



Virbac Danmark A/S

Profilvej 1
6000 Kolding
CVR No. 16313637

Annual report 2019

The Annual General Meeting adopted the
annual report on 10.07.2020

Signe Winther

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: 01.01.2019 - 31.12.2019

Board of Directors

Henrik Thorlund Andersen

Hubert, Marie-Noelle, Antoine, Joseph Trentesaux, formand

Signe Winther

Executive Board

Signe Winther, direktør

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

P. O. Box 1600

0900 Copenhagen C

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 01.01.2019 - 31.12.2019.

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 31.12.2019 and of the results of its operations for the financial year 01.01.2019 - 31.12.2019.

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, 10.07.2020

Executive Board

Signe Winther
direktør

Board of Directors

Henrik Thorlund Andersen

**Hubert, Marie-Noelle, Antoine, Joseph
Trentesaux**
formand

Signe Winther

Independent auditor's extended review report

To the shareholders of Virbac Danmark A/S

Conclusion

We have performed an extended review of the financial statements of Virbac Danmark A/S for the financial year 01.01.2019 - 31.12.2019, 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.

Based on our extended review, in our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2019 and of the results of its operations for the financial year 01.01.2019 - 31.12.2019 in accordance with the Danish Financial Statements Act.

Basis for conclusion

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. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the extended review of the financial statements" section. We are independent of the Entity in accordance with the International Ethics Standards Board for 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 evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

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, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting 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 extended review of the financial statements

Our responsibility is to express a conclusion on the financial statements. This requires that we plan and perform procedures to obtain limited assurance about our conclusion on the financial statements and that we also perform specifically required supplementary procedures for the purpose of obtaining additional assurance about our conclusion.

An extended review consists of making inquiries, primarily of management and, if appropriate, of other entity

personnel, performing analytical and the 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.

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 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 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, 10.07.2020

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Morten Almtoft Lund

State Authorised Public Accountant
Identification No (MNE) mne41365

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 4.156k against a profit of DKK 2.575k last year. The result is in line with budget and is therefore satisfactory.

A positive result is also expected for the financial year 2020.

Events after the balance sheet date

Overall the company is impacted by the Covid-19 situation and the market is subject to a great deal of uncertainty. Besides this market effect, no events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Income statement for 2019

	Notes	2019 DKK	2018 DKK
Gross profit/loss		41,155,076	35,066,087
Distribution costs		(26,298,536)	(25,519,226)
Administrative expenses		(9,370,870)	(6,253,909)
Operating profit/loss		5,485,670	3,292,952
Other financial income	4	635,786	788,555
Other financial expenses	5	(723,950)	(717,840)
Profit/loss before tax		5,397,506	3,363,667
Tax on profit/loss for the year	6	(1,241,496)	(788,352)
Profit/loss for the year		4,156,010	2,575,315
Proposed distribution of profit and loss			
Ordinary dividend for the financial year		3,500,000	1,600,000
Retained earnings		656,010	975,315
Proposed distribution of profit and loss		4,156,010	2,575,315

Balance sheet at 31.12.2019

Assets

	Notes	2019 DKK	2018 DKK
Acquired intangible assets		1,084,348	1,262,465
Intangible assets	7	1,084,348	1,262,465
Land and buildings		52,624	0
Plant and machinery		0	20,166
Other fixtures and fittings, tools and equipment		1,452,614	0
Leasehold improvements		0	0
Property, plant and equipment	8	1,505,238	20,166
Deposits		249,972	241,410
Other financial assets		249,972	241,410
Fixed assets		2,839,558	1,524,041
Manufactured goods and goods for resale		17,492,140	18,364,819
Inventories		17,492,140	18,364,819
Trade receivables		6,625,072	7,099,368
Receivables from group enterprises		1,184,138	1,965,312
Income tax receivable		0	299,751
Prepayments		271,859	284,846
Receivables		8,081,069	9,649,277
Cash		2,514,195	1,187,595
Current assets		28,087,404	29,201,691
Assets		30,926,962	30,725,732

