension plan assets and the corresponding present value of pension obligations have been offset according to German GAAP. The exceeding amount of plan assets has been capitalized separately.

2.3 Group reserves

Group reserves include the retained earnings of the consolidated subsidiaries from prior and current years and consolidation entries that affect earnings.

2.4 Difference from capital consolidation

The difference from capital consolidation reported on December 31, 2020 was primarily a result of the business swap of Boehringer Ingelheim’s consumer healthcare business and Sanofi’s animal health business, which was completed on January 1, 2017. This resulted in a difference from capital consolidation of 1,986 million EUR. The difference is amortized over an estimated period of 15 years. The remaining balance of the difference amounted to 1,283 million EUR as of December 31, 2020.

The difference from capital consolidation was primarily influenced by the current year release of 188 million EUR. The income from the release of the difference arising from capital consolidation is included in other operating income. The release is made corresponding to the amortization of those assets of the acquired company identified in the purchase price allocation not previously recognized in that company’s balance sheet.

2.5 Provisions

Tax provisions and other provisions include all uncertain liabilities and expected losses from executory contracts. They were carried at the amount required to settle the obligation based on reasonable prudent commercial judgment (that is, including future cost and price increases). Provisions with a remaining maturity of more than one year were discounted using the matched-term, average market interest rate. In the case of pension provisions this interest rate results from the average market interest rate over the last ten years and in the case of other provisions from the average market interest rate over the last seven years (in accordance with the "Rückstellungsabzinsungsverordnung", German Regulation on the Discounting of Provisions).

2.6 Accounts payable and loans

Accounts payable and loans were recognized at settlement amount.

2.7 Deferred taxes

To calculate deferred taxes arising from temporary or quasi-permanent differences between the carrying amounts of assets, liabilities, prepaid expenses, and deferred income in the commercial balance sheet and their carrying amounts for tax purposes or tax loss carryforwards, the amounts of the resulting tax benefits and expenses at the time that the differences will reverse were measured using tax rates specific to the respective consolidated company (4%–39%). Deferred tax balances are not discounted. Differences due to consolidation measures in accordance with Sections 300 to 305 HGB were also measured using the company-specific tax rates applicable at the time of the expected reversal of the difference. Deferred tax assets on loss carryforwards were taken into account if it is likely that they will be used within the next five years.

Deferred tax assets and liabilities were reported without offsetting.

3 Notes to the consolidated balance sheet

3.1 Intangible assets

(in million EUR)	Acquired concessions/ similar rights	Goodwill	Advance payments	Total
Acquisition/manufacturing costs				
Balance as of 1.1.2019	**6,908**	**29**	**26**	**6,963**
Currency conversion difference	54	0	0	54
Changes in consolidated companies	34	57	0	91
Additions	214	0	7	221
Disposals	– 117	0	0	– 117
Reclassifications	23	0	– 21	2
Balance as of 31.12.2019	**7,116**	**86**	**12**	**7,214**
Currency conversion difference	– 276	0	0	– 276
Changes in consolidated companies	99	84	0	183
Additions	162	0	8	170
Disposals	– 116	0	0	– 116
Reclassifications	15	0	– 11	4
Balance as of 31.12.2020	**7,000**	**170**	**9**	**7,179**
Accumulated amortization				
Balance as of 1.1.2019	**1,840**	**3**	**0**	**1,843**
Currency conversion difference	12	0	0	12
Changes in consolidated companies	– 2	0	0	– 2
Additions	589	6	0	595
Write-ups	0	0	0	0
Disposals	– 117	0	0	– 117
Reclassifications	1	0	0	1
Balance as of 31.12.2019	**2,323**	**9**	**0**	**2,332**
Currency conversion difference	– 110	0	0	– 110
Changes in consolidated companies	0	0	0	0
Additions	762	12	0	774
Write-ups	0	0	0	0
Disposals	– 116	0	0	– 116
Reclassifications	4	0	0	4
Balance as of 31.12.2020	**2,863**	**21**	**0**	**2,884**
Book value as of 31.12.2019	**4,793**	**77**	**12**	**4,882**
Book value as of 31.12.2020	**4,137**	**149**	**9**	**4,295**

