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Virbac Danmark A/S

Profilvej 1

6000 Kolding

Central Business Registration No

16313637

Annual report 2017

The Annual General Meeting adopted the annual report on 25.05.2018

Chairman of the General Meeting

Name: Signe Winther

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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: 01.01.2017 - 31.12.2017

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 01.01.2017 - 31.12.2017.

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 31.12.2017 and of the results of its operations for the financial year 01.01.2017 - 31.12.2017.

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, 25.05.2018

Executive Board

Signe Winther

Board of Directors

Hubert Marie-Noelle Antonie
Joseph Trentesaux
Chairman

Signe Winther

Henrik Thorlund Andersen

Independent auditor's reports

To the shareholders of Virbac Danmark A/S

Report on extended review of the financial statements

We have performed an extended review of the financial statements of Virbac Danmark A/S for the financial year 01.01.2017 - 31.12.2017. The financial statements, which comprise the income statement, balance sheet, statement of changes in equity, notes and accounting policies, 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. We conducted our extended review in accordance with the assurance engagement standard for small enterprises as issued by the Danish Business Authority and the standard on extended review of financial statements prepared in accordance with the Danish Financial Statements Act as issued by FSR - Danish Auditors.

This requires that we comply with the Danish Public Accountants Act and FSR – Danish Auditors' Code of Conduct and plan and perform procedures to obtain limited assurance about our opinion on the financial statements and that we perform specifically required supplementary procedures for the purpose of obtaining additional assurance about our opinion.

An extended review consists of making inquiries, primarily of management and, if appropriate, of other entity personnel, performing analytical procedures and specifically required supplementary procedures as well as evaluating the evidence obtained.

The procedures performed in an extended review are less in scope than in an audit, and accordingly we do not express an audit opinion on the financial statements.

Conclusion

Based on our extended review, in our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2017 and of the results of its operations for the financial year 01.01.2017 - 31.12.2017 in accordance with the Danish Financial Statements Act.

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.

Independent auditor's reports

In connection with our extended review 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 extended review 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.

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, 25.05.2018

Deloitte

Statsautoriseret Revisionspartnerselskab

Central Business Registration No: 33963556

Suzette Demediuk Steen Nielsen

State Authorised Public Accountant

Identification number (MNE) mne32207

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 1.774k against a profit of DKK 1.293k last year. The result is in line with budget and is therefore satisfactory.

A positive result is also expected for the financial year 2018.

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 2017

	<u>Notes</u>	<u>2017 DKK</u>	<u>2016 DKK</u>
Gross profit		32.554.390	30.204.560
Distribution costs	1	(23.745.620)	(21.284.213)
Administrative costs	1, 2	<u>(6.024.840)</u>	<u>(6.830.370)</u>
Operating profit/loss		2.783.930	2.089.977
Other financial income	3	809.557	719.174
Other financial expenses	4	<u>(1.313.948)</u>	<u>(1.133.400)</u>
Profit/loss before tax		2.279.539	1.675.751
Tax on profit/loss for the year	5	<u>(505.494)</u>	<u>(383.125)</u>
Profit/loss for the year		<u>1.774.045</u>	<u>1.292.626</u>
Proposed distribution of profit/loss			
Ordinary dividend for the financial year		2.500.000	0
Retained earnings		<u>(725.955)</u>	<u>1.292.626</u>
		<u>1.774.045</u>	<u>1.292.626</u>

Balance sheet at 31.12.2017

	<u>Notes</u>	<u>2017 DKK</u>	<u>2016 DKK</u>
Acquired intangible assets		1.447.041	1.522.566
Intangible assets	6	<u>1.447.041</u>	<u>1.522.566</u>
Plant and machinery		31.166	42.166
Other fixtures and fittings, tools and equipment		0	0
Leasehold improvements		0	0
Property, plant and equipment	7	<u>31.166</u>	<u>42.166</u>
Deposits		235.221	229.296
Deferred tax	9	0	145.097
Fixed asset investments		<u>235.221</u>	<u>374.393</u>
Fixed assets		<u>1.713.428</u>	<u>1.939.125</u>
Manufactured goods and goods for resale		16.462.061	16.885.683
Inventories		<u>16.462.061</u>	<u>16.885.683</u>
Trade receivables		7.724.337	6.519.972
Receivables from group enterprises		1.156.363	1.048.339
Other receivables		76.191	117.055
Income tax receivable		792.478	897.217
Prepayments		132.864	191.749
Receivables		<u>9.882.233</u>	<u>8.774.332</u>
Cash		<u>403.387</u>	<u>919.532</u>
Current assets		<u>26.747.681</u>	<u>26.579.547</u>
Assets		<u>28.461.109</u>	<u>28.518.672</u>