Equity and liabilities

	Notes	2019 DKK	2018 DKK
Contributed capital		498,000	500,000
Retained earnings		10,816,224	10,158,214
Proposed dividend		3,500,000	1,600,000
Equity		14,814,224	12,258,214
Deferred tax		124,475	111,804
Provisions		124,475	111,804
Lease liabilities		838,572	0
Other payables		364,915	0
Non-current liabilities other than provisions	9	1,203,487	0
Current portion of non-current liabilities other than provisions	9	674,811	0
Bank loans		1,551,214	2,613,939
Trade payables		3,398,106	3,119,744
Payables to group enterprises		4,253,983	7,987,283
Income tax payable		173,524	0
Other payables	10	4,733,138	4,634,748
Current liabilities other than provisions		14,784,776	18,355,714
Liabilities other than provisions		15,988,263	18,355,714
Equity and liabilities		30,926,962	30,725,732
Events after the balance sheet date	1		
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Statement of changes in equity for 2019

	Contributed capital DKK	Retained earnings DKK	Proposed dividend DKK	Total DKK
Equity beginning of year	500,000	10,158,214	1,600,000	12,258,214
Decrease of capital	(2,000)	2,000	0	0
Ordinary dividend paid	0	0	(1,600,000)	(1,600,000)
Profit/loss for the year	0	656,010	3,500,000	4,156,010
Equity end of year	498,000	10,816,224	3,500,000	14,814,224

Notes

1 Events after the balance sheet date

Overall the company is impacted by the Covid-19 situation and the market is subject to a great deal of uncertainty. Besides this market effect, no events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

2 Staff costs

	2019	2018
	DKK	DKK
Wages and salaries	14,799,983	13,445,482
Pension costs	1,177,888	1,037,930
Other social security costs	900,229	776,324
Other staff costs	1,094,937	591,569
	17,973,037	15,851,305
Average number of full-time employees	19	22

3 Depreciation, amortisation and impairment losses

	2019	2018
	DKK	DKK
Amortisation of intangible assets	178,114	184,579
Depreciation of property, plant and equipment	2,039,150	11,000
Profit/loss from sale of intangible assets and property, plant and equipment	0	(10,000)
	2,217,264	185,579

4 Other financial income

	2019	2018
	DKK	DKK
Exchange rate adjustments	635,471	788,363
Other financial income	315	192
	635,786	788,555

5 Other financial expenses

	2019	2018
	DKK	DKK
Financial expenses from group enterprises	33,505	78,424
Other interest expenses	39,563	87,143
Exchange rate adjustments	572,152	550,756
Other financial expenses	78,730	1,517
	723,950	717,840

6 Tax on profit/loss for the year

	2019	2018
	DKK	DKK
Current tax	1,228,826	723,249
Change in deferred tax	12,670	76,343
Adjustment concerning previous years	0	(11,240)
	1,241,496	788,352

7 Intangible assets

	Acquired intangible assets DKK
Cost beginning of year	1,824,150
Cost end of year	1,824,150
Amortisation and impairment losses beginning of year	(561,685)
Amortisation for the year	(178,117)
Amortisation and impairment losses end of year	(739,802)
Carrying amount end of year	1,084,348

8 Property, plant and equipment

	Land and buildings DKK	Plant and machinery DKK	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK
Cost beginning of year	0	675,238	187,229	2,990,520
Changes in accounting policies	1,174,887	0	2,116,527	0
Additions	0	0	241,974	0
Disposals	0	(55,000)	(241,974)	0
Cost end of year	1,174,887	620,238	2,303,756	2,990,520
Depreciation and impairment losses beginning of year	0	(655,072)	(187,229)	(2,990,520)
Depreciation for the year	(1,122,263)	(11,000)	(905,887)	0
Reversal regarding disposals	0	45,834	241,974	0
Depreciation and impairment losses end of year	(1,122,263)	(620,238)	(851,142)	(2,990,520)
Carrying amount end of year	52,624	0	1,452,614	0