3.2 Tangible assets

(in million EUR)	Land and buildings	Technical facilities and machines	Other facilities/ operating equipment	Advance payments/ construction in progress	Total
Acquisition/manufacturing costs					
Balance as of 1.1.2019	**3,925**	**3,970**	**2,228**	**972**	**11,095**
Currency conversion difference	27	19	14	3	63
Changes in consolidated companies	– 61	– 97	– 3	– 8	– 169
Additions	62	85	156	770	1,073
Disposals	– 46	– 84	– 110	– 7	– 247
Reclassifications	175	172	85	– 434	– 2
Balance as of 31.12.2019	**4,082**	**4,065**	**2,370**	**1,296**	**11,813**
Currency conversion difference	– 156	– 95	– 66	– 25	– 342
Changes in consolidated companies	0	1	0	0	1
Additions	57	69	129	791	1,046
Disposals	– 34	– 63	– 83	– 1	– 181
Reclassifications	158	30	113	– 305	– 4
Balance as of 31.12.2020	**4,107**	**4,007**	**2,463**	**1,756**	**12,333**
Accumulated depreciation					
Balance as of 1.1.2019	**2,223**	**2,857**	**1,735**	**0**	**6,815**
Currency conversion difference	16	13	10	0	39
Changes in consolidated companies	– 60	– 95	– 3	0	– 158
Additions	190	225	170	0	585
Write-ups	0	0	0	0	0
Disposals	– 40	– 77	– 104	0	– 221
Reclassifications	8	– 14	5	0	– 1
Balance as of 31.12.2019	**2,337**	**2,909**	**1,813**	**0**	**7,059**
Currency conversion difference	– 94	– 63	– 48	0	– 205
Changes in consolidated companies	0	0	0	0	0
Additions	184	228	190	0	602
Write-ups	0	0	0	0	0
Disposals	– 31	– 59	– 79	0	– 169
Reclassifications	12	– 45	29	0	– 4
Balance as of 31.12.2020	**2,408**	**2,970**	**1,905**	**0**	**7,283**
Book value as of 31.12.2019	**1,745**	**1,156**	**557**	**1,296**	**4,754**
Book value as of 31.12.2020	**1,699**	**1,037**	**558**	**1,756**	**5,050**

3.3 Financial assets

(in million EUR)	Investments in affiliated companies	Loans to affiliated companies	Investments in related companies	Loans to related companies	Investment securities	Other loans	Total
Acquisition/manufacturing costs							
Balance as of 1.1.2019	**12**	**0**	**1,001**	**0**	**5,166**	**38**	**6,217**
Currency conversion difference	0	0	0	0	0	0	0
Changes in consolidated companies	−6	0	−11	0	0	0	−17
Additions	0	0	45	4	3,071	5	3,125
Disposals	0	0	−81	0	−46	−8	−135
Reclassifications	0	0	0	0	0	0	0
Balance as of 31.12.2019	**6**	**0**	**954**	**4**	**8,191**	**35**	**9,190**
Currency conversion difference	0	0	−3	0	−1	−1	−5
Changes in consolidated companies	0	0	0	0	0	0	0
Additions	0	0	227	1	33	4	265
Disposals	0	0	−838	0	−27	−8	−873
Reclassifications	0	0	0	0	0	0	0
Balance as of 31.12.2020	**6**	**0**	**340**	**5**	**8,196**	**30**	**8,577**
Accumulated depreciation							
Balance as of 1.1.2019	**0**	**0**	**141**	**0**	**15**	**3**	**159**
Currency conversion difference	0	0	0	0	0	0	0
Changes in consolidated companies	0	0	0	0	0	0	0
Additions	0	0	3	0	2	0	5
Write-ups	0	0	−60	0	−7	0	−67
Disposals	0	0	−68	0	−1	0	−69
Reclassifications	0	0	0	0	0	0	0
Balance as of 31.12.2019	**0**	**0**	**16**	**0**	**9**	**3**	**28**
Currency conversion difference	0	0	−1	0	−1	0	−2
Changes in consolidated companies	0	0	0	0	0	0	0
Additions	0	0	3	0	0	0	3
Write-ups	0	0	0	0	0	0	0
Disposals	0	0	−5	0	0	0	−5
Reclassifications	0	0	0	0	0	0	0
Balance as of 31.12.2020	**0**	**0**	**13**	**0**	**8**	**3**	**24**
Book value as of 31.12.2019	**6**	**0**	**938**	**4**	**8,182**	**32**	**9,162**
Book value as of 31.12.2020	**6**	**0**	**327**	**5**	**8,188**	**27**	**8,553**

As in the previous year, the “Other loans” item does not include any loans to shareholders.

