

Merial Norden A/S

Slotsmarken 13, 2970 Hørsholm

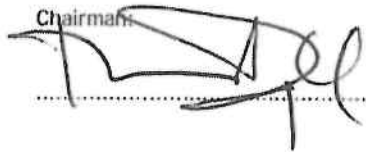
CVR no. 13 52 69 90

Annual report

for the year 1 January - 31 December 2015

Approved at the annual general meeting of shareholders on 24 May 2016

Chairman



A handwritten signature in black ink, appearing to be 'M. N. Nielsen', written over a horizontal dotted line. The signature is stylized and cursive.

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Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Merial Norden A/S for the financial year 1 January - 31 December 2015.

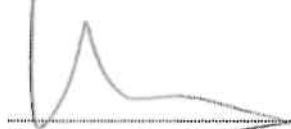
The annual report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2015 and of the results of the Company's operations for the financial year 1 January - 31 December 2015.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters and the results of the Company's operations and financial position.

We recommend that the annual report be approved at the annual general meeting.

Hørsholm, 24 May 2016
Executive Board:




Karsien Elzo Ten Have

Board of Directors:



Peter Sjoerd Kuiper
Chairman



Karsien Elzo Ten Have



Kirstin Jagd

Independent auditors' report

To the shareholders of Merial Norden A/S

Independent auditors' report on the financial statements

We have audited the financial statements of Merial Norden A/S for the financial year 1 January - 31 December 2015, which comprise an income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility for the financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulations. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation of financial statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

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

Our audit has not resulted in any qualification.

Opinion

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2015 and of the results of its operations for the financial year 1 January - 31 December 2015 in accordance with the Danish Financial Statements Act.

Statement on the Management's review

Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any other procedures in addition to the audit of the financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the financial statements.

Copenhagen, 24 May 2016

ERNST & YOUNG

Godkendt Revisionspartnerselskab

CVR No. 30 70 02 28



Christian Schwenn Johansen
State Authorised Public Accountant

Management's review

Company details

Name	Merial Norden A/S
Address, Postal code, City	Slotsmarken 13, 2970 Hørsholm
CVR No.	13 52 69 90
Established	1 October 1989
Registered office	Hørsholm
Financial year	1 January - 31 December
Website	www.merial.com
Board of Directors	Peter Sjoerd Kuiper, Chairman Karsien Elzo Ten Have Kirstin Jagd
Executive Board	Karsien Elzo Ten Have
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvold Helmuths Vej 4, P O Box 250, 2000 Frederiksberg, Denmark
Bankers	BNP Paribas Nordea Bank Danmark A/S

Management's review

Financial highlights

DKK'000	2015	2014	2013	2012	2011
Key figures					
Gross margin	34,999	36,143	67,142	71,869	70,483
Operating profit	5,948	9,448	10,083	21,933	20,169
Net financials	-854	-1,089	-932	-1,224	-1,228
Profit/loss for the year	3,679	5,823	6,410	15,374	14,070
Total assets					
Investment in property, plant and equipment	256	0	33	82	67
Equity	23,727	20,048	20,225	29,183	23,809
Financial ratios					
Return on assets	10.1%	16.4%	17.6%	37.9%	33.8%
Current ratio	165.8%	146.6%	156.8%	204.4%	157.6%
Solvency ratio	41.1%	33.3%	36.8%	49.2%	42.3%
Return on equity	16.8%	28.9%	25.9%	58.0%	83.9%
Average number of employees					
	31	31	35	29	27

Management's review

Operating review

The Company's business review

From the office in Hørsholm the Company promotes and distributes the Group's veterinary pharmaceutical and vaccine brands across the four Nordic countries.

Financial review

The income statement for 2015 shows a profit of DKK 3,679 thousand against a profit of DKK 5,823 thousand last year, and the balance sheet at 31 December 2015 shows equity of DKK 23,727 thousand. Management considers the results to be satisfactory for the financial period.

Post balance sheet events

No significant events have occurred subsequent to the financial year.

