

Ceva Animal Health A/S

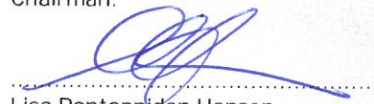
Ladegårdsvej 2, 7100 Vejle

CVR no. 27 21 03 92

Annual report 2019

Approved at the Company's annual general meeting on 9 June 2020

Chairman:



Lisa Pontoppidan Hansen





Contents

Statement by the Board of Directors and the Executive Board	2
Independent auditor's report	3
Management's review	5
Financial statements 1 January - 31 December	6
Income statement	6
Balance sheet	7
Statement of changes in equity	9
Notes to the financial statements	10

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 2019.

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 2019 and of the results of the Company's operations for the financial year 1 January - 31 December 2019.

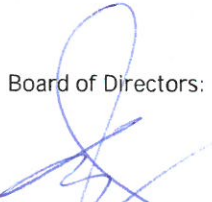
Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

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

Vejle, 9 June 2020
Executive Board:

.....
Lisa Pontoppidan Hansen
Director

Board of Directors:


.....
Marc-Dominique Prikazsky
Chairman


.....
Jean-Michel Maurice
Jacques Delfosse


.....
Valerie Claire Aline
Mazeaud


.....
Lisa Pontoppidan Hansen

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 2019, which comprise 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 2019 and of the results of the Company's operations for the financial year 1 January - 31 December 2019 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

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 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 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 scepticism 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.

Independent auditor's report

- ▶ 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 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 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.

Kolding, 9 June 2020

ERNST & YOUNG

Godkendt Revisionspartnerselskab

CVR no. 30 70 02 28



Claus E. Andreasen

State Authorised Public Accountant

mne16652

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 Lisa Pontoppidan Hansen Jean-Michel Maurice Jacques Delfosse
Executive Board	Lisa Pontoppidan Hansen, 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 offer vaccines, pharmaceuticals and less regulated products to the animal health market.

Financial review

The income statement for 2019 shows a profit of DKK 2,376 thousand against a profit of DKK 1,414 thousand last year, and the balance sheet at 31 December 2019 shows equity of DKK 11,230 thousand. Management considers the Company's financial performance in the year satisfactory.

Events after the balance sheet date

The outcome and potential impact on the Company's activity and financial impact on the business due to the COVID-19 virus outbreak is as of the date of the approval of the annual report uncertain. On this basis management is currently unable to accurately assess the magnitude of the coronavirus outbreak on the 2020 financial performance.

As of the date of the approval of the annual report there has not been a financial short-term impact.

There are no other events after the reporting period to be disclosed.

Outlook

For 2020 an increase in both level of activity and profit is expected compared with 2019. The financial outlook is based on a limited magnitude of the COVID-19 virus outbreak and based on full activity in 2020. This financial outlook is by nature associated with uncertainty because of the current situation.

Financial statements 1 January - 31 December

Income statement

Note	DKK'000	2019	2018
	Gross profit	26,431	20,794
2	Staff costs	-20,696	-16,197
5	Amortisation/depreciation and impairment of intangible assets	-1,932	-1,936
	Profit before net financials	3,803	2,661
3	Financial expenses	-554	-723
	Profit before tax	3,249	1,938
4	Tax for the year	-873	-524
	Profit for the year	2,376	1,414
	Recommended appropriation of profit		
	Retained earnings	2,376	1,414
		2,376	1,414

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2019	2018
	ASSETS		
	Fixed assets		
5	Intangible assets		
	Acquired intangible assets	1,183	1,139
	Goodwill	10,223	11,990
		<u>11,406</u>	<u>13,129</u>
	Investments		
	Other receivables	108	108
		<u>108</u>	<u>108</u>
	Total fixed assets	<u>11,514</u>	<u>13,237</u>
	Non-fixed assets		
	Inventories		
	Finished goods and goods for resale	39,313	16,048
		<u>39,313</u>	<u>16,048</u>
	Receivables		
	Trade receivables	12,129	8,201
	Receivables from group entities	619	28
	Other receivables	351	185
	Deferred income	83	122
		<u>13,182</u>	<u>8,536</u>
	Cash	<u>15,976</u>	<u>9,745</u>
	Total non-fixed assets	<u>68,471</u>	<u>34,329</u>
	TOTAL ASSETS	<u>79,985</u>	<u>47,566</u>