3.4 Inventories

(in million EUR)	31.12.2020	31.12.2019
Raw materials and supplies	811	635
Unfinished goods	1,891	1,763
Finished goods and goods for resale	1,152	1,155
Advance payments to suppliers	9	10
	3,863	**3,563**

3.5 Accounts receivable and other assets

(in million EUR)	31.12.2020	Residual term over 1 year	31.12.2019	Residual term over 1 year
Trade accounts receivable	4,302	7	4,196	2
Receivables from affiliated companies	21	0	19	0
Receivables from related companies	21	0	29	0
Other assets	908	161	1,193	176
	5,252	**168**	**5,437**	**178**

The “Other assets” item includes receivables from shareholders of 23 million EUR (previous year: 123 million EUR).

Receivables from affiliated companies almost exclusively consist of receivables from loans.

Receivables from related companies primarily consist of trade accounts receivable.

3.6 Provisions

(in million EUR)	31.12.2020	31.12.2019
Pension provisions and similar obligations	5,581	5,185
Tax provisions	1,746	1,816
Other provisions	7,993	7,520
	15,320	**14,521**

Provisions for pensions and similar obligations

The provisions for pensions and similar obligations were determined on the basis of actuarial calculations using the projected unit credit method, taking into account future adjustments in salaries and pensions.

In addition to local biometric data (in Germany, for example, 2018 G mortality tables published by Prof. Dr. Klaus Heubeck which have been adjusted for group-specific death probabilities and invalidity rates), pension obligations in the significant countries were calculated on the basis of the following actuarial parameters:

(in % as of December 31, 2020)	Germany	USA	Japan
Discount rate	2.31	3.70	0.95
Salary increase	3.50	4.00	3.51
Pension increase	1.88	3.00	0.00

Discounting rates were determined by reference to average market rates for 15-year maturities in accordance with the German Regulation on the Discounting of Provisions of March 11, 2016. The interest rates used to discount significant foreign pension obligations (USA and Japan) were determined with comparable parameters, in line with the German Regulation on the Discounting of Provisions of March 11, 2016.

The difference calculated in accordance with Section 253 (6) HGB amounts to 803 million EUR (previous year: 743 million EUR).

The plan assets intended solely to cover pension and similar obligations that are unavailable to all other creditors (plan assets as defined in Section 246 (2) sentence 2 HGB) were measured at fair market value, which is essentially derived from stock market prices, and offset against the underlying pension and similar obligations. The fair market value of the plan assets on the balance sheet date was 2,165 million EUR. The related amount of pension obligations and similar obligations was 7,501 million EUR.

Tax provisions

The tax provisions also include provisions for double taxation risks, which have resulted following the implementation of the action plans of the Organisation for Economic Cooperation and Development (OECD) as part of their international initiative known as the “Action Plan on Base Erosion and Profit Shifting” (BEPS).

Other provisions

Other provisions mainly include provisions for discounts and guarantees, personnel-related provisions, provisions for outstanding invoices, as well as provisions for litigation, legal claims, and compensation for damages.