Outlook

Activities and the results are expected to remain at the same level in 2016.

Financial statements for the period 1 January - 31 December

Income statement

Note	DKK'000	2015	2014
	Gross profit	34,999	36,143
2	Staff costs	-28,610	-26,538
3	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-441	-157
	Operating profit	5,948	9,448
	Financial income	120	0
4	Financial expenses	-974	-1,089
	Profit before tax	5,094	8,359
5	Tax for the year	-1,415	-2,536
	Profit for the year	3,679	5,823
	Proposed profit appropriation		
	Retained earnings	3,679	5,823
		3,679	5,823

Financial statements for the period 1 January - 31 December

Balance sheet

Note	DKK'000	2015	2014
	ASSETS		
	Non-current assets		
6	Intangible assets		
	Acquired intangible assets	1,492	1,862
		<u>1,492</u>	<u>1,862</u>
7	Property, plant and equipment		
	Other fixtures and fittings, tools and equipment	245	30
		<u>245</u>	<u>30</u>
	Investments		
	Other receivables	111	111
		<u>111</u>	<u>111</u>
	Total non-current assets	<u>1,848</u>	<u>2,003</u>
	Current assets		
	Inventories		
	Finished goods and goods for resale	34,847	37,625
		<u>34,847</u>	<u>37,625</u>
	Receivables		
	Trade receivables	16,411	19,568
	Receivables from group entities	3,111	99
	Income taxes receivable	449	0
	Other receivables	577	308
	Prepayments	424	511
		<u>20,972</u>	<u>20,486</u>
	Cash	77	0
	Total current assets	<u>55,896</u>	<u>58,111</u>
	TOTAL ASSETS	<u>57,744</u>	<u>60,114</u>

Financial statements for the period 1 January - 31 December

Balance sheet

Note	DKK'000	2015	2014
	EQUITY AND LIABILITIES		
	Equity		
8	Share capital	1,000	1,000
	Retained earnings	22,727	19,048
	Total equity	<u>23,727</u>	<u>20,048</u>
	Provisions		
	Deferred tax	313	430
	Total provisions	<u>313</u>	<u>430</u>
	Liabilities other than provisions		
	Current liabilities other than provisions		
	Bank debt	230	839
	Trade payables	3,155	1,726
	Payables to group entities	19,226	26,043
	Income taxes payable	0	725
	Other payables	11,093	10,303
		<u>33,704</u>	<u>39,636</u>
	Total liabilities other than provisions	<u>33,704</u>	<u>39,636</u>
	TOTAL EQUITY AND LIABILITIES	<u>57,744</u>	<u>60,114</u>

- 1 Accounting policies
- 9 Collateral
- 10 Contractual obligations and contingencies, etc.
- 11 Related parties

Financial statements for the period 1 January - 31 December

Statement of changes in equity

DKK'000	<u>Share capital</u>	<u>Retained earnings</u>	<u>Total</u>
Equity at 1 January 2015	1,000	19,048	20,048
Profit/loss for the year	0	3,679	3,679
Equity at 31 December 2015	<u>1,000</u>	<u>22,727</u>	<u>23,727</u>

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Merial Norden A/S for 2015 has been prepared in accordance with the provisions applying to medium-sized reporting class C enterprises under the Danish Financial Statements Act.

Changes in accounting policies

The Company has changed the presentation of the income statement from presentation by function to presentation by nature. Comparison figures has been changed accordingly.

Omission to present a cash flow statement

The cash flow statement has not been presented, cf. section 86(4) of ARL (the Danish Financial Statements Act). The cash flow statement is included in the consolidated financial statements for Sanofi Aventis Participations SA which can be obtained from the following homepage: www.sanofi.com.

Reporting currency

The financial statements are presented in Danish kroner.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses.

Monetary items denominated in foreign currencies are translated into Danish kroner at the exchange rates at the balance sheet date. Realised and unrealised exchange gains and losses are recognised in the income statement as financial income/expenses.

