

Ceva Animal Health A/S

Ladegårdsvej 2, 7100 Vejle

CVR no. 27 21 03 92

Annual report 2020

Approved at the Company's annual general meeting on 30 June 2021

Chair of the meeting:



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Lisa Portoppidan Hansen





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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 2020.

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 2020 and of the results of the Company's operations for the financial year 1 January - 31 December 2020.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters and the results of the Company's operations and financial position.

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

Vejle, 30 June 2021
Executive Board:



Lisa Pontoppidan Hansen
Director

Board of Directors:



Valerie Claire Aline
Mazeaud
Chair



Jean-Michel Maurice
Jacques Delfosse



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 2020, 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 2020 and of the results of the Company's operations for the financial year 1 January - 31 December 2020 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.

Independent auditor's report

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the 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, 30 June 2021
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 Allne Mazeaud, Chair
Jean-Michel Maurice Jacques Delfosse
Lisa Pontoppidan Hansen

Executive Board Lisa Pontoppidan Hansen, Director

Auditors EY Godkendt Revisionspartnerselskab
Trindholmegade 4, 2. sal, 6000 Kolding, Denmark

Bankers Handelsbanken
Adelgade 14, DK-6000 Kolding

Management's review

Financial highlights

DKK'000	2020
Key figures	
Gross profit	29,490
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	8,043
Profit before interest and tax (EBITA)	5,944
Profit before tax	5,456
Profit for the year	4,194
Assets	
Fixed assets	9,494
Non-fixed assets	76,707
Total assets	86,201
Investments in property, plant and equipment	0
Equity	15,423
Financial ratios	
Return on assets	7.0%
Current ratio	156.5%
Equity ratio	17.9%
Return on equity	31.5%
Average number of employees	23

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

Return on assets	$\frac{\text{Profit/loss from operating activities} \times 100}{\text{Average assets}}$
Current ratio	$\frac{\text{Current assets} \times 100}{\text{Current liabilities}}$
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 2020 shows a profit of DKK 4,194 thousand against a profit of DKK 2,376 thousand last year, and the balance sheet at 31 December 2020 shows equity of DKK 15,423 thousand.

Ceva Animal Health A/S has 1/1 2020 taken over the distribution of goods in Sweden from the sister company Ceva Animal Health AB. Ceva Animal Health AB has provided marketing services to Ceva Animal Health A/S for which Ceva Animal Health A/S has paid a service fee.

The Covid-19 pandemic has not had any impact on the company's performance or position.

The management considers the 2020 results satisfactory.

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 Sante Animalé.

Events after the balance sheet date

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

Outlook

For 2021 an increase in both level of activity and profit is expected compared with 2020. The financial outlook is based on a continued limited impact of the COVID-19 virus outbreak.

Financial statements 1 January - 31 December

Income statement

Note	DKK'000	2020	2019
	Gross profit	29,490	26,431
2	Staff costs	-21,447	-20,696
5	Amortisation/depreciation and impairment of Intangible assets	-2,099	-1,932
	Profit before net financials	5,944	3,803
	Financial income	148	0
3	Financial expenses	-636	-554
	Profit before tax	5,456	3,249
4	Tax for the year	-1,262	-873
	Profit for the year	4,194	2,376

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2020	2019
	ASSETS		
	Fixed assets		
5	Intangible assets		
	Acquired intangible assets	851	1,183
	Goodwill	8,456	10,223
		<u>9,307</u>	<u>11,406</u>
6	Property, plant and equipment		
	Other fixtures and fittings, tools and equipment	71	0
		<u>71</u>	<u>0</u>
	Investments		
	Other receivables	116	108
		<u>116</u>	<u>108</u>
	Total fixed assets	<u>9,494</u>	<u>11,514</u>
	Non-fixed assets		
	Inventories		
	Finished goods and goods for resale	29,825	39,313
		<u>29,825</u>	<u>39,313</u>
	Receivables		
	Trade receivables	26,151	12,129
	Receivables from group entities	615	619
	Other receivables	175	351
	Deferred income	241	83
		<u>27,182</u>	<u>13,182</u>
	Cash	19,700	15,976
	Total non-fixed assets	<u>76,707</u>	<u>68,471</u>
	TOTAL ASSETS	<u>86,201</u>	<u>79,985</u>

