

Aviagen ApS

Klostergade 13, 6622 Bække

Annual report

1 July 2015 - 30 June 2016

Company reg. no. 31 58 20 91

The annual report have been submitted and approved by the general meeting on the 30 November 2016.

Mr Patrick Germain Emiel Claeys
Chairman of the meeting

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Notes:

- To ensure the greatest possible applicability of this document, British English terminology has been used.
- Please note that decimal points have not been used in the usual English way. This means that for instance EUR 146.940 means the amount of EUR 146,940, and that 23,5 % means 23.5 %.

Management's report

The executive board has today presented the annual report of Aviagen ApS for the financial year 1 July 2015 to 30 June 2016.

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

We consider the accounting policies used appropriate, and in our opinion the annual accounts provide a true and fair view of the company's assets and liabilities and its financial position as on 30 June 2016 and of the company's results of its activities and cash flows in the financial year 1 July 2015 to 30 June 2016.

We are of the opinion that the management's review includes a fair description of the issues dealt with.

The annual report is recommended for approval by the general meeting.

Baekke, 30 November 2016

Executive board

Mr Christopher Hill

Mr Patrick Germain Emiel Claeys Mr Patrick Marie-Louise Henri
Cornelius Cos

The independent auditor's reports

To the shareholder of Aviagen ApS

Report on the annual accounts

We have audited the annual accounts of Aviagen ApS for the financial year 1 July 2015 to 30 June 2016, which comprise accounting policies used, profit and loss account, balance sheet, cash flow statement and notes. The annual accounts are prepared in accordance with the Danish Financial Statements Act.

The management's responsibility for the annual accounts

The management is responsible for the preparation of annual accounts that give a true and fair view in accordance with the Danish Financial Statements Act. Furthermore, the management is responsible for such internal control considered necessary in order to prepare annual accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the annual accounts based on our audit. We conducted our audit in accordance with international standards on auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements in the annual accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of annual accounts that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as the overall presentation of the annual accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The audit has not resulted in any qualification.

The independent auditor's reports

Opinion

In our opinion, the annual accounts give a true and fair view of the company's assets, liabilities and financial position at 30 June 2016 and of the results of the company's operations and cash flows for the financial year 1 July 2015 to 30 June 2016 in accordance with the Danish Financial Statements Act.

Statement on the management's review

Pursuant to the Danish Financial Statements Act, we have read the management's review. We have not performed any further procedures in addition to the performed audit of the annual accounts. On this basis, it is our opinion that the information provided in the management's review is consistent with the annual accounts.

Aarhus, 30 November 2016

KPMG

State Authorised Public Accountants
Company reg. no. 25 57 81 98

Jakob Westerdahl
State Authorised Public Accountant

Company data

The company

Aviagen ApS
Klostergade 13
6622 Bække

Company reg. no. 31 58 20 91
Established: 23 May 2008
Domicile: Vejen, Denmark
Financial year: 1 July - 30 June
8th financial year

Executive board

Mr Christopher Hill
Mr Patrick Germain Emiel Claeys
Mr Patrick Marie-Louise Henri Cornelius Cos

Parent company

Aviagen EPI NV, Belgien

Financial highlights

EUR in thousands.

	<u>2015/16</u>	<u>2014/15</u>	<u>2013/14</u>	<u>2012/13</u>	<u>2011/12</u>
Profit and loss account:					
Gross profit	5.223	4.047	2.282	2.238	3.183
Results from operating activities	3.816	2.698	1.110	1.168	2.247
Net financials	6	69	-66	-68	-103
Results for the year	2.980	2.116	788	825	1.607
Balance sheet:					
Balance sheet sum	11.173	8.124	5.420	6.535	5.000
Equity	3.273	6.293	4.177	3.389	2.564
Cash flow:					
Operating activities	6.386	1.171	61	-132	470
Financing activities	-6.000	0	0	0	-275
Employees:					
Average number of full time employees	27	25	22	19	19
Key figures in %: *)					
Acid test ratio	141,4	443,7	436,0	207,6	204,9
Solvency ratio	29,3	77,5	77,1	51,9	51,3
Return on equity	62,3	40,4	20,8	27,7	84,7

*) The key figures have been laid out in accordance with the publication "Anbefalinger & Nøgletal 2015" ("Recommendations & Key Figures 2015") published by the CFA Society Denmark. As to definitions, please see the section on accounting policies used.

