

Ceva Animal Health A/S

Ladegårdsvej 2, 7100 Vejle

CVR no. 27 21 03 92



Annual report 2016

Approved at the annual general meeting of shareholders on 31 May 2017

Chairman



Building a better
working world



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Statement by the Board of Directors and the Executive Board

Today the Board of Directors and the Executive Board have discussed and approved the annual report of Ceva Animal Health A/S for the financial year 1 January - 31 December 2016

The annual report is prepared in accordance with the Danish Financial Statements Act

In our opinion, the financial statements give a true and fair view of the financial position of the Company 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.

Vejle 31 May 2017
Executive Board



Patrick Maurice Piette
Director

Board of Directors



Marc Dominique Prikazsky
Chairman



Valerie Claire Aline
Mazeaud



Patrick Maurice Piette



Mathieu Fernand Reneaut

Independent auditor's report

To the shareholders of Ceva Animal Health A/S

Opinion

We have audited the financial statements of Ceva Animal Health A/S for the financial year 1 January - 31 December 2016, which comprise an income statement, balance sheet, statement of changes in equity 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 financial position of the Company 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 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 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 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 the 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 Company's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

Independent auditor's report

- ▶ 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 conclusion is 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 note 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 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 our procedures, 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.

Kolding, 31 May 2017
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28



Claus E. Andreasen
State Authorised Public Accountant

Management's review

Company details

Name	Ceva Animal Health A/S
Address, Postal code, City	Ladegårdsvej 2, 7100 Vejle
CVR no.	27 21 03 92
Registered office	Vejle
Financial year	1 January - 31 December
Board of Directors	Marc-Dominique Prikazsky, Chairman Valérie Claire Aline Mazeaud Patrick Maurice Piette Mathieu Fernand Reneaut
Executive Board	Patrick Maurice Piette, Director
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Kolding Åpark 1, 3. sal, 6000 Kolding, Denmark
Bankers	Handelsbanken Adelgade 14, DK-6000 Kolding

Management commentary

Business review

The Company's principal activities are to deliver vaccines, medicine and accessories to the Danish animal production sectors.

Financial review

The income statement for 2016 shows a profit of DKK 470 thousand against DKK 45 thousand last year, and the balance sheet at 31 December 2016 shows equity of DKK 7,202 thousand. Management considers the Company's financial performance in the year satisfactory.

Events after the balance sheet date

No events materially affecting the Company's financial position have occurred subsequent to the financial year-end.

Outlook

For 2017 a profit is expected as well as an increase in the level of activity due to the acquisition of a significant product portfolio in the beginning of 2017.

Financial statements for the period 1 January - 31 December

Income statement

Note	DKK'000	2016	2015
	Gross margin	9,330	5,831
2	Staff costs	-7,714	-4,636
	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-733	-978
	Profit before net financials	883	217
	Financial income	0	6
3	Financial expenses	-119	-80
	Profit before tax	764	143
4	Tax for the year	-294	-98
	Profit for the year	470	45
Recommended appropriation of profit			
	Retained earnings	470	45
		470	45

Financial statements for the period 1 January - 31 December

Balance sheet

Note	DKK'000	2016	2015
	ASSETS		
	Fixed assets		
5	Intangible assets		
	Acquired intangible assets	1,277	1,256
	Goodwill	2,142	2,571
		<u>3,419</u>	<u>3,827</u>
6	Property, plant and equipment		
	Other fixtures and fittings, tools and equipment	64	0
		<u>64</u>	<u>0</u>
	Investments		
	Other receivables	69	68
		<u>69</u>	<u>68</u>
	Total fixed assets	<u>3,552</u>	<u>3,895</u>
	Non-fixed assets		
	Inventories		
	Finished goods and goods for resale	4,905	4,865
		<u>4,905</u>	<u>4,865</u>
	Receivables		
	Trade receivables	5,718	8,622
	Receivables from group entities	27	0
	Income taxes receivable	333	356
	Other receivables	95	70
	Deferred income	12	28
		<u>6,185</u>	<u>9,076</u>
	Cash	<u>1,432</u>	<u>3,384</u>
	Total non-fixed assets	<u>12,522</u>	<u>17,325</u>
	TOTAL ASSETS	<u>16,074</u>	<u>21,220</u>