3.7 Accounts payable and loans

(in million EUR)	Residual term less than 1 year	over 1 year	thereof over 5 years	31.12.2020	31.12.2019	Residual term less than 1 year
Bank loans	243	8	0	251	256	247
Other accounts payable	1,592	69	28	1,661	1,459	1,385
thereof:						
– Trade accounts payable	*924*	*4*	*0*	*928*	*830*	*822*
– Advance payments received	*196*	*23*	*10*	*219*	*192*	*170*
– Accounts payable to affiliated companies	*3*	*5*	*5*	*8*	*8*	*3*
– Accounts payable to related companies	*0*	*0*	*0*	*0*	*2*	*2*
*– Other liabilities**	*469*	*37*	*13*	*506*	*427*	*388*
	1,835	**77**	**28**	**1,912**	**1,715**	**1,632**

* thereof:	31.12.2020	31.12.2019
– from taxes (in million EUR)	*201*	*205*
– social security liabilities (in million EUR)	*29*	*35*

As in the previous year, there were no liabilities secured by mortgages or similar collateral rights on the balance sheet date.

At the end of the year, there were liabilities to shareholders of 163 million EUR (previous year: 61 million EUR). These are presented within the “Other liabilities” item.

Accounts payable to affiliated companies include loans amounting to 4 million EUR (previous year: 4 million EUR) and trade accounts payable amounting to 4 million EUR (previous year: 4 million EUR).

4 Notes to the consolidated profit and loss statement

The structure of the consolidated profit and loss statement is based on the total cost format. Other taxes are included in other operating expenses.

To provide a better view of the earnings position, cost of materials has been partially reclassified to other operating expenses. The previous year's figure has been adjusted by 384 million EUR for better comparability.

4.1 Net sales

by businesses (in million EUR)	2020	2019
Human Pharma	14,415	13,961
Animal Health	4,121	4,035
Biopharmaceutical Contract Manufacturing	837	786
Other sales	33	41
Discontinued Operations	160	174
	19,566	**18,997**

by region (in million EUR)	2020	2019
Americas	8,889	8,830
Europe	5,879	5,689
Asia/Australia/Africa (AAA)	4,798	4,478
	19,566	**18,997**

4.2 Other operating income

Other operating income includes income from currency translation of 1,964 million EUR (previous year: 811 million EUR).

4.3 Cost of materials

(in million EUR)	2020	2019
Costs of raw material, supplies, and goods for resale	2,005	1,963
Expenditure on services	562	571
	2,567	**2,534**

4.4 Personnel expenses

(in million EUR)	2020	2019
Wages and salaries	4,586	4,349
Social benefits and retirement benefits	1,001	1,018
thereof: retirement benefits	*261*	*267*
	5,587	**5,367**

Interest effects of the measurement of the provisions for pensions and similar obligations are shown under financial income.

Average headcount	2020	2019
Production	16,940	16,590
Marketing and sales	18,468	18,463
Research and development	9,504	9,154
Administration	6,310	6,104
Apprentices	722	704
	51,944	**51,015**

4.5 Amortization of intangible assets and depreciation of tangible assets

Amortization of intangible assets and depreciation of tangible assets include impairment losses of 369 million EUR (previous year: 181 million EUR).

4.6 Other operating expenses

Other operating expenses include expenses from currency translation of 2,150 million EUR (previous year: 1,056 million EUR).

In addition, other items included in operating expenses are mainly the charges made to record provisions for legal risks and restructuring, as well as third-party services for research, development, medicine, and marketing purposes, administrative expenses, fees and contributions, commissions, rent, freight, and expenses for repairs carried out by third parties.

4.7 Financial income

(in million EUR)	2020	2019
Interest expenses and similar expenses	– 559	– 526
Amortization of and loss on disposal of financial fixed assets and short-term investments	– 7	– 2
Income from other investment securities and from long-term loans	12	105
Other interest income and similar income	31	54
	– 523	**– 369**

The "Interest expenses and similar expenses" item includes the interest result from provisions for pensions and similar obligations and other provisions in the amount of 499 million EUR (previous year: 437 million EUR) as well as other interest expenses and similar expenses in the amount of 60 million EUR (previous year: 89 million EUR).

Gains and losses from plan assets and interest expense relating to pension and similar obligations were offset in accordance with Section 246 (2) sentence 2 HGB. In total, 270 million EUR in earnings from plan assets and 657 million EUR in interest expense relating to pension and similar obligations are included in the interest result from provisions for pensions and similar obligations and other provisions.

