

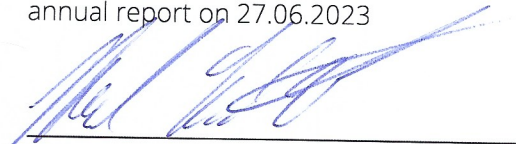
Virbac Danmark A/S

**Virbac Danmark A/S**

Profilvej 1  
6000 Kolding  
CVR No. 16313637

**Annual report 2022**

The Annual General Meeting adopted the  
annual report on 27.06.2023



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**Henrik Schmidt-Ebbesen**  
Chairman of the General Meeting

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# Entity details

## Entity

Virbac Danmark

A/S Profilvej 1

6000 Kolding

CVR No.: 16313637

Registered office: Kolding

Financial year: 01.01.2022 - 31.12.2022

## Board of Directors

Enguerrand Dubois, Chairman

Henrik Thorlund Andersen

Henrik Schmidt-Ebbesen

## Executive Board

Henrik Schmidt-Ebbesen, CEO

## Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Egtved Allé 4

6000 Kolding

# Statement by Management

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 01.01.2022 - 31.12.2022.

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 31.12.2022 and of the results of its operations for the financial year 01.01.2022 - 31.12.2022.

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, 27.06.2023

## Executive Board



**Henrik Schmidt-Ebbesen**  
CEO

## Board of Directors

**Enguerrand Dubois**  
Chairman



**Henrik Thorlund Andersen**



**Henrik Schmidt-Ebbesen**

# 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 01.01.2022 - 31.12.2022, 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 31.12.2022 and of the results of its operations for the financial year 01.01.2022 - 31.12.2022 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 for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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 skepticism throughout the audit. We also:

- 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.

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, 27.06.2023

**Deloitte**

Statsautoriseret Revisionspartnerselskab

CVR No. 33963556

A handwritten signature in black ink, appearing to read 'Morten LM', with a stylized flourish at the end.

**Morten Almtoft Lund**

State Authorized Public Accountant

Identification No (MNE) mne41365

# Management commentary

## Financial highlights

	2022 DKK'000	2021 DKK'000	2020 DKK'000	2019 DKK'000	2018 DKK'000
<b>Key figures</b>					
Gross profit/loss	54,701	52,384	45,317	41,155	35,066
Operating profit/loss	9,684	8,500	7,353	5,486	3,293
Net financials	199	(1,138)	(213)	(88)	71
Profit/loss for the year	7,711	5,749	5,584	4,156	2,575
Total assets	49,768	48,338	42,576	30,927	30,726
Investments in property, plant and equipment	1,755	1,213	2,466	242	0
Equity	11,647	15,647	16,898	14,814	12,258
<b>Ratios</b>					
Return on equity (%)	56.50	35.33	35.22	30.70	21.01
Equity ratio (%)	23.40	32.37	39.69	47.90	39.89

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the CFA Society Denmark.

### Return on equity (%):

$\frac{\text{Profit/loss for the year} * 100}{\text{Average equity}}$

Average equity

### Equity ratio (%):

$\frac{\text{Equity} * 100}{\text{Total assets}}$

Total assets



**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 7,711k against a profit of DKK 5,748k last year and shows as such a growth of 34%.

**Profit/loss for the year in relation to expected developments**

The result is in line with budget and is therefore satisfactory.

**Outlook**

A positive result is also expected for the financial year 2023.

**Environmental performance**

In the opinion of the management, the activities of Virbac Danmark A/S does not have negative effects on the external environment.

**Foreign branches**

Virbac Danmark A/S has branches in Norway (Virbac Norge) and in Sweden (Virbac Danmark A/S Filial Sverige).

**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 2022

	Notes	2022 DKK	2021 DKK
<b>Gross profit/loss</b>		<b>54,700,999</b>	<b>52,383,666</b>
Distribution costs		(39,519,767)	(36,848,290)
Administrative expenses		(5,497,677)	(7,035,243)
<b>Operating profit/loss</b>		<b>9,683,555</b>	<b>8,500,133</b>
Other financial income	4	2,062,325	981,438
Other financial expenses	5	(1,863,028)	(2,119,444)
<b>Profit/loss before tax</b>		<b>9,882,852</b>	<b>7,362,127</b>
Tax on profit/loss for the year	6	(2,171,657)	(1,613,558)
<b>Profit/loss for the year</b>	7	<b>7,711,195</b>	<b>5,748,569</b>