Financial statements for the period 1 January - 31 December

Balance sheet

Note	DKK'000	2016	2015
	EQUITY AND LIABILITIES		
	Equity		
7	Share capital	500	500
	Retained earnings	6,702	6,232
	Total equity	7,202	6,732
	Provisions		
	Deferred tax	281	276
	Total provisions	281	276
	Liabilities		
8	Non-current liabilities other than provisions		
	Payables to group entities	3,000	3,000
		3,000	3,000
	Current liabilities		
	Trade payables	411	446
	Payables to group entities	431	5,524
	Other payables	4,749	5,242
		5,591	11,212
	Total liabilities other than provisions	8,591	14,212
	TOTAL EQUITY AND LIABILITIES	16,074	21,220

- 1 Accounting policies
- 9 Contractual obligations and contingencies, etc.
- 10 Related parties

Financial statements for the period 1 January - 31 December

Statement of changes in equity

DKK'000	Share capital	Retained earnings	Total
Equity at 1 January 2016	500	6,232	6,732
Transfer through appropriation of profit	0	470	470
Equity at 31 December 2016	500	6,702	7,202

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Ceva Animal Health A/S for 2016 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities and elective choice of certain provisions applying to reporting class C entities.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Reporting currency

The financial statements are presented in Danish kroner (DKK'000).

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the most recent financial statements is recognised in the income statement as financial income or financial expenses.

Income statement

Revenue

Income from the sale of goods for resale and finished goods is recognised in revenue when the most significant rewards and risks have been transferred to the buyer and provided the income can be measured reliably and payment is expected to be received. The date of the transfer of the most significant rewards and risks is based on standardised terms of delivery based on Incoterms® 2010.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

Gross margin

The items revenue, change in inventories of finished goods and work in progress, work performed for own account and capitalised, other operating income and external expenses have been aggregated into one item in the income statement called gross margin in accordance with section 32 of the Danish Financial Statements Act.

Cost of sales

Cost of sales includes the cost of goods used in generating the year's revenue.

Other external expenses

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Staff costs

Staff costs include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

Amortisation

The item comprises depreciation of acquired intangible and tangible assets.

The basis of amortisation, which is calculated as cost less any residual value, is amortised on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Goodwill	7 years
Acquired intangible assets	3-15 years
Other fixtures and fittings, tools and equipment	2-10 years

The useful lives of intangible assets exceed 5 years when it has been estimated that an asset will generate future cash flow in a period exceeding 5 years.

Financial income and expenses

Financial income and expenses are recognised in the income statements at the amounts that concern the financial year. Net financials include interest income and expenses as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

Tax

The parent company is covered by the Danish rules on mandatory joint taxation of the Group's Danish subsidiaries. Subsidiaries are included in the joint taxation arrangement from the date at which they are included in the consolidated financial statements and up to the date when they are no longer consolidated.

The company is included in a joint taxation with all Danish Ceva-owned group entities. The Danish income tax charge is allocated between profit-making and loss-making Danish entities in proportion to their taxable income (full allocation method). The company acts as a management company for all the entities encompassed by the joint taxation arrangement and is thus responsible for ensuring that tax charges, etc. are paid to the Danish tax authorities.

On payment of joint taxation contributions, the Danish corporate income tax charge is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have been able to use the tax losses to reduce their own taxable income.

Tax for the year, which comprises the current income tax charge, joint taxation contributions and deferred tax adjustments, including adjustments arising from changes in tax rates, is recognised in the income statement as regards the portion that relates to the profit/loss for the year and directly in equity as regards the portion that relates to entries directly in equity.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Balance sheet

Intangible assets

Acquired intangible assets which include acquired marketing rights and goodwill are measured at costs less accumulated amortisation and impairment losses.