4.8 Holding income

(in million EUR)	2020	2019
Write-downs on financial assets	– 3	– 4
Write-ups of financial assets	0	60
Income from related companies	207	27
thereof: from disposal of related companies	*194*	*12*
	204	**83**

4.9 Income taxes

(in million EUR)	2020	2019
Current income taxes	1,529	1,027
Deferred taxes	– 286	– 252
	1,243	**775**

Current income taxes primarily include the corporation and trade tax expenses of the consolidated companies.

The total balance of deferred tax assets as of the balance sheet date amounted to 3,194 million EUR (previous year: 3,000 million EUR). Deferred tax assets primarily arise on the difference between the carrying amounts of provisions for pension obligations and for discounts, tax goodwill, intangible assets, inventories, and tangible assets. Deferred tax liabilities of 680 million EUR (previous year: 651 million EUR) were recorded. These primarily relate to differences between the carrying amounts of intangible assets, tangible assets, inventories, and provisions.

4.10 Net income

The net income for 2020 was positively influenced by non-period income (primarily from the reversal of other provisions) of 634 million EUR (previous year: 630 million EUR) and was negatively influenced by non-period expenses (in particular by taxes for previous years and additional expenses related to other provisions) of 226 million EUR (previous year: 206 million EUR).

5 Notes to the cash flow statement

The cash flow statement shows the changes in financial funds of the Boehringer Ingelheim Group resulting from cash inflows and outflows in the reporting year. Due to the development of Boehringer Ingelheim's investment strategy, investments which do not have the status of cash equivalents according to German Accounting Standard (DRS) no. 21 comprise an increased proportion of the Group's long-term investment securities. We have therefore revised the definition of financial funds in the 2020 financial year. Financial funds now merely comprise cash and short-term investments which can be converted into cash in the short term. The financial funds figure as of January 1, 2020, has been restated to ensure comparability.

The changes in the balance sheet items of the affiliated companies included were translated using average rates for the year. As on the balance sheet, financial funds are carried at the spot rate. The effect of exchange rate changes on the financial funds has been shown separately.

The financial funds as of December 31, 2020 comprised the following items:

(in million EUR)	2020
Cash and cash equivalents	4,606
Securities	1,499
	6,105

The financial funds included 14 million EUR in restricted funds as of the balance sheet date.

6 Other disclosures

6.1 Contingent liabilities

(in million EUR)	31.12.2020	31.12.2019
Liabilities from guarantees	44	25
Warranties and the granting of securities for third-party liabilities	55	70
	99	**95**

The risk of utilization of these contingent liabilities is assessed as low on account of the good net assets, financial, and earnings position.

6.2 Other financial commitments and off-balance sheet transactions

(in million EUR)	31.12.2020	31.12.2019
Rental and lease obligations	470	486
Residual other financial commitments	1,845	1,610
	2,315	**2,096**

Within the rental and lease obligations, 23 million EUR (previous year: 29 million EUR) relate to long-term rental agreements with subsidiaries not included in the consolidation.

The purpose of the lease agreements is the lower capital commitment compared to buying property and the absence of the resale risk. Risks could arise from the term of the lease should it not be possible to continue to utilize the properties fully. There are no indications of this at this time.

The residual other financial commitments include investments with future effects on cash flows of 1,090 million EUR (previous year: 1,279 million EUR).

6.3 Derivative financial instruments and valuation units

Due to its extensive international structure, the Boehringer Ingelheim Group is highly dependent on developments in the world's currencies and interest rates. To hedge these risks, particularly those emerging from delivery of goods, services, and financing, currency forwards and options are generally used for currency risks. Interest rate swaps and options are used for interest rate risks.

The use of derivative financial instruments and the organizational processes are set out in internal guidelines. There is a strict separation between trading, processing, documentation, and control.

Risk positions are regularly tracked, analyzed, and measured in a special Group-wide financial report. The positions entered into are periodically reevaluated and monitored. The fair value of the derivative financial instruments is calculated using generally accepted market valuation methods (currency forwards based on the present value method) taking into account the market data as of the balance sheet date.

Provisions of 53 million EUR were recognized for currency forwards not included in hedge accounting for which there was a negative fair value within one currency as of the balance sheet date. In line with the imparity principle, positive fair values within one currency are not recognized.