# Balance sheet at 31.12.2022

## Assets

	Notes	2022 DKK	2021 DKK
Acquired intangible assets		563,861	737,356
<b>Intangible assets</b>	8	<b>563,861</b>	<b>737,356</b>
Land and buildings		119,012	157,545
Plant and machinery		0	0
Other fixtures and fittings, tools and equipment		2,206,358	1,961,621
Leasehold improvements		100,610	128,687
<b>Property, plant and equipment</b>	9	<b>2,425,980</b>	<b>2,247,853</b>
Deposits		257,650	257,962
<b>Financial assets</b>		<b>257,650</b>	<b>257,962</b>
<b>Fixed assets</b>		<b>3,247,491</b>	<b>3,243,171</b>
Manufactured goods and goods for resale		29,221,209	29,567,979
<b>Inventories</b>		<b>29,221,209</b>	<b>29,567,979</b>
Trade receivables		10,919,161	9,700,895
Receivables from group enterprises		521,001	41,011
Prepayments	10	84,887	22,854
<b>Receivables</b>		<b>11,525,049</b>	<b>9,764,760</b>
<b>Cash</b>		<b>5,774,518</b>	<b>5,762,186</b>
<b>Current assets</b>		<b>46,520,776</b>	<b>45,094,925</b>
<b>Assets</b>		<b>49,768,267</b>	<b>48,338,096</b>

## Equity and liabilities

	Notes	2022 DKK	2021 DKK
Contributed capital	11	498,000	498,000
Retained earnings		12,860,108	11,148,913
Proposed dividend		6,000,000	4,000,000
<b>Equity</b>		<b>19,358,108</b>	<b>15,646,913</b>
Deferred tax	12	86,305	124,475
<b>Provisions</b>		<b>86,305</b>	<b>124,475</b>
Lease liabilities		1,162,406	1,190,714
Other payables		0	0
<b>Non-current liabilities other than provisions</b>	13	<b>1,162,406</b>	<b>1,190,714</b>
Current portion of non-current liabilities other than provisions	13	1,127,405	962,024
Bank loans		0	0
Trade payables		2,144,835	3,306,880
Payables to group enterprises		18,172,140	20,051,596
Income tax payable		843,709	342,697
Other payables	14	6,873,359	6,712,797
<b>Current liabilities other than provisions</b>		<b>29,161,448</b>	<b>31,375,994</b>
<b>Liabilities other than provisions</b>		<b>30,323,854</b>	<b>32,566,708</b>
<b>Equity and liabilities</b>		<b>49,768,267</b>	<b>48,338,096</b>
Events after the balance sheet date	1		
Staff costs	2		
Amortisation, depreciation and impairment losses	3		
Unrecognised rental and lease commitments	15		
Contingent liabilities	16		
Assets charged and collateral	17		
Related parties with controlling interest	18		
Non-arm's length related party transactions	19		
Group relations	20		

# Statement of changes in equity for 2022

	<b>Contributed capital DKK</b>	<b>Retained earnings DKK</b>	<b>Proposed dividend DKK</b>	<b>Total DKK</b>
Equity beginning of year	498,000	11,148,913	4,000,000	15,646,913
Ordinary dividend paid	0	0	(4,000,000)	(4,000,000)
Profit/loss for the year	0	1,711,195	6,000,000	7,711,195
<b>Equity end of year</b>	<b>498,000</b>	<b>12,860,108</b>	<b>6,000,000</b>	<b>19,358,108</b>

# Notes

## 1 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.

## 2 Staff costs

	<b>2022</b>	<b>2021</b>
	<b>DKK</b>	<b>DKK</b>
Wages and salaries	19,676,029	16,920,550
Pension costs	1,622,967	1,208,055
Other social security costs	1,327,811	1,219,849
Other staff costs	352,185	865,484
	<b>22,978,992</b>	<b>20,213,938</b>
Average number of full-time employees	<b>22</b>	<b>20</b>

By reference to section 98b(3), (ii), of the Danish Financial Act, remuneration to the Executive Board and the Board of Directors is not disclosed.