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2019	2018
	EQUITY AND LIABILITIES		
	Equity		
6	Share capital	500	500
	Retained earnings	10,730	8,354
	Total equity	11,230	8,854
	Provisions		
	Deferred tax	625	484
	Total provisions	625	484
	Liabilities other than provisions		
7	Non-current liabilities other than provisions		
	Payables to group entities	19,230	15,986
	Other payables	688	0
		19,918	15,986
	Current liabilities other than provisions		
	Trade payables	1,426	1,059
	Payables to group entities	35,151	11,342
	Income taxes payable	654	322
	Other payables	10,981	9,519
		48,212	22,242
	Total liabilities other than provisions	68,130	38,228
	TOTAL EQUITY AND LIABILITIES	79,985	47,566

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

Financial statements 1 January - 31 December

Statement of changes in equity

DKK'000	Share capital	Retained earnings	Total
Equity at 1 January 2019	500	8,354	8,854
Transfer through appropriation of profit	0	2,376	2,376
Equity at 31 December 2019	500	10,730	11,230

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Ceva Animal Health A/S for 2019 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 profit

The items revenue, cost of sales and external expenses have been aggregated into one item in the income statement called gross profit 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.

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.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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	7-10 years
Acquired intangible assets	5 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 expenses

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

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Balance sheet

Intangible assets

Goodwill is amortised over the expected economic life of the asset, measured by reference to Management's experience in the individual business segments. Goodwill is amortised on a straight-line basis over the amortisation period, which is between 7 and 10 years.

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

Leases

Leases that do not transfer substantially all the risks and rewards incident to the ownership to the Company are classified as operating leases. Payments relating to operating leases and any other rent agreements are recognised in the income statement over the term of the lease. The Company's aggregate liabilities relating to operating leases and other rent agreements are disclosed under "Contingent liabilities".

Impairment of fixed assets

Fixed 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.

The Company has chosen IAS 39 as interpretation for impairment of financial receivables.

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".

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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.

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.

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 1 January - 31 December

Notes to the financial statements

	DKK'000	2019	2018	
2	Staff costs			
	Wages/salaries	17,722	13,475	
	Pensions	2,404	2,195	
	Other social security costs	165	155	
	Other staff costs	405	372	
		20,696	16,197	
	Average number of full-time employees	21	19	
3	Financial expenses			
	Interest expenses, group entities	471	596	
	Other financial expenses	83	127	
		554	723	
4	Tax for the year			
	Estimated tax charge for the year	732	382	
	Deferred tax adjustments in the year	141	142	
		873	524	
5	Intangible assets			
	DKK'000	Acquired intangible assets	Goodwill	Total
	Cost at 1 January 2019	3,019	16,382	19,401
	Additions in the year	209	0	209
	Cost at 31 December 2019	3,228	16,382	19,610
	Impairment losses and amortisation at 1 January 2019	1,880	4,392	6,272
	Amortisation/depreciation in the year	165	1,767	1,932
	Impairment losses and amortisation at 31 December 2019	2,045	6,159	8,204
	Carrying amount at 31 December 2019	1,183	10,223	11,406
	DKK'000	2019	2018	
6	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.

Financial statements 1 January - 31 December

Notes to the financial statements

7 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.

8 Contractual obligations and contingencies, etc.

Other financial obligations

The Company has rent contract with a yearly payment of DKK 341 thousand. The rent contract can be cancelled with a 4 month notice.

The Company has signed finance leases of cars and machinery. The current maturity of the contracts are 5 to 38 months and the remaining obligation amounts to DKK 1.321 thousand.

The Company has a contract for inventory handling with a 6 month notice which is volume based. As the contract is based on the volume the obligation cannot be calculated.

9 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