

Virbac Danmark A/S

Profilvej 1

6000 Kolding

Central Business Registration No

16313637

Annual report 2016

The Annual General Meeting adopted the annual report on 24.05.2017

Chairman of the General Meeting

Name: Signe Winther

Contents

	<u>Page</u>
Entity details	1
Statement by Management on the annual report	2
Independent auditor's report	3
Management commentary	6
Income statement for 2016	7
Balance sheet at 31.12.2016	8
Statement of changes in equity for 2016	10
Notes	11
Accounting policies	14

Entity details

Entity

Virbac Danmark A/S

Profilvej 1

6000 Kolding

Central Business Registration No: 16313637

Registered in: Kolding

Financial year: 01.01.2016 - 31.12.2016

Board of Directors

Hubert Marie-Noelle Antonie Joseph Trentesaux, Chairman

Signe Winther

Henrik Thorlund Andersen

Executive Board

Signe Winther

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 01.01.2016 - 31.12.2016.

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 31.12.2016 and of the results of its operations for the financial year 01.01.2016 - 31.12.2016.

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, 24.05.2017

Executive Board

Signe Winther

Board of Directors

Hubert Marie-Noelle Antonie
Joseph Trentesaux
Chairman

Signe Winther

Henrik Thorlund Andersen

Independent auditor's report

To the shareholders of Virbac Danmark A/S

Opinion

We have audited the financial statements of Virbac Danmark A/S for the financial year 01.01.2016 - 31.12.2016, which comprise the 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.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2016 and of the results of its operations for the financial year 01.01.2016 - 31.12.2016 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the financial statements section of this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical 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 opinion.

Management's responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Independent auditor's report

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Independent auditor's report

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

Kolding, 24.05.2017

Deloitte

Statsautoriseret Revisionspartnerselskab

Central Business Registration No: 33963556

Suzette Demediuk Steen Nielsen

State Authorised Public Accountant

Management commentary

Primary activities

The Company's activities consist in sale and marketing of veterinary pharmaceutical specialties, pet food, free trade commodities as well as products containing specific nutritional properties on the Danish, Swedish and Norwegian markets.

Development in activities and finances

The profit after tax for the year amounted to DKK 1.293k against a profit of DKK 111k last year. The result is in line with budget and is therefore satisfactory.

A positive result is also expected for the financial year 2017. 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.

Income statement for 2016

	<u>Notes</u>	<u>2016 DKK</u>	<u>2015 DKK</u>
Gross profit		30.204.560	27.941.724
Distribution costs	1, 2	(21.284.213)	(21.872.901)
Administrative costs	1, 2	<u>(6.830.370)</u>	<u>(5.748.304)</u>
Operating profit/loss		2.089.977	320.519
Other financial income	3	719.174	713.585
Other financial expenses	4	<u>(1.133.400)</u>	<u>(836.201)</u>
Profit/loss before tax		1.675.751	197.903
Tax on profit/loss for the year	5	<u>(383.125)</u>	<u>(87.054)</u>
Profit/loss for the year		<u>1.292.626</u>	<u>110.849</u>
Proposed distribution of profit/loss			
Retained earnings		<u>1.292.626</u>	<u>110.849</u>
		<u>1.292.626</u>	<u>110.849</u>

Balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016 DKK</u>	<u>2015 DKK</u>
Acquired intangible assets		1.522.566	24.870
Intangible assets	6	1.522.566	24.870
Plant and machinery		42.166	53.166
Other fixtures and fittings, tools and equipment		0	0
Leasehold improvements		0	0
Property, plant and equipment	7	42.166	53.166
Deposits		229.296	224.157
Deferred tax	8	145.097	165.311
Fixed asset investments		374.393	389.468
Fixed assets		1.939.125	467.504
Manufactured goods and goods for resale		16.885.683	15.325.137
Inventories		16.885.683	15.325.137
Trade receivables		6.519.972	5.682.691
Receivables from group enterprises		1.048.339	1.610.101
Other receivables		117.055	0
Income tax receivable		897.217	1.381.419
Prepayments		191.749	248.710
Receivables		8.774.332	8.922.921
Cash		919.532	1.725.671
Current assets		26.579.547	25.973.729
Assets		28.518.672	26.441.233

Balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016 DKK</u>	<u>2015 DKK</u>
Contributed capital	9	500.000	500.000
Retained earnings		9.908.854	8.616.228
Equity		<u>10.408.854</u>	<u>9.116.228</u>
Other provisions		820.720	820.720
Provisions		<u>820.720</u>	<u>820.720</u>
Bank loans		4.697.384	3.738.288
Trade payables		1.622.964	2.667.658
Payables to group enterprises		6.773.567	7.027.154
Income tax payable		0	5.047
Other payables	10	4.195.183	3.066.138
Current liabilities other than provisions		<u>17.289.098</u>	<u>16.504.285</u>
Liabilities other than provisions		<u>17.289.098</u>	<u>16.504.285</u>
Equity and liabilities		<u>28.518.672</u>	<u>26.441.233</u>
Contingent liabilities	11		
Group relations	12		

