IDEXX Laboratories Danmark ApS
Adress: c/o Harbour House Sundkrogsgade 21, 2100 Copenhagen
CVR no: 26 99 62 79
Financial year: 1 January - 31 December

# IDEXX Laboratories Danmark ApS

c/o Harbour House
Sundkrogsgade 21
2100 Copenhagen
CVR nr. 26 99 62 79

## Annual Report for 1 January – 31 December 2016

(13th year)

The annual report is presented and approved at the Annual General Meeting / 2016

Managing Director

IDEXX Laboratories Danmark ApS
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**Statement by the Executive Board**

The Executive Board have today discussed and approved the annual report of IDEXX Laboratories Danmark ApS for the financial year 1 January – 31 December 2016.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2016 and of the results of the Company's operations for the financial year 1 January – 31 December 2016.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the annual general meeting.

Copenhagen, 26 May 2017

Executive Board:

| | | |
|---|---|---|
| Brian Patrick McKeon | Jacqueline Lee Studer | John Royal Morton |

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## Independent auditors' report

### *To the shareholders of IDEXX Laboratories Danmark ApS*

### *Opinion*

We have audited the financial statements of IDEXX Laboratories Danmark ApS for the financial year 1 January – 31 December 2016, comprising income statement, balance sheet and notes, including 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 Company's assets, liabilities and financial position at 31 December 2016 and of the results of the Company's operations for the financial year 1 January – 31 December 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 the 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 our report. We are independent of the Company 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 rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *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 that 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company 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 as to 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 in Denmark will always detect a material misstatement when it exists.

Misstatements may 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 financial statement users made 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

— identify and assess the risks of material misstatement of the company 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 Company'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 Company'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 Company to cease to continue as a going concern

— evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, 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's review***

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, 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's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

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

Copenhagen, 26 May 2017
KPMG
Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Klaus Rytz
State Authorised
Public Accountant

## Management's review

### *Company details*

IDEXX Laboratories Danmark ApS
c/o Harbour House
Sundkrogsgade 21
DK-2100 Copenhagen

| | |
|---|---|
| CVR no.: | 26 99 62 79 |
| Registered office: | Copenhagen |
| Date of incorporation: | 30 December 2003 |
| Financial year: | 1 January – 31 December |

**Executive board**
Brian Patrick McKeon
Jacqueline Lee Studer
John Royal Morton

**Auditors**
KPMG
Statsautoriseret Revisionspartnerselskab
Damfærgevej 28
DK-2100 Copenhagen

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## Management's review

### *Main Activities*

The objects of the company are analytics/research, interpretation of laboratory results as well as advising in veterinary medical issues (clinical chemistry, virology, hematology, microbiology, histology, etc.)

### *Development in activities and financial affairs*

Net profit amounts to kr. 1.007.420
Equity amounts to kr. 8.558.580

### *Events after balance sheet date*

After balance sheet date, no events have occurred that would materially affect the company's financial position.

### *Expected development*

The company expects a profitable result as in 2016 for the financial year 2017

## Financial statements 1 January – 31 December

### Income Statement

| Notes | | 2016 | 2015 |
|---|---|---|---|
| | GROSS PROFIT | 8.734.499 | 7.354.586 |
| 2 | Personnel costs | (7.076.459) | (6.497.471) |
| | Depreciation | (265.458) | (39.092) |
| | PROFIT BEFORE FINANCIAL ITEMS | 1.392.582 | 818.023 |
| | Financial income | 0 | 102.429 |
| | Financial Expenses | (92.912) | (59.815) |
| | PROFIT BEFORE TAXES | 1.299.670 | 860.638 |
| | Corporate Income taxes | (292.250) | (203.510) |
| | PROFIT FOR THE YEAR | 1.007.420 | 657.128 |

***Proposed profit appropriation***

| | | |
|---|---|---|
| Proposed dividends for the financial year | 0 | 0 |
| Retained earnings | 1.007.420 | 657.128 |
| | 1.007.420 | 657.128 |

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## Financial statements 1 January – 31 December

