

Ceva Animal Health A/S

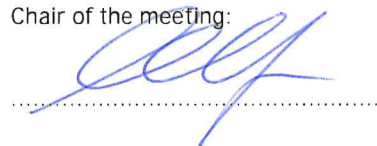
Ladegårdsvej 2, 7100 Vejle

CVR no. 27 21 03 92

Annual report 2022

Approved at the Company's annual general meeting on 26 May 2023

Chair of the meeting:

A handwritten signature in blue ink, consisting of stylized cursive letters, is written over a horizontal dotted line.

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	9
Income statement	9
Balance sheet	10
Statement of changes in equity	12
Notes to the financial statements	13

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 2022.

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 2022 and of the results of the Company's operations for the financial year 1 January - 31 December 2022.

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, 26 May 2023
Executive Board:


.....
Lisa Pontoppidan
Director

Board of Directors:


.....
Valérie Claire Aline
Mazeaud
Chairman
.....
Jean-Michel Maurice
Jacques Delfosse
.....
Lisa Pontoppidan

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 2022, 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 2022 and of the results of the Company's operations for the financial year 1 January - 31 December 2022 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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, 26 May 2023
EY 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	Valérie Claire Aline Mazeaud, Chairman Jean-Michel Maurice Jacques Delfosse Lisa Pontoppidan
Executive Board	Lisa Pontoppidan, Director
Auditors	EY Godkendt Revisionspartnerselskab Trindholmsgade 4, 2. sal, 6000 Kolding, Denmark

Management's review

Financial highlights

DKK'000	2022	2021	2020	2019	2018
Key figures					
Gross profit	32,067	35,966	29,490	26,431	20,794
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	12,658	11,698	8,043	5,735	4,597
Profit before interest and tax (EBIT)	11,276	9,703	5,944	3,803	2,661
Net financials	-1,371	-914	-488	-554	-1
Profit before tax	9,905	8,789	5,456	3,249	1,938
Profit for the year	7,658	6,782	4,194	2,376	1,414
Fixed assets					
Fixed assets	6,768	6,949	9,496	11,514	12,237
Non-fixed assets	94,559	93,693	76,707	68,471	34,329
Total assets	101,327	100,642	86,203	79,985	46,566
Investments in property, plant and equipment	713	52	71	0	0
Equity	29,863	22,205	15,423	11,229	8,854
Financial ratios					
Return on assets	8.5%	8.3%	3.7%	6.0%	6.1%
Equity ratio	29.5%	22.1%	17.9%	14.0%	19.0%
Return on equity	29.4%	36.0%	31.5%	23.7%	17.4%
Average number of full-time employees					
Average number of full-time employees	26	24	23	21	19

The financial ratios stated under "Financial highlights" have been calculated as follows:

Return on assets	$\frac{\text{Profit/loss from operating activities} \times 100}{\text{Average assets}}$
Equity ratio	$\frac{\text{Equity, year-end} \times 100}{\text{Total equity and liabilities, year-end}}$
Return on equity	$\frac{\text{Profit/loss after tax} \times 100}{\text{Average equity}}$

Management's review

Business review

The Company's principal activities are to offer vaccines, pharmaceuticals and less regulated products to the nordic animal health market.

Financial review

The income statement for 2022 shows a profit of DKK 7,658 thousand against a profit of DKK 6,782 thousand last year, and the balance sheet at 31 December 2022 shows equity of DKK 29,863 thousand.

The management considers the 2022 results in line with the expectations.

Knowledge resources

Knowledge resources in Ceva are a vital part of the company's ability to create value to our customers and to be competitive in the market.

The knowledge resources are mainly driven by the company's employees which are the most valuable resource. Our employees are continuously educated and trained, to secure this resource. It is key for the company to be able to recruit and retain employees with the needed skills.

We identify the human capital to be the key driver for our future growth.

Impact on the external environment

Ceva's ambition is to limit the environmental impact of all activities: production of waste, discharges into the air, into water and in soils, water and energy consumption and emissions of CO₂.

Ceva's environmental actions mainly relate to national or European regulatory compliance of the industrial activity.