Management's review

The main activities of the enterprise

The main activity of the company is the operation of a hatchery. The total sales of the company and the majority of its purchase takes place with consolidated companies.

Unusual matters

During the financial year, the company has distributed a dividend of t.EUR 6.000.

Development in activities and financial position

The result of the company is considered satisfactory and as expected in the latest annual report.

Special risks

Exchange rate risks

The vast majority of the company's transactions take place in Euro, and consequently, it is estimated that no currency risk exists.

Other risks

There is some risk that the company's livestock may be struck by diseases. The company has, however, established very strict procedures and made considerable investments with the purpose of reducing this risk to an absolute minimum.

Environmental issues

The company seeks to limit the environmental impact as much as possible, for instance by exploiting by-products to a great extent, and additionally, current investments are made in order to limit possible undesirable emissions etc.

The expected development

Without unforeseen circumstances, the company expects the result of 2016/17 to be on the same level.

Events subsequent to the end of the financial year

Subsequent to year end, company operations have been affected by an outbreak of avian influenza in northern Germany and Denmark. The incident has not affected the results for 2015/16, and is not expected to affect the results for 2016/17 significantly. Apart from this, no other events have occurred subsequent to the balance sheet date that have material impact on the annual report of the company.

Accounting policies used

The annual report for Aviagen ApS is presented in accordance with those regulations of the Danish Financial Statements Act concerning companies identified as class C enterprises (medium sized enterprises).

The accounting policies used are unchanged compared to last year, and the annual report is presented in euro (EUR).

Recognition and measurement in general

Income is recognised in the profit and loss account concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs, these including depreciation, amortisation, writedown, provisions, and reversals which are due to changes in estimated amounts previously recognised in the profit and loss account are recognised in the profit and loss account.

Assets are recognised in the balance sheet when the company is liable to achieve future, financial benefits and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the company is liable to loose future, financial benefits and the value of the liability can be measured reliably.

At the first recognition, assets and liabilities are measured at cost. Later, assets and liabilities are measured as described below for each individual accounting item.

At recognition and measurement, such predictable losses and risks are taken into consideration, which may appear before the annual report is presented, and which concerns matters existing on the balance sheet date.

Translation of foreign currency

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of the transaction. Differences in the rate of exchange arising between the rate at the date of transaction and the rate at the date of payment are recognised in the income statement under financial income or financial expense.

Receivables, payables, and other monetary items in foreign currency, which are not settled at the date of the balance sheet, are translated by using the closing rate. The difference between the closing rate and the rate at the time of establishment of the receivable or the payable is recognised in the income statement under financial income and financial costs.

Fixed assets and other non-monetary assets acquired in foreign currency and which are not considered to be investment assets purchased in foreign currencies are measured at the exchange rate on the transaction date.

Accounting policies used

Income statement

Gross profit

According to § 32 in the Danish Financial Statements Act, the gross profit comprises the revenue, changes in inventories of finished goods and work in progress, other operating income, and external costs.

Revenue is recognised in the income statement if delivery and risk transfer to the buyer have taken place before the balance sheet date, and if the income can be determined reliably and is expected to be received. The net turnover is recognised exclusive of VAT and taxes and with the deduction of any discounts granted in connection with the sale.

Other operating income and costs comprise accounting items of secondary nature in proportion to the principal activities of the enterprise, including gains and losses on disposal of intangible and tangible fixed assets.

Staff costs

Staff costs include salaries and wages including holiday allowances, pensions and other costs for social security etc. for staff members. Staff costs are less public reimbursements.

Depreciation, amortisation and writedown

Depreciation, amortisation and writedown comprise depreciation on, amortisation of and writedown relating to tangible fixed assets.

Net financials

Net financials include interest income, interest expenses, and realised and unrealised capital gains and losses on financial assets and liabilities. Net financials are recognised in the income statement with the amounts concerning the financial year.

Tax on the results for the year

The tax for the year comprises the current tax for the year and the changes in deferred tax. The tax expense relating to the profit/loss for the year is recognised in the income statement and the tax expense relating to amounts directly recognised in equity is recognised directly in the equity.

The company is subject to the Danish legislation concerning compulsory joint taxation with the Danish group enterprises. The company acts as an administration company in relation to the joint taxation. This means that the total Danish tax payable of the income of the Danish consolidated companies is paid to the tax authorities by the company.