### Balance Sheet

*TOTAL ASSETS*

| Notes | | 2016 | 2015 |
|---|---|---|---|
| | FIXED ASSETS: | | |
| | Property, plant and equipment: | | |
| | Equipment and furniture | 2.069.719 | 797.130 |
| | Total Properly, plant and equipment | 2.069.719 | 797.130 |
| | TOTAL FIXED ASSETS | 2.069.719 | 797.130 |
| | CURRENT ASSETS | | |
| | Receivables: | | |
| | Trade receivables | 5.735.739 | 5.822.990 |
| | Receivables from affiliates | 115.780 | 35.069 |
| | Prepayments and deferred costs | 26.020 | 57.092 |
| | Total Receivables | 5.877.539 | 5.915.151 |
| | Cash and cash equivalents | 8.351.117 | 7.382.088 |
| | TOTAL CURRENT ASSETS | 14.228.656 | 13.297.239 |
| | TOTAL ASSETS | 16.298.375 | 14.094.369 |

## Financial statements 1 January – 31 December

### Balance Sheet

### *TOTAL LIABILITIES AND EQUITY*

| Notes | | 2016 | 2015 |
|---|---|---|---|
| | EQUITY | | |
| | Share Capital | 125.000 | 125.000 |
| | Retained earnings | 8.433.580 | 7.426.160 |
| 3 | TOTAL EQUITY | 8.558.580 | 7.551.160 |
| | PROVISIONS | | |
| | Provision for deferred taxes | 32.415 | 22.095 |
| | TOTAL PROVISIONS | 32.415 | 22.095 |
| | LIABILITIES<br>Current liabilities other than provisions | | |
| | Deferred Revenue | 312.792 | 377.769 |
| | Trade payables | 233.301 | 38.372 |
| | Corporate Income tax payable | 281.930 | 105.948 |
| | Other Payables | 4.244.055 | 4.363.950 |
| | Payable to affiliates | 2.635.302 | 1.635.075 |
| | Total Short Term Liabilities | 7.707.380 | 6.521.114 |
| | TOTAL LIABILITIES | 7.739.795 | 6.521.114 |
| | TOTAL LIABILITIES AND EQUITY | 16.298.375 | 14.094.369 |

4 Contractual obligations

## Notes

### 1. Accounting policies

The annual report of IDEXX Laboratories Danmark ApS for 2016 has been prepared in accordance with the provisions applying to reporting class B entities under the Danish Financial Statements Act.

As from 1 January 2016, the Company has implemented Act no. 738 of 1 June 2015. This has entailed the following changes to recognition and measurement:

- Going forward, the residual value of property, plant and equipment must be reassessed on an ongoing basis. Pursuant to the transition provisions of the Act, any adjustments to residual values must be made prospectively as an accounting estimate without restatement of comparative figures and without effect on equity.

The changes have no monetary effect on the income statement or the balance sheet for 2016 or for the comparative figures.

Apart from the above, the accounting policies used in the preparation of the financial statements are consistent with those of last year.

Pursuant to section 32 of the Danish Financial Statements Act, the Company has decided only to disclose gross profit.

***Recognition and measurement***

The financial statements are prepared following the historical cost value principle.
Income is recognized in the income statement as it is earned. All costs incurred to generate the year's earnings, including depreciation, amortization, provisions and reversals due to changed accounting estimates of amounts previously recognized in the income statement are also recognized in the income statement.
Assets are recognized in the balance sheet when it is probable that future economic benefits will flow to the company and the asset can be measured reliably.
Liabilities are recognized in the balance sheet when it is probable that future economic benefits will flow from the company, and the value can be measured reliably.
Certain financial assets and liabilities are measured at amortized cost, implying the recognition of a constant effective interest rate to maturity. Amortized cost is calculated as original cost less principal payments and plus / less the accumulated amortization of the difference between cost and nominal amount. Capital losses and gains are allocated over the term.
Recognition and measurement consider predictable losses and risks that arise before the end of the fiscal year and that confirm or invalidate matters existing at the balance sheet date.
The functional currency used DKK. All other currencies are considered foreign currencies.

***Foreign currencies***
Translation in/from foreign currencies are made using the rate at the transaction date. Exchange differences arising between the transaction date and the date of payment are recognized in the income statement as a financial item.
Receivables, liabilities and other monetary items in foreign currencies that have not been settled at the balance sheet date are revaluated using the rate applicable at the balance sheet date.
Fixed assets purchased in foreign currencies are measured at the exchange rate on the transaction date.

***Income statement***

***Net Sales***
Revenue comprises invoiced sales of goods and services as well as non-invoiced income regarding outstanding ongoing service delivery, recognized in the income statement if delivery and transfer of risk to the buyer has taken place before year end. Revenue is recognized excluding VAT and net of discounts relating to sales.

***Other operating incomes and expenses***
Other operating incomes and expenses comprise items of a secondary nature relative to the company's main business, including gains and losses on disposal of intangible and tangible fixed assets.

