Admission to listing and trading of up to 177,500,000 Shares

(Huvepharma N.V., a public company with limited liability (*naamloze vennootschap*) incorporated under the laws of the Netherlands, with its statutory seat (*statutaire zetel*) in Amsterdam, the Netherlands)

This prospectus (the "**Prospectus**") has been prepared in connection with the admission to listing and trading of the ordinary shares in the issued share capital of Huvepharma N.V., which is currently a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) named Huvepharma B.V. and which will be converted into a public company with limited liability (*naamloze vennootschap*) on the First Trading Date (the "**Company**"), with a nominal value EUR 0.12 each (the "**Ordinary Shares**") on Euronext in Amsterdam, a regulated market operated by Euronext Amsterdam N.V. ("**Euronext Amsterdam**") (the "**Admission**").

The Company is offering up to 15,000,000 newly issued Ordinary Shares (the "**New Offer Shares**") to raise gross proceeds of approximately EUR 300 million. Advance Properties OOD, a limited liability company incorporated and existing under Bulgarian law, as the sole shareholder of the Company (the "**Selling Shareholder**"), is offering for sale up to 11,064,796 existing Ordinary Shares (the "**Existing Offer Shares**"). The New Offer Shares and the Existing Offer Shares are hereinafter referred to as the "**Offer Shares**", which include, unless the context indicates otherwise, the Over-Allotment Shares (as defined below). Assuming no exercise of the Over-Allotment Option (as defined below), the Offer Shares will constitute not more than 13.04% of the Company's total issued share capital. Assuming the Over-Allotment Option is fully exercised, the Offer Shares will constitute not more than 15.00% of the Company's total issued share capital. See "*The Offering*".

The offering of the Offer Shares (the "**Offering**") consists solely of private placements (i) in the European Economic Area (the "**EEA**") directed only at qualified investors within the meaning of Article 2 of Regulation (EU) 2017/1129 of the European Parliament and of the Council of June 14, 2017 (including any relevant delegated regulations) (the "**Prospectus Regulation**") (such investors, "**Qualified Investors**"), (ii) in the United Kingdom that are directed only at "qualified investors" within the meaning of Article 2 of the Prospectus Regulation, as it forms part of domestic law in the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (a) who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Order**"); (b) falling within Article 49(2)(a) to (d) of the Order; and (c) to whom it may otherwise lawfully be communicated (all such persons together being referred to as "**relevant persons**") and (iii) in the United States of America (the "**US**"), to persons reasonably believed to be "qualified institutional buyers" ("**QIBs**") as defined in, and in reliance on, Rule 144A under the US Securities Act of 1933, as amended (the "**US Securities Act**") ("**Rule 144A**") or pursuant to another exemption from, or in a transaction not subject to, the registration requirement under the US Securities Act and applicable state securities laws. The Offering outside of the United States will be made in compliance with Regulation S ("**Regulation S**") under the US Securities Act. Prospective purchasers are hereby notified that sellers of the Shares may be relying on the exemption from the provisions of Section 5 of the US Securities Act provided by Rule 144A. As the Offering is being made on a private placement basis only, it is exempt from the obligation to publish a prospectus under the Prospectus Regulation.

Prior to the Offering, there has been no public market for the Ordinary Shares. Application has been made to list and admit all of the Ordinary Shares to trading under the symbol "HUVE" with international securities identification number ("**ISIN**") NL0015000DB1 on Euronext Amsterdam. Subject to acceleration or extension of the timetable for the Offering, trading on an "as-if-and-when-issued" basis in the Ordinary Shares on Euronext Amsterdam is expected to commence at 9:00 Central European Time ("**CET**") on or about July 1, 2021 (the "**First Trading Date**").

The price of the Offer Shares (the "Offer Price") is expected to be in the range of EUR 20.00 to EUR 25.75 (inclusive) per Offer Share (the "Offer Price Range").

The Offering will take place from 9:00 CET on June 24, 2021 until 14:00 CET on June 30, 2021 (the "**Offering Period**"), subject to acceleration or extension of the timetable for the Offering. The Offer Price Range is indicative. The Offer Price (in euro) and the exact number of Offer Shares offered in the Offering will be determined by the Company and the Selling Shareholder, after consultation with the Joint Global Coordinators (as defined below), after the end of the Offering Period on the basis of the bookbuilding process and taking into account economic and market conditions, a qualitative and quantitative assessment of demand for the Offer Shares, and other factors deemed appropriate. The Offer Price and the exact numbers of Offer Shares to be sold will be stated in a pricing statement (the "**Pricing Statement**") which will be published through a press release that will be posted on the Company's website (https://ir.huvepharma.com/financial-filings/listing-information) and filed with the Dutch Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*, the "**AFM**").

The Company and the Selling Shareholder, after consultation with the Joint Global Coordinators (as defined below), reserve the right to change the Offer Price Range and/or increase or decrease the maximum number of Offer Shares prior to the allocation of the Offer Shares (the "**Allocation**"). Any increase of the top end of the Offer Price Range, or the determination of an Offer Price above the Offer Price Range, on the last day of the Offering Period will result in the Offering Period being extended by at least two business days. Any increase of the top end of the Offer Price Range on the day prior to the last day of the Offering Period will result in the Offering Period being extended by at least one business day. Any change in the number of Offer Shares and/or the Offer Price Range and/or the Offering Period will be announced in a press release that will be posted on the Company's website (https://ir.huvepharma.com/financial-filings/listing-information).

Subject to acceleration or extension of the timetable for the Offering, payment (in euro) for, and delivery of, the Offer Shares ("**Settlement**") is expected to take place on or about July 5, 2021 (the "**Settlement Date**") through the book-entry systems of the Netherlands Central Institute for Giro Securities Transactions (*Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V.* ("**Euroclear Nederland**"). If Settlement does not take place on the Settlement Date as planned or at all, the Offering may be withdrawn, in which case all subscriptions for Offer Shares will be disregarded, any allotments made will be deemed not to have been made and any subscription payments made will be returned without interest or other compensation and transactions in the Offer Shares on Euronext Amsterdam may be annulled. Any transactions in Offer Shares prior to Settlement are at the sole risk of the parties concerned. The Company, the Selling Shareholder, ING (as defined below) as the Company's listing and paying agent (the "**Listing and Paying Agent**"), the Underwriters (as defined below) and Euronext Amsterdam do not accept any responsibility or liability towards any person as a result of the withdrawal of the Offering or the (related) annulment of any transactions in Offer Shares. For more information regarding the conditions of the Offering and the consequences of any termination or withdrawal of the Offering, see "*The Offering*".

INVESTING IN THE OFFER SHARES INVOLVES RISKS. SEE "*RISK FACTORS*" BEGINNING ON PAGE 8 OF THIS PROSPECTUS FOR A DESCRIPTION OF CERTAIN RISKS THAT SHOULD BE CAREFULLY CONSIDERED BEFORE INVESTING IN THE OFFER SHARES.

At the date of the Prospectus, the Company is a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) named Huvepharma B.V. The Company is expected to be converted into a public company with limited liability (*naamloze vennootschap*) on the First Trading Date.

J.P. Morgan AG ("**J.P. Morgan**"), BNP Paribas S.A. ("**BNP Paribas**") and Citigroup Global Markets Europe AG ("**Citigroup**") are acting as joint global coordinators (together, the "**Joint Global Coordinators**") and acting as underwriters together with ING Bank N.V. ("**ING**") and UniCredit Bank AG, Milan Branch ("**UniCredit**") (together, the "**Joint Bookrunners**") and together with KBC Securities NV ("**KBC**"), Coöperatieve Rabobank U.A. ("**Rabobank**"), and Raiffeisen Bank International AG ("**Raiffeisen**") (together, the "**Co-Lead Managers**" and together with the Joint Bookrunners and the Joint Global Coordinators, the "**Underwriters**").

The Selling Shareholder has granted the Underwriters an option (the "**Over-Allotment Option**"), exercisable within 30 calendar days after the First Trading Date, pursuant to which Citigroup, as the stabilization manager (the "**Stabilization Manager**"), may require the Selling Shareholder to sell at the Offer Price up to 3,472,826 additional Ordinary Shares (the "**Over-Allotment Shares**"), comprising up to 15% of the total number of Offer Shares sold in the Offering, to cover over-allotments or short positions, if any, in connection with the Offering or to facilitate stabilization transactions.

The Offering is only made in those jurisdictions in which, and only to those persons to whom, the Offering may be lawfully made. The Offer and the distribution of this Prospectus, any related materials and the offer, acceptance, delivery, transfer, exercise, purchase of, subscription for, or trade in, Ordinary Shares may be restricted by law and therefore persons into whose possession this Prospectus comes should inform themselves and observe any restrictions.

The Offer Shares have not been and will not be registered under the US Securities Act or with any securities regulatory authority of any state in the US and, subject to certain exceptions, may not be offered or sold within the US. The Offer Shares are being offered and sold outside the US in reliance on Regulation S and within the US to persons reasonably believed to be QIBs in reliance on Rule 144A. Prospective purchasers are hereby notified that the Company may be relying on the exemption from the provisions of Section 5 of the US Securities Act provided by Rule 144A.

Each purchaser of Offer Shares, in making a purchase, will be deemed to have made certain acknowledgments, representations and agreements as set out in "Selling and Transfer Restrictions". Prospective investors in the Offer Shares should carefully read "Selling and Transfer Restrictions". No representation or warranty, express or implied, is made by any of the Underwriters or any of their respective affiliates as to the accuracy, completeness, reasonableness or sufficiency of the information set out in this Prospectus, or incorporated by reference herein.

The Underwriters are acting exclusively for the Company and the Selling Shareholder and no one else in connection with the Offer. They will not regard any other person (whether or not a recipient of this document) as their client in relation to the Offer and will not be responsible to anyone other than the Company and the Selling Shareholder for providing the protections afforded to their respective clients or for giving advice in relation to the Offer or any transaction or arrangement referred to this Prospectus.

This Prospectus constitutes a prospectus for the purposes of, and has been prepared in accordance with the Prospectus Regulation. This Prospectus has been approved as a prospectus for the purposes of the Prospectus Regulation by, and filed with, the AFM, as competent authority under the Prospectus Regulation. The AFM only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered as an endorsement of the issuer or the quality of the securities that are the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the Ordinary Shares.

The validity of this Prospectus shall expire on the First Trading Date or 12 months after its approval by the AFM, whichever occurs earlier. The obligation to supplement this Prospectus in the event of significant new factors, material mistakes or material inaccuracies shall cease to apply upon the expiry of the validity period of this Prospectus. See also "*Important Information—Supplements*".

The Underwriters have been authorized by the Company to use this Prospectus for the subsequent resale or final placement of the Offer Shares in the context of the Offering.

Joint Global Coordinators

J.P. Morgan AG
Taunustor 1
60310 Frankfurt am Main
Germany

BNP PARIBAS
16, boulevard des Italiens
75009 Paris
France

Citigroup Global Markets Europe AG
Reuterweg 16
(Frankfurter Welle)
60323 Frankfurt-Main
Germany

Joint Bookrunners

ING Bank N.V.
Bijlmerdreef 106
1102 CT Amsterdam
The Netherlands

UniCredit Bank AG, Milan Branch
Piazza Gae Aulenti 4
Milano, 20154
Italy

Co-Lead Managers

KBC Securities NV
Havenlaan 2 Avenue du Port
1080 Brussels
Belgium

Coöperatieve Rabobank U.A.
Croeselaan 18
3521 CB Utrecht
The Netherlands

Raiffeisen Bank International AG
Am Stadtpark 9
1030 Vienna
Austria

This Prospectus is dated June 24, 2021.

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SUMMARY

Section A—Introduction and Warnings

This summary should be read as an introduction to this prospectus (the "**Prospectus**") relating to the admission to listing and trading of the ordinary shares in the share capital of Huvepharma N.V., which is currently a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) named Huvepharma B.V. and which will be converted into a public company with limited liability (*naamloze vennootschap*) on the First Trading Date (the "**Company**"), with a nominal value of EUR 0.12 each (the "**Ordinary Shares**") on Euronext in Amsterdam, a regulated market of Euronext Amsterdam N.V. ("**Euronext Amsterdam**") (the "**Admission**"). The Company is offering up to 15,000,000 newly issued Ordinary Shares (the "**New Offer Shares**") to raise gross proceeds of approximately EUR 300 million. Advance Properties OOD, a limited liability company incorporated and existing under Bulgarian law, being the sole shareholder of the Company (the "**Selling Shareholder**"), is offering for sale up to 11,064,796 existing Ordinary Shares (the "**Existing Offer Shares**"). The New Offer Shares and the Existing Offer Shares are hereinafter referred to as the "**Offer Shares**", which include, unless the context indicates otherwise, the Over-Allotment Shares (as defined below). The offering of the Offer Shares (the "**Offering**") consists solely of (i) private placements in the European Economic Area ("**EEA**") to qualified investors and (ii) private placements to certain institutional investors in various other jurisdictions. Assuming no exercise of the Over-Allotment Option (as defined below), the Offer Shares will constitute not more than 13.04% of the Company's total issued share capital. Any decision to invest in the Offer Shares should be based on a consideration of this Prospectus as a whole by the investor. An investor could lose all or part of the invested capital, and where the investor's liability is not limited to the amount of the investment, the investor could lose more than the invested capital. Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under the relevant national legislation, have to bear the costs of translating this Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only where the summary is misleading, inaccurate or inconsistent, when read together with the other parts of this Prospectus, or it does not provide, when read together with the other parts of this Prospectus, key information in order to aid investors when considering whether to invest in the Offer Shares.

Application has been made to list and admit all of the Ordinary Shares to trading under the symbol "HUVE" with international securities identification number ("**ISIN**") NL0015000DB1 on Euronext Amsterdam. The issuer of the Ordinary Shares is the Company, and its legal and its commercial name is Huvepharma B.V., to be renamed Huvepharma N.V. upon conversion on the First Trading Date. The Company's address is Prins Bernhardplein 200, 1097 JB Amsterdam, the Netherlands, its telephone number is 020 521 4777 and its website is www.huvepharma.com. The Company is registered in the Commercial Register of the Chamber of Commerce (*Handelsregister van de Kamer van Koophandel*) under number 82567409 and its legal entity identifier ("**LEI**") is 213800LQ4S8CFRPLRL16.

The competent authority approving this Prospectus is the Dutch Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*, the "**AFM**"). The AFM's address is Vijzelgracht 50, 1017 HS Amsterdam, the Netherlands. Its telephone number is +31 (0)20 797 2000 and its website is www.afm.nl. The AFM has approved this Prospectus on June 24, 2021.

Section B—Key Information on the Issuer

Who is the issuer of the securities?

The issuer of the Ordinary Shares is the Company. The Company is, at the date of this Prospectus, a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) incorporated under the laws of, and is domiciled, in the Netherlands. The Company will be converted into a public company with limited liability (*naamloze vennootschap*) on the First Trading Date. The Company together with its subsidiaries within the meaning of article 2:24b of the Dutch Civil Code (*Burgerlijk Wetboek*) ("**DCC**") (each a "**Group Company**", and together with the Company, the "**Group**") is a top ten animal health company measured by revenue, with EUR 587.9 million revenue for the year ended December 31, 2020 with an established global presence and a nearly exclusive focus on livestock. The Company believes that it is well positioned in the livestock health market with strong exposure to both fast growing species and higher margin regions, particularly North America and Europe, which are highly regulated markets. The Company focuses on the development, manufacturing and marketing of livestock health products with a differentiated and growing product offering across veterinary products and feed additives (coccidiostats, enzymes). The Company directly markets and sells its portfolio of more than 107 products to customers located in more than 100 countries across North America, Europe and the rest of the world.

The Selling Shareholder is a limited liability company and directly holds 100% of the Ordinary Shares in the Company and therefore is the only holder of Shares (any holder of Shares, a "**Shareholder**")

The General Meeting (as defined below) shall authorize the Board (as defined below) prior to the First Trading Date to grant a call option to the Protective Foundation (as defined below) (if and when incorporated), to acquire preferred shares, with a nominal value of EUR 0.12 each, in the capital of the Company (the "**Preferred Shares**") pursuant to the Call Option Agreement (as defined below).

As of the First Trading Date, the Company will have a one-tier board consisting of one or more executive directors (*uitvoerend bestuurders*) ("**Executive Directors**") and one or more non-executive directors (*niet-uitvoerend bestuurders*) ("**Non-Executive Directors**"). As of the First Trading Date, Kiril Petrov Domuschiev and Eddy Piron will be Executive

Directors and Ellen de Brabander, Jacqueline Pieters-Zetsma and Sven Verbraeken will be Non-Executive Directors on the Board (each a "**Director**").

The Company's independent auditor is Ernst & Young Accountants LLP ("**EY**").

What is the key financial information regarding the issuer?

Consolidated Statement of Comprehensive Income

The following table sets out the Group's consolidated results of operations for the periods indicated. To present the reclassified figures for the year ended December 31, 2019, the financial information as of and for the year ended December 31, 2019 is derived from the Group's audited consolidated financial statements as of and for the year ended December 31, 2020, see "*Important Information—Presentation of Financial and Other Information—Change in accounting policies and presentation*".

	Three months ended March 31,		Year ended December 31,		
	2021	2020	2020	2019	2018
	(unaudited)		(audited)	(audited)	(audited)[1]
			(euro in thousands)		
Revenue	160,918	144,762	587,937	548,016	485,562
Cost of sales	(88,483)	(80,975)	(321,910)	(318,874)	(274,807)
Gross profit	**72,435**	**63,787**	**266,027**	**229,142**	**210,755**
Other operating income	4,282	497	7,438	1,905	5,844
Selling and distribution costs	(18,532)	(20,282)	(78,112)	(78,763)	(65,405)
Administrative expenses	(9,318)	(9,316)	(36,220)	(35,937)	(30,689)
Cost for administration of intellectual property	(1,752)	(2,506)	(8,557)	(9,138)	(8,458)
Other operating expenses	(934)	(2,281)	(25,157)	(5,535)	(5,653)
Operating profit	**46,181**	**29,899**	**125,419**	**101,674**	**106,394**
Finance costs	(2,131)	(2,511)	(10,165)	(9,482)	(9,807)
Share of profit of associates and joint venture	(256)	(330)	(1,446)	(1,260)	(599)
Profit before taxes	**43,794**	**27,058**	**113,808**	**90,932**	**95,988**
Income tax expenses	(4,363)	(3,085)	(12,974)	(10,086)	(12,368)
Profit for the period	**39,431**	**23,973**	**100,834**	**80,846**	**83,620**
Profit for the period attributable to:					
Owners of the parent company	38,747	23,629	98,979	79,642	82,630
Non-controlling interest	684	344	1,855	1,204	990
Other comprehensive income					
Other comprehensive income to be reclassified to profit or loss in subsequent periods					
Exchange rate difference on translation of foreign operations	915	(206)	(1,928)	798	35
Cash flow hedges	88	130	393	(343)	(650)
Income tax effect	—	—	(39)	33	66
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	1,003	(76)	(1,574)	488	(549)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods					
Actuarial losses	—	—	148	(371)	(68)
Income tax effect	—	—	5	14	7
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	—	—	153	(357)	(61)
Income tax expense, attributable to other comprehensive income	—	—	**(34)**	**47**	**73**
Other comprehensive income / (loss) for the period, net of taxes	**1,003**	**(76)**	**(1,421)**	**131**	**(610)**
Total comprehensive income for the period, net of taxes	**40,434**	**23,897**	**99,413**	**80,977**	**83,010**
Attributable to:					
Owners of the parent company	39,649	23,630	97,808	79,796	82,074
Non-controlling interest	785	267	1,605	1,181	936
Earnings per share	0.28	0.17	0.72	0.58	0.60

(1) Certain figures under this table for the year ended December 31, 2018 have been reclassified. Please see "*Important Information—Presentation of Financial and Other Information—Change in accounting policies and presentation*" for the details of the reclassifications and the actual figures included in the Consolidated Financial Statements. The reclassification has not been audited

Consolidated Statement of Financial Position

The following table sets out the Group's consolidated statement of financial position for the periods indicated. To present the reclassified figures for the year ended December 31, 2019, the financial information as of and for the year ended December 31, 2019 is derived from the Group's audited consolidated financial statements as of and for the year ended December 31, 2020, see "*Important Information—Presentation of Financial and Other Information—Change in accounting policies and presentation*".

	Three months ended March 31,	Year ended December 31,		
	2021	2020	2019	2018
	(unaudited)	(audited) (euro in thousands)		
ASSETS				
Non-current assets				
Property, plant and equipment	365,038	356,508	336,850	255,596
Intangible assets	300,884	290,926	268,468	205,950
Investment in associates	9,315	9,152	8,799	8,117
Deferred tax assets	6,918	6,858	4,442	3,020
Receivables from related parties	—	—	8	34
Other receivables	239	242	287	550
Prepayments	546	476	384	—
	682,940	**664,162**	**619,238**	**473,267**
Current assets				
Inventories	199,933	187,868	162,416	162,028
Trade and other receivables	111,037	95,698	113,035	59,986
Prepayments	7,237	4,998	5,881	5,139
Income tax receivable	579	2,010	1,986	547
Cash and short-term deposits	19,216	21,638	14,892	18,066
	338,002	**312,212**	**298,210**	**245,766**
TOTAL ASSETS	**1,020,942**	**976,374**	**917,448**	**719,033**
EQUITY AND LIABILITIES				
Equity				
Issued capital	137,029	137,029	137,029	137,029
Share premium	16,813	16,813	16,813	16,813
Other capital reserves	62,085	60,815	45,868	30,461
Retained earnings	141,833	133,245	51,341	(13,271)
Equity attributable to the owners of the parent company	**357,760**	**347,902**	**251,051**	**171,032**
Non-controlling interests	9,383	8,598	7,019	5,817
Total equity	**367,143**	**356,500**	**258,070**	**176,849**
Non-current liabilities				
Interest-bearing loans and borrowings	488,536	455,923	447,413	375,612
Other non-current liabilities	2,242	2,392	2,246	1,913
Retirement benefit liability	3,121	3,182	3,115	2,685
Government grants	41	41	120	130
Deferred tax liabilities	4,235	4,988	4,720	4,527
Other financial liabilities	501	600	993	650
	498,676	**467,126**	**458,607**	**385,517**
Current liabilities				
Trade and other payables	110,815	110,768	158,745	125,579
Interest-bearing loans and borrowings	39,612	39,894	38,808	28,880
Deferred income	13	36	79	148
Income tax liability	4,683	2,050	3,139	2,060
	155,123	**152,748**	**200,771**	**156,667**
Total liabilities	**653,799**	**619,874**	**659,378**	**542,184**
TOTAL EQUITY AND LIABILITIES	**1,020,942**	**976,374**	**917,448**	**719,033**

Consolidated Statement of Cash Flows

The following table presents primary components of the Group's cash flows for each of the periods indicated.

	Three months ended March 31,		Year ended December 31,		
	2021	2020	2020	2019	2018
	(unaudited)		(audited)	(audited)	(audited)[1]
	(euro in thousands)				
Net cash flows from operating activities	20,143	20,162	103,868	68,693	121,007
Net cash flows used in investing activities	(21,716)	(40,141)	(95,817)	(134,606)	(156,332)
Net cash flows (used in) / from financing activities	(883)	27,345	(731)	62,667	24,224
Net increase in cash and cash equivalents	(2,456)	7,366	7,320	(3,246)	(11,101)
Net foreign exchange differences	34	(48)	(574)	72	
Cash and cash equivalents at the beginning of the period/ year	**21,638**	**14,892**	**14,892**	**18,066**	**29,167**
Cash and cash equivalents at the end of the period/year	**19,216**	**22,210**	**21,638**	**14,892**	**18,066**

(1) Certain figures under this table for the year ended December 31, 2018 have been reclassified. Please see "*Important Information—Presentation of Financial and Other Information—Change in accounting policies and presentation*" for the details of the reclassifications and the actual figures included in the Consolidated Financial Statements. The reclassification has not been audited.