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2020	2019
EQUITY AND LIABILITIES			
Equity			
7	Share capital	500	500
	Retained earnings	14,923	10,729
	Total equity	15,423	11,229
Provisions			
	Deferred tax	687	625
	Total provisions	687	625
Liabilities other than provisions			
8	Non-current liabilities other than provisions		
	Payables to group entities	19,230	19,230
	Other payables	1,852	688
		21,082	19,918
Current liabilities other than provisions			
	Trade payables	1,956	1,427
	Payables to group entities	29,089	35,151
	Income taxes payable	1,070	654
	Other payables	16,894	10,981
		49,009	48,213
		70,091	68,131
	TOTAL EQUITY AND LIABILITIES	86,201	79,985

- 1 Accounting policies
- 9 Contractual obligations and contingencies, etc.
- 10 Related parties
- 11 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 2020	500	10,729	11,229
11	Transfer, see "Appropriation of profit"	0	4,194	4,194
	Equity at 31 December 2020	500	14,923	15,423

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Ceva Animal Health A/S for 2020 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to medium-sized 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 Anmale 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

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

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 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.

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.

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.

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

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	2020	2019	
2 Staff costs			
Wages/salaries	18,162	17,722	
Pensions	2,540	2,404	
Other social security costs	169	165	
Other staff costs	576	405	
	<u>21,447</u>	<u>20,696</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>23</u>	<u>21</u>	
3 Financial expenses			
Interest expenses, group entities	481	471	
Other financial expenses	155	83	
	<u>636</u>	<u>554</u>	
4 Tax for the year			
Estimated tax charge for the year	1,200	732	
Deferred tax adjustments in the year	62	141	
	<u>1,262</u>	<u>873</u>	
5 Intangible assets			
DKK'000	Acquired Intangible assets	Goodwill	Total
Cost at 1 January 2020	<u>3,228</u>	<u>16,382</u>	<u>19,610</u>
Cost at 31 December 2020	<u>3,228</u>	<u>16,382</u>	<u>19,610</u>
Impairment losses and amortisation at 1 January 2020	2,045	6,159	8,204
Amortisation/depreciation in the year	<u>332</u>	<u>1,767</u>	<u>2,099</u>
Impairment losses and amortisation at 31 December 2020	<u>2,377</u>	<u>7,926</u>	<u>10,303</u>
Carrying amount at 31 December 2020	<u>851</u>	<u>8,456</u>	<u>9,307</u>

Financial statements 1 January - 31 December

Notes to the financial statements

6 Property, plant and equipment

DKK'000	<u>Other fixtures and fittings, tools and equipment</u>
Cost at 1 January 2020	0
Additions in the year	71
Cost at 31 December 2020	71
Carrying amount at 31 December 2020	<u>71</u>

DKK'000	<u>2020</u>	<u>2019</u>
7 Share capital		
Analysis of the share capital:		
1,000 shares of DKK 500.00 nominal value each	500	500
	<u>500</u>	<u>500</u>

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

8 Non-current liabilities other than provisions

DKK'000	<u>Total debt at 31/12 2020</u>	<u>Repayment, next year</u>	<u>Long-term portion</u>	<u>Outstanding debt after 5 years</u>
Payables to group entities	19,230	0	19,230	0
Other payables	1,852	0	1,852	1,852
	<u>21,082</u>	<u>0</u>	<u>21,082</u>	<u>1,852</u>

9 Contractual obligations and contingencies, etc.

Other financial obligations

The Company has rent contract with a yearly payment of DKK 346 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 35 months and the remaining obligation amounts to DKK 1,282 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 Related parties

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

Parties exercising control

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

Information about consolidated financial statements

<u>Parent</u>	<u>Domicile</u>	<u>Requisitioning of the parent company's consolidated financial statements</u>
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	<u>2020</u>	<u>2019</u>
Revenue to group entities	9	1,086
Purchase of goods from group entities	136,694	94,981
Purchase of management assistance ect group entities	18,044	2,880
Purchase of IT services from group entities	326	325
Interest expenses to group entities	481	471
Receivables from group entities	615	619
Payables and debts to group entities	48,319	54,381

11 Appropriation of profit

Recommended appropriation of profit		
Retained earnings	<u>4,194</u>	<u>2,376</u>
	<u>4,194</u>	<u>2,376</u>