On the balance sheet date, the derivative financial instruments not included in hedge accounting valuation units were as follows:

	Nominal value		Fair value	
(in million EUR)	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Foreign exchange forward contracts	5,183	5,620	41	– 71

To the extent that the requirements for hedge accounting of foreign currency forward exchange contracts with highly probable forecast transactions in accordance with Section 254 HGB are met, the foreign currency forward exchange contracts are not recognized in the balance sheet in line with the net hedge presentation method.

The following accounting policies apply to the recognition of valuation units in accordance with Section 254 HGB:

Economic hedges are accounted for in the financial statements by using valuation units. The valuation units are recognized for each foreign currency based on the net amount of highly probable forecasted transactions and currency forwards that match the forecasted net cash flow in terms of maturity, nominal amount, and foreign currency (macro hedge). The highly probable forecasted transactions (incoming and outgoing payments for planned sales and purchases) are derived from company planning. Ex-post analysis of planning has shown that the planned transactions are highly probable.

The opposing changes in value of the hedged item and the hedging instrument are fully offset as the critical terms (maturity, nominal amount, and foreign currency) match. An effective hedge can therefore be assumed both prospectively and retrospectively. The critical term match method is exclusively used to measure the prospective and retrospective effectiveness of hedges. Excess amounts under hedging transactions are not included in the valuation units.

As of December 31, 2020, hedges for highly probable forecasted net cash flows were recognized as follows:

January to December 2021:

Net cash flow (in million EUR)		Foreign exchange forward contracts (in million EUR)			
	Nominal value		Nominal value		Fair value
USD	1,900	USD	2,113	USD	78
JPY	905	JPY	729	JPY	14
AUD	117	AUD	92	AUD	–3
MXN	94	MXN	94	MXN	–5
CAD	238	CAD	203	CAD	2
GBP	191	GBP	147	GBP	–3

January to December 2022:

Net cash flow (in million EUR)		Foreign exchange forward contracts (in million EUR)			
	Nominal value		Nominal value		Fair value
USD	2,020	USD	1,477	USD	88
JPY	919	JPY	481	JPY	18
AUD	12	AUD	10	AUD	0
MXN	26	MXN	16	MXN	–1
CAD	27	CAD	27	CAD	0
GBP	33	GBP	31	GBP	–1

January to December 2023:

Net cash flow (in million EUR)		Foreign exchange forward contracts (in million EUR)			
	Nominal value		Nominal value		Fair value
USD	2,049	USD	940	USD	70
JPY	912	JPY	233	JPY	7

January to February 2024:

Net cash flow (in million EUR)		Foreign exchange forward contracts (in million EUR)			
	Nominal value		Nominal value		Fair value
USD	2,036	USD	502	USD	39
JPY	178	JPY	26	JPY	1

January to February 2025:

Net cash flow (in million EUR)		Foreign exchange forward contracts (in million EUR)			
	Nominal value		Nominal value		Fair value
USD	645	USD	165	USD	13

Furthermore, as of December 31, 2020, valuation units for foreign currency receivables were recognized as follows:

Receivables (in million EUR)		Foreign exchange forward contracts (in million EUR)			
	Nominal value		Nominal value		Fair value
RUB	111	RUB	63	RUB	7
PLN	49	PLN	19	PLN	0

As of December 31, 2020, valuation units for foreign currency receivables resulting from loans were recognized as follows:

Receivables (in million EUR)		Foreign exchange forward contracts (in million EUR)			
	Nominal value		Nominal value		Fair value
AUD	18	AUD	18	AUD	0
BRL	60	BRL	60	BRL	– 1
CNY	57	CNY	57	CNY	0
CZK	6	CZK	6	CZK	0
MXN	206	MXN	206	MXN	– 8
PLN	11	PLN	11	PLN	0
RUB	11	RUB	11	RUB	0
THB	46	THB	46	THB	0
USD	62	USD	62	USD	2

The amount of the hedged foreign currency risk correlates to the relative change in the exchange rate between the planning date and the realization date of the forecasted transactions. If all currencies were to appreciate or depreciate against the euro by 10.0%, there would be a foreign currency risk of +/-1,294 million EUR without hedging.