No pro forma financial information has been included in this Prospectus. There are no qualifications in the independent auditor's reports relating to the historical Consolidated Financial Statements as at and for the years ended December 31, 2020, 2019 and 2018. The independent auditor has included an 'Emphasis of matter relating to uncertainty about Corona' in its independent auditor's report related to the consolidated financial statements of the Company as of and for the year ended December 31, 2019, which stated: "*Emphasis of matter relating to uncertainty about Corona. The developments surrounding the Corona (Covid-19) virus have a profound impact on people's health and on our society as a whole, as well as on the operational and financial performance of organizations and the assessment of the ability to continue as a going concern. The financial statements and our auditor's report thereon reflect the conditions at the time of preparation. The situation changes on a daily basis giving rise to inherent uncertainty. The impact of these developments on Huvepharma International B.V. are disclosed in the Events after the reporting date section in the Management board report (page 7) and Events after the reporting date (note 27) in the financial statements. We draw attention to these disclosures. Our opinion is not modified in respect of this matter.*" The financial statements for the year ended December 31, 2020 did not include an emphasis of matter paragraph.

What are the key risks that are specific to the issuer?

The following key risks relate to the Group's industry and business, operations, financial conditions, capital structure, and structure of the Group, based on the probability of their occurrence and the expected magnitude of their negative impact. In making the selection, the Group has considered circumstances such as the probability of the risk materializing on the basis of the current state of affairs, the potential impact which the materialization of the risk could have on the Group's business, financial condition, results of operations and prospects, and the attention that management of the Group would on the basis of the current expectations have to devote to these risks if they were to materialize. Investors should read, understand and consider all risk factors, which are material and should be read in their entirety, as set out under "Risk Factors" beginning on page 8 of this Prospectus before making a decision to invest in the Offer Shares.

- An outbreak of animal-borne disease could negatively affect the demand for, and sale and production of, the Company's animal products;
- Animal health products can be subject to unanticipated safety, quality or efficacy concerns or may be banned by regulatory authorities, which may harm the Group's reputation;
- Perceived adverse effects on human health linked to the consumption of food derived from species that utilize the Group's products could cause a decline in the sale of such products;
- The Group's business is subject to risk based on global economic conditions;
- The Group's business may be negatively affected by weather conditions and the availability of natural resources;
- The Group's revenues are dependent on the continued operation of its manufacturing facilities and manufacturing problems may cause product launch delays, inventory shortages, recalls or unanticipated costs;
- The Group faces competition in each of its markets from a number of large and small companies;
- The worldwide economic effect of the outbreak of COVID-19 has had, and could continue to have, an adverse effect on the Group's business, financial condition, results of operations and prospects;
- The Group is exposed to a possible decline in sales volume and prices of its products based on demand and purchasing power of its livestock product customers;
- The Group's business is dependent on R&D, licensing and third-party collaborations to facilitate product development, which may fail;

- Advances in animal health technologies and products could negatively affect the market for the Group's products; and
- The misuse or off-label use of the Group's products or the illegal distribution by third parties of counterfeit or illegally compounded versions of the Group's products may harm its reputation or result in financial or other damages.

Section C—Key Information on the Securities

What are the main features of the securities?

The Ordinary Shares are ordinary shares in the share capital of the Company with a nominal value of EUR 0.12 each. The Ordinary Shares are denominated in and will trade in euro on Euronext Amsterdam. The Company will offer up to 15,000,000 New Offer Shares. The Selling Shareholder will offer up to 11,064,796 Existing Offer Shares. Assuming no exercise of the Over-Allotment Option (as defined below), the Offer Shares will constitute up to 13.04% of the Company's issued share capital. Assuming full exercise of the Over-Allotment Option, the Offer Shares will constitute up to 15.00% of the Company's issued share capital. The ISIN of the Ordinary Shares is NL0015000DB1.

The Ordinary Shares will rank *pari passu* with each other and Shareholders will be entitled to dividends and other distributions declared and paid on them. Each Ordinary Share carries distribution rights and entitles its holder the right to attend and cast one vote at the general meeting (*algemene vergadering*) (the "**General Meeting**") of the Company. There are no restrictions on voting rights attaching to the Ordinary Shares.

Upon issue of Ordinary Shares or grant of rights to subscribe for Ordinary Shares, subject to exceptions, each Shareholder shall have a pre-emptive right in proportion to the number of Ordinary Shares already held by it. No pre-emption rights are attached to Preferred Shares and no pre-emption rights apply in the event of an issue of Preferred Shares. Pre-emptive rights may be limited or excluded by a resolution of the General Meeting and the Board will be granted the authority to do so for (i) up to a maximum of 10% of the Ordinary Shares issued and outstanding on Settlement for general purposes; and, in addition, (ii) up to a maximum of 10% of the Ordinary Shares issued and outstanding on Settlement in connection with takeovers, mergers, demergers and strategic alliances. Such designations may be revoked at any time by the General Meeting. These general authorizations expire after a period of 18 months following the First Trading Date.

In the event of insolvency, any claims of Shareholders are subordinated to those of the creditors of the Company. This means that an investor could potentially lose all or part of its invested capital. If and to the extent that Preferred Shares are outstanding, such Preferred Shares shall have a relative preference over the Ordinary Shares in making dividend distributions or in connection with a distribution being made upon liquidation of the Company.

There are no restrictions on the transferability of the Ordinary Shares in the Articles of Association (as defined below). However, the Offering to persons located or resident in, or who are citizens of, or who have a registered address in countries other than the Netherlands, and the transfer of Offer Shares into jurisdictions other than the Netherlands may be subject to specific regulations or restrictions.

The Company's dividend policy is to pay between 10% and 20% of profit for the year in the medium term, with the decision to pay dividends based on the Company's growth opportunities, optimal net leverage and shareholder returns. The ability and intention of the Company to declare and pay dividends in the future: (i) will mainly depend on its financial position, results of operations, capital requirements, investment prospects, the existence of distributable reserves and available liquidity and such other factors as the Board may deem relevant; and (ii) are subject to factors that are beyond the Company's control.

Where will the securities be traded?

Prior to the Offering, there has been no public market for the Ordinary Shares. Application has been made to list all Ordinary Shares under the symbol "HUVE" on Euronext Amsterdam. Subject to acceleration or extension of the timetable for the Offering, trading in the Ordinary Shares on Euronext Amsterdam is expected to commence, on "as-if-when-issued" basis, on or about July 1, 2021 (the "**First Trading Date**").

What are the key risks that are specific to the securities?

The following key risks relate to the Ordinary Shares, based on the probability of their occurrence and the expected magnitude of their negative impact. In making the selection, the Group has considered circumstances such as the probability of the risk materializing on the basis of the current state of affairs, the potential impact which the materialization of the risk could have on the Group's business, financial condition, results of operations and prospects, and the attention that management of the Group would on the basis of the current expectations have to devote to these risks if they were to materialize. Investors should read, understand and consider all risk factors, which are material and should be read in their entirety, in "Risk Factors" beginning on page 8 of this Prospectus before making an investment decision to invest in the Offer Shares.

- The payment of any future dividends will depend on the Group's financial condition and results of operations, as well as on the Company's operating subsidiaries' distributions to the Company; and
- The Selling Shareholder will retain control of the Company preventing free float shareholders to significantly influence important corporate decisions.

Section D—Key Information on the Offering

Under which conditions and timetable can I invest in the securities?

The Offering. The Company is offering up to 15,000,000 New Offer Shares to raise gross proceeds of approximately EUR 300 million. The Selling Shareholder is offering for sale up to 11,064,796 Existing Offer Shares. The Offering consists solely of private placements: (i) in the EEA to qualified investors within the meaning of Article 2 of the Prospectus Regulation, (ii) in the United Kingdom that are directed only at "qualified investors" within the meaning of Article 2 of the Prospectus Regulation, as it forms part of domestic law in the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (a) who have professional experience in matters relating to investments falling within Article 19(5) of the Order 2005; (b) falling within Article 49(2)(a) to (d) of the Order; and (c) to whom it may otherwise lawfully be communicated; and (iii) in the United States to persons that are reasonably believed to be QIBs (as defined in Rule 144A under the US Securities Act, as amended). The Offering outside of the United States will be made in compliance with Regulation S under the US Securities Act. Prospective purchasers are hereby notified that sellers of the Shares may be relying on the exemption from the provisions of Section 5 of the US Securities Act provided by Rule 144A. As the Offering is being made on a private placement basis only, it is exempt from the obligation to publish a prospectus under the Prospectus Regulation.

Over-allotment option. The Selling Shareholder expects to grant the Underwriters (as defined below) an option (the "**Over-Allotment Option**"), exercisable up to 30 calendar days after the First Trading Date, pursuant to which the Stabilization Manager (as defined below) may require the Selling Shareholder to sell at the Offer Price up to 3,472,826 additional Ordinary Shares (the "**Over-Allotment Shares**"), comprising up to 15% of the total number of Offer Shares sold in the Offering, to cover over-allotments or short positions, if any, in connection with the Offering or to facilitate stabilization transactions.

Offering period. Prospective investors may subscribe for Offer Shares during the period commencing at 9:00 Central European Time ("**CET**") on June 24, 2021 and ending on 14:00 CET on June 30, 2021 (the "**Offering Period**"), subject to acceleration or extension of the timetable for the Offering.

Offer price and number of Offer Shares. The Offer Price is expected to be in the range of EUR 20.00 to EUR 25.75 (inclusive) per Offer Share (the "**Offer Price Range**"). The Offer Price and the exact number of Offer Shares will be determined on the basis of a book building process. The Offer Price may be set within, above or below the Offer Price Range. The Offer Price Range is an indicative price range. The Offer Price and the exact number of Offer Shares offered will be determined by the Company, after close consultation with the Joint Global Coordinators after the end of the Offering Period, including any acceleration or extension, on the basis of the book building process and taking into account economic and market conditions, a qualitative and quantitative assessment of demand for the Offer Shares, and other factors deemed appropriate. The Offer Price, the exact numbers of Offer Shares to be sold and the maximum number of Over-Allotment Shares will be stated in a pricing statement which will be published through a press release that will also be posted on the Company's website and filed with the AFM.

The Company and the Selling Shareholder, after consultation with the Joint Global Coordinators, reserve the right to change the Offer Price Range and/or increase or decrease the maximum number of Offer Shares prior to the allocation of the Offer Shares (the "**Allocation**"). Upon a change of the number of Offer Shares, references to Offer Shares in this Prospectus should be read as referring to the amended number of Offer Shares and references to Over-Allotment Shares as referring to the amended number of Over-Allotment Shares.

Allocation. The Allocation is expected to take place after termination of the Offering Period on or about July 1, 2021, subject to acceleration or extension of the timetable for the Offering. Allotment to investors who applied to subscribe for Offer Shares will be determined by the Company after close consultation with the Joint Global Coordinators, and full discretion will be exercised as to whether or not and how to allot the Offer Shares. There is no maximum or minimum number of Offer Shares for which prospective investors may subscribe and multiple (applications for) subscriptions are permitted. In the event that the Offering is over-subscribed, investors may receive fewer Offer Shares than they applied to subscribe for.

Payment. Payment (in euros) for and delivery of the Offer Shares will take place on the settlement date, which is expected to be July 5, 2021, subject to acceleration or extension of the timetable for the Offering (the "**Settlement Date**"). Taxes and expenses, if any, must be borne by the investor. Investors must pay the Offer Price in immediately available funds in full in euro on or before the Settlement Date.

Delivery of Shares. The Offer Shares will be delivered in book-entry form through the facilities of Euroclear Nederland. If Settlement does not take place on the Settlement Date as planned or at all, the Offering may be withdrawn, in which case all subscriptions for Offer Shares will be disregarded, any allotments made will be deemed not to have been made and any subscription payments made will be returned without interest or other compensation. Any dealings in Ordinary Shares prior to Settlement are at the sole risk of the parties concerned.

Underwriters. J.P. Morgan AG ("**J.P. Morgan**"), BNP Paribas S.A. ("**BNP Paribas**"), Citigroup Global Markets Europe AG ("**Citigroup**") are acting as joint global coordinators (together, the "**Joint Global Coordinators**") and acting as underwriters together with ING Bank N.V. ("**ING**") and UniCredit Bank AG, Milan Branch ("**UniCredit**") (together, the "**Joint Bookrunners**") and together with KBC Securities NV ("**KBC**"), Coöperatieve Rabobank U.A. ("**Rabobank**") and Raiffeisen Bank International AG ("**Raiffeisen**") (together, the "**Co-Lead Managers**" and together with the Joint Bookrunners and the Joint Global Coordinators, the "**Underwriters**").

Listing and Paying Agent. ING Bank N.V. is the listing and paying agent with respect to the Ordinary Shares on Euronext Amsterdam.

Stabilization Manager. Citigroup is the stabilization manager (the "**Stabilization Manager**") with respect to the Ordinary Shares on Euronext Amsterdam.

Timetable. Subject to acceleration or extension of the timetable for, or withdrawal of, the Offering, the timetable below sets forth certain expected key dates for the Offering.

Event	Expected Date	Time CET
Start of Offering Period	June 24, 2021	9:00
End of Offering Period	June 30, 2021	14:00
Pricing and Allocation	July 1, 2021	
First Trading Date (trading on an "as-if-and-when-issued" basis on Euronext Amsterdam)	July 1, 2021	9:00
Settlement Date (payment and delivery)	July 5, 2021	

The Company, after consultation with the Joint Global Coordinators, may adjust the dates, times and periods given in the timetable and throughout this Prospectus. If the Company should decide to do so, it will make this public through a press release, which will also be posted on the Company's website. Any other material alterations will be published through a press release that will also be posted on the Company's website and (if required) in a supplement to this Prospectus that is subject to the approval of the AFM.

Any extension of the timetable for the Offering will be published in a press release at least three hours before the end of the original Offering Period, provided that any extension will be for a minimum of one full day. Any acceleration of the timetable for the Offering will be published in a press release at least three hours before the proposed end of the accelerated Offering Period.

Dilution. The issue of the New Offer Shares will result in a maximum dilution of the voting interest of the Selling Shareholder of: (i) 6.03%, assuming no exercise of the Over-Allotment Option; and (ii) 8.14%, assuming the Over-Allotment Option is exercised in full.

Estimated expenses. The estimated expenses, commissions and taxes payable by the Company amount to approximately EUR 14 million. No expenses have been or will be charged to investors by the Company or the Selling Shareholder in relation to the Offering.

Why is this prospectus being produced?

Reasons for the admission and offering and use of proceeds. The Company believes that the Offering will strengthen its financial position by enabling it to repay part of its outstanding debt and will provide it with additional capital to support and enable further growth of the Company (including by funding new product development and by increasing the Company's ability to acquire or license new products and technologies). The Company expects the Admission and the Offering to create a new long-term Shareholder base as well as liquidity for the existing and future Shareholders.

The Company expects the net proceeds from the sale of New Offer Shares (based on an Offer Price at the mid-point of the Offer Price Range and assuming the sale of the maximum number of Offer Shares by the Company), after deduction of expenses, commissions and taxes, to amount to approximately EUR 286 million. The Company will not receive any proceeds from the sale of the Existing Offer Shares and/or the sale of any Over-Allotment Shares by the Selling Shareholder, the proceeds of which will be received by the Selling Shareholder.

The proceeds will be used to repay amounts outstanding under the revolving credit facilities, to accelerate new product development and to increase the Company's ability to acquire or license new products and technologies.

Underwriting agreement. The Company, the Selling Shareholder and the Underwriters have entered into an underwriting agreement on the date hereof (the "**Underwriting Agreement**"), which is expected to be supplemented and amended by a pricing agreement (the "**Pricing Agreement**") among the parties to the Underwriting Agreement setting forth the final Offer Price, the number of Offer Shares and the purchase commitments of each Underwriter, provided that the Offering has not been terminated prior thereto in accordance with the terms of the Underwriting Agreement and the Pricing Agreement. Under the terms and subject to the conditions set forth in the Underwriting Agreement, the Underwriters will severally agree to procure purchasers for the Offer Shares or, failing which to purchase those Offer Shares themselves, and the Company will agree to issue those Offer Shares at the Offer Price to purchasers procured by the Underwriters or, failing which, to the Underwriters themselves.

Most material conflicts of interest. The Underwriters and/or their respective affiliates have in the past been engaged, and may in the future, from time to time, engage in commercial banking, investment banking and financial advisory and ancillary activities in the ordinary course of their business with the Company, the Selling Shareholder or any parties related to the Company and/or the Selling Shareholder in respect of which they have received, and may in the future receive, customary fees and commissions. Additionally, the Underwriters may, in the ordinary course of their business, in the future hold the Company's securities for investment. In respect of the aforementioned, the sharing of information is generally restricted for reasons of confidentiality by internal procedures or by rules and regulations. As a result of acting in the capacities described above, the Underwriters may have interests that may not be aligned, or could potentially conflict, with the interests of investors or with the interests of the Company.

Before investing in the Offer Shares, prospective investors should carefully consider the risks and uncertainties described below, together with the other information contained or incorporated by reference in this Prospectus. The occurrence of any of the events or circumstances described in these risk factors, individually or together with other circumstances, could have a material adverse effect on the Group's (as defined below) business, results of operations, financial condition and prospects. In that event, the value of the Offer Shares could decline, and an investor might lose part or all of its investment.

The Group may face a number of these risks described below simultaneously, and one or more risks described below may be interdependent. The order in which risks are presented is not necessarily an indication of the likelihood of the risks actually materializing, of the potential significance of the risks, or of the scope of any potential harm to the business, results of operations, financial condition and prospects of the Group.

In selecting and ordering the risk factors, the Group has considered circumstances such as the probability of the risk materializing on the basis of the current state of affairs, the potential impact which the materialization of the risk could have on the Group's business, financial condition, results of operations and prospects, and the attention that management of the Group would on the basis of current expectations have to devote to these risks if they were to materialize.

Although the Group believes that the risks and uncertainties described below are the material risks and uncertainties concerning the Group's business and the Offer Shares, they are not the only risks and uncertainties relating to the Group and the Offer Shares. Other risks, facts or circumstances not presently known to the Group, or that the Group currently deems to be immaterial, could, individually or cumulatively, prove to be important and could have a material adverse effect on the Group's business, results of operations, financial condition and prospects. The value of the Offer Shares could decline as a result of the occurrence of any such risks, facts or circumstances, or as a result of the events or circumstances described in these risk factors, and investors could lose part or all of their investment.

Prospective investors should carefully read the entire Prospectus and should reach their own views before making an investment decision with respect to any Offer Shares. Furthermore, before making an investment decision with respect to any Offer Shares, prospective investors should consult their own stockbroker, bank manager, lawyer, auditor or other financial, legal and tax advisers, and carefully review the risks associated with an investment in the Offer Shares and consider such an investment decision in light of their personal circumstances.

Risks related to the Group's business and industry

1. An outbreak of animal-borne disease could negatively affect the demand for, and sale and production of, the Group's animal products

The demand for the Group's products could be materially adversely affected by the outbreak of a disease carried by animals, such as avian influenza, African swine fever, foot-and-mouth disease or bovine spongiform encephalopathy. Such occurrences could lead to the widespread death or precautionary culling of livestock as well as the reduced consumption and demand for animal-derived food products. Such an outbreak could result in governmental restrictions on the import and export of animal proteins or other animal-derived food products, to or from the Group's customers, and therefore reduce regional or global sales of particular animal-derived products. For example, over the last 10 years, outbreaks of avian influenza and subsequent culling of poultry have negatively impacted the poultry market and sales of the Group's animal health products due to restrictions on animal products produced in the affected countries or regions imposed by importing countries. The discovery of additional cases of any known or new animal-borne diseases may result in additional restrictions on the import and export of animal-derived food products, reduced herd or flock sizes or reduced demand for animal-derived food products, any of which may have a material adverse effect on the Group's business, financial condition and results of operations. This could also create adverse publicity that may limit the Group's ability to sell its products successfully, and therefore negatively impact its financial condition and results of operations. In addition, the outbreak of any highly contagious disease near the Group's main production sites could require the Group to immediately halt production at such sites or force it to incur substantial expenses in procuring raw materials or products elsewhere.

2. Animal health products can be subject to safety, quality or efficacy concerns or may be banned by regulatory authorities, which may harm the Group's reputation

Though the Group has strong quality assurance and quality control systems in place to address safety, quality or efficacy concerns that the Group has anticipated and to ensure that it produces high quality products that meet regulatory requirements, there is a risk that unanticipated safety, quality or efficacy concerns can arise with respect to its animal health products, whether or not scientifically or clinically supported. Certain safety, quality or efficacy concerns, particularly those that are not scientifically or clinically supported, may be difficult for the Group to anticipate. These concerns can lead to product recalls, permanent or temporary suspension of production and declining sales as well as product liability and other legal claims. In addition, regulatory authorities may impose bans or restrictions on the Group's animal health products based on such safety, quality or efficacy concerns, which could impact all, or a significant portion, of a product's sales and could, depending on the circumstances, materially adversely affect the Group's results of operations. In addition, the Group may also be harmed by safety or quality issues related to other companies' animal health products. For example, the Group sells products that are also sold by other animal health companies under a different tradename and if such a competitor's product were to face safety or quality concerns or a regulatory ban, this could also have a regulatory impact on, or negatively impact, demand for the Group's product.

The Group's business depends on maintaining its reputation as a producer and supplier of safe, high quality products. Any safety, quality or efficacy concerns held by the Group's customers, veterinarians or end-users may harm the Group's reputation, the Group's relationships with its customers, and therefore its financial condition and results of operations. In some countries, certain negative perceptions may be exacerbated by the existence of counterfeit versions of the Group's products, which, depending on the legal recourse (including enforcement options) available in the jurisdiction where the counterfeiting occurs, may be difficult to police or stop. These concerns and the related harm to the Group's reputation could materially adversely affect demand for the Group's products, and therefore its financial condition and results of operations, regardless of whether such concerns are accurate.

3. Perceived adverse effects on human health linked to the consumption of food derived from species that utilize the Group's products could cause a decline in the sale of such products

The animal health business depends heavily on a healthy and growing livestock industry. If the public perceives a risk to human health from the consumption of food derived from animals for which the Group's livestock products are primarily used, there may be a decline in the production of such food products and, in turn, demand for the Group's livestock products. In addition, while meat consumption has generally been on the rise, there are now alternatives to animal-based proteins, like meat and milk, that are based on plants or grown in cell cultures in laboratories as a result of advances in technology. These alternatives are marketed to consumers as being more environmentally friendly and healthier than animal-based proteins, but such alternatives are expensive and not produced in significant quantities. As a result, livestock producers may experience decreased demand for their products or reputational harm as a result of evolving consumer views on animal rights, nutrition and health-related or other concerns regarding consumption of meat. Any reputational harm to the animal health industry may also extend to companies in related industries, including the Group. Adverse consumer views related to the use of one or more of the Group's products on livestock may also result in a decrease in the use of such products and could have a material adverse effect on the Group's operating results and financial condition.