Income statement

Revenue

Income from the sale of goods held for sale and finished goods is recognised in revenue at the time of delivery and when the risk passes to the buyer, provided that the income can be made up reliably. VAT, indirect taxes and discounts are excluded from the revenue.

Gross profit

With reference to section 32 of the Danish Financial Statements Act, the items 'Revenue', 'Costs of sale', 'Other external expenses' and 'Other operating income' are consolidated into one item designated 'Gross profit'.

Other operating income

Other operating income comprise items of a secondary nature relative to the entity's core activities, including gains or losses on the sale of non-current assets.

Other external expenses

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

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Amortisation/depreciation and impairment of intangible assets and property, plant and equipment

The item comprises amortisation/depreciation and impairment of intangible assets and property, plant and equipment.

The basis of amortisation, which is calculated as cost less any residual value, is amortised on a straight-line basis over the expected useful life. The expected useful lives are as follows:

Acquired IP rights	3 years
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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 are as follows:

Leasehold improvements	5 years
Other fixtures and fittings, tools and equipment	5 years

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts that relate to the reporting period. Net financials include interest income and expenses, realised and unrealised exchange gains and losses and allowances under the advance payment of tax scheme, etc.

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments less the share of the tax for the year that concerns changes in equity.

Current and deferred taxes related to items recognised directly in equity are taken directly to equity.

All Danish group entities are jointly taxed. The Danish income tax charge is allocated between profit-making and loss-making Danish entities in proportion to their taxable income (full allocation method).

Balance sheet

Intangible assets

Intangible assets comprise software licences and other acquired rights.

Intangible assets are measured at cost less accumulated amortisation and write downs.

Property, plant and equipment

Property, plant and equipment comprise leasehold improvements and other fixtures, fittings, tools and equipment. Property, plant and equipment are measured at cost less accumulated depreciation and write downs.

Gains or losses are made up as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses from the disposal of property, plant and equipment are recognised in the income statement as other operating income or other operating costs.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Impairment of non-current assets

Every year, intangible assets and property, plant and equipment as well as investments in subsidiaries and associates are reviewed for impairment. Where there is indication of impairment, an impairment test is made for each individual asset or group of assets, respectively, generating independent cash flows. The assets are written down to the higher of the value in use and the net selling price of the asset or group of assets (recoverable amount) if it is lower than the carrying amount. Where an impairment loss is recognised on a group of assets, a loss must first be allocated to goodwill and then to the other assets on a pro rata basis.

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value. The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to effect the sale and is determined taking into account marketability, obsolescence and development in the expected selling price.

Goods for resale are measured at the lower of cost under the FIFO method and net realisable value.

The cost of goods for resale includes the cost of acquisition plus costs of delivery.

Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value. The value is reduced by write downs for bad debts.

An impairment loss is recognised if there is objective indication that a receivable or a group of receivables is impaired. If there is objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

Prepayments

Prepayments recognised under 'Assets' comprise prepaid expenses regarding subsequent financial reporting years.

Cash at hand and in bank

Cash and cash equivalents comprise cash.

Balances in the Group's cash pool scheme are not, due to the nature of the scheme, considered cash, but are recognised under 'Receivables from group entities'.

Equity

Corporation tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Provisions for deferred tax are calculated at 22% of all temporary differences between carrying amounts and tax values, with the exception of temporary differences occurring at the time of acquisition of assets and liabilities neither affecting the results of operations nor the taxable income.

Deferred tax assets are recognised at the value at which they are expected to be utilised, either through elimination against tax on future earnings or a set off against deferred tax liabilities.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Liabilities

Other liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost, corresponding to the capitalised value using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

Other liabilities are measured at net realisable value.

Financial ratios

Financial ratios are calculated in accordance with the Danish Finance Society's guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015".