The current Danish corporate tax is allocated among the jointly taxed companies in proportion to their respective taxable income (full allocation with reimbursement of tax losses).

Accounting policies used

Balance sheet

Property, plant and equipment

Tangible fixed assets are measured at cost with deduction of accrued depreciation and writedown.

The basis of depreciation is cost with deduction of expected residual value.

The cost comprises the acquisition cost and costs directly attached to the acquisition until the time when the asset is ready for use.

Depreciation is recognised on a straight line basis and based on an evaluation of the expected useful life:

Technical plants and machinery	5-10 years
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Minor assets with an expected useful life of less than 1 year are recognised as costs in the profit and loss account in the year of acquisition.

Profit or loss deriving from the sales of tangible fixed assets is measured as the difference between the sales price reduced by the selling costs and the book value at the time of the sale. Profit or losses are recognised in the profit and loss account as other operating income or other operating expenses.

Inventories

Inventories are measured at cost on basis of the FIFO method. In case the net realisable value of the inventories is lower than the cost, writedown takes place to this lower value.

The cost of fodder includes the acquisition cost with the addition of delivery costs.

The cost of livestock includes the direct and indirect costs, including the acquisition of livestock, fodder, medicine, veterinary control visits, etc, however, adjusted with the individual livestock's expected remaining production capacity.

The cost of eggs comprises the cost for raw materials, consumables, direct wages, and indirect production costs.

Indirect production costs comprise indirect materials and wages and the maintenance of and depreciation on machinery, factory buildings, and equipment applied during the production process. Furthermore, indirect production costs comprise the costs for factory administration and management, and the capitalised development costs concerning the products.

The net realisable value for inventories is recognised as the market price with the deduction of completion costs and selling costs, and it is determined by taking marketability, obsolescence, and the development in the expected market price into consideration.

Accounting policies used

Debtors

Debtors are measured at amortised cost. When there is an objective indication that a receivable has been impaired, write down is made for bad debt losses.

Accrued income and deferred expenses

Accrued income and deferred expenses recognised under assets comprise incurred costs concerning subsequent years.

Equity - dividend

Dividend expected to be distributed for the year is recognised as a separate item under the equity. Proposed dividend is recognised as a liability at the time of approval by the general meeting.

Corporate tax and deferred tax

Current tax receivable and tax liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on previous years' taxable income and prepaid taxes. Tax receivable and tax liabilities are set off to the extent that legal right of set-off exists and if the items are expected to be settled net or simultaneously.

Aviagen ApS is jointly taxed with the Danish group companies and acts in this respect as the administration company. According to the rules of joint taxation, Aviagen ApS is unlimited, jointly and severally liable towards the Danish tax authorities for the total corporation tax, including withholding tax on interest, royalties and dividends, arising within the jointly taxed group of companies. Payable and receivable joint taxation contributions are recognised in the balance sheet as "Receivable corporate tax" or "Payable corporate tax".

Deferred tax is measured on the basis of all temporary differences in assets and liabilities with a balance sheet focus.

Liabilities

Other liabilities are measured at amortised cost which usually corresponds to the nominal value.

The cash flow statement

The cash flow statement shows the cash flow of the company for the year, divided in cash flows deriving from operating activities, investment activities, and financing activities, respectively, the changes in the liabilities, and the available funds at the beginning and the end of the year respectively.

Cash flow from operating activities

Cash flow from operating activities are calculated as the results for the year adjusted for non-cash operating items, the change in the working capital, and corporate tax paid.

Accounting policies used

Cash flow from investment activities

Cash flow from investment activities comprises payments in connection with the acquisition and sale of enterprises and activities and payments related to the acquisition and sale of fixed assets.

Cash flow from financing activities

Cash flow from financing activities comprises changes in the size or the composition of the share capital and the costs in this connection. Furthermore, these activities comprise borrowings, instalments on interestbearing debt, and payment of dividend to the shareholders.

Available funds

Available funds comprise cash funds with deduction of short-term bank debt and short term securities which can easily be converted into cash funds and on which only an insignificant risk of value changes exists.

The key figures

The key figures have been laid out in accordance with the publication "Anbefalinger & Nøgletal 2015" ("Recommendations & Key Figures 2015") published by the CFA Society Denmark.