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

Impairment of fixed assets

Intangible assets are reviewed for impairment. Where there is indication of impairment, an impairment test is made for each individual asset. The assets are written down to the higher of the value in use and the net selling price of the asset (recoverable amount) if it is lower than the carrying amount.

Inventories

Inventories are measured at the lower of cost, measured by reference to the FIFO method, and net realisable value.

Goods for resale are measured at cost, which comprises the cost of acquisition plus delivery costs as well as other expenses directly attributable to the acquisition.

Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value. Provisions are made for bad debts on the basis of objective evidence that a receivable are impaired. Provisions are made to the lower of the net realisable value and the carrying amount.

Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

Equity

Proposed dividends

Dividend proposed for the financial year are presented as a separate item under "Equity".

Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

As management company for all the entities in the joint taxation arrangement, the company is liable for the subsidiaries' income taxes vis-à-vis the tax authorities as the subsidiaries pay their joint taxation contributions. Joint taxation contributions payable or receivables are recognised in the balance sheet as income tax receivable or payable.

Liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan. Financial liabilities also include the capitalised residual lease liability in respect of finance leases.

Other liabilities are measured at net realisable value.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

DKK'000	2016	2015	
2 Staff costs			
Wages/salaries	6,572	3,844	
Pensions	936	601	
Other social security costs	76	47	
Other staff costs	130	144	
	<u>7,714</u>	<u>4,636</u>	
Average number of full-time employees	<u>10</u>	<u>6</u>	
3 Financial expenses			
Interest expenses, group entities	91	56	
Other financial expenses	28	24	
	<u>119</u>	<u>80</u>	
4 Tax for the year			
Estimated tax charge for the year	289	110	
Deferred tax adjustments in the year	5	-12	
	<u>294</u>	<u>98</u>	
5 Intangible assets			
DKK'000	Acquired intangible assets	Goodwill	Total
Cost at 1 January 2016	2,379	3,000	5,379
Additions in the year	326	0	326
Disposals in the year	-174	0	-174
Cost at 31 December 2016	<u>2,531</u>	<u>3,000</u>	<u>5,531</u>
Impairment losses and amortisation at 1 January 2016	1,123	429	1,552
Impairment losses in the year	107	0	107
Amortisation/depreciation in the year	198	429	627
Reversal of amortisation/depreciation and impairment of disposals	-174	0	-174
Impairment losses and amortisation at 31 December 2016	<u>1,254</u>	<u>858</u>	<u>2,112</u>
Carrying amount at 31 December 2016	<u>1,277</u>	<u>2,142</u>	<u>3,419</u>

Financial statements for the period 1 January - 31 December

Notes to the financial statements

6 Property, plant and equipment

DKK'000	Other fixtures and fittings, tools and equipment
Cost at 1 January 2016	0
Additions in the year	64
Cost at 31 December 2016	64
Carrying amount at 31 December 2016	64

DKK'000	2016	2015
7 Share capital		
Analysis of the share capital:		
1,000 shares of DKK 500.00 nominal value each	500	500
	500	500

The Company's share capital has remained DKK 500 thousand over the past 5 years.

8 Non-current liabilities other than provisions

Of the long-term liabilities, DKK 0 falls due for payment after more than 5 years after the balance sheet date.

9 Contractual obligations and contingencies, etc.

Other financial obligations

The Company has rent contract with a yearly payment of DKK 46 thousand. The rent contract can be cancelled with a 4 month notice.

The Company has signed finance leases of machinery. The current maturity of the contracts are 24 to 56 months and the remaining obligation amounts to DKK 829 thousand.

The Company has a contract for inventory handling with a one year notice which is volume based. As the contract is based on the volume the obligation cannot be calculated.

10 Related parties

Information about consolidated financial statements

Parent	Domicile	Requisitioning of the parent company's consolidated financial statements
Ceva Sante Animale	10 Avenue de La Baflastière, 33501 Libourne, France	http://www.ceva.com/News-Media/Annual-reports