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

Return on assets	$\frac{\text{Profit/loss from operating activities}}{\text{Average assets} \times 100}$
Current ratio	$\frac{\text{Current assets} \times 100}{\text{Current liabilities}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total equity and liabilities at year end}}$
Return on equity	$\frac{\text{Profit/loss for the year after tax} \times 100}{\text{Average equity}}$

Financial statements for the period 1 January - 31 December

Notes to the financial statements

DKK'000	2015	2014
2 Staff costs		
Wages/salaries	25,360	23,134
Pensions	2,835	2,804
Other social security costs	240	211
Other staff costs	175	389
	<u>28,610</u>	<u>26,538</u>
	2015	2014
Average number of full-time employees	<u>31</u>	<u>31</u>

By reference to section 98b(3)(ii) of the Danish Financial Statements Act, remuneration to Management is not disclosed.

DKK'000	2015	2014
3 Amortisation/depreciation and impairment of intangible assets and property, plant and equipment		
Amortisation of intangible assets	400	106
Depreciation of property, plant and equipment	41	51
	<u>441</u>	<u>157</u>

DKK'000	2015	2014
4 Financial expenses		
Interest expenses, group entities	39	51
Exchange losses	731	916
Other financial expenses	204	122
	<u>974</u>	<u>1,089</u>

Financial statements for the period 1 January - 31 December

Notes to the financial statements

DKK'000	2015	2014
5 Tax for the year		
Estimated tax charge for the year	1,556	2,013
Deferred tax adjustments in the year	-117	354
Tax adjustments, prior years	-24	169
	<u>1,415</u>	<u>2,536</u>

6 Intangible assets

DKK'000	Acquired intangible assets
Cost at 1 January 2015	1,995
Additions in the year	30
Cost at 31 December 2015	<u>2,025</u>
Impairment losses and amortisation at 1 January 2015	133
Amortisation/depreciation in the year	400
Impairment losses and amortisation at 31 December 2015	<u>533</u>
Carrying amount at 31 December 2015	<u>1,492</u>

7 Property, plant and equipment

DKK'000	Other fixtures and fittings, tools and equipment
Cost at 1 January 2015	377
Additions in the year	256
Cost at 31 December 2015	<u>633</u>
Impairment losses and depreciation at 1 January 2015	347
Amortisation/depreciation in the year	41
Impairment losses and depreciation at 31 December 2015	<u>388</u>
Carrying amount at 31 December 2015	<u>245</u>

8 Share capital

Share capital is made up of 10 class A-shares of DKK 100,000.00 each.
The Company's share capital has remained unchanged over the past 5 years.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

9 Collateral

The Company has not placed any assets or other as security for loans at 31/12 2015.

10 Contractual obligations and contingencies, etc.

Contingent liabilities

The Company is jointly taxed with Sanofi-aventis Denmark A/S at 31 December 2015. The Company is thus jointly and severally liable for all tax liabilities under the joint taxation agreement until and including the financial year ended 31 December 2015.

Other financial obligations

Other rent and lease liabilities:

DKK'000	2015	2014
Rent and lease liabilities	3,048	2,003

Rent and lease liabilities include liabilities relating to operating leases for cars and IT equipment, totalling DKK 1,302 thousand (2014: DKK 1,178 thousand) within 1 year and DKK 1,746 thousand (2014: DKK 825 thousand) between 1 and 5 years.

11 Related parties

Merial Norden A/S' related parties comprise the following:

Information about consolidated financial statements

Parent	Domicile	Requisitioning of the parent's consolidated financial statements
Sanofi Aventis Participations SA (ultimate parent)	France	www.sanofi-aventis.com
Merial SAS (immediate parent)	29 Avenue Tony Garnier, 69007 Lyon, France	

Related party transactions not carried through on normal market terms

In 2015, there have been material transactions between Merial Norden A/S and the Group regarding buying and selling goods. Management believes that the transactions are concluded on the arm's length basis.

Ownership

The following shareholders are registered in the Company's register of shareholders as holding minimum 5% of the votes or minimum 5% of the share capital:

Name	Domicile
Merial SAS	29 Avenue Tony Garnier, 69007 Lyon, France