4. The Group's business is subject to risk based on global economic conditions

The global financial markets have recently undergone, and may continue to experience, significant volatility and disruption. There are systemic risks in global financial systems, which may lead to global or regional economic downturns or high levels of inflation. Such economic downturns may have a negative impact on consumer spending, which may lead to a decrease in meat consumption or in demand for animal protein or the Group's products. The timing and sustainability of any economic recovery is uncertain and additional macroeconomic, business and financial disruptions could have a material adverse effect on the Group's operating results, financial condition and liquidity. See, for example, "*—The worldwide economic effect of the outbreak of COVID-19 has had, and could continue to have, a material adverse effect on the Group's business, financial condition, results of operations and prospects*"). Further, certain of the Group's customers and suppliers have been affected directly by the economic downturn and continue to face credit issues and could experience cash flow problems that have given rise to and could continue to give rise to payment delays, increased credit risk, bankruptcies and other financial hardships that could decrease the demand for the Group's products or hinder its ability to collect amounts due from customers. If one or more of the Group's large

customers, including distributors, discontinue their relationship with the Group as a result of economic conditions or otherwise, its operating results and financial condition may be materially affected.

5. The Group's business may be negatively affected by weather conditions and the availability of natural resources

Changing weather conditions may lead to changes in the supply and costs of animal feed and, as a result, may impact the animal health industry and demand for the Group's animal health products. Usage of the Group's products follows varying weather patterns and weather-related pressures from insects. For example, in the autumn and winter months there is increased animal disease incidence and a resulting increase in purchases of animal health products. Consequently, the Group may experience regional and seasonal fluctuations in its results of operations.

In addition, livestock producers depend on the availability of natural resources, including abundant rainfall to sustain large supplies of drinking water, grasslands and grain production. The health of their animals and their ability to operate could be adversely affected if there is a shortage of fresh water due to human population growth or floods, droughts or other weather conditions. Dry seasons and droughts can lead to decreases in corn and soybean production, which in turn may lead to increases in feed grain prices and livestock production costs. As a result, livestock producers may produce less livestock and therefore purchase less of the Group's products. For example, the Group's sales in the cattle market were negatively impacted as a result of a serious drought in Australia that led to a decrease in cattle numbers. Extreme weather events could also affect the manufacture and distribution of the Group's products, agricultural yields and result in an increase in the Group's operating costs, thus resulting in a material adverse effect on the Group's business, operating results and financial condition.

6. The Group's revenues are dependent on the continued operation of its manufacturing facilities and manufacturing problems may cause product launch delays, inventory shortages, recalls or unanticipated costs

In order to sell its products, the Group must be able to produce and ship them in sufficient quantities. The Group has a global manufacturing network consisting of 13 manufacturing sites located in 6 countries (Bulgaria, Italy, US, France, Turkey and India), a network of 17 third-party manufacturing organizations and sales operations in more than 100 countries. Many of its products involve complex manufacturing processes and are sole-sourced from certain manufacturing sites.

Minor deviations in the Group's manufacturing processes could result in delays, inventory shortages, unanticipated costs, product recalls, product liability claims and regulatory actions. There are a number of factors that could cause manufacturing interruptions, including, but not limited to the following:

- the failure by the Group or any of its vendors or suppliers to comply with applicable regulations and quality assurance guidelines;
- construction delays;
- equipment malfunctions;
- shortages of materials;
- labor problems, including an insufficient workforce or increased labor costs;
- natural disasters;
- power outages;
- terrorist activities;
- changes in manufacturing production sites and limits to manufacturing capacity due to regulatory requirements, changes in types of products produced;
- lack of availability or increased costs of active ingredients, excipients, or other components;
- shipping distributions or physical limitations on the distribution and/or transportation of the Group's products; and
- outbreak of any highly contagious diseases near the Group's production sites.

These interruptions could result in launch delays, inventory shortages, product recalls, unanticipated costs or issues with the agreements under which the Group supplies third parties, which may adversely affect its

operating results. For example, in 2020 the Group's manufacturing site in Italy was damaged by a flood, which was caused by excessive rain that led a nearby river to flood, which resulted in a one-month interruption to production at that site.

The Group's manufacturing network may be unable to meet the demand for its products or, if demand decreases, it may have excess capacity, thus causing financial losses due to inactivity. The inability to accurately predict a product's regulatory or commercial success, the lead time necessary to construct highly technical and complex manufacturing sites, and shifting customer demand (including as a result of market conditions or entry of additional competition) increase the potential for capacity imbalances. In addition, constructing new sites is expensive, and the Group's ability to recover any costs of such construction will depend on the market acceptance and success of the products produced at the new sites, which is uncertain.

International manufacturing, sales and raw materials sourcing are also subject to other inherent risks, including possible nationalization or expropriation, labor unrest, political instability, price and exchange controls, limitation on foreign participation in local enterprises, health-care regulation, export duties and quotas, domestic and international customs and tariffs, compliance with export controls and sanctions laws, the Foreign Corrupt Practices Act and other laws and regulations governing international trade, unexpected changes in regulatory environments, difficulty in obtaining distribution and support, and potentially adverse tax consequences. These factors could have a material adverse impact on the Group's ability to increase or maintain its international sales or on its results of operations in the future.

The animal health industry is also highly regulated, and regulatory authorities such as the European Food Safety Authority ("**EFSA**"), the US Food and Drug Administration ("**FDA**") and the US Department of Agriculture ("**USDA**") typically require approval and periodic inspection of the manufacturing facilities to confirm compliance with applicable regulatory requirements. The Group closely monitors its compliance with applicable regulations and, if the Group believes that it may not be in full compliance with such regulations, the Group may elect to voluntarily shut down a manufacturing facility or cease supply of a certain product or of products from a certain supplier. See "*—Risks related to regulatory matters—The Group's business is subject to substantial regulation*". Regulators may also enforce requirements by various means, including shutting down facilities, seizures and injunctions. Certain of the Group's product lines are manufactured at a single facility, with little or no capacity at a second facility, and, due to the specialized nature of the Group's production processes, production would not be easily transferable to another site. The occurrence of material operational problems, including but not limited to the above events, may adversely affect the Group's financial condition and results of operations.

7. The Group faces competition in each of its markets from a number of large and small companies

The Group faces competition in both the animal health and human health industries. Many of the Group's competitors are conducting R&D activities in areas served by the Company's products and in areas in which it is developing products. The Group's competitors range from the largest animal health companies in the world, like Zoetis, Inc, Merck Animal Health, a division of the human pharmaceutical company Merck & Co., Inc, Boehringer Ingelheim Vetmedica, Inc., the animal health division of Boehringer Ingelheim GmBH, Elanco, Inc., to smaller companies like Ceva Santé Animal S.A., Virbac S.A., Vetoquinol, S.A. and Phibro Animal Health Corporation. The Group also faces competition from producers of nutritional health products, such as DSM Nutritional Products AG and Danisco Animal Nutrition, the animal health division of E. I. du Pont de Nemours and Company. These competitors may have access to substantial R&D, financial, marketing, technical and other resources, and they may be able to devote significant resources to developing, manufacturing, marketing and selling their products, initiating or withstanding substantial price competition. Some of the established market participants are also pursuing a strategy of licensing generic products, which are products that contain the same chemical substance as a drug that was originally approved by the competent authorities. See "*—Generic products may be viewed as more cost-effective than the Group's products*." In addition, new entrants to the animal health industry could substantially reduce the Group's market share. Further, consolidation in the animal health industry could result in existing competitors realizing additional efficiencies or improving portfolio bundling opportunities, thereby potentially increasing their market share and pricing power, which could have an adverse effect on the Group's revenue and profitability.

To the extent that any of the Group's competitors are more successful with respect to any key competitive factor, or the Group is forced to reduce, or is unable to raise, the price of any of its products in order to remain competitive, the Group's operating results and financial condition could be materially adversely affected. Competitive pressure could arise from, among other things, safety and efficacy concerns, limited demand growth or a significant number of additional competitive products being introduced into a particular market, price reductions by competitors, the ability of competitors to capitalize on their economies of scale, the ability

of competitors to produce or otherwise procure animal health products at lower cost than the Group and the ability of competitors to access more or newer technology than the Group.

8. The worldwide economic effect of the outbreak of COVID-19 has had, and could continue to have, an adverse effect on the Group's business, financial condition, results of operations and prospects

The coronavirus pandemic that first emerged in December 2019 ("**COVID-19**") has had, and continues to have, an adverse effect on the global economy, the severity and duration of which is difficult to predict. Since the outbreak of COVID-19, governments of the countries in which the Group operates have introduced a number of policies aimed at reducing the spread of the virus and financial measures aimed at mitigating its potential economic impact. The extent to which such measures will be effective is uncertain and no prediction can be made as to the scope or scale of systemic changes to the economies of the countries in which the Group operates, nor when the various economic sectors will return to pre-crisis levels of activity. Further, the threats of future waves or new strains of COVID-19 contribute to the uncertainty that continues to plague the global economy. These effects may negatively impact meat consumption (as consumers seek cheaper alternatives) and, therefore, the demand for the Group's livestock products as well as its customers' financial conditions, which in turn could have an adverse effect on the Group's revenue as well as on its future expansion and growth strategies.

Demand for animal protein has shifted as a result of COVID-19. As a result of COVID-19 restrictions, many restaurants and other hospitality companies have been negatively impacted, whereas retail demand has generally increased, for example because consumers are eating more meals at home. In turn, this has led to certain meat supply issues including short-term and regional shortages which have impacted the demand for meat throughout the supply chain, including livestock producers and their demand for animal health products. If these disruptions continue in the longer term, as a result of COVID-19 or otherwise, potential impacts may include increased cost of meat, a reduction in animal production and therefore a decrease in the use of animal health products. A decrease in demand for the Group's products or the inability of the Group's customers to pay for its products may have a negative impact on the Group's business, financial condition and results of operations.

The ongoing COVID-19 pandemic and the associated restrictions have had a negative impact on sales of certain of the Group's products in the US, Latin America and India. For example, in early 2020 the Group launched Monovet in the US. However, as a short-term effect of COVID-19, cattle prices were low and, as a result, producers had decreased their expenses which reduced demand for the Group's products. Product sales in Latin America also experienced slower growth for the year ended December 31, 2020, as meat consumption decreased due to the closure of restaurants and hospitality as part of national lockdown measures and restrictions. Further, the Group's sales in India decreased by 22%, for the year ended December 31, 2020, compared to 2019, largely as a result of COVID-19 and the decrease in chicken consumption.

COVID-19 and the resulting travel restrictions implemented by governments of the countries in which the Group operates have also affected its sales and marketing efforts. In addition, there is a risk that the Group may have to temporarily shut down manufacturing facilities if there is a COVID-19 outbreak among the employees, which could have a negative impact on the Group's ability to meet customer demand.

Furthermore, the Group is planning to expand its business by launching new products, in particular, through the development of innovative vaccines and will therefore need to conduct clinical trials to demonstrate the safety and efficacy of its product candidates, which the Group carries out both in-house and in partnership with clinical research organizations ("**CROs**"). However, the clinical trials, plant inspections and regulatory clearance processes required for these products may be delayed as a result of COVID-19 or otherwise negatively affected by the uncertain trajectory of COVID-19. To the extent the COVID-19 pandemic continues, the clinical trial and regulatory clearance process may become more time consuming, which could have an adverse effect on the introduction of new products and the Group's financial condition.

It is impossible to predict the full extent of the impact of the COVID-19 pandemic and its resulting economic impact. The COVID-19 pandemic may have a continued impact on the Group's business or the animal health industry in ways that the Group cannot foresee. Such effects, including if COVID-19 or a variant is transmitted to poultry, swine or cattle, could have a material adverse effect on the Group's business, financial condition and results of operations. To the extent the COVID-19 pandemic adversely affects the Group's business, financial condition and results of operations, it may also have the effect of heightening other risks described in this "*Risk Factors*" section, including "*—The Group's business is subject to risk based on global economic conditions*" and "*—The Group is exposed to a possible decline in sales volume and prices of its products based on demand and purchasing power of its livestock product customers*."

9. The Group is exposed to a possible decline in sales volume and prices of its products based on demand and purchasing power of its livestock product customers

Feed, fuel, transportation and other key costs for livestock producers may increase or livestock prices or sales may decrease. Either of these trends could cause deterioration in the financial condition of the Group's livestock product customers, potentially inhibiting their ability to purchase the Group's products or pay it for products delivered. The Group's animal food product customers may offset rising costs by reducing spending on its products, including by switching to lower-cost alternatives to the Group's products.

Furthermore, the Group makes a majority of its sales to a number of regional and national livestock companies, distributors, co-ops, blenders, integrated poultry, and swine and cattle operations. There is significant consolidation among the Group's customer base and such consolidation may result in these groups gaining additional purchasing advantage and consequently increasing the product pricing pressures facing the Group's business. The emergence of large buying groups could enable such groups to attempt to extract price discounts on the Group's products. Moreover, if, as a result of increased leverage, customer pressures require the Group to reduce its pricing such that its gross margins are diminished, it could decide not to sell its products to a particular customer, which could result in a decrease in its revenues. Consolidation among the Group's customer base may also lead to reduced demand for its products if customers elect to purchase from the Group's competitors. The result of these developments may have a material adverse effect on the Group's business, financial condition and results of operations.

10. The Group's business is dependent on R&D, licensing and third-party collaborations to facilitate product development, which may fail

The Group's future success depends on both its existing product portfolio and its pipeline of new products, including vaccines. The Group commits substantial effort, funds, employee fee and use of manufacturing facilities to R&D, both through its own dedicated resources and through collaborations with third parties, in order to improve and expand its product portfolio. There is a risk that these efforts may be unsuccessful.

The Group may be unable to determine with accuracy when or whether any of its products that are under development will be approved or launched as a result of potential delays and the uncertainty of timing of the regulatory approval process, or the Group may be unable to develop or license product candidates or final products. In addition, the Group cannot predict whether any products, once launched, will be commercially successful or will achieve sales and revenues that are consistent with its expectations. The animal health industry is subject to regional and local trends and regulations and, as a result, products that are successful in some of the Group's markets may not achieve similar success when introduced into new markets. Furthermore, the time and cost of the Group's R&D may increase, and the results of R&D can be unpredictable. For example, changes in regulations applicable to the Group's industry may make it more time-consuming and/or costly to research, test and develop products.

11. Advances in animal health technologies and products could negatively affect the market for the Group's products

The markets for the Group's products could be impacted by the introduction or acceptance of newly-developed or alternative products, including "green" or "holistic" health products, that address the same conditions as those of the Group. Further, technological breakthroughs by competitors in the animal health industry, such as specially bred disease-resistant animals or certain vaccines that provide immunity to certain diseases which would decrease the demand for products used to treat such a disease, may reduce or eliminate the market for the Group's products. The technology for editing genes advances every year and genome editors have the potential to produce disease resistant animals that would require fewer vaccines and other animal health products to prevent, treat or control diseases and infections. For example, porcine-reproductive and respiratory syndrome (PRRS) is one of the most costly infectious diseases affecting pigs and research institutes have used gene editing techniques to modify the pig's genome to make it resistant to the disease. Although the Group does not have a PRRS vaccine for pigs, several of the Group's competitors do and widespread adoption of these genetically modified pigs would reduce the need for PRRS vaccines. There is a risk that similar gene editing technology may be used to breed animals resistant to diseases against which the Group offers products to prevent, treat or control, and this may have the adverse effect of reducing demand for such products. The introduction or acceptance of animal health products, and innovation or technologies that compete with or otherwise reduce the need for certain of the Group's products could materially adversely affect its business, financial condition and results of operations.

12. The misuse or off-label use of the Group's products or the illegal distribution by third parties of counterfeit or illegally compounded versions of the Group's products may harm its reputation or result in financial or other damages

The Group's products have been approved for use under specific circumstances for, among other things, the prevention, control and/or treatment of certain diseases and conditions in specific species. In some cases, usage is subject to certain dosage levels or minimum withdrawal periods prior to the slaughter date. There may be increased risk of product liability if livestock producers or others attempt any off-label use of the Group's products, such as use of the Group's products in species for which they have not been approved, or at dosage levels or periods prior to withdrawal that have not been approved. If the Group is deemed by a governmental or regulatory agency to have engaged in the promotion of any of its products for off-label use, such agency could require that the Group modify its training or promotional materials and practices, and the Group could be subject to significant fines and penalties. The imposition of these sanctions could also affect the Group's reputation and position within the industry. Even if the Group were not responsible for having promoted the off-label use, concerns could arise about the safety of the affected meat in human food supply. Any of these events could have a material adverse effect on the Group's financial condition and results of operations.

In addition, third parties may illegally distribute and sell counterfeit or illegally compounded versions of the Group's products that do not meet the standards of the Group's development, manufacturing and distribution processes. Counterfeit or illegally compounded medicines pose a significant risk to animal health and safety because of the sub-standard conditions under which they are manufactured and the lack of regulation of their contents. The Group's reputation and business could suffer harm as a result of counterfeit or illegally compounded products which are alleged to be equivalent and/or which are sold under the Group's brand name. In addition, products stolen or unlawfully diverted from inventory, warehouses, plants or while in transit, which are not properly stored or which have an expired shelf life and which have been repackaged or relabelled and which are sold through unauthorized channels, could adversely impact animal health and safety, the Group's reputation and its business. Further, as the majority of the Group's products are sold under the same tradename, globally, any misuse, off-label use or counterfeiting of a product in one country could adversely impact the Group's reputation and its business on a global scale. Public loss of confidence in the integrity of products as a result of counterfeiting, illegal compounding or theft could have a material adverse effect on the Group's business and results of operations.

13. Supply chain continuity could be disrupted by a major catastrophic event or third party quality issue causing a loss of inventory and/or facility that could negatively impact the amount of product sold

In its business, the Group has multiple warehouses and production sites in the supply chain that have a material amount of inventory. This might be a potential risk if a catastrophic event were to occur at one of these locations. As such, business continuity plans are critical to the Group's manufacturing sites. While the Group works with its suppliers to ensure continuity, no assurance can be given that these efforts will be successful. Also, due to regulatory requirements relating to the qualification of suppliers, the Group may not be able to establish additional or replacement suppliers on a timely basis or without excessive cost. The termination, reduction or interruption in the Group's supply chain could adversely impact the Group's ability to produce and sell certain of its products.

In addition, the Group relies on third parties at various stages in the manufacturing of its products. The materials the Group purchases may be subject to availability constraints and price volatility, and increases in the demand for, or price of, materials used to manufacture the Group's products, as well as increases in labor costs, could raise the cost of manufacturing the Group's products, result in product delivery delays or shortages, and impact the Group's ability to launch new products on a timely basis or at all. For example, small adjustments to the materials used in the Group's fermentation processes, such as the particle size of an ingredient, can change the course of the fermentation process. Therefore, maintaining a consistent supply of exact ingredients is important and any disruption to the supply chain could have a negative impact on the manufacturing process. In addition, the Group may not be able to pass all or a material portion of any increased material or labor costs on to its customers. Further, if its third-party suppliers fail to meet their obligations to the Group, if the Group is unable to maintain its relationships with them or if any of its third-party suppliers cease or interrupt operations, the Group may not be able to secure an alternative supplier or to otherwise meet demand for certain of its products in a timely manner or at a cost that is economically attractive.

14. Generic products may be viewed as more cost-effective than the Group's products

The Group faces competition from products produced by other companies, including generic alternatives to the Group's products. The Group depends on patents to provide it with exclusive marketing rights for some of its

products, and this patent protection extends for varying periods in accordance with the dates of filing or grant and the legal life of patents in the countries in which patents are granted. The extent of protection afforded by the Group's patents therefore varies, and is limited by the scope of the claimed subject matter of its patents, the term of the patent and the availability and enforcement of legal remedies in the applicable jurisdiction.

As a result, the Group may face competition from lower-priced generic alternatives to many of its products. Generic competitors are becoming more aggressive in terms of pricing, and generic products are an increasing percentage of overall animal health sales in certain regions. In addition, private label products may compete with the Group's products. If animal health customers increase their use of new or existing generic or private label products, the Group's operating results and financial condition could be materially adversely affected.

15. The Group's results of operations are dependent upon the success of its top products

The Group's business and results of operations are dependent upon the success of its top products and product categories. The Group's top products and product categories include anticoccidials such as poultry ionophores, Monovet and Amprolium, enzymes such as Xylanase and Phytase, antibiotics such as Tylosin, Tilmicosin, Pleuromutilin and Aminoglycoside as well as the Group's vaccines, which together constituted 57%, 57% and 61% of its revenue, for the years ended December 31, 2018, 2019 and 2020, respectively and 56% of the Group's revenue for the three months ended March 31, 2021. If the Group's top products experience issues, such as disruptive innovations or the introduction of more effective competitive products, negative publicity, changes to customer preferences, loss of patent protection, material product liability litigation, new or unexpected side effects and/or regulatory proceedings, the Group's revenue could be adversely effected.

16. Foreign exchange rate fluctuations and potential currency controls affect the Group's results of operations, as reported in its financial statements

The Group conducts operations in many areas of the world, involving transactions denominated in a variety of currencies. For the three months ended March 31, 2021, the Group generated approximately 52% of its revenues in currencies other than the euro, principally the US dollar. The Group is subject to currency exchange rate risk to the extent that its costs are denominated in currencies other than those in which it earns revenues. In addition, because the Group's financial statements are reported in euro, changes in currency exchange rates between the euro and other currencies have had and may continue to have, an impact on the Group's results of operations.

Changes in the relative values of currencies take place from time to time and could in the future adversely affect the Group's results of operations as well as its ability to meet interest and principal obligations on its indebtedness. To the extent that the euro fluctuates relative to the applicable foreign currency, the Group's results may be favorably or unfavorably affected. The Group's products are priced in local currencies and, therefore, the Group's subsidiaries operating in different countries incur expenses and earn revenues in the local currencies. As a result, the Group is less exposed to currency fluctuations and has not yet experienced the need for hedging. However, the Group may need to manage this exposure by entering into foreign currency contracts in the future. Such contracts are generally entered into with respect to anticipated costs denominated in foreign currencies for which timing of the payment can be reasonably estimated. No assurances can be given that such hedging activities will not result in, or will be successful in preventing, losses that could have an adverse effect on the Group's financial condition or results of operations.

In the past, the Group has faced challenges arising from currency devaluations and may continue to face these risks or similar risks if governments in any of the countries in which it operates impose cash repatriation restrictions, exchange controls or experience hyperinflation. Currency devaluations result in a diminished value of funds denominated in the currency of the country instituting the devaluation. Cash repatriation restrictions and exchange controls may limit the Group's ability to convert foreign currencies into euro or to remit dividends and other payments by the Group's foreign subsidiaries or businesses located in or conducted within a country imposing restrictions or controls. Further, the occurrence of hyperinflation in any of the countries in which the Company operates may result in a risk in import costs. For example, the Group ceased conducting business in Venezuela due to currency restrictions and controls. While the Group currently has no need, and does not intend, to repatriate or convert cash held in countries that have significant restrictions or controls in place, should the Group need to do so to fund its operations, it may be unable to repatriate or convert such cash, or be unable to do so without incurring substantial costs, which may have a material adverse effect on the Group's operating results and financial condition.

17. R&D in the Group's industry relies on animal testing, which may become subject to bans or additional regulations

Testing and analysis of the Group's existing and new products in animals is a legal requirement before the Group can register its animal health products. Animal testing in certain industries has been the subject of controversy and adverse publicity. Some organizations and individuals have attempted to ban animal testing or encourage the adoption of additional regulations applicable to animal testing. To the extent that the activities of such organizations and individuals are successful, the Group's R&D, and therefore its financial condition and results of operations, could be materially adversely affected. In addition, negative publicity about the Group or the Group's industry could harm its reputation.

18. Increased regulation or decreased governmental financial support relating to the raising, processing or consumption of food-producing animals could reduce demand for the Group's products

The Group's customers in the food-producing animal sector, such as livestock producers, are subject to extensive and increasingly stringent regulations. If livestock producers are adversely affected by new regulations or changes to existing regulations, they may reduce herd or flock sizes or become less profitable and, as a result, they may reduce their use of the Group's products, which may materially adversely affect the Group's business, financial condition and results of operations. Also, many livestock producers benefit from governmental subsidies, and, if such subsidies were to be reduced or eliminated, these companies may become less profitable and, as a result, may reduce their use of the Group's livestock products. More stringent regulation of the livestock sector, including regarding the use of livestock products, could have a material adverse effect on the Group's business, financial condition and results of operations.