## 3 Depreciation, amortisation and impairment losses

	<b>2022</b>	<b>2021</b>
	<b>DKK</b>	<b>DKK</b>
Amortisation of intangible assets	173,496	173,496
Depreciation of property, plant and equipment	1,326,390	1,143,865
	<b>1,499,886</b>	<b>1,317,361</b>

## 4 Other financial income

	<b>2022</b>	<b>2021</b>
	<b>DKK</b>	<b>DKK</b>
Exchange rate adjustments	2,048,745	979,432
Other financial income	13,580	2,006
	<b>2,062,325</b>	<b>981,438</b>

**5 Other financial expenses**

	<b>2022</b>	<b>2021</b>
	<b>DKK</b>	<b>DKK</b>
Financial expenses from group enterprises	75,264	43,338
Other interest expenses	12,688	46,784
Exchange rate adjustments	1,719,457	1,935,230
Other financial expenses	55,619	94,092
	<b>1,863,028</b>	<b>2,119,444</b>

**6 Tax on profit/loss for the year**

	<b>2022</b>	<b>2021</b>
	<b>DKK</b>	<b>DKK</b>
Current tax	2,209,827	1,613,558
Change in deferred tax	(38,170)	0
	<b>2,171,657</b>	<b>1,613,558</b>

**7 Proposed distribution of profit and loss**

	<b>2022</b>	<b>2021</b>
	<b>DKK</b>	<b>DKK</b>
Ordinary dividend for the financial year	6,000,000	4,000,000
Retained earnings	1,711,195	1,748,569
	<b>7,711,195</b>	<b>5,748,569</b>

**8 Intangible assets**

	<b>Acquired intangible assets DKK</b>
Cost beginning of year	1,824,150
<b>Cost end of year</b>	<b>1,824,150</b>
Amortisation and impairment losses beginning of year	(1,086,794)
Amortisation for the year	(173,495)
<b>Amortisation and impairment losses end of year</b>	<b>(1,260,289)</b>
<b>Carrying amount end of year</b>	<b>563,861</b>

## 9 Property, plant and equipment

	Land and buildings DKK	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK
Cost beginning of year	611,380	3,688,353	140,386
Additions	199,514	1,555,111	0
Disposals	0	(691,853)	0
<b>Cost end of year</b>	<b>810,894</b>	<b>4,551,611</b>	<b>140,386</b>
Depreciation and impairment losses beginning of year	(453,835)	(1,726,732)	(11,699)
Depreciation for the year	(238,047)	(1,060,265)	(28,077)
Reversal regarding disposals	0	441,744	0
<b>Depreciation and impairment losses end of year</b>	<b>(691,882)</b>	<b>(2,345,253)</b>	<b>(39,776)</b>
<b>Carrying amount end of year</b>	<b>119,012</b>	<b>2,206,358</b>	<b>100,610</b>
Recognised assets not owned by the entity	119,012	2,206,358	0

## 10 Prepayments

Prepayments consists of prepaid costs.

## 11 Share capital

	Number	Par value DKK	Nominal value DKK
Share capital	498	1,000	498,000
	<b>498</b>		<b>498,000</b>

## 12 Deferred tax

Changes during the year	2022 DKK	2021 DKK
Beginning of year	124,475	124,475
Recognised in the income statement	(38,170)	0
<b>End of year</b>	<b>86,305</b>	<b>124,475</b>

## 13 Non-current liabilities other than provisions

	Due within 12 months 2022 DKK	Due within 12 months 2021 DKK	Due after more than 12 months 2022 DKK
Lease liabilities	1,127,405	962,024	1,162,406
	<b>1,127,405</b>	<b>962,024</b>	<b>1,162,406</b>



**14 Other payables**

	<b>2022</b>	<b>2021</b>
	<b>DKK</b>	<b>DKK</b>
VAT and duties	2,903,143	2,479,120
Wages and salaries, personal income taxes, social security costs, etc payable	2,231,064	2,268,390
Holiday pay obligation	1,534,782	1,613,323
Other costs payable	204,370	351,964
	<b>6,873,359</b>	<b>6,712,797</b>

**15 Unrecognised rental and lease commitments**

	<b>2022</b>	<b>2021</b>
	<b>DKK</b>	<b>DKK</b>
Liabilities under rental or lease agreements until maturity in total	<b>2,289,811</b>	<b>2,152,738</b>

**16 Contingent liabilities**

The Entity serves as the administration company in a Danish joint taxation arrangement. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for these entities.

### **17 Assets charged and collateral**

There is no assets charged and collateral.

