

Virbac Danmark A/S
Central Business Registration No
16313637
Profilvej 1
6000 Kolding

Annual report 2015

The Annual General Meeting adopted the annual report on 25.05.2016

Chairman of the General Meeting

Name: Lisa Pontoppidan Hansen

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Entity details

Entity

Virbac Danmark A/S

Profilvej 1

6000 Kolding

Central Business Registration No: 16313637

Registered in: Kolding

Financial year: 01.01.2015 - 31.12.2015

Board of Directors

Hubert Marie-Noelle Antonie Joseph Trentesaux, Chairman

Lisa Pontoppidan Hansen

Hubert Louis Napoléon Marie Begouen

Executive Board

Lisa Pontoppidan Hansen

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Egtved Allé 4

6000 Kolding

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Virbac Danmark A/S for the financial year 01.01.2015 - 31.12.2015.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2015 and of the results of its operations for the financial year 01.01.2015 - 31.12.2015.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Kolding, 25.05.2016

Executive Board

Lisa Pontoppidan Hansen

Board of Directors

Hubert Marie-Noelle Antonie
Joseph Trentesaux
Chairman

Lisa Pontoppidan Hansen

Hubert Louis Napoléon Marie
Begouen

Independent auditor's reports

To the shareholders of Virbac Danmark A/S

Report on the financial statements

We have audited the financial statements of Virbac Danmark A/S for the financial year 01.01.2015 - 31.12.2015, which comprise the 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.

Management's responsibility for the financial statements

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

Auditor's 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 regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 auditor's judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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 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 audit 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 31.12.2015 and of the results of its operations for the financial year 01.01.2015 - 31.12.2015 in accordance with the Danish Financial Statements Act.

Statement on the management commentary

Pursuant to the Danish Financial Statements Act, we have read the management commentary. We have not performed any further procedures in addition to the audit of the financial statements.

Independent auditor's reports

On this basis, it is our opinion that the information provided in the management commentary is consistent with the financial statements.

Kolding, 25.05.2016

Deloitte

Statsautoriseret Revisionspartnerselskab

Suzette Nielsen
State Authorised Public Accountant

CVR-nr. 33963556

Management commentary

Primary activities

The Company's activities consist in sale and marketing of veterinary pharmaceutical specialities and free trade commodities as well as products containing specific nutritional properties on the Danish market and export markets.

Development in activities and finances

The profit after tax for the year amounted to DKK 111k against a profit of DKK 2,487k last year. The result is below budget and is therefore not satisfactory. This lower result compared to last year and compared to budget is primarily caused by three factors:

1. Parallel import on some of the most important products has lowered both the quantities sold and the margins achieved.
2. Challenges with deliveries of goods leading to stockouts, which partly lead to lost sales.
3. The launch of a new range of Pet Food life cycle range in April/May made it difficult to sell the expected quantities before this as new customers waited for the new range.

A positive result is also expected for the financial year 2016. There are some challenges ahead, but also some opportunities.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Accounting policies

Reporting class

The annual report is presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of a few provisions for reporting class C enterprises.

The financial statements have been presented applying the accounting policies consistently with last year.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Company has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the one in effect at the payment date, or the balance sheet date, are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

Income statement

Gross profit or loss

Gross profit or -loss comprises revenue, cost of sales and other operating income.

Accounting policies

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts.

Production costs

Cost of sales comprises direct and indirect costs incurred to earn revenue, including costs of raw materials, consumables and production staff as well as development costs, depreciation and amortisation.

Distribution costs

Distribution costs comprise costs incurred for distribution of goods sold and for sales campaigns, including costs of sales and distribution staff, advertising costs as well as depreciation and amortisation.

Administrative expenses

Administrative expenses comprise expenses incurred for management and administration of the Company, including expenses for the administrative staff and Management, stationery and office supplies as well as depreciation and amortisation.

Other operating expenses

Andre driftsomkostninger omfatter omkostninger af sekundær karakter set i forhold til virksomhedens hovedaktivitet.

Other financial income

Other financial income comprises interest income, including interest income from receivables from group enterprises, capital gains and losses on securities, payables and transactions in foreign currencies, amortisation of fixed asset investments as well as tax repayment under the Danish Tax Prepayment Scheme.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses from payables to group enterprises, realised and unrealised capital losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme.

Income taxes

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit/loss for the year and classified directly as equity by the portion attributable to entries directly on equity.