19. The Group is subject to risks from litigation that may materially affect its operations

The Group is subject to risk of exposure to various types of claims and lawsuits. Although the Group is only currently involved in legal proceedings that arise in the ordinary course of business, there can be no assurance that claims or lawsuits that may arise in the future will not, individually or in the aggregate, have a material adverse impact on the results of its operations.

There can be no assurance that the Group's operating results, financial condition and liquidity will not be materially adversely affected by unfavorable results in pending or future litigation matters. These matters may include, among other things, allegations of violation of EU regulations and foreign competition law, labor laws, consumer protection laws, and environmental laws and regulations, as well as claims or litigations relating to product liability, product warranty, intellectual property, securities, breach of contract and tort. In addition, changes in the interpretations of laws and regulations to which the Group is subject, or in legal standards in one or more of the jurisdictions in which the Group operates, could increase its exposure to liability. Furthermore, litigation matters, regardless of their merits or their ultimate outcomes, are costly, divert management's attention and may materially adversely affect the Group's reputation and demand for the Group's products. An adverse outcome of litigation or legal matters could result in the Group being responsible for significant damages. Any of these negative effects resulting from litigation matters could materially adversely affect the Group's operating results and financial condition.

20. The Group's business could be materially adversely affected by labor disputes, strikes or work stoppages

The Group is subject to the risk of labor disputes, strikes, work stoppages and other labor-relations matters. As of March 31, 2021, the Group had a total of 3,405 employees. Some of the Group's employees are members of unions, works councils, trade associations or are otherwise subject to collective bargaining agreements, in particular in France and Italy. The Group may be unable to negotiate new collective bargaining agreements on similar or more favorable terms and may experience work stoppages, higher ongoing labor costs or other labor problems at its sites. The Group may also experience difficulty or delays in implementing changes to its workforce in certain markets when opening new manufacturing facilities or restructuring teams within these facilities. Any of these factors could result in a disruption of the Group's operations, which could have a material adverse effect on its business, financial condition and results of operations, potentially resulting in cancelled orders by customers, unanticipated inventory accumulation or shortages and reduced revenue and net income.

21. The Group may be required to write down goodwill or identifiable intangible assets

Under IFRS, if the Group determines that goodwill or identifiable intangible assets are impaired, it will be required to write down these assets and record a non-cash impairment charge. Identifiable intangible assets

consist primarily of marketed products acquired or licensed from third parties, licensed platform technologies that have alternative future uses in R&D, manufacturing technologies, and customer relationships from business combinations.

Determining whether an impairment exists and the amount of the potential impairment involves quantitative data and qualitative criteria that are based on estimates and assumptions requiring significant management judgment. Future events, such as the ban of one of the Group's major products, or new information, may change management's valuation of an intangible asset in a short amount of time. The timing and amount of impairment charges recorded in the Group's consolidated and combined statements of operations and write-downs recorded in its consolidated and combined balance sheets could vary if the Group's management's conclusions change. Any impairment of goodwill or identifiable intangible assets could have a material adverse effect on the Group's results and financial position.

22. The Group's management is in the process of implementing an officially managed, documented and communicated internal control framework; a failure to fully implement such framework, or a failure to do so in a timely manner, may lead to a diminished ability to identify weaknesses in the Group's financial reporting and compliance, thus increasing the risk of a material misstatement being made in our financial statements and/or other failures to comply with applicable standards

The Group's management has already implemented controls over important processes such as finance and accounting and quality management, but it is still in the process of implementing an officially managed, documented and communicated internal control framework. Without this formal framework to manage internal controls and compliance, it may be more difficult for the Group to identify weaknesses and deficiencies in its internal controls. During the implementation period, management may need to devote time to continuously re-evaluate the internal control system and framework and to implement necessary changes that it could otherwise devote to other aspects of managing the Group's operations. This may be time-consuming and/or costly. In addition, if management does not fully implement such internal control framework, or it fails to do so in a timely manner, the Group may be unable to identify effectively weaknesses in its internal controls, thus heightening the risk of a material misstatement being made in our financial statements and/or other failures to comply with applicable standards.

23. Breaches of the Group's information technology ("IT") systems, improper disclosure of confidential company or personal data or a failure by the Group to comply with privacy laws, regulations and contractual obligations could have a material adverse effect on its reputation and operations

The Group relies on IT systems, networks, hardware and software, including as provided by third party service providers, to receive, process, transmit and store electronic information in its day-to-day operations. This includes personal data of its employees, service providers, contractors and customers, such as names, phone numbers, email addresses and other contact information, as well as company data and confidential business information. The proper functioning of the Group's IT systems and the secure processing, maintenance and transmission of business information is critical to the Group's operations.

The Group's IT systems and those of its third party vendors may be subjected to computer viruses or other malicious codes, unauthorized access attempts, cyber or phishing attacks, and also are vulnerable to an increasing threat of continually evolving cybersecurity risks, other external hazards and improper or inadvertent staff behavior, all of which could give rise to the loss, destruction, unauthorized access to or dissemination of confidential company information or personal data, as well loss of functionality of the Group's IT systems. Such attacks could result in the Group's intellectual property and other confidential information or personal data being lost or stolen, and result in the breach of applicable data protection laws and regulations, disruption to the Group's operations, and other negative consequences, such as increased costs for security measures or remediation costs, and diversion of management attention. Any actual or perceived unauthorized access, disclosure, misappropriation or other loss of information or any significant breakdown, intrusion, interruption, cyber-attack or corruption of customer, employee or company data or the Group's failure to comply with any applicable privacy laws, data protection laws or contractual obligations with employees, service providers, contractors, customers, and other third parties relating to data protection or information security, could result in legal claims or proceedings, liability under laws or contracts that protect the personal data and privacy of personal information, regulatory proceedings, administrative fines, investigations and penalties, indemnification expenditures, increased insurance premiums, payment of compensation to individuals, disruption to the Group's operations, and damage to its reputation, all of which could materially adversely affect the Group's business, revenue and competitive position. This could also have an adverse impact on the market price of the Group's Offer Shares.

While the Group will continue to implement protective measures to detect and reduce the risk of cyber-incidents, cyber-attacks are becoming more sophisticated and frequent, and the techniques used in such attacks change rapidly. The Group's protective measures may not protect it against attacks and it may not detect attacks promptly, which could have a significant impact on the Group's business and reputation. While the Group maintains insurance covering certain cybersecurity damages and claim expenses, it may not carry insurance or maintain coverage sufficient to compensate for all liability and in any event, insurance coverage would not address the reputational damage that could result from a cybersecurity incident.

The legal obligations to which the Group is subject in connection with data protection, information security, and the storage, use, processing, disclosure and privacy of personal data are demanding and subject to frequent changes. In its day-to-day operations, the Group processes personal data of its employees, service providers, contractors and customers. The Group's ability to use, obtain, retain, share and otherwise process personal data is governed by applicable data protection laws including the General Data Protection Regulation (EU) 2016/679 (the "**GDPR**") as well as national, EU, federal, or state data protection laws. Under the GDPR, data protection supervisory authorities have the ability to restrict an organization's data processing activities and levy administrative fines for non-compliance of up to 4 percent of an organization's worldwide annual turnover or EUR 20 million (whichever is higher). Additionally, the GDPR provides data subjects with a right to be compensated in the event that any violation of the GDPR results in material or non-material damage (including as part of a class action). If the Group's policies, processes or systems are deemed non-compliant, or are deemed not to have previously been in compliance, with applicable data protection laws and regulations, or if the Group materially fails to protect or process personal data in compliance with applicable laws and regulations, it could result in monetary fines, criminal charges and breaches of contractual arrangements, litigation and the payment of compensation, and/or reputational damage, which, in turn, could have a material adverse effect on the Group's business, financial condition and results of operations. Compliance with data protection laws requires ongoing investment into systems, procedures, policies and personnel and may require significant investments in the future, further impacting the Group's business.

In connection with its business the Group may transfer personal data outside of the EEA, including to its US offices which utilize US-based service providers. Transfers of personal data outside of the EEA are restricted under the GDPR. In light of the recent decision of the Court of Justice of the European Union in *Data Protection Commissioner v Facebook Ireland Limited and Maximillian Schrems* (C-311/118), there is currently ongoing uncertainty with respect to the legality of certain transfers of personal data to so called 'third countries' outside the EEA, including the US. In addition to the increased legal risk in the event of any such transfers, additional costs may also need to be incurred in order to implement necessary safeguards to comply with the GDPR. These obligations are onerous and constantly evolving and there can be no assurance that the Group fully complies with the requirements as interpreted by the relevant authorities and courts.

24. The Group depends on sophisticated IT and infrastructure, including through contracts with third-party service providers, and any failure, interruption or security breach in respect of such IT and/or infrastructure could adversely affect its business

The Group relies on various information technology systems to conduct and manage its operations. The Group's ability to efficiently run and monitor its business, as well as to efficiently and securely process data, relies on the seamless, integrated and uninterrupted operation of the Group's and its third-party service providers' IT systems and procedures. The secure processing, maintenance and transmission of this information is critical to the Group's operations and the legal requirements related to information security, storage, use, processing, disclosure and privacy are demanding, with the frequent imposition of new and evolving requirements. The Group has back-up data centers in place that provide sufficient resources and infrastructure to maintain data back-ups and is in the process of developing a data recovery center. The Group also stores certain information with third parties, such as local and global cloud service providers. The Group's information technology systems and those of its third-party service providers may be subject to failure, interruption, or breakdown, which could materially adversely affect the Group's business and results of operations. Such information technology systems may also be subject to computer viruses, unauthorized access attempts, and cyber or phishing-attacks and may also be vulnerable to an increasing threat of continually evolving cybersecurity risks and external hazards, as well as improper or inadvertent staff behavior, all of which could expose confidential company and personal data systems and information to security breaches. Any such breach could compromise the Group's or its third-party service providers' networks, and the information stored therein could be breached, publicly disclosed, lost or stolen. Such attacks could result in the Group's intellectual property and other confidential information being lost or stolen, disruption of its operations, and other adverse consequences, such as increased costs for security measures or remediation costs or insurance, and diversion of management attention. Any public disclosure or other loss of information or any significant

breakdown, intrusion, interruption, cyber-attack or corruption of customer, employee, company or third-party data or breach of local and foreign privacy laws or contractual obligations with customers, vendors, payment processors and other third parties, could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, regulatory penalties, disruption of the Group's operations, and damage to the Group's reputation, all of which could materially adversely affect the Group's business and results of operations. The Group is working towards establishing an information security management system globally by the fourth quarter of 2021, and is also in the process of setting up a security operations center. Although the Group will continue to monitor and implement protective measures to reduce the risk of and to detect cyber-incidents, cyber-attacks are becoming more sophisticated and frequent, and the techniques used in such attacks change rapidly. The Group's protective measures, and those of its third-party service providers, may not protect it or such third-parties against attacks and such attacks could materially adversely affect the Group's business and results of operations.

25. The Group may not be able to insure against all risks it faces and may incur losses not covered by insurance, which could have a material adverse effect on its business

The company relies on its insurance coverage to insure the Group against damage and loss to its manufacturing facilities and related assets as well as against pollution and other environmental risks, and other risks inherent in the animal health, human health and nutrition industries. Any significant interruption of operations at the Group's principal facilities could have a material adverse effect on it. The Group maintains public, product and pollution liability insurance, credit insurance, cargo insurance, directors and officer's liability insurance, property damage and business interruption insurance and workmen's compensation insurance including life, accident and health insurances with coverage limits that the Group believes are adequate. Because of the nature of industry hazards, it is possible that liabilities for pollution and other damages arising from a major occurrence may not be covered by the Group's insurance policies or could exceed insurance coverages or policy limits or that such insurance may not be available at reasonable rates in the future. For example, one of the Group's production sites in Italy incurred a significant loss in October 2020, due to flooding that occurred for the second time in the last four years, resulting in the exclusion of flooding from the scope of the insurance coverage. Although the Group believes that it maintains adequate insurance coverage for all material risks to which the Group is subject, should an uninsured loss or a loss in excess of its insured limits occur, the Group would lose the capital invested in, and the anticipated revenue from, the affected assets, which could have a material adverse effect on its business and results of operations.

Risks related to regulatory matters

26. The Group's business is subject to substantial regulation

The Group's animal health and human health businesses are subject to extensive regulations by, among others, the FDA, the USDA and the Environmental Protection Agency (the "**EPA**") in the US, and the EFSA and EMA in Europe. All of the Group's products are subject to specific registration requirements, which may be a time consuming and relatively expensive process involving investigational studies, clinical trials and extensive documentation. As of March 31, 2021, the Group has 3,546 product registrations for veterinary and feed additive products, 186 registrations for hygienic products and 146 product approvals for animal dietetic and human health products. The Group's feed additive product registrations and veterinary product registrations in the EU are subject to certain time limitations that require the Group to submit renewal applications, which require some additional documentation. If the Group is not able to renew its product registrations, it will not be able to market those products. In addition, the Group will not be able to market new products unless and until it obtains all required regulatory approvals in each jurisdiction where the Group proposes to market those products. Even after the approval is obtained and a product reaches the market, the FDA, EPA, USDA, EFSA or EMA notified bodies or any foreign equivalent regulatory authority may still impose significant restrictions on its indicated uses, marketing or conditions of approval and it may be subject to re-review and may lose its approvals. The Group's failure to obtain approvals, delays in the approval process, or its failure to renew or maintain approvals in any jurisdiction, may prevent the Group from selling products in that jurisdiction until approval or re-approval is obtained, if ever, which would have an adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group's products are also subject to continuing regulatory requirements governing the manufacturing, labelling, packaging, storage, distribution and safety. If the Group fails or is unable to comply with the applicable laws and regulations and such continuing regulatory requirements, registration of its products may be withdrawn or the Group may be required to modify its label claims or be subject to administrative fines or

penalties, any of which may have a material adverse effect on its business, financial condition, results of operations and prospects.

In addition, the Group cannot predict the nature of future laws or regulations, nor can the Group determine the effect that additional or amended laws or regulations could have on its business when and if promulgated, or the impact of changes in the interpretation of these laws and regulations, or of disparate EU, US and other regulatory schemes. For example, the EU Food Transparency Regulation, which recently came into force, may hinder innovation and the development of new products in EU, which may cause a slowdown in the overall growth of the animal health industry and therefore in the Group's growth. See "*—There is a risk that the recently enacted EU Food Transparency Regulation enacted in March 2021 will have a negative impact on the animal health industry.*"

Changes in applicable EU, US and other foreign laws and regulations could have a material adverse effect on the Group's operating results and financial condition.

27. There is a risk that the recently enacted EU Food Transparency Regulation enacted in March 2021 will have a negative impact on the animal health industry

The introduction of new EU legislation applicable to the animal health industry could create additional compliance requirements and enforcement risks for the Group and the animal health industry generally. Regulation (EU) 2019/1381 (the "**EU Food Transparency Regulation**") was adopted on June 20, 2019 and came into effect on March 27, 2021. The EU Food Transparency Regulation is intended to strengthen transparency requirements in EU food law. Pursuant to this regulation, the EFSA is now required, among other things, to disclose scientific data, studies and other information supporting applications, including supplementary information supplied by applicants, taking into account the protection of confidential information and of personal data. EFSA is tasked with establishing and managing a publicly accessible database of studies commissioned or carried out by business operators to support an application or notification in relation to which EU law contains provisions for EFSA to provide a scientific output, including a scientific opinion. The Group and other competitors in the animal health industry in the EU are required to notify EFSA of the title and the scope of any study commissioned or carried out by them to support an application or a notification, as well as the laboratory or testing facility carrying out that study, and the starting and planned completion dates.

As a result of the EU Food Transparency Regulation, the Group's registration records will become public at the time of submission, rather than remaining confidential as was previously the case. This public access may enable other companies in the animal health industry outside of the EU to copy the information, which may hamper innovation in the animal health industry. There may also be a risk of increased interference from activist groups as a result of the records of the Group and other companies in the animal health industry being made public. Any potential disclosure of studies and data as well as EFSA's ultimate decision-making power to determine what constitutes confidential information (and therefore subject or not to transparency obligations) may result in adverse publicity, negatively impact the Group's reputation and/or require the Group to disclose commercially sensitive information or intellectual property. The EU Food Transparency Regulation may also have the effect of increasing the importance of patents in the animal health industry as a way to protect companies' R&D efforts and investments.

28. The exit of the UK from the EU, commonly referred to as "Brexit", could lead to regulatory divergence and require the Group to incur additional expenses in order to sell its products into the UK

The UK left the EU on January 31, 2020 and, pursuant to the formal withdrawal arrangements agreed between the UK and the EU, the UK was subject to a transition period until December 31, 2020, during which EU rules continued to apply. A deal that outlines the future trading relationship between the UK and the EU was agreed in December 2020 and has been approved by each EU member state and the UK.

Should the UK further diverge from the EU from a regulatory perspective, tariffs could be put into place in the future. Any further changes in international trade, tariff and import/export regulations as a result of Brexit or otherwise may impose unexpected duty costs or other non-tariff barriers on the Group. 99% of the Group's products sold in the UK are sourced from the EU and if tariffs and/or bureaucracy impedes the flow of goods into the UK, the Group may not be able to sell certain of its products into the UK or may incur delays on import. In addition, the Group initiated EU regulatory approval processes for certain new products prior to Brexit. The regulatory processes are subject to the transitional regimes and are proceeding as planned; however, there remains a risk that Brexit may have a negative impact on the approvals for these products. The Group could therefore, both now and in the future, face significant additional expenses (when compared to the

position prior to the end of the Brexit transition period) to operate its business, which could significantly and materially harm or delay its ability to sell into the UK.

29. Regulatory restrictions and bans on the use of antibiotics in livestock, as well as changing market demand, may continue to negatively affect demand for certain of the Group's livestock products

Over the past few years, the Group's operational results have been, and will continue to be, affected by regulations and changing market demand. In certain markets, sales of certain of the Group's livestock products have been negatively affected by an increase in consumer sentiment for "clean" proteins and dairy products (i.e., proteins and dairy products produced without the use of antibiotics or other products intended to increase animal production) and by regulations restricting the use of antibiotics in livestock.

Based upon the concerns of the development of antibiotic resistance in human pathogens, antibiotics used in animals have been classified into two groups: medically important antibiotics, which are used to treat infectious disease caused by pathogens that occur in both humans and animals; and animal-only antibiotics, which are used to treat infectious disease caused by pathogens that occur in animals only. Concerns that the use of antibiotics in livestock production may lead to increased antibiotic resistance of human pathogens have resulted in increased regulation and changing market demand and there is a risk that governments will continue to enact regulations that further restrict the use of antibiotics in livestock. For example, in December 2013, the FDA announced final guidance establishing procedures for the voluntary phase-out in the US over a three-year period of the use of medically important antibiotics in animal feed for growth promotion in livestock production. The guidance allows for continued use of medically important antibiotics in food-producing animals under the supervision of a veterinarian for treatment, control and, under certain circumstances, for prevention of disease. The FDA indicated that it took this action to help preserve the efficacy of medically important antibiotics to treat infections in humans. As part of those efforts, stricter guidelines governing the administration of medically important antibiotics have recently come into effect. As of January 1, 2017, under the FDA guidance and the related rule known as the Veterinary Feed Directive, the use of medically important antibiotics in the water or feed of food-producing animals requires written authorization by a licensed veterinarian. Also, the EU has banned the use of antibiotics as feed additives for zootechical purposes through Regulation (EC) No 1831/2003, whereas the use of certain animal-only antibiotics is approved for zootechnical purposes in many other countries, including the US. In addition, other countries in which the Group sells or plans to sell its products, have passed restrictions or bans on antibiotic use. Other countries have placed restrictions or bans on the use of specific antibiotics in certain food-producing animals, regardless of the route of administration (in feed or injectable). These regulatory changes required the Group to shift its growth strategies from antibiotics to vaccines, coccidiostats and enzymes and in the year ended December 31, 2020, antibiotics comprised less than one-third of total sales of the Group. The impact of existing or further changes in regulations and market preferences regarding the use of antibiotics in livestock could continue to lead the market to shift to antibiotics alternatives, which could have an adverse effect on the Group's antibiotics sales, and therefore, on its business, financial condition and results.

30. The Group is subject to complex environmental, health and safety laws and regulations

The Group is subject to various local and foreign environmental, health and safety laws and regulations and the nature of the Group's operations exposes it to the risk of claims under environmental laws and regulations, including but not limited to United States Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended ("**CERCLA**"), legislation on the prevention of air, land and water contamination, preservation of biodiversity, waste (including hazardous substances) treatment and disposal such as Regulation (EC) No 1907/2006—Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH); Bulgarian legislation that transposes the relevant EU legislation (including the Bulgarian Environmental Protection Act (2002), Bulgarian Water Act (1999), Bulgarian Waste Management Act (2012), Bulgarian Air Quality Act (1996), Bulgarian Climate Change Mitigation Act (2014), and Bulgarian Act on Liability For Preventing And Remedying Ecological Damages (2008)) or other EU, federal, state, local and foreign environmental cleanup laws. The Group could be subject to claims by environmental regulatory authorities, individuals and other third parties seeking damages for alleged personal injury, property damage, and damages to natural resources resulting from hazardous substance contamination or human exposure caused by its operations, facilities or products, and there can be no assurance that material costs and liabilities will not be incurred in connection with any such claims. The Group's insurance may not be sufficient to cover any of these exposure, product, injury or damage claims and such costs and liabilities could materially adversely affect the Group's operating results and financial condition as well as its reputation.

These laws and regulations govern matters such as the emission and discharge of hazardous materials into the ground, air or water; the generation, use, storage, handling, treatment, packaging, transportation, exposure to, and disposal of hazardous and biological materials, including recordkeeping, reporting and registration requirements; and the health and safety of the Group's employees. Due to the nature of its operations, these laws and regulations also require the Group to obtain, and comply with, permits, registrations or other authorizations issued by governmental authorities. These authorities can modify or revoke the Group's permits, registrations or other authorizations and can enforce compliance through fines and injunctions.

Furthermore, regulatory agencies are showing increasing concern over the impact of animal health products and livestock operations on the environment. This increased regulatory scrutiny may necessitate that additional time and resources be spent to address these concerns in both new and existing products and could affect product sales and materially adversely affect the Group's business, financial condition or results of operations.

The Group's failure to comply with the environmental, health and safety laws and regulations to which it is subject, including any permits issued thereunder, may result in environmental remediation costs, loss of permits, fines, penalties or other adverse governmental or private actions, including regulatory or judicial orders enjoining or curtailing operations or requiring corrective measures, installation of pollution control equipment or remedial measures. The Group could also be held liable for any and all consequences arising out of human exposure to hazardous materials or environmental damage. Environmental laws and regulations are complex, change frequently, have tended to become more stringent and stringently enforced over time and may be subject to new interpretation. There can be no assurance that the Group's costs of complying with current and future environmental, health and safety laws, and the Group's liabilities arising from past or future releases of, or exposure to, hazardous materials will not materially adversely affect its business, results of operations or financial condition.