The actions are implemented locally by the HSE teams, in close collaboration with the teams responsible for infrastructure. Ceva wishes to bring together the actions of the sites within a Group environmental action plan.

The Ceva group is committed to achieving sustainable growth by complying with environmental requirements.

Research and development activities

As a global pharmaceutical company, Ceva group strives towards better health for animals worldwide through leading innovation in vaccines and pharmaceuticals.

The Ceva group is making significant investments in R&D each year, to innovate and develop new products.

Ceva Animal Health A/S does not have any direct research and development activities but takes part in R&D activities driven by the mother company Ceva Santé Animale.

Events after the balance sheet date

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

Management's review

Outlook

For 2023 a flat to moderate increase in both level of activity and profit is expected compared with 2022.

We expect gross profit 2023 to be between 35-40 mDKK with a profit for the year between 7-8 mDKK.

The global financial situation causes uncertainty in the market, mainly on inflation rates, interest rates and customer behavior toward a more cautious buying behavior. This calls for our more humble expectation in terms of growth and a cautious cost focus.

Financial statements 1 January - 31 December

Income statement

Note	DKK'000	2022	2021
	Gross profit	32,067	35,966
2	Staff costs	-19,409	-23,567
	Amortisation/depreciation and impairment of intangible assets	-1,382	-1,995
	Other operating expenses	0	-701
	Profit before net financials	11,276	9,703
	Financial income	52	0
3	Financial expenses	-1,423	-914
	Profit before tax	9,905	8,789
4	Tax for the year	-2,247	-2,007
	Profit for the year	7,658	6,782

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2022	2021
	ASSETS		
	Fixed assets		
5	Intangible assets		
	Goodwill	5,353	6,691
		<u>5,353</u>	<u>6,691</u>
6	Property, plant and equipment		
	Other fixtures and fittings, tools and equipment	73	98
	Leasehold improvements	694	0
		<u>767</u>	<u>98</u>
	Investments		
	Other receivables	648	160
		<u>648</u>	<u>160</u>
	Total fixed assets	<u>6,768</u>	<u>6,949</u>
	Non-fixed assets		
	Inventories		
	Finished goods and goods for resale	39,138	33,491
		<u>39,138</u>	<u>33,491</u>
	Receivables		
	Trade receivables	19,433	16,811
	Receivables from group entities	688	751
	Other receivables	165	165
	Deferred income	150	446
		<u>20,436</u>	<u>18,173</u>
	Cash	34,985	42,029
	Total non-fixed assets	<u>94,559</u>	<u>93,693</u>
	TOTAL ASSETS	<u>101,327</u>	<u>100,642</u>

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2022	2021
	EQUITY AND LIABILITIES		
	Equity		
7	Share capital	500	500
	Retained earnings	29,363	21,705
	Total equity	29,863	22,205
	Provisions		
	Deferred tax	722	608
	Total provisions	722	608
	Liabilities other than provisions		
8	Non-current liabilities other than provisions		
	Payables to group entities	19,230	19,230
	Other payables	1,958	1,937
		21,188	21,167
	Current liabilities other than provisions		
	Trade payables	5,390	5,107
	Payables to group entities	37,607	40,822
	Income taxes payable	1,749	1,874
	Other payables	4,808	8,859
		49,554	56,662
	Total liabilities other than provisions	70,742	77,829
	TOTAL EQUITY AND LIABILITIES	101,327	100,642

- 1 Accounting policies
- 9 Contractual obligations and contingencies, etc.
- 10 Collateral
- 11 Related parties
- 12 Appropriation of profit

Financial statements 1 January - 31 December

Statement of changes in equity

Note	DKK'000	Share capital	Retained earnings	Total
	Equity at 1 January 2022	500	21,705	22,205
12	Transfer, see "Appropriation of profit"	0	7,658	7,658
	Equity at 31 December 2022	500	29,363	29,863

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Ceva Animal Health A/S for 2022 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to medium-sized reporting class C entities.

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

Omission of a cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The Company's cash flows are reflected in the consolidated cash flow statement for the higher-ranking parent company Ceva Sante Animale S.A.

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

The Company has chosen IAS 18 as interpretation for revenue recognition.

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, other operating income 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.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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.