Balance sheet at 31.12.2017

	<u>Notes</u>	<u>2017 DKK</u>	<u>2016 DKK</u>
Contributed capital	8	500.000	500.000
Retained earnings		9.182.899	9.908.854
Proposed dividend		<u>2.500.000</u>	<u>0</u>
Equity		<u>12.182.899</u>	<u>10.408.854</u>
Deferred tax	9	35.461	0
Other provisions		<u>0</u>	<u>820.720</u>
Provisions		<u>35.461</u>	<u>820.720</u>
Bank loans		4.077.350	4.697.384
Trade payables		2.456.914	1.622.964
Payables to group enterprises		5.504.985	6.773.567
Other payables	10	<u>4.203.500</u>	<u>4.195.183</u>
Current liabilities other than provisions		<u>16.242.749</u>	<u>17.289.098</u>
Liabilities other than provisions		<u>16.242.749</u>	<u>17.289.098</u>
Equity and liabilities		<u>28.461.109</u>	<u>28.518.672</u>
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Statement of changes in equity for 2017

	Contributed capital DKK	Retained earnings DKK	Proposed dividend DKK	Total DKK
Equity beginning of year	500.000	9.908.854	0	10.408.854
Profit/loss for the year	0	(725.955)	2.500.000	1.774.045
Equity end of year	500.000	9.182.899	2.500.000	12.182.899

Notes

	2017	2016
	DKK	DKK
1. Staff costs		
Wages and salaries	12.207.102	12.101.676
Pension costs	972.320	934.452
Other social security costs	864.758	771.121
Other staff costs	852.853	234.411
	14.897.033	14.041.660
Average number of employees	22	21
	2017	2016
	DKK	DKK
2. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	174.754	152.615
Depreciation on property, plant and equipment	11.000	11.000
	185.754	163.615
	2017	2016
	DKK	DKK
3. Other financial income		
Exchange rate adjustments	802.326	717.053
Other financial income	7.231	2.121
	809.557	719.174
	2017	2016
	DKK	DKK
4. Other financial expenses		
Financial expenses from group enterprises	162.192	140.317
Interest expenses	104.622	84.896
Exchange rate adjustments	1.046.287	907.981
Other financial expenses	847	206
	1.313.948	1.133.400

Notes

	2017	2016
	DKK	DKK
5. Tax on profit/loss for the year		
Tax on current year taxable income	304.722	362.911
Change in deferred tax for the year	180.558	20.214
Adjustment concerning previous years	20.214	0
	505.494	383.125

	Acquired intangible assets DKK
6. Intangible assets	
Cost beginning of year	1.724.921
Additions	99.229
Cost end of year	1.824.150
Amortisation and impairment losses beginning of year	(202.355)
Amortisation for the year	(174.754)
Amortisation and impairment losses end of year	(377.109)
Carrying amount end of year	1.447.041

	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	(633.072)	(187.229)	(2.990.520)
Depreciation for the year	(11.000)	0	0
Depreciation and impairment losses end of the year	(644.072)	(187.229)	(2.990.520)
Carrying amount end of year	31.166	0	0

Notes

8. 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.

	2017	2016
	DKK	DKK
9. Deferred tax		
Intangible assets	23.763	23.763
Property, plant and equipment	(30.487)	(30.487)
Provisions	0	(180.558)
Other taxable temporary differences	42.185	42.185
	35.461	(145.097)

	2017	2016
	DKK	DKK
10. Other payables		
VAT and duties	1.615.921	1.156.637
Wages and salaries, personal income taxes, social security costs, etc payable	1.241.046	1.356.546
Holiday pay obligation	1.328.115	1.488.439
Other costs payable	18.418	193.561
	4.203.500	4.195.183

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 470k.

Operating lease contracts on truck, copying machine and 10 cars have been concluded for the years 2017 – 2020. The remaining liability amounts to DKK 1,430k.

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.

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.

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.

Accounting policies

Dividend

Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity. Extraordinary dividend adopted in the financial year is recognised directly in equity when distributed and disclosed as a separate item in Management's proposal for distribution of profit/loss.

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.

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.