31. Regulations that restrict free trade or the modification of foreign trade policy may harm the Group's livestock product customers

Changes in laws, agreements and policies governing foreign trade in the territories and countries where the Group's customers do business could negatively impact such customers' businesses and adversely affect the Group's results of operations. A number of the Group's customers, particularly US-based livestock producers, benefit from free trade agreements, such as the United States-Mexico-Canada Agreement ("**USMCA**"). Efforts by the US to withdraw from or materially modify USMCA or other international trade agreements to which it is a party, as well as trade disputes or the imposition of tariffs, could harm the Group's customers. In addition, certain countries in which the Group operates have regulations in place that restrict free trade. Some of the livestock producers to which the Group sells export a significant portion of their total production. If a country raises import tariffs or places other restrictions on livestock from the Group's customers entering the country, this may lead to disruptions in demand for customer, livestock and in turn, for the Group's products. If additional duties are imposed on goods entering the countries in which the Group operates or if such regulations are amended to further restrict free trade, this could materially adversely affect the Group's business, financial condition and results of operations.

32. Compliance with regulations for quality systems is difficult, time consuming and costly, and the Group may be found to be non-compliant, for example as a result of future changes in or interpretation of the regulations regarding quality systems in certain jurisdictions

The Group has developed and maintains a quality management system to ensure the quality of its products and activities. However, compliance with regulations for quality systems for animal health companies is difficult, time consuming and costly, and there are changes in the regulations from time to time. It is possible that the Group may be found to be non-compliant with new or existing regulations in the future. In addition, the Group may be found to be non-compliant as a result of future changes in, or interpretation of, the regulations for quality systems. If the Group does not achieve compliance or subsequently become non-compliant, the regulatory authorities may require it to take appropriate action to address non-conformance issues identified in the audit, refuse to grant or withdraw marketing clearance, or require product recall or take other enforcement action.

Furthermore, the Group's third-party suppliers must also comply with certain regulations for quality systems with respect to the raw materials they provide to the Group. Although the Group qualifies and audits its suppliers periodically to assess their abilities to deliver components and raw materials within the necessary qualifications, there can be no assurance that its third-party suppliers would be able to maintain compliance with necessary quality standards and regulations. If the Group's third-party suppliers become non-compliant with applicable regulations, this could result in enforcement action against the third-party suppliers by

regulatory authorities, which could also lead to halt or suspension of their operations. In such case, the Group may be unable to supply raw materials in a timely manner, which could have an adverse effect on its manufacturing operations.

Risks related to the Group's intellectual property

33. If the Group's intellectual property rights are challenged or circumvented, competitors may be able to take advantage of its research and development efforts or harm the value of the Group's brands

The Group's long-term success and ability to compete depends on its ability to market technologically competitive products. The Group's intellectual property includes its unregistered copyrights, registered and unregistered trademarks, trade secrets, patents and patent applications, and the content of the Group's websites. The Group relies and expects to continue to rely on the rights provided under the intellectual property laws in the jurisdictions in which it operates. However, effective intellectual property protection may not be available in every country in which the Group operates, and the existing laws of certain countries in which the Group operates may not protect its intellectual property rights to the same extent as do the laws of the European Union.

The Group also relies and expects to continue to rely on confidentiality and license agreements with its employees, partners and others with whom the Group conducts business, to protect its intellectual property and proprietary rights by limiting access to, and disclosure and use of, such proprietary information. However, these contractual arrangements and the other steps the Group has taken to protect its intellectual property rights may not prevent the misappropriation of its proprietary information, infringement of its intellectual property rights, disclosure of trade secrets and other proprietary information or deter independent development of similar or competing technologies, and may not provide an adequate remedy in the event of any misappropriation or infringement.

If the Group fails to obtain and maintain adequate intellectual property protection, or fail to protect and enforce its intellectual property, the Group may not be able to prevent third parties from using its proprietary technologies or from marketing products that are very similar or identical to ours, which will erode or negate any competitive advantage it may have. This could materially harm the Group's business, negatively affect its position in the marketplace and limit its ability to commercialize its proprietary technology.

The Group's currently pending or future patent applications may not result in issued patents, or be approved on a timely basis, or at all. In addition, the Group's issued patents may not contain claims sufficiently broad to protect the Group against third parties with similar technologies or products or provide the Group with any competitive advantage, including exclusivity in a particular product area. The scope of the Group's patent claims also may vary between countries, as individual countries have their own patent laws. For example, some countries only permit the issuance of patents covering a novel chemical compound in relation to its first use, and thus further methods of use for the same compound may not be patentable. The Group may be subject to challenges by third parties regarding its intellectual property, including claims regarding validity, enforceability, scope and effective term. The validity, enforceability, scope and effective term of patents can be highly uncertain and often involve complex legal and factual questions and proceedings. In addition, patent law reform in the United States and other countries may also weaken the Group's ability to enforce its patent rights, or make such enforcement financially unattractive.

The Group's competitive position is dependent upon unpatented trade secrets, which generally are difficult to protect. Others may independently develop substantially equivalent proprietary information and techniques or may otherwise gain access to the Group's trade secrets or trade secrets may be disclosed (including being disclosed inadvertently), and the Group may not be able to protect its rights to unpatented trade secrets.

Any inability to protect the Group's intellectual property rights could have a material adverse impact on the Group's business and financial condition.

34. The actual or purported intellectual property rights of third parties may negatively affect the Group's business

The Group's future success depends in part on not infringing upon the intellectual property rights of others. A third party, including the Group's competitors, may sue the Group or otherwise make a claim, alleging infringement or other violation of the third party's patents, trademarks, copyrights, trade secrets, domain names or other intellectual property rights. If the Group does not prevail in this type of litigation, it may be required to:

- pay monetary damages (which may be significant);

- obtain a license in order to continue manufacturing or marketing the affected products, which may not be available on commercially reasonable terms, or at all;
- stop activities, including any commercial activities, relating to the affected products, which could include a recall of the affected products and/or a cessation of sales and branding in the future; or
- develop alternative non-infringing technology, content, branding or business methods, which could require significant effort and expense, be infeasible or make the Group less competitive in the market.

The costs of defending an intellectual property claim could be substantial, and the process could be time consuming and could divert management's attention and other resources. This could materially adversely affect the Group's operating results and financial condition, even if the Group successfully defends such claims.

The intellectual property positions of animal health and human health products frequently involve complex legal and factual questions, and an issued patent does not guarantee the Group the right to practice the patented technology or develop, manufacture or commercialize the patented product. The Group cannot be certain that a competitor or other third party does not have or will not obtain rights to intellectual property that may prevent the Group from manufacturing, developing or marketing certain of the Group's products, regardless of whether the Group believes such intellectual property rights are valid and enforceable or the Group believes it would be otherwise able to develop a more commercially successful product, which may harm its operating results and financial condition.

In the case of infringement or misappropriation caused by technology that the Group obtains from third parties, any indemnification or other contractual protections the Group obtains from such third parties, if any, may be insufficient to cover the liabilities the Group incurs as a result of such infringement or misappropriation. Any of these consequences could harm the Group's operating results.

Risks related to the Group's financial condition

35. Any failure to repay or refinance its indebtedness when due could adversely affect the Group's business

The Group meets the majority of its funding requirements through financing arrangements that have been executed by the Group Companies. The Group's indebtedness primarily consists of an EUR 540 million Facilities Agreement which matures on July 25, 2027 (the "**Facilities Agreement**") and an EUR 125 million EIB Contract which matures on March 31, 2026 (as further described under "*Operating and Financial Review—Financing Arrangements*"). The total amount of the Group's debt was EUR 534 million and EUR 500 million as of March 31, 2021 and December 31, 2020, respectively. The Group's net leverage ratio was 2.89:1 and 2.87:1 as of March 31, 2021 and December 31, 2020, respectively. The Senior leverage ratio defined in the Facilities Agreement (Senior Total net debt of that Relevant Period to EBITDA in respect of that Relevant Period) shall not exceed 4.00:1 during any 12 month period. The EBITDA to senior net finance charges ratio was 18.21:1 and 16.40:1 as of March 31, 2021 and December 31, 2020, respectively, and the EBITDA to senior net finance charges ratio as defined under the Facilities Agreement in respect of any 12 months period shall not be less than 4.00:1. The Group's ability to meet its financial obligations in a timely manner depends on the Group's financial condition and operating performance, which are subject to prevailing economic and competitive conditions and to certain financial, business, legislative, regulatory and other factors beyond the Group's control. If financial and economic conditions were to deteriorate, including as a result of political and economic uncertainty or instability, or if interest rates were to increase, it may be costlier and more difficult for the Group to access new credit or to refinance the Group's debt on terms that are acceptable to the Group, if at all. This could have a material adverse effect on the Group's business, financial condition or results of operations.

The Group may be unable to maintain a level of cash flow from operating activities sufficient to permit it to pay the principal and interest on its indebtedness. If the Group's cash flows and capital resources are insufficient to fund its debt service obligations, the Group could face substantial liquidity problems and could be forced to reduce or delay investments and capital expenditures, or to dispose of material assets or operations, alter its dividend policy, seek additional debt or equity capital or restructure or refinance its indebtedness.

In addition, the Group conducts its operations through its subsidiaries and certain of these subsidiaries are the borrowers and are directly responsible for the repayment of the loans. Accordingly, repayment of the Group's indebtedness will depend on the generation of cash flow by the Group's subsidiaries, including its international subsidiaries.

If the Group is not able to meet its financial obligations arising from the financing arrangements in a timely manner, the Group would default on these obligations. Upon the occurrence of any event of default due to non-

payment, the Group's lenders could, while such event of default remains unremedied or unwaived, cancel the availability of the financing, accelerate all amounts due under the financing arrangements or realize the collateral, which primarily includes share pledges over the shares of certain of the Group Companies, mortgages on certain Group Companies' immovable properties and movable pledges on their machinery and equipment, and intangible assets (see "*Operating and Financial Review—Financing Arrangements—Security rights*"). Realization of share pledges over the shares of Group Companies may result in their transfer to third parties. In addition, realization of mortgages or movable pledges may result in loss of the Group's properties and machinery and equipment herein, which could affect its manufacturing operations, and therefore the Group's business, financial condition, results of operations and prospects.

In addition, as of March 31, 2021, the total amount of the Group's current interest-bearing loans and borrowings was EUR 40 million. As of March 31, 2021, 50% of the Group's short-term loans are subject to floating interest rate. Although the Group conducts interest rate swaps at market standard levels, interest rate fluctuations could increase its financing costs and, therefore, have an adverse effect on the Group's financial condition.

Risks related to the Ordinary Shares

36. The payment of any future dividends will depend on the Group's financial condition and results of operations, as well as on the Company's operating subsidiaries' distributions to the Company

Subject to the limitations described under "*Dividends and Dividend Policy—Dividend Policy*", the Company intends to pay dividends.

The ability and intention of the Company to declare and pay dividends in the future: (i) will mainly depend on its financial position, results of operations, capital requirements, investment prospects, the existence of distributable reserves and available liquidity and such other factors as the board of directors (*bestuur*) of the Company (the "**Board**") may deem relevant; and (ii) are subject to factors that are beyond the Company's control.

If the Company does decide to pay dividends in the future, a distribution of dividends may only take place (i) after the adoption of the Annual Accounts pursuant to a resolution of the General Meeting, or (ii) in the case of an interim dividend, after the Board has signed an interim statement of assets and liabilities, from which it appears that the distribution is allowed. The Company may only make distributions to its Shareholders insofar as the Company's equity exceeds the sum of the paid-up and called-up share capital increased by the reserves as required to be maintained by Dutch law or by the articles of association of the Company as they will read immediately after the conversion of the Company into a public company with limited liability on the First Trading Date (the "**Articles of Association**"). The Board determines whether the Company is able to make the distributions. Because the Company is a holding company, the principal assets of the Company are the equity interests it directly or indirectly holds in its operating subsidiaries. As a result, the Company's ability to pay dividends will depend directly on distributions and other payments from such subsidiaries to the Company. The Company's subsidiaries may not be able to, or may not be permitted to, make distributions to enable the Company to make payments in respect of its indebtedness (See "Operating and Financial Review—Financing Arrangements—Dividends and Share Redemptions under the Facilities Agreement and EIB Contract"). Any such distributions may be materially and adversely impacted if the Company's operating subsidiaries' profitability suffers. The amount and timing of such distributions will furthermore depend on the laws of such subsidiaries' respective jurisdictions. Any of these factors, individually or in combination, could restrict the Company's ability to pay dividends and therefore could negatively impact the market price of the Ordinary Shares.

37. The Selling Shareholder will retain control of the Company preventing free float shareholders to significantly influence important corporate decisions

Following the completion of the Offering, the Selling Shareholder will own 85.00% of the Ordinary Shares, assuming full placement of the Offer Shares and full exercise of the Over-Allotment Option and will continue to have significant control over the Company for a period of time, which could continue indefinitely. This would prevent other shareholders from influencing important corporate decisions. For so long as the Selling Shareholder controls the majority of the voting power of the Ordinary Shares, it will determine the outcome of all corporate actions requiring shareholder approval, including the appointment and dismissal of members of the Board, the distribution of dividends, the amendment of the Articles of Association or any proposed capital increase. In addition, the Company intends to enter into a relationship agreement with the Selling Shareholder (the "**Relationship Agreement**"), effective as of the First Trading Date, pursuant to which the Selling

Shareholder may designate one or two Board members for appointment, depending on its shareholding in the Company at that time, see "*Management, Employees and Corporate Governance—Board*". These arrangements will increase the Selling Shareholder's control over the Company and the Board. The Relationship Agreement prescribes that, in certain circumstances, Board resolutions concerning the following topics can only be passed with the affirmative vote of the Selling Shareholder Nominee(s):

- Entering into or terminating a long-lasting alliance of the Company or of a dependent company either with another entity or partnership, or as a fully liable partner of a limited partnership or general partnership, if this alliance or termination is of significant importance for the Company;
- Disposing of assets of the Company in excess of 10% of the total asset value of the Company and its subsidiaries;
- Entering by the Company into a merger, demerger or consolidation;
- Material changes in the existing legal structure or organization structure of the group of the Company;
- The grant of rights to subscribe for ordinary shares in the capital of the Company;
- The limitation or exclusion of pre-emption rights for ordinary shares in the capital of the Company;
- Determining and changing the Company's dividend policy;
- The issue of new ordinary shares in the capital of the Company to be offered for listing;
- Reduction of the share capital of the Company;
- Variation of the rights attaching to any class of shares in the Company;
- Amendment, modification, restatement or any other change to the Company's constitutional documents and policies, including the Board Rules by any material and permanent change of the responsibilities within the Board;
- Appointment or removal of a Director or change to the size of the Board, the nomination and the exclusion of Board members, and the procedure for the designation, nomination or election of the Board or the constitution of any committee of the Board;
- Any action to dissolve, wind up or liquidate the Company; and
- Any change to the nature of the Company's business, including the introduction and commencement of a new line of business that is unrelated to the core business of the Company.

The interests of the Selling Shareholder may differ from the interests of the Company and its other Shareholders and therefore actions that the Selling Shareholder takes with respect to the Company may not be favorable to the Company or its other Shareholders. As the majority Shareholder, the Selling Shareholder may postpone or prevent transactions that might be advantageous for investors. Furthermore, the concentration of ownership and the high degree of control by the Selling Shareholder could adversely affect the trading volume and market price of the Ordinary Shares. This could be the case if investors determine that the stock is not as attractive due to high concentration of ownership and degree of control by the Selling Shareholder, as a result of which demand for Ordinary Shares may go down.

38. Future offerings of debt or equity securities by the Company or future offerings of equity by the Selling Shareholder, or the perception thereof, may adversely affect the market price of the Ordinary Shares and any future issuances of Shares may dilute investors' shareholdings

Pursuant to a resolution to be adopted by the General Meeting, the Board will be authorized to issue Ordinary Shares or grant rights to subscribe for Ordinary Shares for a period of 18 months following the First Trading Date and to limit or exclude the pre-emptive rights pertaining to such Ordinary Shares and rights. This authorization of the Board will be limited to: (i) up to a maximum of 10% of the Ordinary Shares issued and outstanding on Settlement for general purposes; and, in addition, (ii) up to a maximum of 10% of the Ordinary Shares issued and outstanding on Settlement in connection with takeovers, mergers, demergers and strategic alliances. Such designations may be revoked at any time by the General Meeting.

The Selling Shareholder and the Company have agreed with the Underwriters, pursuant to an underwriting agreement entered into on the date of this Prospectus (the "**Underwriting Agreement**"), to restrictions on their ability to issue, sell or transfer Ordinary Shares or interests therein for a period ending 180 days after the First Trading Date. After the expiration of the applicable lock-up period, the Selling Shareholder may sell their Ordinary Shares or the Company may issue Ordinary Shares or securities linked to them.

The Company may also seek to raise capital through public or private debt or equity financings by issuing additional Ordinary Shares, debt or equity securities convertible into Ordinary Shares or rights to acquire these securities and exclude the pre-emptive rights pertaining to the then outstanding Ordinary Shares. In addition, the Company may in the future seek to issue additional Ordinary Shares as stock dividend or as consideration for or otherwise in connection with the acquisition of new businesses. Furthermore, the Company may issue new Ordinary Shares or grant rights to subscribe for Ordinary Shares in connection with the establishment of employee share participation or stock option plans. The issuance of any additional Ordinary Shares may dilute an investor's shareholding interest in the Company

In addition, the Joint Global Coordinators (acting on behalf of the Underwriters) have full discretion to waive the lock-up in connection with the Selling Shareholder and the Company at any time before its expiry. This could also result in the Selling Shareholder or the Company selling or issuing Ordinary Shares before expiry of the applicable lock-up periods. In addition, there could also be a perception in the market that such sales could occur due to the expiry of the relevant lock-up period or its waiver. For further information on such lock-up arrangements, see "*Plan of Distribution—Lock-up Arrangements*".

The market price of the Ordinary Shares could decline if, following the Offering and after the expiration of the lock-up period, a substantial number of Ordinary Shares are sold by the Selling Shareholder in the public market or if there is a perception that such sales could occur. In addition, any such sales could make it more difficult for the Company to raise capital through the issuance of equity securities in the future.

Finally, any additional debt or equity financing the Company may need may not be available on terms favorable to the Company or at all, which could materially adversely affect its future plans and the market price of the Ordinary Shares. Any additional offering or issuance of Ordinary Shares by the Company, or the perception that an offering or issuance may occur, could also have a negative impact on the market price of the Ordinary Shares and could increase the volatility in the market price of the Ordinary Shares.

39. Shareholders outside the Netherlands may not be able to exercise pre-emptive rights in future offerings

In the event of an increase in the Company's issued share capital, Shareholders are generally entitled to full pre-emptive rights unless these rights are limited or excluded either by virtue of Dutch law, by a resolution of the General Meeting or by a resolution of the Board (if the Board has been designated by the General Meeting or the Articles of Association for this purpose). Prior to the First Trading Date, the Board will be authorized for a period of 18 months from the First Trading Date to limit or exclude pre-emptive rights subject to limits as set out in this Prospectus. However, certain Shareholders outside the Netherlands may not be able to exercise pre-emptive rights, and therefore could suffer dilution, unless local securities laws have been complied with.

In particular, Shareholders in certain other countries, including the United States, may not be able to exercise their pre-emptive rights or participate in a rights offer, as the case may be, unless the Company complies with local requirements, or in the case of the United States, unless a registration statement under the U.S. Securities Act is effective with respect to such rights and the Ordinary Shares or an exemption from the registration requirements is available. In such cases, Shareholders resident in such non-Dutch jurisdictions may experience a dilution of their holding of Ordinary Shares, possibly without such dilution being offset by any compensation received in exchange for subscription rights. The Company will evaluate at the time of any issue of Ordinary Shares subject to pre-emptive rights or in a rights offer, as the case may be, the costs and potential liabilities associated with compliance with any such local laws or any such registration statement, as well as the indirect benefits to it of enabling the exercise of such holders of their pre-emptive rights to Ordinary Shares or participation in a rights offer, as the case may be, and any other factors considered appropriate at the time and then to make a decision as to whether to comply with such local laws or file a registration statement. The Company cannot assure investors that any steps will be taken to enable the exercise of such holders' pre-emptive rights or participation in a rights offer.

40. Investors with a reference currency other than euro will become subject to certain foreign exchange risks when investing in the Ordinary Shares

The Company's share capital is denominated in euro and all dividends (if any) on the Ordinary Shares will be paid by the Company in euro. Investors whose reference currency is a currency other than the euro may be adversely affected by any reduction in the value of the euro relative to the respective investor's reference currency. In addition, such investors could incur additional transaction costs in converting the euro into another currency. Investors whose reference currency is a currency other than the euro are therefore urged to consult their financial advisers.

41. If securities or industry analysts do not publish research or reports about the Company's business or industry, or if such analysts (if any) change their recommendations regarding the Ordinary Shares adversely, the market price and trading volumes of the Ordinary Shares could decline

The trading market for the Ordinary Shares will be influenced by the research and reports that securities or industry analysts publish about the Group's business or industry. If securities or industry analysts do not publish or cease to publish research or reports about the Group's business or industry, the Group could lose visibility in the financial markets, which could cause the market price or trading volume of the Ordinary Shares to decline. Also, if one or more of the analysts covering the Group's business or industry recommends selling Ordinary Shares, or if negative research is published on the industry or geographic markets the Group serves, the market price of the Ordinary Shares could decline.

42. There is currently no public trading market for the Ordinary Shares and there is a risk that no active and liquid market for the Ordinary Shares will develop and that the price of the Ordinary Shares may be volatile

Until trading on Euronext Amsterdam commences on an "as-if-and-when-issued" basis, which is expected on July 1, 2021, but is subject to acceleration, extension and pricing and Settlement taking place, there is no public trading market for the Ordinary Shares. There can be no assurance that an active trading market for the Ordinary Shares will develop after the Offering or, if it does develop, that it will be sustained or liquid. If such market fails to develop or be sustained, this could negatively affect the liquidity and price of the Ordinary Shares, as well as increase their price volatility. Investors may not be in a position to sell their Ordinary Shares quickly or at the market price if there is no active trading in Ordinary Shares. In addition, an illiquid market for the Ordinary Shares may result in lower market prices and increased volatility, which could materially adversely affect the value of an investment in the Ordinary Shares.

The Offer Price may not be indicative of the market price for the Ordinary Shares after the Offering has completed. The market price of the Ordinary Shares could also fluctuate substantially due to factors, such as the risks described in "*—Risks related to the Group's business and industry*" and to factors related to the animal health industry or equity markets generally. As a result of such factors, the Ordinary Shares may trade at prices significantly below the Offer Price. The Company cannot assure you that the market price of the Ordinary Shares will not decline, or that the Ordinary Shares will not trade at prices significantly below the Offer Price, regardless of the Company's actual performance.

43. Certain provisions of the Articles of Association or Dutch corporate law might deter acquisition bids for the Company that might be considered favorable by Shareholders and prevent, delay or frustrate any attempt to replace or dismiss Board members

Under Dutch law, various protective measures are possible and permissible within the boundaries set by Dutch law and Dutch case law.

In this respect, the General Meeting shall authorize the Board prior to the First Trading Date to grant a call option to an independent foundation under Dutch law (if and when incorporated) (the "**Protective Foundation**") to acquire Preferred Shares pursuant to a call option agreement (the "**Call Option Agreement**"), which may be entered into between the Company and such Protective Foundation, if then existing, after the First Trading Date. This call option, if and when granted, shall be continuous in nature and can be exercised repeatedly on multiple occasions. If the Protective Foundation, if and when incorporated, would exercise such call option, if and when granted, a number of Preferred Shares up to 100% of the Company's issued share capital held by others than the Protective Foundation, minus one share, will be issued to the Protective Foundation, allowing it to repress possible influences which could threaten the strategy, continuity, independence and/or identity of the Company or the business connected with it, including a third party acquiring a significant percentage of Ordinary Shares, the announcement of an unsolicited public offer for Ordinary Shares, shareholder activism, other concentration of control over Ordinary Shares or any other form of undue pressure on the Company to alter the Company's strategic policies.