The current tax payable or receivable is recognised in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

Accounting policies

Balance sheet

Intellectual property rights etc

Intangible assets include intangible assets (software) acquired.

Software is measured at cost less accumulated amortisation and amortised on a straight-line basis over the expected useful life. The amortisation period is three years.

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment

Plant and machinery, fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition, and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost plus revaluation and minus estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Plant and machinery	5 years
Other fixtures and fittings, tools and equipment	5 years
Leasehold improvements	7-10 years

Property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Inventories

Inventories are measured at the lower of cost using the FIFO method and net realisable value.

Cost consists of purchase price plus landing costs. Cost of manufactured goods and work in progress comprise costs for raw materials, consumables and direct labour costs as well as indirect production costs.

Accounting policies

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Receivables

Receivables are measured at amortised cost usually equalling nominal value less provisions for bad debts.

Income tax payable or receivable

The current tax payable or receivable is recognised in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash and cash equivalents comprise cash holdings and bank deposits.

Dividend

Dividend is recognised as a liability at the time of adoption at the general meeting. The proposed dividend for the financial year is disclosed as a separate item in equity.

Other provisions

Other provisions comprise anticipated costs associated with a vacating for the reregistration of all products ect.

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

Operating leases

Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

Other financial liabilities

Other financial liabilities are measured at amortised cost which usually corresponds to nominal value.

Income statement for 2015

	<u>Notes</u>	<u>2015 DKK</u>	<u>2014 DKK</u>
Gross profit		27.941.724	30.311.875
Distribution costs	1, 2	(21.872.901)	(21.437.332)
Administrative costs	1, 2	(5.748.304)	(5.740.072)
Other operating expenses		<u>0</u>	<u>333.702</u>
Operating profit/loss		320.519	3.468.173
Other financial income	3	713.585	482.353
Other financial expenses	4	<u>(836.201)</u>	<u>(707.292)</u>
Profit/loss from ordinary activities before tax		197.903	3.243.234
Tax on profit/loss from ordinary activities	5	<u>(87.054)</u>	<u>(756.119)</u>
Profit/loss for the year		<u>110.849</u>	<u>2.487.115</u>
 Proposed distribution of profit/loss			
Dividend for the financial year		0	745.000
Retained earnings		<u>110.849</u>	<u>1.742.115</u>
		<u>110.849</u>	<u>2.487.115</u>

Balance sheet at 31.12.2015

	<u>Notes</u>	<u>2015 DKK</u>	<u>2014 DKK</u>
Acquired intangible assets		24.870	49.740
Intangible assets	6	24.870	49.740
Plant and machinery		53.166	0
Other fixtures and fittings, tools and equipment		0	0
Leasehold improvements		0	0
Property, plant and equipment	7	53.166	0
Deposits		224.157	221.277
Deferred tax	8	165.311	175.662
Fixed asset investments		389.468	396.939
Fixed assets		467.504	446.679
Manufactured goods and goods for resale		15.325.137	11.390.750
Inventories		15.325.137	11.390.750
Trade receivables		5.682.691	4.547.469
Receivables from group enterprises		1.610.101	0
Income tax receivable		1.381.419	762.849
Prepayments		248.710	335.313
Receivables		8.922.921	5.645.631
Cash		1.725.671	356.803
Current assets		25.973.729	17.393.184
Assets		26.441.233	17.839.863

Balance sheet at 31.12.2015

	<u>Notes</u>	<u>2015 DKK</u>	<u>2014 DKK</u>
Contributed capital	9	500.000	500.000
Retained earnings		8.616.228	8.505.379
Proposed dividend		0	745.000
Equity		<u>9.116.228</u>	<u>9.750.379</u>
Other provisions		820.720	820.720
Provisions		<u>820.720</u>	<u>820.720</u>
Bank loans		3.738.288	0
Trade payables		2.667.658	271.790
Debt to group enterprises		7.027.154	2.699.110
Income tax payable		5.047	516.482
Other payables	10	3.066.138	3.781.382
Current liabilities other than provisions		<u>16.504.285</u>	<u>7.268.764</u>
Liabilities other than provisions		<u>16.504.285</u>	<u>7.268.764</u>
Equity and liabilities		<u><u>26.441.233</u></u>	<u><u>17.839.863</u></u>
Contingent liabilities	11		
Consolidation	12		