6.4 Research and development expenses

(in million EUR)	2020	2019
Research and development expenses	3,696	3,462

Non-capitalized research and development expenses include, among other items, the costs associated with clinical studies.

6.5 Total auditor fees

Total fees charged to the Group by the auditor for the financial year amounted to 5.4 million EUR. 1.6 million EUR of this relates to audits of financial statements, 0.8 million EUR to other assurance services, 2.3 million EUR to tax advisory services, and 0.7 million EUR to other services.

6.6 Subsequent events

On December 7, 2020, Boehringer Ingelheim undertook to purchase 100% of the shares in the Swiss biotech company NBE-Therapeutics AG for an overall price of up to 1,180 million EUR. The purchase price consists of a payment made for completion of the transaction as well as future performance-related payments, depending on the achievement of certain clinical and regulatory milestones. The transaction was completed on January 20, 2021. As of the date of acquisition, Boehringer Ingelheim held an interest of around 25% in NBE-Therapeutics through a fully consolidated subsidiary.

Since the end of the 2020 financial year, we have not become aware of any further events that are of material significance to the Group or that could lead to a reappraisal of its net assets, financial, and earnings position.

6.7 Shareholdings

The list of companies included in the consolidated financial statements and the complete list of shareholdings presented in accordance with Section 313 (2) HGB are included in the audited consolidated financial statements submitted to the German Federal Gazette.

Ingelheim am Rhein, March 2, 2021
Boehringer AG

Board of Managing Directors

Hubertus von Baumbach   Carinne Knoche-Brouillon   Dr. Michel Pairet

Jean Scheftsik de Szolnok   Michael Schmelmer

INDEPENDENT AUDITOR'S REPORT

To C.H. Boehringer Sohn AG & Co. KG, Ingelheim am Rhein

Qualified Audit Opinion on the Consolidated Financial Statements and Audit Opinion on the Group Management Report

We have audited the consolidated financial statements of C.H. Boehringer Sohn AG & Co. KG, Ingelheim am Rhein, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2020, the consolidated profit and loss statement, cash flow statement and statement of changes in group equity for the financial year from 1 January to 31 December 2020, and notes to the consolidated financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the group management report of C.H. Boehringer Sohn AG & Co. KG for the financial year from 1 January to 31 December 2020.

In our opinion, on the basis of the knowledge obtained in the audit,

- except for the effects of the matter described in section "Basis for the Qualified Audit Opinion on the Consolidated Financial Statements and the Audit Opinion on the Group Management Report" the accompanying consolidated financial statements comply, in all material respects, with the requirements of German commercial law and give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2020 and of its financial performance for the financial year from 1 January to 31 December 2020, in compliance with German Legally Required Accounting Principles, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to Section 322 (3) sentence 1 HGB [Handelsgesetzbuch: German Commercial Code], we declare that, except for the qualification of the audit opinion on the consolidated financial statements mentioned, our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Qualified Opinion on the Consolidated Financial Statements and the Audit Opinion on the Group Management Report

Contrary to Section 314 (1) number 6 letters a) and b) HGB the total remuneration granted to the members and the former members of the board of managing directors as well as the pension provisions recognized and not recognized for the former members of the board of managing directors are not disclosed in the notes to the consolidated financial statements.

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Section 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Other Information

Management is responsible for the other information. The other information comprises the annual report, with the exception of the audited consolidated financial statements and group management report and our auditor's report.

Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report audited for content or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of Management for the Consolidated Financial Statements and the Group Management Report

Management is responsible for the preparation of the consolidated financial statements that comply, in all material respects, with the requirements of German commercial law and that the consolidated financial statements, in compliance with German Legally Required Accounting Principles, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, management is responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, management is responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. 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 consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, 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 opinions. 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 controls.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report 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 these systems.
- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. 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 Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with German Legally Required Accounting Principles.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by management in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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.

Frankfurt am Main, 2 March 2021

KPMG AG
Wirtschaftsprüfungsgesellschaft

Original German version signed by

Kneisel	Krauß
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]