In addition, certain provisions of the Articles of Association may make it more difficult for a third-party to acquire control of the Company or effect a change in the composition of the Board. These include: (i) a provision that Board members can only be appointed on the basis of a binding nomination prepared by the Board which can only be overruled by a two-thirds majority of votes cast representing more than half of our issued share capital, (ii) a provision that Board members can only be dismissed by the General Meeting by a two-thirds majority of votes cast representing more than half of our issued share capital, unless the dismissal is proposed by the Board, (iii) a provision allowing, among other matters, the former chairperson of the Board or

former Chief Executive Officer to manage affairs of the Company if all Board members are dismissed, including the preparation of a binding nomination for Board members as discussed above, (iv) a requirement that certain matters, including an amendment of the Articles of Association, may only be resolved upon by the General Meeting if proposed by the Board, and (v) a provision that Shareholders are required to observe a reasonable response period of up to 180 days if invoked by the Board in response to Shareholders exercising their right to put an item on the agenda for the General Meeting or to request the convening of a General Meeting, consistent with the provisions relating to such response period under the Dutch Corporate Governance Code.

Moreover, Dutch law allows the Board to invoke a cooling-off period of up to 250 days when Shareholders, using their right to have items added to the agenda for a General Meeting or their right to request a General Meeting, propose an agenda item for the General Meeting to dismiss, suspend or appoint one or more Board members (or to amend any provision in the Articles of Association dealing with those matters) or when a public offer for the Company is made or announced without the support of the Company, provided, in each case, that the Board of directors believes that such proposal or offer materially conflicts with the interests of the Company and its business. During a cooling-off period, the General Meeting cannot dismiss, suspend or appoint directors (or amend the provisions in the Articles of Association dealing with those matters) except at the proposal of the Board.

The provisions as described in this risk factor may deter, delay, frustrate or prevent future offers for the Company's ordinary shares or other business proposals by third party bidders, which shareholders otherwise might have benefited from or favoured. The provisions described in this risk factor also diminish the shareholders' ability to influence the Company's policy in the future.

Risks related to taxation

44. The Group's global operations is subject to significant tax risks and the Group may experience fluctuations in its tax obligations and effective tax rate, which could adversely affect its results of operations

As a global company, the Group is subject to taxation in certain other countries. Significant judgment is required to determine and estimate worldwide tax liabilities. The Group's future annual and quarterly effective tax rates could be affected by numerous factors, including, without limitation, changes in applicable tax laws, the amount and composition of pretax income in countries with differing tax rates, changes to the transfer pricing policies related to its structure, or valuation of its deferred tax assets and liabilities. Changes in applicable tax laws in the jurisdictions in which the Group (or its subsidiaries) are organized or operate, as well as certain changes resulting from the various global, regional and local initiatives to reform the international tax framework, such as those currently proposed by the Organization for Economic Co-operation and Development, including, without limitation, their action plan on Base Erosion and Profit Shifting, which could have a material adverse effect on its financial condition and results of operations. The Group believes its tax estimates are reasonable but a final determination of tax by means of an assessment or an audit could be different from its tax provisions and accruals which could adversely affect its results of operations. Furthermore, the tax laws and regulations are very complex and are open to different interpretations and application. The interpretation and application of these laws and regulations could differ from that of the relevant tax authority, which could result in administrative or judicial procedures, actions or sanctions, which could be material.

45. Taxing authorities could reallocate the Group's taxable income among any current or future affiliates, which could increase its overall tax liability

The Group conducts operations through subsidiaries in various tax jurisdictions pursuant to transfer pricing arrangements between the Group and such various subsidiaries. If two or more affiliated companies are located in different countries, the tax laws or regulations of each country generally will require that transfer prices be the same as those between unrelated companies dealing at arms' length and that appropriate documentation is maintained to support the transfer prices. While the Group believes that it currently operates in compliance with applicable domestic and international transfer pricing laws (to the extent relevant) and intends to continue to do so, it cannot exclude the possibility that one or more foreign tax authorities may not agree with, and thus may challenge, any transfer pricing practices or procedures it implements now or in the future, and that applicable transfer pricing laws may change adversely to its business. If any tax authorities were to successfully challenge the Group's transfer prices as not reflecting arms' length transactions, they could require the Group to adjust its transfer prices and thereby reallocate its income to reflect these revised transfer prices, which could result in higher tax liabilities, penalties or double taxation in two countries. In addition, the Group's documentation may be considered to be insufficient by the relevant tax authorities which may also result in penalties and additional

tax payments. If tax authorities were to allocate income to a tax jurisdiction with a higher aggregated tax burden, subject the Group's income to double taxation or assess interest and penalties, it would increase the Group's consolidated tax liability, which could adversely affect its business, financial condition, results of operations and cash flows.

46. The Group intends to be treated exclusively as a resident of the Netherlands for tax purposes, but tax authorities of other jurisdictions may treat it as being also a resident of another jurisdiction for tax purposes, potentially triggering Dutch dividend withholding tax in respect of a deemed distribution of its entire market value less paid-up capital

Since the Group is incorporated under the laws of the Netherlands, it qualifies as a resident of the Netherlands for Dutch corporate income tax and Dutch dividend withholding tax purposes (regardless its place of effective management). In addition, the Group intends to set up and maintain its management and organizational structure in such a manner that it should not be regarded as a tax resident of any other jurisdiction (in particular of Bulgaria) either for the applicable domestic laws purposes or for the purposes of any applicable tax treaty (in particular any applicable tax treaty with the Netherlands). However, the determination of the Group's tax residence may depend on the way the Group conducts itself in practice, and tax authorities of other jurisdictions may claim that it is also a tax resident in their jurisdiction, for example, if its place of effective management is in that jurisdiction. The applicable domestic laws and tax treaties or interpretations thereof may change. Furthermore, where the Group has its place of effective management, is largely a question of facts and circumstances, rather than a question of law, which facts and circumstances may also change. Changes to applicable laws and tax treaties or interpretations thereof, changes to applicable facts and circumstances (for example, a change of directors or the place where board meetings take place) may result in the Group becoming (also) a tax resident of another jurisdiction. As a consequence, the Group's overall effective income tax rate and income tax expense could materially increase, which could have a material adverse effect on its business, results of operations, financial condition and prospects, which could cause its share price and trading volume to decline. In addition, as a consequence, dividends distributed by the Group, if any, may become subject to dividend withholding tax in more than one jurisdiction. Moreover, the Group may become subject to limited income tax liability in other countries with regard to the income generated in the respective other country, for example, due to the existence of a permanent establishment or a permanent representative in such other country. The double taxation of income and the double withholding tax on dividends may be reduced or avoided entirely under the applicable tax treaties.

In addition, under a proposal of law currently pending before the Dutch parliament, the Emergency act conditional exit tax dividend tax (*Spoedwet conditionele eindafrekening dividendbelasting*; "**DWT Exit Tax**"), the Group will be deemed to have distributed an amount equal to its entire market value less paid-up capital immediately before the occurrence of certain events, including if the Group ceases to be a Dutch tax resident and becomes a tax resident of a jurisdiction that does not impose a withholding tax on dividends which is comparable to the Dutch dividend withholding tax or that does impose such a tax, but does not impose such tax on market value created during the period during which the Group was a tax resident of the Netherlands. This deemed distribution will be subject to a 15% tax. An automatic interest free unconditional indefinite extension for payment of the tax will be granted. However, the extension will expire, inter alia, if and to the extent the Group would make distributions after the move of its tax residence. In that event, the DWT Exit Tax rules prescribe that the Group has a right to recover the amount of deferred tax that has become due from its shareholders through compensation with the shareholder's dividend receivable, irrespective whether that shareholder held the shares in the Group at the time the Group became a tax resident of the other jurisdiction. If the Group does not recover this amount from its shareholders, the Group will have to pay such part of the deferred tax itself. The Dutch parliament commenced debate on the DWT Exit Tax in December 2020. It is not certain whether the DWT Exit Tax will be enacted, whether in its present form or with amendments. If enacted in the form in which it is presently pending before the Dutch parliament, however, the DWT Exit Tax will have retroactive effect to September 18, 2020.

47. Dividends distributed by the Group on the Offer Shares to certain related parties in low-taxed jurisdictions might in the future become subject to an additional Dutch withholding tax on dividends

Under current Dutch tax law, dividends paid on Offer Shares are in principle subject to Dutch dividend withholding tax at a rate of 15% under the Dutch Dividend Withholding Tax Act 1965 (*Wet op de dividendbelasting 1965;* "**Regular Dividend Withholding Tax**"), unless a domestic or treaty exemption or reduction applies, see "*Certain Material Dutch Tax Considerations—Dividend Withholding tax*". On March 25, 2021, the Dutch State Secretary for Finance submitted a proposal of law to the Dutch parliament pursuant to which an additional withholding tax ("**Additional Withholding Tax**") will be imposed on dividends paid to

related entities in certain listed low-taxed jurisdictions (or in case of certain abusive constructions), effective January 1, 2024. An entity is related if (i) it holds, directly or indirectly a qualifying interest in the Company, (ii) the Company directly or indirectly holds a qualifying interest in the entity or (iii) an entity in which a third party holds a direct or indirect qualifying interest that also holds a qualifying interest in the Company. An entity is also considered related to the Company if the entity is part of a collaborating group (*samenwerkende groep*) of entities that jointly directly or indirectly holds a qualifying interest in the Company. The term qualifying interest means a direct or indirectly held interest—either by an entity individually or jointly if an entity is part of a collaborating group (*samenwerkende groep*)—that enables such entity or such collaborating group to exercise a definite influence over another entities' decisions, such as the Company, and allows it to determine the other entities' activities. The low-taxed jurisdictions are listed in the yearly updated Dutch regulation on low-taxing states and non-cooperative jurisdictions for tax purposes (*Regeling laagbelastende staten en niet-coöperatieve rechtsgebieden voor belastingdoeleinden*). The Additional Withholding Tax will be imposed at the highest corporate income tax rate in effect at the time of the distribution (currently 25%). The Additional Withholding Tax will be reduced with any Regular Dividend Withholding Tax imposed on distributions so that the overall effective rate of withholding of Regular Dividend Withholding Tax and Additional Withholding Tax will not exceed the highest corporate income tax rate in effect at the time of the distribution (currently 25%). The proposal of law is subject to amendment during the course of the legislative process and it needs to be approved by both chambers of the Dutch parliament before it can enter into force.

IMPORTANT INFORMATION

General

This Prospectus was approved as a prospectus for the purposes of Regulation (EU) 2017/1129 of the European Parliament and of the Council of June 14, 2017 (including any relevant delegated regulations) (the "**Prospectus Regulation**) by, and filed with, the AFM, as competent authority under the Prospectus Regulation, on June 24, 2021.

The AFM has only approved this Prospectus as meeting the standard of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered as an endorsement of the issuer or the quality of the securities that are the subject of this Prospectus and the Company. Investors should make their own assessment as to the suitability of investing in the Ordinary Shares.

Prospective investors should rely only on the information contained in this Prospectus, the Pricing Statement and any supplement to this Prospectus within the meaning of article 23 of the Prospectus Regulation. The Company does not undertake to update this Prospectus, unless required pursuant to article 23 of the Prospectus Regulation, and therefore potential investors should not assume that the information in this Prospectus is accurate as of any date other than the date of this Prospectus. No person is or has been authorized to give any information or to make any representation in connection with the Offering, other than as contained in this Prospectus, and, if given or made, any other such information or representations must not be relied upon as having been authorized by the Company, the members of the Board, the Listing and Paying Agent, the Underwriters or any of their respective affiliates or representatives. The delivery of this Prospectus at any time after the date hereof will not, under any circumstances, create any implication that there has been no change in the Group's affairs since the date hereof or that the information set forth in this Prospectus is correct as of any time since its date.

The content of this Prospectus is not to be considered or interpreted as legal, financial or tax advice. It should not be considered as a recommendation by any of the Company, the members of its Board, the Underwriters or any of their respective representatives that any recipient of this Prospectus should subscribe for or purchase any Offer Shares. Prior to making any decision whether to purchase the Offer Shares, prospective investors should read this Prospectus. Investors should ensure that they read the whole of this Prospectus and not just rely on key information or information summarized within it. Each prospective investor should consult his or her own stockbroker, bank manager, lawyer, auditor or other financial, legal or tax advisers before making any investment decision with regard to the Offer Shares, to among other things consider such investment decision in light of his or her personal circumstances and in order to determine whether or not such prospective investor is eligible to subscribe for the Offer Shares. In making an investment decision, prospective investors must rely on their own examination and analysis of the Company, the Offer Shares and the terms of the Offering, including the merits and risks involved.

Prospective investors are expressly advised that an investment in Offer Shares entails risks and that they should therefore carefully read and review the entire Prospectus. Prospective investors should not just rely on key information or information summarized within this Prospectus. Prospective investors should, in particular, read the section entitled "Risk Factors" when considering an investment in the Offer Shares. A prospective investor should not invest in Offer Shares unless it has the expertise (either alone or with a financial adviser) to evaluate how the Offer Shares will perform under changing conditions, the resulting effects on the value of the Offer Shares and the impact this investment will have on the prospective investor's overall investment portfolio. Prospective investors should also consult their own tax advisers as to the tax consequences of the purchase, subscription, ownership and disposal of the Offer Shares.

No representation or warranty, express or implied, is made or given by the Underwriters, the Listing and Paying Agent, or any of their affiliates or any of their respective directors, officers or employees or any other person, as to the accuracy, completeness or fairness of the information or opinions contained in this Prospectus, or incorporated by reference herein, and nothing in this Prospectus, or incorporated by reference herein, is, or shall be relied upon as, a promise or representation by the Listing and Paying Agent, the Underwriters or any of their respective affiliates or representatives as to the past or future. None of the Listing and Paying Agent and the Underwriters accepts any responsibility whatsoever for the contents of this Prospectus or for any other statements made or purported to be made by either itself or on its behalf in connection with the Company, the Group, the Offering or the Offer Shares. Accordingly, the Listing and Paying Agent and the Underwriters disclaim, to the fullest extent permitted by applicable law, all and any liability, whether arising in tort or contract or which they might otherwise be found to have in respect of this Prospectus and/or any such statement.

Although the Underwriters are party to various agreements pertaining to the Offering and the Underwriters have entered or might enter into a financing arrangement with the Company or any of its affiliates, this should not be considered as a recommendation by any of them to invest in the Offer Shares.

The distribution of this Prospectus and the Offering may, in certain jurisdictions, be restricted by law, and this Prospectus may not be used for the purpose of, or in connection with, any offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation. This Prospectus does not constitute an offer of, or an invitation to, purchase any Offer Shares in any jurisdiction in which such offer or invitation would be unlawful. The Company and the Underwriters require persons into whose possession this Prospectus comes to inform themselves of and observe all such restrictions. None of the Company, the Underwriters or any of their respective affiliates or representatives accepts any legal responsibility for any violation by any person, whether or not a prospective purchaser of Offer Shares, of any such restrictions. The Company, the Selling Shareholder and the Underwriters reserve the right in their own absolute discretion to reject any offer to purchase Offer Shares that the Company, the Selling Shareholder, the Underwriters or their respective agents believe may give rise to a breach or violation of any laws, rules or regulations.

Responsibility Statement

This Prospectus is made available by the Company. The Company accepts responsibility for the information contained in this Prospectus. The Company declares that the information contained in this Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

Information to Distributors

Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Offer Shares has led to the conclusion that: (i) the target market for the Offer Shares is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**UK MiFIR**"); and (ii) all channels for distribution of the Offer Shares to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Offer Shares (a "distributor") should take into consideration the manufacturer's target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Offer Shares (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended ("**MiFID II**"); (b) articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the "**MiFID II Product Governance Requirements**"), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the Offer Shares have been subject to a product approval process, which has determined that the Offer Shares are: (i) compatible with an end target market of investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the "**Target Market Assessment**"). Notwithstanding the Target Market Assessment, "distributors" (for the purposes of the MiFID II Product Governance Requirements) should note that: the price of the Offer Shares may decline and investors could lose all or part of their investment; the Offer Shares offer no guaranteed income and no capital protection; and an investment in the Offer Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Offering. Furthermore, it is noted that, notwithstanding the Target Market Assessment, the Underwriters will only procure investors who meet the criteria of professional clients and eligible counterparties.

For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Offer Shares.

Each distributor is responsible for undertaking its own target market assessment in respect of the Offer Shares and determining appropriate distribution channels.

Presentation of Financial and Other Information

IFRS information

At the date of this Prospectus, the Group operates under the control of Huvepharma International B.V. a direct subsidiary of the Selling Shareholder. The Company was incorporated on April 19, 2021 as a direct subsidiary of the Selling Shareholder. Prior to the Company's conversion into a public company with limited liability, (*naamloze vennootschap*) on the First Trading Date all shares in the capital of Huvepharma International B.V. will be contributed to the Company, after which the Company becomes the sole shareholder of Huvepharma International B.V. (the "**Contribution**"). Since its incorporation, the Company has not acquired any assets, entered into any transaction, or otherwise participated in any activities (other than in connection with the Offering, including: the entering into (i) a Services Agreement with Intertrust for certain services to be provided by Intertrust to the Company (domiciliation; corporate secretarial; accounting and reporting services; and financial administrative services), and (ii) the Listing, Paying and Settlement Agency Agreement with ING). After the Contribution, all assets of the Company are the equity interests it directly or indirectly holds in its Group Companies. The financial position of the Company as of the First Trading Date will be identical to the financial position of Huvepharma International B.V. In order to present the Group as it will exist as of the First Trading Date and to provide investors with meaningful and more representative historical financial information relevant to their investment decision, this Prospectus contains consolidated financial statements of Huvepharma International B.V. and its subsidiaries as of and for the years ended December 31, 2018, 2019 and 2020 (the "**Consolidated Financial Statements**"). The Consolidated Financial Statements should be read in conjunction with the accompanying notes thereto and the independent auditor's reports thereon. The Consolidated Financial Statements have been audited by EY, independent auditors.

This Prospectus also contains unaudited condensed consolidated interim financial information of the Group as of and for the three months ended March 31, 2021 (including comparative numbers as of and for the three months ended March 31, 2020) ("**Interim Financial Statements**"). The Interim Financial Statements should be read in conjunction with the accompanying notes thereto and the independent auditor's review report thereon.

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("**IFRS**") and Part 9 of Book 2 of the Dutch Civil Code and the Interim Financial Statements have been prepared in accordance with IAS 34 Interim Financial Reporting.

Change in accounting policies and presentation

As a result of changes in the presentation of the consolidated financial statements, certain figures for the years ended December 31, 2019 and December 31, 2018 have been reclassified. These reclassifications do not impact the results from the prior period nor the equity position of the Group. The Prospectus includes the (unaudited) reclassified financial information as of and for the year ended December 31, 2018, not the original numbers from the Group's audited consolidated financial statements as of and for the year ended December 31, 2018. To present the reclassified figures as of and for the year ended December 31, 2019, the financial information as of and for the year ended December 31, 2019 presented in this Prospectus is derived from the Group's audited consolidated financial statements as of and for the year ended December 31, 2020.

Until 2019, the Group was presenting revolving credit facilities as current liabilities. In 2020, the Group reassessed the appropriateness of this presentation in relation to the terms of the respective syndicated facilities agreement and, as a result, concluded that the revolving credit facilities with a maturity date longer than 12 months after the balance sheet date should be presented as non-current liabilities.

Further, the Group reassessed its presentation of foreign currency revaluation gains and losses on a gross basis in other operating income and other operating expense respectively and concluded that presentation on a net basis was more appropriate.

The table below presents a comparison of the Non-current interest bearing loans and borrowings, Current interest bearing loans and borrowings, Other operating income and Other operating expense, as of and for the

year ended December 31, 2019 as stated in the consolidated financial statements as of and for the year ended December 31, 2020:

	December 31, 2019 figures included in consolidated financial statements as of December 31, 2020	December 31, 2019 figures included in consolidated financial statements as of December 31, 2019	Reclassification
		(euro in thousands)	
Consolidated statement of financial position			
Non-current interest bearing loans and borrowings	447,413	409,051	38,362[(1)]
Current interest bearing loans and borrowings	38,808	77,170	(38,362)[(1)]
Consolidated statement of comprehensive income			
Other operating income	1,905	30,214	(28,309)[(2)]
Other operating expense	(5,535)	(33,908)	28,373[(2)]
Finance income	—	64	(64)[(5)]

Until 2019, the Group presented the payments for the NCI (non-controlling interest) acquisition in Biovet under investing activities in the consolidated statement of cash flows. The Group reassessed its presentation of the NCI acquisition and concluded that the NCI acquisition should be presented under financing activities.

The table below presents a comparison of the Payments for the NCI acquisition, Other operating income and Other operating expense on December 31, 2018 as stated in the audited consolidated financial statements as of and for the year ended December 31, 2018 and as included in the Prospectus:

	December 31, 2018 figures included in the Prospectus	December 31, 2018 figures included in consolidated statement of cash flows as of December 31, 2018	Reclassification
		(euro in thousands)	
Consolidated statement of cash flows			
Payments for NCI acquisition	—	(16,051)	16,051
Net cash flows used in investing activities	**(156,332)**	**(172,383)**	**16,051**[(4)]
Payments for NCI acquisition	(16,051)	—	(16,051)
Net cash flows (used in)/from financing activities	**24,224**	**40,275**	**(16,051)**[(4)]
Consolidated statement of comprehensive income			
Other operating income	5,844	31,916	(26,072)[(3)]
Other operating expense	(5,653)	(31,889)	26,236[(3)]
Finance income	—	164	(164)[(6)]

Notes:

(1) As of December 31, 2019, the total revolving credit facility's outstanding amount of EUR 38,362 thousand was classified as a current liability. In the 2020 financial statements, the total outstanding amount of EUR 38,362 thousand was reclassified as non-current liability.

(2) As of December 31, 2019, foreign exchange rate losses in the amount of EUR 26,912 thousand were netted off against foreign exchange rate gains in the amount of EUR 27,101 thousand, resulting in a net amount of EUR 189 thousand, which was presented in other operating income as a net foreign exchange rate gain.

(3) As of December 31, 2018, foreign exchange rate losses in the amount of EUR 26,236 thousand were netted off against foreign exchange rate gains in the amount of EUR 28,171 thousand, resulting in a net amount of EUR 1,935 thousand, which was presented in other operating income as a net foreign exchange rate gain.

(4) As of December 31, 2018, payments for the NCI acquisition amounting to EUR 16,051 thousand have been reclassified from the Net cash flows used in investing activities line item to the Net cash flows from financing activities line item for an amount of EUR 16,051 thousand.

(5) As of December 31, 2019, interest income amounting to EUR 64 thousand has been reclassified from the Finance income line item to the Other operating income line item.

(6) As of December 31, 2018, interest income amounting to EUR 164 thousand has been reclassified from the Finance income line item to the Other operating income line item.

Alternative performance measures

Certain parts of this Prospectus contain non-IFRS financial measures and other related ratios, which are not recognized measures of financial performance or liquidity under IFRS and which are considered to be "alternative performance measures" as defined by the "ESMA Guidelines on Alternative Performance Measures" issued by the European Securities and Markets Authority on October 5, 2015 ("**APMs**"). The Company has included the following APMs in this Prospectus:

– EBITDA,

– EBITDA margin,

– gross profit,

– gross profit margin,

– cash conversion,

– organic growth,

– capital expenditures,

– debt,

– net debt, and

– net leverage ratio.

The APMs presented are not measures of financial performance under IFRS, but measures used by management to monitor the underlying performance of the Group's business and operations and, accordingly, they have not been audited or reviewed. Further, they may not be indicative of the Group's historical operating results, nor are such measures meant to be predictive of the Group's future results.