The key figures in the survey appear as follows:

Acid test ratio	$\frac{\text{Current assets} \times 100}{\text{Short-term liabilities}}$
Solvency ratio	$\frac{\text{Equity, closing balance} \times 100}{\text{Assets in total, closing balance}}$
Return on equity	$\frac{\text{Results for the year} \times 100}{\text{Average equity}}$

Profit and loss account 1 July - 30 June

All amounts in EUR.

<u>Note</u>	<u>2015/16</u>	<u>2014/15</u>
Gross profit	5.222.579	4.046.863
1 Staff costs	<u>-1.406.415</u>	<u>-1.348.688</u>
Operating profit	3.816.164	2.698.175
Other financial income	6.910	71.418
2 Other financial costs	<u>-1.167</u>	<u>-2.343</u>
Results before tax	3.821.907	2.767.250
3 Tax on ordinary results	<u>-841.540</u>	<u>-651.498</u>
Results for the year	2.980.367	2.115.752
Proposed distribution of the results:		
Allocated to results brought forward	<u>2.980.367</u>	<u>2.115.752</u>
Distribution in total	2.980.367	2.115.752

Balance sheet 30 June

All amounts in EUR.

<u>Note</u>	<u>2016</u>	<u>2015</u>
Assets		
Fixed assets		
4 Production plant and machinery	0	0
Tangible fixed assets in total	<u>0</u>	<u>0</u>
Fixed assets in total	<u>0</u>	<u>0</u>
Current assets		
Livestock with contracting breeders	2.187.853	1.999.414
Stocks of fodder	30.728	30.880
Eggs	860.111	554.519
Inventories in total	<u>3.078.692</u>	<u>2.584.813</u>
Trade debtors	3.374	4.844
Amounts owed by group enterprises	5.945.081	3.874.028
5 Deferred tax assets	5.392	6.048
Other debtors	246.500	141.354
Accrued income and deferred expenses	14.386	19.416
Debtors in total	<u>6.214.733</u>	<u>4.045.690</u>
Cash funds	<u>1.879.534</u>	<u>1.493.204</u>
Current assets in total	<u>11.172.959</u>	<u>8.123.707</u>
Assets in total	<u>11.172.959</u>	<u>8.123.707</u>

Balance sheet 30 June

All amounts in EUR.

Equity and liabilities			
<u>Note</u>		<u>2016</u>	<u>2015</u>
Equity			
6	Contributed capital	16.715	16.715
7	Retained earnings	<u>3.256.521</u>	<u>6.276.154</u>
	Equity in total	<u>3.273.236</u>	<u>6.292.869</u>
 Liabilities			
	Trade creditors	592.659	592.883
	Debt to group enterprises	6.464.810	585.166
	Corporate tax	753.359	580.661
	Other debts	<u>88.895</u>	<u>72.128</u>
	Short-term liabilities in total	<u>7.899.723</u>	<u>1.830.838</u>
	Liabilities in total	<u>7.899.723</u>	<u>1.830.838</u>
	 Equity and liabilities in total	 <u>11.172.959</u>	 <u>8.123.707</u>

8 Contingencies

9 Related parties

Cash flow statement 1 July - 30 June

All amounts in EUR.

<u>Note</u>	<u>2015/16</u>	<u>2014/15</u>
Results for the year	2.980.367	2.115.752
10 Adjustments	835.797	582.423
11 Change in working capital	<u>3.232.607</u>	<u>-1.318.715</u>
Cash flow from operating activities before net financials	7.048.771	1.379.460
Interest received and similar amounts	6.908	71.417
Interest paid and similar amounts	<u>-1.167</u>	<u>-2.343</u>
Cash flow from ordinary activities	7.054.512	1.448.534
Corporate tax paid	<u>-668.182</u>	<u>-277.316</u>
Cash flow from operating activities	<u>6.386.330</u>	<u>1.171.218</u>
Dividends distributed	<u>-6.000.000</u>	<u>0</u>
Cash flow from financing activities	<u>-6.000.000</u>	<u>0</u>
Changes in available funds	386.330	1.171.218
Available funds opening balance	<u>1.493.204</u>	<u>321.986</u>
Available funds closing balance	<u>1.879.534</u>	<u>1.493.204</u>
Available funds		
Cash funds	<u>1.879.534</u>	<u>1.493.204</u>
Available funds closing balance	<u>1.879.534</u>	<u>1.493.204</u>

Notes

All amounts in EUR.