***Other external costs***
Other external expenses include expenses for distribution, sale, advertising, administration, premises, bad debt and operating leases etc.

***Financial income and expenses***
Financial items include interest income and expenses, realized and unrealized gains and losses on securities, debt and transactions in foreign currencies, amortization of mortgage loans, surcharges and allowances under the tax.

***Income tax expenses***
Income tax expense, which consists of current tax and deferred tax, is recognized in the income statement by the portion attributable to the profit for the year and directly in equity with the portion attributable to equity transactions. The tax recognized in the income statement are classified as tax on ordinary activities and tax on extraordinary items.
Changes in deferred tax due to changes in tax rates is recognized in the income statement.

***Balance Sheet***

***Tangible assets***
Plant and machinery, tools and equipment and leasehold improvements are measured at cost

less accumulated depreciation and impairment losses. The basis for depreciation is cost less estimated residual value after useful life.
Cost includes the purchase price and costs directly attributable to the acquisition until the asset is ready to be used.
Depreciation, calculated at cost less any residual value, is distributed linearly over the assets estimated useful lives, as follows:

| | Operating time |
|---|---|
| Equipment and furniture ..................... | 3-5 years |

The residual value of property, plant and equipment is reassessed on an ongoing basis.

Gains or losses on disposal of fixed assets are calculated as the difference between the selling price less selling costs and the carrying amount at the time of sale. Gains and losses are recognized in the income statement under other income or expenses.

***Impairment of fixed assets***
The carrying value of tangible fixed assets is reviewed annually to determine whether there is any indication of impairment in addition to the depreciation. In this case, an impairment test to determine whether the recoverable amount is lower than the book value and the asset is written down to its recoverable amount.
Recoverable amount is the higher value between the net selling price and the usage value. As it is not possible to determine a recoverable amount of an individual asset, the assets are assessed in the smallest group of assets where overall measurement may provide a reliable recoverable amount.

***Receivables***
Receivables are measured at amortized cost or net realizable value. Impairment losses are calculated based on an individual assessment of the receivables and trade receivables also with a collective impairment, based on its experience from previous years.

***Prepayments***
Prepayments recognized in assets comprise costs to be incurred concerning subsequent financial years.

***Dividends***
Proposed dividend for the financial year are recognized as a separate component of equity. Proposals are recognized as a liability at the time of adoption at the general meeting.

***Provisions***

Provisions are recognized when, because of an event occurred before or on the balance sheet date, a legal or constructive obligation arises and it is probable that economic benefits follow to settle the obligation.

***Current tax receivables and liabilities***

Current tax liabilities and current tax receivables are recognized in the balance sheet as calculated tax on the taxable income, adjusted for tax on prior years' taxable income and for prepayments. Tax receivables and liabilities are offset to the extent that there are legal set-off and the items are expected to be settled net or simultaneously.

***Deferred tax assets and liabilities***

Deferred tax is measured using the balance sheet liability method on temporary differences between accounting and tax values of assets and liabilities based on the planned use of the asset or settlement of the liability.
Deferred tax assets including the tax value of tax loss carryforwards are measured at the value at which the asset is expected to be realized, either by elimination in tax on future earnings or against deferred tax liabilities within the same legal tax entity. Any deferred net tax assets are measured at net realizable value.
Deferred tax is measured based on the tax rules and tax rates at the balance sheet law will be in effect when the deferred tax is expected to crystallize as current tax. Changes in deferred tax due to changes in tax rates is recognized in the income statement. For the current year, a tax rate of 22%.
Deferred tax assets and liabilities are offset within the same legal tax entity.

***Other liabilities***

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

## 2. Staff costs

| | 2016 | 2015 |
|---|---|---|
| Average number of full-time employees | 7.29 | 7.87 |

## 3. Equity

| | 1-1/16 | Proposal for result appropriation | 31/12-16 |
|---|---|---|---|
| Share Capital | 125.000 | 0 | 125.000 |
| Retained earnings | 7.426.160 | 1.007.420 | 8.433.580 |
| Total Equity | 7.551.160 | 1.007.420 | 8.558.580 |

| Share capital is divided as follows: | 2016 | 2015 |
|---|---|---|
| 125 shares, each of nominal value of kr. 1.000 | 125.000 | 125.000 |

No capital increase or decrease occurred in the previous 5 years

## 4. Contractual obligations

***Leases obligations***

The company has entered operating leases at the following amount: 312.449 DKK

The remaining term of leases is 32 months with an average of monthly lease payment of 9.764 DKK.