The Company has included the APMs in this Prospectus because they represent key measures used by management to evaluate the Group's operating performance. Further, management believes that the presentation of the APMs is helpful to prospective investors because these and other similar measures and related ratios are widely used by certain investors, securities analysts and other interested parties as supplemental measures of performance and liquidity. Management also believes that the APMs facilitate operating performance comparisons on a period-to-period basis to exclude the impact of items, which management does not consider to be indicative of the Group's core operating performance.

However, each of these APMs have limitations as an analytical tool and not all companies calculate APMs in the same manner or on a consistent basis and other companies may use such measures for different purposes than the Company does. As a result, these measures and ratios may not be comparable to measures used by other companies under the same or similar names.

Prospective investors should not consider the APMs in isolation, as alternatives to revenue, profit before tax or cash flows from operations calculated in accordance with IFRS, as indications of operating performance or as measures of the Group's profitability or liquidity. Accordingly, undue reliance should not be placed on the APMs contained in this Prospectus and they should not be considered as a substitute for operating profit, profit for the period, cash flow or other financial measures computed in accordance with IFRS.

Each of the APMs is described below.

- "EBITDA" is defined as revenue less cost of sales, administration expenses, selling and distribution costs, cost of administration of intellectual property plus depreciation and amortization and non-recurring items. The Group considers EBITDA a meaningful and reliable measure to evaluate its operating performance. EBITDA makes the underlying performance of the Group's business more visible by factoring out depreciation and amortisation, which can differ across different companies, and non-recurring items, which can be one-off in nature and thus could distort trends in the Group's underlying earnings. Management believes that adjusting for these items, which are not directly related to the operational performance of the Group, increases comparability and enables better understanding of the underlying performance of the Group. This measure is also commonly used by investors, analysts and rating agencies to assess performance.
- "EBITDA Margin" is defined as the ratio of EBITDA to revenue in a given period. The Group considers EBITDA Margin a meaningful and reliable supplemental measure of its operating performance. The Group

believes that EBITDA Margin is useful for analysts and investors to understand how management assesses its ongoing performance on a consistent basis as its business grows.

- "Gross Profit" is defined as revenue less costs of sales. The Group considers Gross Profit as one of the main management financial metrics to measure the Group's potential profitability as it facilitates a comparison of its results from period to period by removing the impact of cost of sales.
- "Gross Profit Margin" is defined as the ratio of Gross Profit to revenue. The Group considers Gross Profit as one of the main management financial metrics to measure the Group's potential profitability and believes it is useful for analysts and investors to understand how management assess its ongoing operating performance on a consistent basis as its business grows.
- "Cash conversion" is defined as EBITDA less capital expenditures divided by EBITDA. The Group considers cash conversion as a useful indicator to assess cash generation and the Group's efficiency at turning EBITDA into cash. Its purpose is to provide both management and investors relevant information about the Group's cash generation capacity and performance.
- "Organic growth" is defined as sales generated by products developed internally for the current period, minus sales generated by products developed internally for the comparative period, divided by sales generated by products developed internally for the comparative period. The Group considers organic growth as a useful indicator of the Group's ability to generate revenues from products developed internally, excluding growth realized from acquisitions.
- "Capital expenditure" is defined as net cash flows used in investing activities as included in the consolidated statement of cash flows in the Consolidated Financial Statements and Interim Financial Statements. The Group considers capital expenditure as a useful indicator to measure the expenditure incurred from investing in its products and in the growth of its business. Management believes that capital expenditure is also useful for analysts and investors to understand how the Group monitors and assesses its ongoing expenditure on a consistent basis.
- "debt" is defined as interest-bearing loans and borrowings plus unamortized fees and deferred consideration as a result of a business combination. The Group considers debt as a useful indicator of the total amount of outstanding credit facilities used to finance working capital and investments.
- "net debt" is defined as debt less cash and short-term deposits. The Group considers net debt as a useful indicator of the total amount of outstanding credit facilities less the total amount of cash.
- "net leverage ratio" is defined as the ratio of net debt to EBITDA. The Group considers the net leverage ratio is a useful indicator of the Group's ability to decrease its debt.

The following table shows the reconciliation of EBITDA for each period indicated.

	Three months ended March 31,		Year ended December 31,		
	2021	2020	2020	2019	2018
	(euro in thousand)				
Revenue	160,918	144,762	587,937	548,016	485,562
Add back/(less)					
Cost of sales	(88,483)	(80,975)	(321,910)	(318,874)	(274,807)
Administrative expenses	(9,318)	(9,316)	(36,220)	(35,937)	(30,689)
Selling and distribution costs	(18,532)	(20,282)	(78,112)	(78,763)	(65,405)
Cost of administration of intellectual property	(1,752)	(2,506)	(8,557)	(9,138)	(8,458)
Non-recurring items[(1)]		397	514	1,701	903
Depreciation and amortization	5,935	5,292	23,093	20,081	14,859
EBITDA	**48,768**	**37,372**	**166,745**	**127,086**	**121,965**

(1) Non-recurring items include one off transaction costs, related to acquisitions and integration of the newly acquired entities such as employee termination costs, IT integration costs, legal fees and other integration services related to acquired entities.

The following table shows the calculation of EBITDA margin for each period indicated.

	Three months ended March 31,		Year ended December 31,		
	2021	2020	2020	2019	2018
	(euro in thousand)				
EBITDA	48,768	37,372	166,745	127,086	121,965
Divided by					
Revenue	160,918	144,762	587,937	548,016	485,562
EBITDA margin (%)	**30.3%**	**25.8%**	**28.4%**	**23.2%**	**25.1%**

The following table shows the calculation of Gross Profit Margin for each period indicated.

	Three months ended March 31,		Year ended December 31,		
	2021	2020	2020	2019	2018
	(euro in thousand)				
Revenue	160,918	144,762	587,937	548,016	485,562
Add back/(less)					
Cost of sales	(88,483)	(80,975)	(321,910)	(318,874)	(274,807)
Gross Profit	**72,435**	**63,787**	**266,027**	**229,142**	**210,755**
Divided by					
Revenue	160,918	144,762	587,937	548,016	485,562
Gross Profit Margin (%)	**45.0%**	**44.1%**	**45.2%**	**41.8%**	**43.4%**

The following table shows the calculation of cash conversion for each period indicated.

	For the three months ended March 31,		Year ended December 31,		
	2021	2020	2020	2019	2018
	(euro in thousand)				
EBITDA	48,768	37,372	166,745	127,086	121,965
Capital expenditures	(21,716)	(40,141)	(95,817)	(134,606)	(156,332)
EBITDA—capital expenditures	27,052	(2,769)	70,928	(7,520)	(34,367)
Divided by					
EBITDA	48,768	37,372	166,745	127,086	121,965
Cash conversion (%)	**55.5%**	**(7.4)%**	**42.5%**	**(5.9%)**	**(28.2%)**

The following table shows the calculation of organic growth for each period indicated.

	Three months ended March 31,		Year ended December 31,		
	2021	2020	2020	2019	2018
	(euro in thousand)				
Organic sales for the current period	145,526	129,370	519,242	479,320	437,370
Add back/(less)					
Organic sales for the comparative period	129,370	111,666	479,320	437,370	404,125
Change in organic sales	**16,156**	**17,704**	**39,922**	**41,950**	**33,245**
Divided by					
Organic sales for the comparative period	129,370	111,666	479,320	437,370	404,125
Organic growth (%)	**12%**	**16%**	**7%**	**9%**	**8%**

The following table shows the calculation of debt for each period indicated.

	Three months ended March 31,		Year ended December 31,		
	2021	2020	2020	2019	2018
	(euro in thousand)				
Interest-bearing loans and borrowings	528,148	517,679	495,817	486,221	404,492
Add back/(less)					
Unamortized fees	3,859	3,139	2,448	3,645	5,345
Deferred consideration as a result of a business combination	2,263	2,036	2,092	1,901	3,608
Debt	**534,270**	**522,854**	**500,357**	**491,767**	**413,445**

The following table shows the calculation of net debt for each period indicated.

	Three months ended March 31,		Year ended December 31,		
	2021	2020	2020	2019	2018
	(euro in thousand)				
Debt	534,270	522,854	500,357	491,767	413,445
Add back/(less)					
Cash and short-term deposits	(19,216)	(22,210)	(21,638)	(14,892)	(18,066)
Net debt	**515,054**	**500,644**	**478,719**	**476,875**	**395,379**

The following table shows the calculation of net leverage ratio for each period indicated.

	Three months ended March 31,		Year ended December 31,		
	2021	2020	2020	2019	2018
Net debt *(euro in thousand)*	515,054	500,644	478,719	476,875	395,379
Divided by					
EBITDA *(euro in thousand)*	178,141	135,505	166,745	127,086	121,965
Net leverage ratio[(1)]	**2.89x**	**3.69x**	**2.87x**	**3.75x**	**3.24x**

(1) Net leverage ratio for the three months ended March 31, 2021 is calculated by using the EBITDA of the twelve months ended March 31, 2021. EBITDA for the twelve months ended March 31, 2021 is calculated as follows: EBITDA for the three months ended March, 31, 2021 based on the Interim Financial Statement as of March 31, 2021 plus EBITDA for the year ended December, 31, 2020 based on the Consolidated Financial Statement as of December, 31, 2020 minus EBITDA for the three months ended March 31, 2020 based on the Interim Financial Statement as of March, 31, 2020. EBITDA calculation for the twelve months ended March 31, 2021 has not been audited or reviewed.

	EBITDA
	(euro in thousands)
EBITDA for the year ended December 31, 2020	166,745
Less	
EBITDA for the three months ended March 31, 2020	37,372
Add	
EBITDA for the three months ended March 31, 2021	48,768
EBITDA for the twelve months ended March 31, 2021	**178,141**

Net leverage ratio for the three months ended March 31, 2020 is calculated by using the EBITDA of the twelve months ended March 31, 2020. EBITDA for the twelve months ended March 31, 2020 is calculated as follows: EBITDA for the three months ended March, 31, 2020 based on the Interim Financial Statement as of March 31, 2020 plus EBITDA for the year ended December, 31, 2019 based on the Consolidated Financial Statement as of December, 31, 2019 minus EBITDA for the three months ended March, 31, 2019 based on the Interim Financial Statement as of March, 31, 2019. EBITDA calculation for the twelve months ended March 31, 2020 has not been audited or reviewed.

	EBITDA (euro in thousands)
EBITDA for the year ended December 31, 2019	127,086
Less	
EBITDA for the three months ended March 31, 2019	28,953
Add	
EBITDA for the three months ended March 31, 2020	37,372
EBITDA for the twelve months ended March 31, 2020	**135,505**

Rounding and negative amounts

Certain figures in this Prospectus, including financial data, have been rounded. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an exact arithmetic aggregation of the figures which precede them.

In preparing the Interim Financial Statements and the Consolidated Financial Statements, most numerical figures are presented in thousands of euros. For the convenience of the reader of this Prospectus, certain numerical figures in this Prospectus are rounded to the nearest one million. As a result of this rounding, certain numerical figures presented herein may vary slightly from the corresponding numerical figures presented in the Interim Financial Statements and the Consolidated Financial Statements.

The percentages (as a percentage of revenues or costs and period-on-period percentage changes) presented in the textual financial disclosure in this Prospectus are derived directly from the financial information contained in the Interim Financial Statements and the Consolidated Financial Statements. Such percentages may be computed using the numerical figures expressed in thousands of euros in the Interim Financial Statements and the Consolidated Financial Statements. Therefore, such percentages are not calculated on the basis of the financial information in the textual disclosure that has been subjected to rounding adjustments in this Prospectus.

In tables, negative amounts are shown between brackets. Otherwise, negative amounts may also be shown by "-" or "negative" before the amount.

Currency

All references in this Prospectus to "euro", "EUR" or "€" are to the single currency introduced at the start of the third stage of the European Economic and Monetary Union pursuant to the Treaty on the functioning of the European Community, as amended from time to time. All references to "US dollars", "US$", "USD" or "$" are to the lawful currency of the US.

Exchange rates

The Group publishes its historical consolidated financial statements in euros. The table below sets forth, for the periods and dates indicated, period average (the average of the exchange rates on the last business day of each month for annual averages and the average of the exchange rates on each business day during the relevant period for monthly averages), high, low and period end exchange rates between the euro and the US dollar as published by Bloomberg L.P. This exchange rate information is solely provided for convenience purposes. The exchange rate of the euro on June 22, 2021 (the latest practicable date before publication of this Prospectus) was USD 1.1935 = EUR 1.00.

Year	Euro	US dollar (High)	US dollar (Low)	US dollar (Average)	US dollar (Period end)
2020	1	1.2289	1.0684	1.1418	1.2225
2019	1	1.1533	1.0903	1.1195	1.1229
2018	1	1.2492	1.1245	1.1811	1.1452
2017	1	1.2036	1.0427	1.1301	1.2005
2016	1	1.1527	1.0384	1.1068	1.0517

Month	Euro	US dollar (High)	US dollar (Low)	US dollar (Average)	US dollar (Period end)
June 2021 (through June 22, 2021)	1	1.2233	1.1875	1.2096	1.1935
May 2021	1	1.2250	1.2005	1.2144	1.2192
April 2021	1	1.2118	1.1759	1.1968	1.2020
March 2021	1	1.2080	1.1718	1.1899	1.1750
February 2021	1	1.2213	1.1960	1.2094	1.2075
January 2021	1	1.2300	1.2075	1.2172	1.2136

Market and Industry Information

All references to market share, market data, industry statistics and industry forecasts in this Prospectus consist of estimates compiled by industry professionals, competitors, organizations or analysts, of publicly available information or of the Group's own assessment of its sales and markets. Third-party reports referenced in this Prospectus, where indicated, are based on information prepared by Vetnosis Limited ("**Vetnosis**"), a research and consulting firm specializing in global animal health and veterinary medicine. Statements based on the Company's own proprietary information, insights, opinions or estimates contain words such as 'the Group believes', 'the Group expects', 'the Group sees', 'the Group considers', 'the Group aims', 'the Group estimates' and as such do not purport to cite, refer to or summarize any third-party or independent source and should not be so read.

Industry publications generally state that their information is obtained from sources believed to be reliable but that the accuracy and completeness of such information is not guaranteed and that the projections they contain are based on a number of significant assumptions. Where third-party information has been sourced in this Prospectus, the source of such information has been identified.

The information in this Prospectus that has been sourced from third parties has been accurately reproduced with reference to these sources in the relevant paragraphs and, as far as the Group is aware and able to ascertain from the information published by that third party, no facts have been omitted that would render the reproduced information inaccurate or misleading.

In this Prospectus, the Group makes certain statements regarding the characteristics of the animal health industry as well as its competitive and market position. The Group believes these statements to be true, based on market data and industry statistics, but the Group has not independently verified the information. The Group cannot guarantee that a third party using different methods to assemble, analyse or compute market data or public disclosure from competitors would obtain or generate the same results. In addition, the Group's competitors may define their markets and their own relative positions in these markets differently than the Group does and may also define various components of their business and operating results in a manner which makes such figures non-comparable with the Group's.

Supplements

If a significant new factor, material mistake or material inaccuracy relating to the information included in this Prospectus which may affect the assessment of the Offer Shares, arises or is noted between the date of this Prospectus and the expiry of the validity period of this Prospectus (see "- Validity"), a supplement to this Prospectus is required. Such a supplement will be subject to approval by the AFM in accordance with article 23 of the Prospectus Regulation and will be made public in accordance with the relevant provisions under the Prospectus Regulation. The summary shall also be supplemented, if necessary to take into account the new information included in the supplement. In case a significant new factor, material mistake or material inaccuracy relating to the information included in this Prospectus, which may affect the assessment of the Offer Shares, arises after the end of the Offering Period and the start of trading of the Offer Shares on Euronext Amsterdam, the Company will not supplement this Prospectus.

Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable, be deemed to modify or supersede statements contained in this Prospectus or in a document which is incorporated by reference in this Prospectus. Any statement so modified or superseded shall, except as so modified or superseded, no longer constitute a part of this Prospectus. For the avoidance of doubt, references in this paragraph to any supplement being published by the Company do not include the Pricing Statement.

Notice to Investors

The distribution of this Prospectus and the offer, acceptance, delivery, transfer, exercise, purchase of, subscription for, or trade in the Offer Shares may, in certain jurisdictions other than the Netherlands, including,

but not limited to, the US, be restricted by law. Persons in possession of this Prospectus are required to inform themselves about, and to observe, any such restrictions. Any failure to comply with such restrictions may constitute a violation of the securities laws of any such jurisdiction. This Prospectus may not be used for, or in connection with, and does not constitute, an offer to sell, or an invitation to purchase, any of the Offer Shares in any jurisdiction in which such offer or invitation is not authorized or would be unlawful. Neither this Prospectus, nor any related materials, may be distributed or transmitted to, or published in any jurisdiction except under circumstances that will result in compliance with any applicable laws or regulations.

None of the Company, the Selling Shareholder, the members of the Board, the Underwriters or any of their respective affiliates or representatives, is making any representation to any offeree or purchaser of the Offer Shares regarding the legality of an investment in the Offer Shares by such offeree or purchaser under the laws applicable to such offeree or purchaser.

Investors who purchase Offer Shares will be deemed to have acknowledged that: (i) they have not relied on the Listing and Paying Agent or the Underwriters or any person affiliated with any of them in connection with any investigation of the accuracy of any information contained in this Prospectus or their investment decision; and (ii) they have relied only on the information contained in this Prospectus, and that no person has been authorized to give any information or to make any representation concerning the Company, the Selling Shareholder or its subsidiaries or the Offer Shares (other than as contained in this Prospectus) and, that if given or made, any such other information or representation has not been relied upon as having been authorized by the Company, the Selling Shareholder, the Listing and Paying Agent or any of the Underwriters.

EXCEPT AS OTHERWISE SET OUT IN THIS PROSPECTUS, THE OFFERING DESCRIBED IN THIS PROSPECTUS IS NOT BEING MADE TO INVESTORS IN THE US, CANADA, AUSTRALIA OR JAPAN.

This Prospectus does not constitute or form part of any offer or invitation to sell, or any solicitation of any offer to acquire, Offer Shares in any jurisdiction in which such an offer or solicitation is unlawful or would result in the Company becoming subject to public company reporting obligations outside the Netherlands.

The distribution of this Prospectus, and the offer or sale of Offer Shares, is restricted by law in certain jurisdictions. This Prospectus may only be used where it is legal to offer, solicit offers to purchase or sell Offer Shares. Persons who obtain this Prospectus must inform themselves about and observe all such restrictions. None of the Company, the Selling Shareholder or the Underwriters accept any legal responsibility for any violation by any person, whether or not a prospective purchaser of Ordinary Shares, of any such restrictions. The Company, the Selling Shareholder and the Underwriters reserve the right in their own absolute discretion to reject any offer to purchase Ordinary Shares that the Company, the Selling Shareholder, the Underwriters or their respective agents believe may give rise to a breach or violation of any laws, rules or regulations.

No action has been or will be taken to permit a public offer or sale of Offer Shares, or the possession or distribution of this Prospectus or any other material in relation to the Offering, in any jurisdiction outside the Netherlands where action may be required for such purpose. Accordingly, neither this Prospectus nor any advertisement or any other related material may be distributed or published in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations. See "*Selling and Transfer Restrictions*". Subject to certain exceptions, this Prospectus should not be forwarded or transmitted in or into Australia, Canada or Japan.

Notice to Prospective Investors in the US

The Offer Shares have not been and will not be registered under the US Securities Act or with any securities regulatory authority of any state of the US for offer or sale as part of their distribution and may not be offered or sold within the US unless the Offer Shares are registered under the US Securities Act or an exemption from the registration requirements of the US Securities Act is available. In the US the Offer Shares will be sold only to persons reasonably believed to be QIBs as defined in, and in reliance on, Rule 144A or pursuant to another exemption from, or in a transaction not subject to, the registration requirements under the US Securities Act and applicable state securities laws. All offers and sales of the Offer Shares outside the US will be made in "offshore transactions" as defined in, and in compliance with Regulation S and in accordance with applicable law. The distribution of this Prospectus and the offer and sale of the Offer Shares in certain jurisdictions may be restricted by law. Persons in possession of this Prospectus are required to inform themselves about and to observe any such restrictions. See "*Selling and Transfer Restrictions*".

THE OFFER SHARES HAVE NOT BEEN RECOMMENDED BY ANY US FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE

FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE IN THE US.

Notice to prospective investors in the EEA

In relation each member state of the European Economic Area (each a "**Member State**"), the Offer Shares which are the subject of the Offering contemplated by this Prospectus have not and will not be offered to the public. An offer in a Member State of any Offer Shares may only be made to a Qualified Investor.

No such offer of Offer Shares shall require the Company or any of the Underwriters to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

Each person who initially acquires Offer Shares or to whom any offer is made will be deemed to have represented, warranted and agreed to, and with the Company and the Underwriters, that it is a Qualified Investor.

For the purposes of this provision, the expression an "offer to the public" in relation to the Offer Shares in any Member State means the communication in any form and by any means of sufficient information on the terms of the Offering and the Offer Shares so as to enable an investor to decide to purchase the Offer Shares.

In the case of any Offer Shares being offered to a financial intermediary as that term is used in Article 5(1) of the Prospectus Regulation, such financial intermediary will also be deemed to have represented, acknowledged and agreed that the Offer Shares acquired by it in the Offering have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to persons in circumstances which may give rise to an offer of any Offer Shares to the public. In addition, each financial intermediary will be deemed to have represented, acknowledged and agreed that an offer or resale in a Member State is only allowed if that offer or resale is made to Qualified Investors in circumstances in which the prior consent of the Underwriters has been obtained to each such proposed offer or resale. The Company, the Underwriters and their affiliates and others, will rely upon the truth and accuracy of the foregoing representation, acknowledgement and agreement. Notwithstanding the above, a person who is not a Qualified Investor and who has notified the Underwriters of such fact in writing may, with the prior consent of the Underwriters, be permitted to acquire Offer Shares in the Offering.

Notice to prospective investors in the United Kingdom

No offer of the Offer Shares which are the subject of the Offering contemplated by this Prospectus may be made to the public in the United Kingdom except that an offer may be made to the public in the United Kingdom:

(a) at any time to any legal entity which is a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**");

(b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law in the UK by virtue of the EUWA) in the United Kingdom subject to obtaining the prior consent of the relevant Joint Global Coordinators nominated by the Group for any such offer; or

(c) at any time in any other circumstances falling within section 86 of the Financial Services and Markets Act 2000 (the "**FSMA**"),

provided that no such offer of Offer Shares referred to in (a) and (c) above shall require the Group or any Underwriters to publish a prospectus pursuant to section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA.

For the purposes of this provision, the expression "an offer of Offer Shares to the public" in relation to any Offer Shares means the communication in any form and by any means of sufficient information on the terms of the offer and the Offer Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Offer Shares.

Notice to Prospective Investors in Australia

This Prospectus (a) does not constitute a prospectus, a product disclosure statement or other disclosure document as defined in section 9 of the Corporations Act 2001 of the Commonwealth of Australia ("**Corporations Act**"); (b) does not purport to include the information required in a prospectus, a product disclosure statement or other disclosure document under the Corporations Act; (c) has not been, nor will it be, lodged as a disclosure document with, or registered by, the Australian Securities and Investments Commission ("**ASIC**"), the Australian Securities Exchange operated by ASX Limited or any other regulatory body or agency in Australia; and (d) may not be provided in Australia other than to select investors ("**Exempt Investors**") who are able to demonstrate that they both (i) are "sophisticated investors" or "professional investors" (as defined in sections 708(8) and 708(11) of the Corporations Act and (ii) are "wholesale clients" for the purpose of section 761G of the Corporations Act. Accordingly, if you receive this Prospectus in Australia, you confirm and warrant that you are an Exempt Investor, and you warrant and agree that you will not offer any of the Offer Shares sold to you pursuant to this Prospectus for resale in Australia within 12 months of those Offer Shares being sold unless any such resale offer is exempt from the requirement to issue a disclosure document under section 708 of the Corporations Act or where a compliant disclosure document has been prepared and lodged with ASIC. Investors in Australia should refer to "*Selling Restrictions—Australia*".