Amortisation/depreciation

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
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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.

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

Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	5 years

Other operating expenses

Other operating expenses comprise items of a secondary nature relative to the Company's core activities, including losses on the sale of fixed assets.

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

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.

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.

Leases

The Company has chosen IAS 17 as interpretation for classification and recognition of 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

The Company has chosen IAS 39 as interpretation for impairment write-down of financial 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.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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.

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

The Company has chosen IAS 39 as interpretation for 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	2022	2021
2 Staff costs		
Wages/salaries	15,824	19,554
Pensions	2,949	2,727
Other social security costs	226	200
Other staff costs	410	1,086
	<u>19,409</u>	<u>23,567</u>
Remuneration to the Executive Board is not disclosed, as this only consists of one director. No remuneration has been paid to Board of Directors		
Average number of full-time employees	<u>26</u>	<u>24</u>
3 Financial expenses		
Interest expenses, group entities	481	481
Other financial expenses	942	433
	<u>1,423</u>	<u>914</u>
4 Tax for the year		
Estimated tax charge for the year	2,133	2,076
Deferred tax adjustments in the year	114	-79
Tax adjustments, prior years	0	10
	<u>2,247</u>	<u>2,007</u>
5 Intangible assets		
DKK'000		Goodwill
Cost at 1 January 2022		<u>16,382</u>
Cost at 31 December 2022		<u>16,382</u>
Impairment losses and amortisation at 1 January 2022		9,691
Amortisation/depreciation in the year		<u>1,338</u>
Impairment losses and amortisation at 31 December 2022		<u>11,029</u>
Carrying amount at 31 December 2022		<u>5,353</u>

Financial statements 1 January - 31 December

Notes to the financial statements

6 Property, plant and equipment

DKK'000	Other fixtures and fittings, tools and equipment	Leasehold improvements	Total
Cost at 1 January 2022	123	0	123
Additions in the year	0	713	713
Cost at 31 December 2022	123	713	836
Impairment losses and depreciation at 1 January 2022	25	0	25
Amortisation/depreciation in the year	25	19	44
Impairment losses and depreciation at 31 December 2022	50	19	69
Carrying amount at 31 December 2022	73	694	767

DKK'000	2022	2021
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

DKK'000	Total debt at 31/12 2022	Repayment, next year	Long-term portion	Outstanding debt after 5 years
Payables to group entities	19,230	0	19,230	0
Other payables	1,958	0	1,958	1,958
	21,188	0	21,188	1,958

9 Contractual obligations and contingencies, etc.

Other financial obligations

Other rent and lease liabilities:

DKK'000	2022	2021
Rent and lease liabilities	6,783	1,736

The Company has rent contract with a yearly payment of DKK 746 thousand. The current maturity of the contract is up to 85 months and the remaining obligation amounts to DKK 5,362 thousand.

The Company has signed finance leases of cars. The current maturity of the contracts are 2 to 41 months and the remaining obligation amounts to DKK 1,421 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.

Financial statements 1 January - 31 December

Notes to the financial statements

10 Collateral

The Company has not provided any security or other collateral in assets at 31 December 2022.

11 Related parties

Ceva Animal Health A/S' related parties comprise the following:

Parties exercising control

Related party	Domicile	Basis for control
Ceva Sante Animale S.A.	10 Avenue de La Baflastière, 33501 Libourne, France	Shareholder

Information about consolidated financial statements

Parent	Domicile	Requisitioning of the parent company's consolidated financial statements
Ceva Sante Animale S.A.	10 Avenue de La Baflastière, 33501 Libourne, France	At the company's address

Related party transactions

Ceva Animal Health A/S was engaged in the below related party transactions:

DKK'000	2022	2021
Revenue to group entities	566	694
Purchase of goods from group entities	169,591	168,095
Purchase of management assistance ect group entities	21,049	22,452
Purchase of IT services from group entities	750	479
Interest expenses to group entities	481	481
Receivables from group entities	688	751
Payables and debts to group entities	37,607	40,822

12 Appropriation of profit

Recommended appropriation of profit

Retained earnings	7,658	6,782
	<u>7,658</u>	<u>6,782</u>