	<u>2015/16</u>	<u>2014/15</u>
1. Staff costs		
Salaries and wages	1.245.957	1.205.162
Other costs for social security	14.545	14.845
Other staff costs	145.913	128.681
	<u>1.406.415</u>	<u>1.348.688</u>
Executive board and board of directors	<u>0</u>	<u>0</u>
Average number of employees	<u>27</u>	<u>25</u>
2. Other financial costs		
Interest, group enterprises	1.167	1.322
Other interest costs	<u>0</u>	<u>1.021</u>
	<u>1.167</u>	<u>2.343</u>
3. Tax on ordinary results		
Tax of the results for the year, parent company	840.884	650.940
Adjustment for the year of deferred tax	<u>656</u>	<u>558</u>
	<u>841.540</u>	<u>651.498</u>

Notes

All amounts in EUR.

	<u>30/6 2016</u>	<u>30/6 2015</u>
4. Production plant and machinery		
Cost opening balance	25.550	25.550
Cost closing balance	<u>25.550</u>	<u>25.550</u>
Depreciation and writedown opening balance	-25.550	-25.550
Depreciation and writedown closing balance	<u>-25.550</u>	<u>-25.550</u>
Book value closing balance	<u>0</u>	<u>0</u>
5. Deferred tax assets		
Deferred tax assets opening balance	6.048	6.606
Deferred tax of the results for the year	-656	-558
	<u>5.392</u>	<u>6.048</u>
The following items are subject to deferred tax:		
Tangible fixed assets	5.392	6.048
	<u>5.392</u>	<u>6.048</u>
6. Contributed capital		
Contributed capital opening balance	16.715	16.715
	<u>16.715</u>	<u>16.715</u>
7. Retained earnings		
Retained earnings opening balance	6.276.154	4.160.402
Profit or loss for the year brought forward	2.980.367	2.115.752
Extraordinary dividend adopted during the financial year	-6.000.000	0
	<u>3.256.521</u>	<u>6.276.154</u>

Notes

All amounts in EUR.

8. Contingencies

Contingent liabilities

The company has assumed a rent liability that is 100% variable in relation to the production, and consequently, this liability can not be determined. In 2015/16, the rent was t.EUR 207. In the financial year 2016/17 the rent is expected to remain at the same level.

Operational leasing

The company has entered operational leasing contracts with remaining terms of up till 27 months and with a total leasing payment of t.EUR 1.872.

Joint taxation

The company is the administration company of the group of companies subject to the Danish scheme of joint taxation and, as from the financial year 2012, unlimited jointly and severally liable with the other jointly taxed companies for the total corporation tax.

As from 1 July 2012, the company is unlimited jointly and severally liable with the other jointly taxed companies for any obligation to withhold tax on interest, royalties and dividends.

The liability relating to obligations in connection with corporation tax represents an estimated maximum of EUR 841 thousand. The liability relating to obligations in connection with withholding taxes represents an estimated maximum of EUR 0 thousand.

Any subsequent adjustments of corporate taxes or withheld taxes etc. may cause changes in the company's liabilities.

9. Related parties

Controlling interest

Aviagen EPI NV

Parent company

Nazarethsesteenweg 83

Deinze

Belgien

Notes

All amounts in EUR.

Other related parties

Aviagen International Finance Ltd.
Stratford Hatchery Alscott Industri Estate
Atherstone On Stour
CV37 8BH Stratford-Upon-Avon
Warwickshire
United Kingdom

Consolidated accounts, in which the accounts of Aviagen ApS are recognised.

Ownership

According to the company's list of shareholders, the following shareholders own a minimum of 5 % of the voting rights or a minimum of 5 % of the share capital:

Aviagen EPI NV, Nazarethsesteenweg 83, Deinze, Belgien

Notes

All amounts in EUR.

	<u>2015/16</u>	<u>2014/15</u>
10. Adjustments		
Other financial income	-6.910	-71.418
Other financial costs	1.167	2.343
Tax on ordinary results	<u>841.540</u>	<u>651.498</u>
	<u>835.797</u>	<u>582.423</u>
11. Change in working capital		
Change in inventories	-493.879	-366.782
Change in debtors	-2.169.699	-1.165.986
Change in trade creditors and other liabilities	<u>5.896.185</u>	<u>214.053</u>
	<u>3.232.607</u>	<u>-1.318.715</u>