Statement of changes in equity for 2016

	Contributed capital DKK	Retained earnings DKK	Total DKK
Equity beginning of year	500.000	8.616.228	9.116.228
Profit/loss for the year	0	1.292.626	1.292.626
Equity end of year	500.000	9.908.854	10.408.854

Notes

	2016	2015
	DKK	DKK
1. Staff costs		
Wages and salaries	12.101.676	10.020.480
Pension costs	934.452	811.068
Other social security costs	771.121	822.084
Other staff costs	148.529	267.432
	13.955.778	11.921.064
Average number of employees	21	20
	2016	2015
	DKK	DKK
2. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	152.615	24.870
Depreciation on property, plant and equipment	11.000	1.834
	163.615	26.704
	2016	2015
	DKK	DKK
3. Other financial income		
Exchange rate adjustments	717.053	703.694
Other financial income	2.121	9.891
	719.174	713.585
	2016	2015
	DKK	DKK
4. Other financial expenses		
Financial expenses from group enterprises	140.317	12.855
Interest expenses	84.896	83.668
Exchange rate adjustments	907.981	737.846
Other financial expenses	206	1.832
	1.133.400	836.201

Notes

	2016	2015
	DKK	DKK
5. Tax on profit/loss for the year		
Tax on current year taxable income	362.911	76.703
Change in deferred tax for the year	20.214	9.209
Effect of changed tax rates	0	1.142
	383.125	87.054

	Acquired intangible assets DKK
6. Intangible assets	
Cost beginning of year	74.610
Additions	1.650.311
Cost end of year	1.724.921
Amortisation and impairment losses beginning of year	(49.740)
Amortisation for the year	(152.615)
Amortisation and impairment losses end of year	(202.355)
Carrying amount end of year	1.522.566

	Plant and machinery DKK	Other fixtures and fittings, tools and equipment DKK	Leasehold improve- ments DKK
7. Property, plant and equipment			
Cost beginning of year	675.238	187.229	2.990.520
Cost end of year	675.238	187.229	2.990.520
Depreciation and impairment losses beginning of the year	(622.072)	(187.229)	(2.990.520)
Depreciation for the year	(11.000)	0	0
Depreciation and impairment losses end of the year	(633.072)	(187.229)	(2.990.520)
Carrying amount end of year	42.166	0	0

Notes

	2016	2015
	DKK	DKK
8. Deferred tax		
Intangible assets	(23.763)	(5.471)
Property, plant and equipment	30.487	41.321
Provisions	180.558	180.558
Other taxable temporary differences	(42.185)	(51.097)
	145.097	165.311

9. Contributed capital

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.

	2016	2015
	DKK	DKK
10. Other payables		
VAT and duties	1.156.637	940.600
Wages and salaries, personal income taxes, social security costs, etc payable	1.356.546	513.999
Holiday pay obligation	1.488.439	1.240.825
Other costs payable	193.561	370.714
	4.195.183	3.066.138

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 459k.

Operating lease contracts on truck, copying machine and 11 cars have been concluded for the years 2016 – 2020. The remaining liability amounts to DKK 2,120k.

12. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the smallest group: Virbac S.A., 1 Avnue, 2065 M-Lid BP 27, F-06516 Carros Cedex, France

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of certain provisions for reporting class C.

The accounting policies applied to these financial statements are consistent with those applied 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 Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity 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 Entity, 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 rate in effect at the payment date, or the rate at 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.

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 and is measured at fair value of the consideration fixed.

Accounting policies

Production costs

Production costs comprise cost of sales for the financial year, including ordinary write-down of inventories and other costs incurred to earn revenue for the financial year, including wages and salaries as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment.

Distribution costs

Distribution costs comprise costs incurred for sale and distribution of the Entity's products, including wages and salaries for sales staff, advertising costs, travelling and entertainment expenses, etc as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment attached to the distribution process.

Administrative costs

Administrative costs comprise expenses incurred for the Entity's administrative functions, including wages and salaries for administrative staff and Management, stationery and office supplies as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment used for administration of the Entity.

Other financial income

Other financial income comprises dividends etc received on other investments, interest income, net capital gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net 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 etc.

Tax on profit/loss for the year

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 for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Balance sheet

Intellectual property rights etc

Intellectual property rights etc comprise acquired intellectual property rights (software).

Software is measured at cost less accumulated amortisation and amortised on a straight-line basis over the expected useful life. Straight-line amortisation is made on the basis of a specific assessment of the useful lives of each asset. The amortisation period is estimated to three to ten years.

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

Accounting policies

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 less 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

For leasehold improvements and assets subject to finance leases, the depreciation period cannot exceed the contract period.

Estimated useful lives and residual values are reassessed annually.

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 delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

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 writedowns for bad and doubtful debts.

Accounting policies

Income tax payable or receivable

Current tax payable or receivable is recognised in the balance sheet, stated as tax computed 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 comprises cash in hand and bank deposits.

Other provisions

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

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.