Statement of changes in equity for 2015

	Contributed capital DKK	Retained earnings DKK	Proposed dividend DKK	Total DKK
Equity beginning of year	500.000	8.505.379	745.000	9.750.379
Ordinary dividend paid	0	0	(745.000)	(745.000)
Profit/loss for the year	0	110.849	0	110.849
Equity end of year	500.000	8.616.228	0	9.116.228

Notes

	2015	2014
	DKK	DKK
1. Staff costs		
Wages and salaries	10.020.480	10.180.179
Pension costs	811.068	756.207
Other social security costs	822.084	821.640
Other staff costs	267.432	202.918
	11.921.064	11.960.944
Average number of employees	20	18
	2015	2014
	DKK	DKK
2. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	24.870	24.870
Depreciation on property, plant and equipment	1.834	7.972
	26.704	32.842
	2015	2014
	DKK	DKK
3. Other financial income		
Exchange rate adjustments	703.694	481.880
Other financial income	9.891	473
	713.585	482.353
	2015	2014
	DKK	DKK
4. Other financial expenses		
Financial expenses from group enterprises	12.855	14.071
Interest expenses	83.668	4.313
Exchange rate adjustments	737.846	687.806
Other financial expenses	1.832	1.102
	836.201	707.292

Notes

	2015 DKK	2014 DKK	
5. Tax on ordinary profit/loss for the year			
Current tax	76.703	665.306	
Change in deferred tax for the year	9.209	85.484	
Effect of changed tax rates	1.142	5.329	
	87.054	756.119	
		Acquired intangible assets DKK	
6. Intangible assets			
Cost beginning of year		74.610	
Cost end of year		74.610	
Amortisation and impairment losses beginning of year		(24.870)	
Amortisation for the year		(24.870)	
Amortisation and impairment losses end of year		(49.740)	
Carrying amount end of year		24.870	
	Plant and machinery DKK	Other fix- tures and fittings, tools and equipment DKK	Leasehold improve- ments DKK
7. Property, plant and equipment			
Cost beginning of year	620.238	168.711	2.990.520
Additions	55.000	0	0
Cost end of year	675.238	168.711	2.990.520
Depreciation and impairment losses beginning of the year	(620.238)	(168.711)	(2.990.520)
Depreciation for the year	(1.834)	0	0
Depreciation and impairment losses end of the year	(622.072)	(168.711)	(2.990.520)
Carrying amount end of year	53.166	0	0

Notes

	<u>2015</u> <u>DKK</u>	<u>2014</u> <u>DKK</u>
8. Deferred tax		
Intangible assets	(5.471)	(12.186)
Property, plant and equipment	41.321	65.248
Provisions	180.558	201.076
Other taxable temporary differences	(51.097)	(78.476)
	<u>165.311</u>	<u>175.662</u>

	<u>Number</u>	<u>Par value</u> <u>DKK</u>	<u>Nominal</u> <u>value</u> <u>DKK</u>
9. Contributed capital			
Contributed capital	2	83.000,00	166.000
Contributed capital	2	166.000,00	332.000
Contributed capital	1	2.000,00	2.000
	<u>5</u>		<u>500.000</u>

The Company holds treasury shares of DKK 2,000 nominal (ownership share is 0,4% of the share capital). The holding is included in the annual report at the nominal value under the share capital and is set off against the Company's distributable reserves. There has been no changes in or value adjustments of the holding of treasury shares in the financial year.

	<u>2015</u> <u>DKK</u>	<u>2014</u> <u>DKK</u>
10. Other short-term payables		
VAT and duties	940.600	865.334
Wages and salaries, personal income taxes, social security costs, etc. payable	513.999	1.328.337
Holiday pay obligation	1.240.825	1.141.882
Other costs payable	370.714	445.829
	<u>3.066.138</u>	<u>3.781.382</u>

Notes

11. Contingent liabilities

The Company has concluded a lease agreement on the lease of Profilvervej 1, Kolding, Denmark with a 6 months' notice. The lease for 6 months amounts to DKK 440k.

Operating lease contracts on truck, copying machine and 11 cars have been concluded for the years 2016 - 2020. Total remaining liability amounts to DKK 1,779k.

12. Consolidation

Name and registered office of the Parent preparing consolidated financial statements for the largest group:

Virbac S.A., 1 Avenue, 2065 M-LID BP 27, F-06516 Carros Cedex, France