### **18 Related parties with controlling interest**

Virbac S.A., 1 Avenue, 2065 M-Lid BP 27, F-06516 Carros Cedex, France, owns all shares in the Entity, thus exercising control.

### **19 Non-arm's length related party transactions**

Only related party transactions not conducted on an arm's length basis are disclosed in the annual report. No such transactions have been conducted in the financial year.

### **20 Group relations**

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.

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

# Accounting policies

## Reporting class

This annual report has been prepared in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

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.

## 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.

### Production costs

production costs comprise cost of sales for the financial year, including ordinary writedown of inventories and other costs incurred to earn revenue for the financial year, including wages and salaries and 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, and amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment involved in the distribution process.

### Administrative expenses

Administrative expenses comprise expenses incurred for the Entity's administrative functions, including wages and salaries for administrative staff and Management, stationery and office supplies, and 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.

**Property, plant and equipment**

Land and buildings, plant and machinery, and other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

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. For assets held under finance leases, cost is the lower of the asset's fair value and present value of future lease payments.

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:

Buildings	30 years
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.

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

**Leased assets**

On initial recognition, leased assets are measured at an amount equal to the sum of the calculated lease liability,

payments made before the commencement of the lease term with deduction of incentive benefits from the lessor and direct costs incurred at the inception of the lease.

Leased assets are depreciated over the shorter of the lease terms and the useful lives of the underlying assets. In leases where the ownership of leased assets is transferred upon expiry or a purchase option is expected to be exercised, the leased assets are depreciated over their useful lives. Depreciation is initiated at the commencement of the lease term.

Leased assets are written down to the lower of recoverable amount and carrying amount.

Leased assets are adjusted by remeasuring lease liabilities, see below under lease liabilities.

Leased assets are recognised under fixed assets in the items under which the underlying assets of the leases would be presented had they been owned by the Company.

### **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.

### **Prepayments**

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

### **Cash**

Cash comprises cash in hand and bank deposits.

### **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 the tax-based value of assets and liabilities, for which the tax-based value 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.

### **Lease liabilities**

Lease commitments relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions, and, at the time of inception of the lease, measured at the present value of future lease payments. Subsequent to initial recognition, lease commitments are measured at amortised cost. The difference

between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

On initial recognition, lease liabilities are measured at the present value of lease payments that have not been paid at the commencement of the lease term, discounted using the internal rate of the lease. If this rate cannot be calculated, the marginal borrowing rate of the Company is used.

Lease payments included in the measurement of lease liabilities comprise:

- Fixed lease payments with deduction of incentive benefits from lessor to lessee.
- Variable lease payments based on an indexation or a percentage rate. On initial recognition of the liability, this is measured based on the index or rate at the commencement of the lease term.
- The amount expected to be paid under residual value guarantees.
- The exercise price of purchase options if it is reasonably certain that such options will be exercised.
- The price of exercising the option for early termination of the lease if the lease term reflects that the option is expected to be exercised.

Variable lease payments that are not dependent on an indexation or a percentage rate are recognised in the income statement in the item "Other external expenses" in the period of the occurrence of the event or the matter triggering these payments.

At the subsequent measurement, the lease liabilities are adjusted for interest accrued and instalments paid applying the effective interest method.

Lease liabilities are remeasured, and an equal adjustment of the related leased assets is made when:

- The lease term changes, e.g. due to a change in the assessment as to whether an extension option or a purchase option will be exercised. Remeasurement takes place by discounting the changed lease payments using a discount rate which is updated at the time of the change of the lease.
- Lease payments change due to changes in an index or a rate or a change in expected payment under a guaranteed residual value. Remeasurement takes place by discounting the revised lease payments using the original discount rate; however, an updated discount rate is used if the change is due to a change in the floating interest rate.
- There is a modification of the lease which is not to be treated as a separate lease for accounting purposes. Remeasurement takes place by discounting the revised lease payments using an updated discount rate.

If the remeasurement results in a reduction of a lease liability that exceeds the carrying amount of the related leased asset, the excess amount is recognised in the income statement.

### **Other financial liabilities**

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

### **Tax receivable or payable**

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

### **Cash flow statement**

Referring to section 86(4) of the Danish Financial Statements Act, the Entity has prepared no cash flow statement as such statement is included in the consolidated cash flow statement of Virbac S.A.