9 Non-current liabilities other than provisions

	Due within 12 months 2019 DKK	Due after more than 12 months 2019 DKK
Finance lease liabilities	674,811	838,572
Other payables	0	364,915
	674,811	1,203,487

10 Other payables

	2019 DKK	2018 DKK
VAT and duties	1,479,548	1,565,610
Wages and salaries, personal income taxes, social security costs, etc payable	1,815,010	1,481,624
Holiday pay obligation	1,377,319	1,561,467
Other costs payable	61,261	26,047
	4,733,138	4,634,748

11 Group relations

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 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.

Changes in accounting policies

The Company has chosen to change accounting policies for recognition of lease contracts.

To better provide a true and fair view of the Company's assets, liabilities and results, leases are recognised with effect from 1 April 2019 in compliance with the principles of the international financial reporting standard IFRS 16 Leases. IFRS 16 does not distinguish between operating and finance leases, but requires recognition of a leased asset (right-of-use asset) and a lease liability for all leases.

Applying transitional provisions

In accordance with the transitional provisions of the Danish Financial Statements Act, comparative figures are not restated, and the accumulated effect of the transition is recognised in equity at the beginning of the financial year. The change only applies to leases extending into the current financial year.

Furthermore, the following transitional provisions in IFRS 16 have been applied:

- No changes have been made to previously recognised amounts relating to leases classified and recognised as finance leases.

For leases previously classified as operating leases, the following applies:

- Lease liabilities are calculated at the present value of the remaining lease payments discounted using the Company's marginal borrowing rate at the time of implementation on 1 April 2019. The discount rate is calculated in aggregate for portfolio of leases with identical characteristics.

- Leased assets are calculated on the basis of the calculated lease liabilities adjusted for prepaid or payable lease payments.

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

- Direct costs incurred at the inception of leases are not included in the measurement of leased assets.

Changes in accounting policies due to the application of IFRS 16 as interpretation

Leases previously classified as operating leases

The application of IFRS 16 changes the accounting treatment of leases that used to be classified as operating leases and therefore were not recognised in the balance sheet. Lease payments on operating leases were previously recognised in the income statement in gross profit on a straight-line basis over the term of the lease.

For all other leases:

- a) Leased assets and lease liabilities are recognised in the balance sheet, measured first time at the present value of the future lease payments.
- b) Depreciation and impairment losses of leased assets and interest on lease liabilities are recognised in the income statement.
- c) Total lease payments are divided into instalments on the lease liability and interest.

Incentives to enter into leases (e.g. a rent-free period) are recognised as part of the measurement of leased assets and lease liabilities. Previously, they were recognised on a straight-line basis over the lease term as a reduction of the lease expenses.

Leased assets are written down to the lower of recoverable amount and carrying amount. This replaces the previous requirement of recognising a provision for onerous leases.

Leases previously classified as finance leases

The main difference between IFRS 16 and previous practice regarding assets held under finance leases is the measurement of any residual value guarantees assumed by the lessee towards the lessor. In future, only the amount that is expected to be paid in connection with a residual value guarantee is recognised. Previously, the maximum guarantee amount was recognised. This amendment has no significant impact on the Company's financial statements.

Monetary effect of change in accounting policies

The change in accounting policies results in an increase of gross profit of DKK 0 k, an increase in depreciation of DKK 2028 k and an increase in interest expenses of DKK 62 k. The aggregate effect of the change in accounting policies is a reduction of DKK 8 k in tax profit/loss for the year. The balance sheet total is increased by DKK 1505 k whereas equity at 31 December 2019 is reduced by DKK 8 k.

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 assesment 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	1 year
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.

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.

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.

Finance 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.