Notice to Prospective Investors in Canada

No Securities have been or will be qualified by a prospectus for sale to the public in Canada under applicable Canadian securities laws and, accordingly, any offer or sale of any Securities in Canada will be made pursuant to an exemption from the applicable prospectus filing requirements, and otherwise in compliance with applicable Canadian laws. Investors in Canada should refer to "*Selling Restrictions—Canada*".

Notice to Prospective Investors in Japan

The Offer Shares have not been and will not be registered under the Financial Instruments and Exchange Act of Japan and have not been offered or sold, and will not be offered or sold, directly or indirectly, any Securities in Japan or to, or for the account or benefit of, any resident of Japan or to, or for the account or benefit of, any persons for reoffering or resale, directly or indirectly, in Japan or to, or for the account or benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, or otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

Enforcement of Civil Liabilities

The ability of Shareholders in certain countries other than the Netherlands, in particular in the US, to bring an action against the Company may be limited under law. The Company is incorporated under the laws of the Netherlands and has its registered seat (*statutaire zetel*) in Amsterdam, the Netherlands.

At the date of this Prospectus, all of the members of the Board and other officers of the Group named herein are citizens or residents of countries other than the US. All or a substantial proportion of the assets of these individuals are located outside the US. A significant portion of the Group's assets are located outside of the US. As a result, it may be impossible or difficult for investors to effect service of process within the US upon such persons or the Company or to enforce against them in US courts a judgment obtained in such courts. In addition, there is doubt as to the enforceability, in the Netherlands, or original actions or actions for enforcement based on the federal or state securities laws of the US or judgments of US courts, including judgments based on the civil liability provisions of the US federal or state securities laws.

The US and the Netherlands do not currently have a treaty providing for reciprocal recognition and enforcement of judgments, other than arbitration awards, in civil and commercial matters. With respect to choice of court agreements in civil or commercial matters, it is noted that the Hague Convention on Choice of Court Agreements entered into force for the Netherlands, but has not entered into force for the United States. It should be noted that the Hague Convention on Choice of Court Agreements does not apply to one-sided exclusive jurisdiction clauses. Accordingly, a judgment rendered by a court in the US would not automatically be recognized and enforced by the Dutch courts. However, if a person has obtained a final judgment without appeal in such a matter rendered by a court in the US which is enforceable in the US and files his or her claim with the competent Dutch court, the Dutch court will in principle recognize and give effect to such foreign judgment insofar as it finds that (i) the jurisdiction of the US court has been based on grounds which are internationally acceptable, (ii) proper legal procedures have been observed (*behoorlijke rechtspleging*), (iii) the judgment does not contravene Dutch public policy, and (iv) the judgment is not incompatible with a judgment

of a Dutch court or an earlier judgment of a foreign court that is capable of being recognized in the Netherlands.

Forward-Looking Statements

This Prospectus contains forward-looking statements that reflect the Group's intentions, beliefs or current expectations and projections about the Group's future results of operations, financial condition, liquidity, performance, prospects, anticipated growth, strategies and opportunities and the markets in which the Group operates. Forward-looking statements involve all matters that are not historical facts. The Group has tried to identify forward-looking statements by using words as "may", "will", "would", "should", "expects", "intends", "estimates", "anticipates", "projects", "believes", "could", "hopes", "seeks", "plans", "aims", "aspires", "objective", "potential", "goal" "strategy", "target", "continue", "annualized" and similar expressions or negatives thereof or other variations thereof or comparable terminology, or by discussions of strategy that involve risks and uncertainties. Forward-looking statements may be found principally in sections in this Prospectus entitled "Risk Factors", "Dividend Policy", "Industry and Competition", "Business", "Operating and Financial Review" and also elsewhere.

The forward-looking statements are based on the Group's beliefs, assumptions and expectations regarding future events and trends that affect the Group's future performance, taking into account all information currently available to the Group, and are not guarantees of future performance. These beliefs, assumptions and expectations can change as a result of possible events or factors, not all of which are known to the Group or are within the Group's control. If a change occurs, the Group's business, financial condition, liquidity, results of operations, anticipated growth, strategies or opportunities may vary materially from those expressed in, or suggested by, these forward-looking statements. In addition, the forward-looking estimates and forecasts reproduced in this Prospectus from third-party reports could prove to be inaccurate. A number of important factors could cause actual results or outcomes to differ materially from those expressed in any forward-looking statement as a result of risks and uncertainties facing the Company and its Group Companies. Investors should read, understand and consider all risk factors, which are material and should be read in their entirety, in "Risk Factors" beginning on page 8 of this Prospectus before making an investment decision to invest in the Offer Shares.

Investors or potential investors should not place undue reliance on the forward-looking statements in this Prospectus. The Group urges investors to read the sections of this Prospectus entitled "Risk Factors", "Business" and "Operating and Financial Review" for a more complete discussion of the factors that could affect the Group's future performance and the markets in which the Group operates. In light of the possible changes to the Group's beliefs, assumptions and expectations, the forward-looking events described in this Prospectus may not occur. Additional risks currently not known to the Group or that the Group has not considered material as of the date of this Prospectus could also cause the forward-looking events discussed in this Prospectus not to occur. Forward-looking statements involve inherent risks and uncertainties and speak only as of the date they are made. The Group undertakes no duty to and will not necessarily update any of the forward-looking statements in light of new information or future events, except to the extent required by applicable law.

Definitions

This Prospectus is published in English only. Definitions used in this Prospectus are defined in "Definitions".

Available Information

For so long as any Ordinary Shares of the Company are "restricted securities" within the meaning of Rule 144(a)(3) under the US Securities Act, the Company will, during any period in which it is neither subject to Section 13 or 15(d) of the US Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, provide to any holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner, upon the request of such holder, beneficial owner or prospective purchaser, the information required to be provided by Rule 144A(d)(4) under the US Securities Act.

The Company is not currently subject to the periodic reporting and other information requirements of the Exchange Act.

Validity

This Prospectus has been approved by the AFM, as competent authority under the Prospectus Regulation. The AFM only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by Prospectus Regulation. Such approval should not be considered as an endorsement of the issuer or the quality of the securities that are the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the securities.

The validity of this Prospectus shall expire on the First Trading Date or 12 months after its approval by the AFM, whichever occurs earlier. The obligation to supplement this Prospectus in the event of significant new factors, material mistakes or material inaccuracies shall cease to apply upon the expiry of the validity period of this Prospectus.

Documents Incorporated by Reference

The Articles of Association are incorporated in this Prospectus by reference and, as such, form part of this Prospectus. The Articles of Association (or copies thereof) may be obtained in electronic form free of charge from the Company's website at https://ir.huvepharma.com/static-files/10af7641-4980-4a6a-8bc8-fe11c6c8cc00.

No Incorporation of Website

Unless expressly specified, the contents of any website referenced in this Prospectus, including any websites accessible from hyperlinks on the Company's website, do not form part of and are not incorporated by reference in this Prospectus, and have not been scrutinized or approved by the AFM.

REASONS FOR THE ADMISSION AND THE OFFERING AND USE OF PROCEEDS

Reasons for the Admission and the Offering

The Company believes that the Admission and the Offering are a logical next step in its development and that their timing is appropriate, given its current profile and level of maturity.

The Company believes that the Offering will strengthen its financial position by enabling it to repay part of its outstanding debt and will provide it with additional capital to support and enable further growth of the Company (including by funding new product development and by increasing the Company's ability to acquire or license new products and technologies).

The Company expects the Admission and the Offering to create a new long-term Shareholder base as well as liquidity for the existing and future Shareholders. The Offering also aims to provide the Selling Shareholders with an opportunity to partially realize their investment in the Company. It is the intention of the Company and the Selling Shareholder to create a meaningful free float in the Ordinary Shares on Admission.

Use of Proceeds

The Company expects the net proceeds from the sale of New Offer Shares (based on an Offer Price at the mid-point of the Offer Price Range and assuming the sale of the maximum number of Offer Shares by the Company), after deduction of expenses, commissions and taxes (estimated to amount to approximately EUR 14 million), to amount to approximately EUR 286 million.

The Company will not receive any proceeds from the sale of the Existing Offer Shares and/or the sale of any Over-Allotment Shares by the Selling Shareholder, the proceeds of which will be received by the Selling Shareholder. The Company will receive proceeds from the sale of any New Offer Shares only. The commissions due to the Underwriters, and expenses (up to an agreed cap), will be borne by the Company and the Selling Shareholder on a pro-rata basis.

The expenses, commissions and taxes related to the sale of New Offer Shares payable by the Company are estimated to amount to approximately EUR 14 million.

The Company intends to use the expected net proceeds from the Offering as follows:

- Approximately 50% to repay amounts outstanding under the revolving credit facilities, and
- Approximately 50% to accelerate new product development and increase the Company's ability to acquire or license new products and technologies.

DIVIDEND POLICY

General

Under Dutch corporate law, the Company may only make distributions, whether a distribution of profits or of freely distributable reserves, to its Shareholders insofar as the Company's equity exceeds the sum of the paid-up and called-up share capital plus the reserves as required to be maintained by Dutch law or by the Articles of Association. The Board may, subject to Dutch law and the Articles of Association, resolve to pay a dividend on the Ordinary Shares from one or more of the reserves which do not need to be maintained pursuant to Dutch law. Because the Company is a holding company that conducts its business mainly through its subsidiaries, the Company's ability to pay dividends will depend directly on its subsidiaries' distributions to the Company.

Under the Articles of Association, if any Preferred Shares are or have been outstanding, a dividend is first paid out of the Company's profits, if available for distribution, to the holders or former holders, as applicable, of those Preferred Shares to the extent they are entitled to such distribution under the Articles of Association, which is referred to as preferred dividend. Thereafter, the Board may decide that all or part of the profits shown in the adopted Annual Accounts will be added to the Company's reserves. After reservation of any such profits, any remaining profits will be at the disposal of the General Meeting at the proposal of the Board for distribution on the Ordinary Shares, subject to applicable restrictions of Dutch law described above.

Under the Articles of Association, the Board is permitted, subject to certain requirements and the applicable restrictions of Dutch law described above, to declare interim dividends without the approval of the General Meeting. For this purpose, the Board must prepare an interim statement of assets and liabilities evidencing sufficient distributable equity.

Under the Articles of Association, the General Meeting may, subject to the applicable restrictions of Dutch law described above, decide that a distribution be made in the form of Ordinary Shares or in the form of the Company's assets, instead of being made in cash, at the proposal of the Board. Furthermore, the Company's subsidiaries may not be able to, or may not be permitted to, make distributions to enable the Company to make payments in respect of its indebtedness (See "Operating and Financial Review—Financing Arrangements—-Dividends and Share Redemptions under the Facilities Agreement and EIB Contract").

According to the Articles of Association, dividends shall be due and payable on such date and, if it concerns a distribution in cash, in such currency or currencies as determined by the Board.

The tax legislation of a shareholder's Member State or other relevant jurisdictions and of the Company's country of incorporation may have an impact on the income received from the Ordinary Shares. See "*Taxation*" for a discussion of certain aspects of taxation of dividends in the Netherlands.

Dividend History

Prior to the establishment of the Company, Huvepharma International B.V. as holding company of the group, declared on July 7, 2018 and distributed dividends of €5,000,000 (or 6.3% of profit for the year 2017) to the Selling Shareholder for the financial year 2017 from retained earnings, which distributions were in turn distributed by the Selling Shareholder to its shareholders (Georgi Petrov Domuschiev and Kiril Petrov Domuschiev). For the financial year 2018, no dividends were declared or distributed. For the financial year 2019, a dividend of €30,000,000 (or 37.1% of profit for the year 2019) was declared and distributed in February 2021 by Huvepharma International B.V. to the Selling Shareholder from retained earnings, which was subsequently distributed to its shareholders. For the financial year 2020, a dividend of €30,000,000 (or 29.8% of profit for the year 2020) is expected to be declared and distributed by Huvepharma International B.V. to the Company from retained earnings. Once received by the Company this dividend will be subsequently distributed to all its shareholders of record that hold Shares. This record date will be set after the First Trading Date, thereby allowing all holders of Shares after Settlement to receive a dividend. The dividend distribution is expected to occur during the second half of 2021. Assuming the Over-Allotment Option is fully exercised and no additional Shares are issued prior to the dividend distribution record date, this €30,000,000 dividend distribution would constitute an expected EUR 0.17 per Ordinary Share.

Dividend Policy

Subject to the limitations described herein, the Company intends to pay between 10% and 20% of profit for the year in the medium term, with the decision to pay dividends based on the Company's growth opportunities, optimal net leverage and shareholder returns. This is a deviation from the dividends distributed, or expected to be distributed, by Huvepharma International B.V. over the financial years 2017 through 2020.

The ability and intention of the Company to declare and pay dividends in the future: (i) will mainly depend on its financial position, results of operations, capital requirements, investment prospects, the existence of distributable reserves and available liquidity and such other factors as the Board may deem relevant; and (ii) are subject to factors that are beyond the Company's control. See also "*Risk Factors—Risks Relating to the Ordinary Shares—The payment of any future dividends will depend on the Group's financial condition and results of operations, as well as on the Company's operating subsidiaries' distributions to the Company.*" for the risks associated with the Company's ability to pay dividends.

Manner and Time of Dividend Payments

Payment of any dividend in cash will in principle be made in euro. According to the Articles of Association, the Board may determine that distributions on Ordinary Shares will be made payable either in euro or in another currency. The parties entitled to a distribution shall be the relevant Shareholders, usufructuaries and pledgees, as the case may be, at a date to be determined by the Board for that purpose; this date shall not be earlier than the date on which the distribution is announced. Any dividends that are paid to Shareholders through Euroclear Nederland will be automatically credited to the relevant Shareholders' accounts without the need for the Shareholders to present documentation proving their ownership of the Ordinary Shares. Payment of dividends on the Ordinary Shares in registered form (not held through Euroclear Nederland, but directly) will be made directly to the relevant Shareholder using the information contained in the Company's Shareholders' register and records.

Uncollected Dividends

A claim for any declared dividend and other distributions lapses five years after the date those dividends or distributions became payable. Any dividend or distribution that is not collected within this period will be considered to have been forfeited to the Company. For the purpose of calculating the amount or allocation of any distribution, Shares held by the Company in its own capital shall not be taken into account. No distribution shall be made to the Company in respect of Shares held by it in its own capital.

CAPITALIZATION AND INDEBTEDNESS

The tables below set forth the Group's consolidated capitalization and indebtedness as of March 31, 2021 on an actual basis and as adjusted to give effect to the sale of the New Offer Shares in the Offering and the receipt of the net proceeds of the sale of the New Offer Shares, assuming that the maximum number of New Offer Shares are issued at the mid-point of the Offer Price Range and the Over-Allotment Option is fully exercised. All information has been derived from the Interim Financial Statements, except as otherwise noted. These tables should be read in conjunction with the Consolidated Financial Statements, the Interim Financial Statements and the notes thereto included elsewhere in this Prospectus and "*Operating and Financial Review*". See "*Description of Share Capital*" for information concerning the Company's share capital.

Capitalization

	As of March 31, 2021	
	Actual	As adjusted
	(euros thousands)	
Total current debt (including current portion of non-current debt)	**39,612**	**39,612**
Guaranteed	—	—
Secured[(1)]	39,612	39,612
Unguaranteed/unsecured	—	—
Total non-current debt (excluding current portion of non-current debt**)**	**488,536**	**488,536**
Guaranteed	—	—
Secured[(2)]	488,536	488,536
Unguaranteed/unsecured	—	—
Shareholder's equity	**199,114**	**485,114**
Share capital[(3)]	137,029	138,829
Legal reserve[(4)]	31,702	315,902
Other reserves[(5)]	30,383	30,383
Total	**727,262**	**1,013,262**

(1) Current debt (secured) as of March 31, 2021 includes current interest-bearing loans and borrowings—lease liabilities in the amount of EUR 2.3 million, current portion of loans—revolving credit lines drawings in an amount of EUR 11.8 million and the current portion of interest-bearing loans and borrowings in the amount of EUR 25.5 million. See Note 9 to the Interim Financial Statements. The current debt is secured by a comprehensive security package as set out in Note 10 to the Financial Statements.

(2) Non-current debt (secured) as of March 31, 2021 includes the non-current portion of long-term lease liabilities in the amount of EUR 5.0 million and drawings under the existing revolving facilities in an aggregate amount of EUR 110.8 million. Non-current debt also includes long-term borrowings in the amount of EUR 372.7 million. See Note 9 to the Interim Financial Statements. The non-current debt is secured by a comprehensive security package as set out in Note 10 to the Financial Statements.

(3) Issued capital in the Interim Financial Statements.

(4) Other capital reserves in the Interim Financial Statements.

(5) Other capital reserves in the Interim Financial Statements.

Indebtedness

	As of March 31, 2021	
	Actual	As adjusted
	(euro thousands)	
A Cash[1]	19,216	305,216
B Cash equivalents	—	—
C Other current financial assets	—	—
D Liquidity (A + B + C)	**19,216**	**305,216**
E Current financial debt (including debt instruments, but excluding current portion of non-current financial debt)[2]	11,834	11,834
F Current portion of non-current financial debt[3]	27,778	27,778
G Current financial indebtedness (E + F)[4]	**39,612**	**39,612**
H Net current financial indebtedness (G—D)	**20,396**	**–265,604**
I Non-current financial debt (excluding current portion and debt instruments)[5]	488,536	488,536
J Debt instruments	—	—
K Non-current trade and other payables[6]	2,242	2,242
L Non-current financial indebtedness (I + J + K)	**490,778**	**490,778**
M Total net financial indebtedness (H + L)	**511,174**	**225,174**

(1) Cash and short-term deposits in the Interim Financial Statements.

(2) Current liabilities—Interest-bearing loans and borrowings—Revolving Credit lines in the Interim Financial Statements.

(3) Current liabilities—Interest-bearing loans and borrowings—Bank loan of EUR 268,680 thousand,—Bank loan of EUR 51,320 thousand,—Soft loan SAL1,—Italian State Fund Loan of EUR 197 thousand,—CAPEX Facility of EUR 50,000 thousand,—EIB Finance Contract EUR 125,000 thousand and Lease Liabilities in the Interim Financial Statements.

(4) Current liabilities—Interest-bearing loans and borrowings in the Interim Financial Statements.

(5) Non-current liabilities—Interest-bearing loans and borrowings in the Interim Financial Statements.

(6) Non-current liabilities—Other non-current liabilities in the Interim Financial Statements.

As of March 31, 2021, the Group's indirect and contingent indebtedness includes: provision for pension liabilities in the amount of EUR 3,121 thousand, guarantees in the amount of EUR 376 thousand and bank guarantees in the amount of EUR 457 thousand.

The following discussion and analysis should be read in conjunction with the rest of this Prospectus, including the Interim Financial Statements, including the notes thereto and the independent auditor's review report thereon, as well as the Consolidated Financial Statements, including the notes thereto and the independent auditor's reports thereon, which are included elsewhere in this Prospectus.

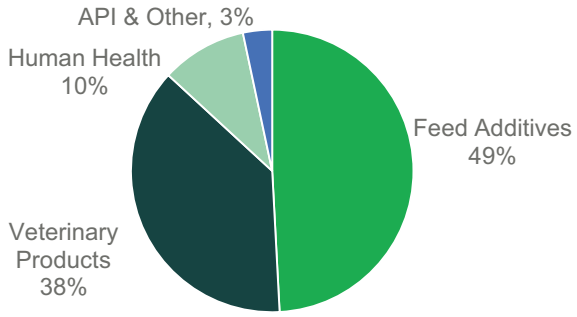
Except as otherwise stated, this Operating and Financial Review is based on the Interim Financial Statements (containing comparative financial information for the three months ended March 31, 2020) which has been prepared in accordance with IAS 34 Interim Financial Reporting and the Consolidated Financial Statements, which have been prepared in accordance with IFRS and Part 9 of Book 2 of the Dutch Civil Code. The financial information as of and for the year ended December 31, 2019 is derived from the Group's audited consolidated financial statements as of and for the year ended December 31, 2020. For a discussion of the presentation of the Group's historical financial information included in this Prospectus, see "Important Information—Presentation of Financial and Other Information" and for a discussion of certain reclassified financial information as of and for the years ended December 31, 2018 and December 31, 2019, see "Important Information—Presentation of Financial and Other Information—Change in accounting policies and presentation". This Operating and Financial Review includes the (unaudited) reclassified financial information for the year ended December 31, 2018.

The following discussion contains a description of the Group's historical performance and forward-looking statements that involve risks and uncertainties. The Group's future results could differ materially from historical performance. Factors that could cause or contribute to such differences include, without limitation, those discussed in particular in the sections entitled "Risk Factors" and "Business" and elsewhere in this Prospectus. See "Important Information—Forward-Looking Statements" for a discussion of the risks and uncertainties related to those statements.

Overview

The Group is a top ten animal health company measured by revenue, with EUR 587.9 million revenue for the year ended December 31, 2020, with an established global presence and a nearly exclusive focus on livestock. Based on Vetnosis' analysis of 2019 revenues, the Group is the second largest player in poultry and swine animal health, excluding vaccines, in terms of the combined revenues in those categories, and it is the sixth largest player in the livestock health industry (including livestock animal vaccine products). The Group believes that it is well positioned in the livestock health market with strong exposure to both fast growing species and higher margin regions, particularly North America and Europe, which are highly regulated markets. In particular, the poultry, swine and cattle markets (which represented the vast majority of the Group's revenue in 2020) are expected to grow at 4.9% CAGR in 2019-2024 as compared to 4.0% in the same period for the rest of the livestock market, according to Vetnosis. In the year ended December 31, 2020 approximately half of the Group's livestock health revenue related to poultry, with the remainder split relatively evenly between swine and cattle.

The Group focuses on the development, manufacturing and marketing of livestock health products with a differentiated and growing product offering across veterinary products and feed additives (coccidiostats, enzymes). The Group's business model is underpinned by a well-balanced product portfolio with no single product representing more than 10% of its total revenue. For the year ended December 31, 2020, the Group's revenue split by product was as follows:



The Group directly markets and sells its portfolio of more than 107 products to customers located in more than 100 countries across North America, Europe and the rest of the world ("**RoW**"), accounting for 32%, 45% and 23% of revenue, respectively, in the year ended December 31, 2020.

While its top 25 customers accounted for approximately 38% of revenue, no single account represented more than 5% as of the year ended December 31, 2020. Over the last three years, the Group has retained almost 100% of its existing large customers (annual purchases per customer being more than EUR 500,000), which comprise almost 75% of the Group's revenue, and has grown revenue to these customers by 24% over the same period. The Group operates directly in 85 markets, and in markets where it does not have a direct commercial presence, it sells to select, typically exclusive distributors that provide logistics and sales and marketing support for its products. Product pricing differs between regions and customers, where markets with higher quality and regulatory standards allow for, and require, higher pricing. Within a particular market, pricing between customers is largely constant but may be variable depending on the volumes purchased by the relevant customer. For the year ended December 31, 2020, over 85% of Company's revenue was attributable to direct sales to end users.

The Group's focus on the livestock health market enables it to cover a large percentage of the industry with a relatively small sales, marketing and technical team of approximately 580 employees. The Group has established relationships with the world's leading livestock producers to which it offers a wide and increasing array of products and services across the poultry, swine and cattle markets. The Group's customer outreach is supported by its ability to offer in-depth technical advice on deployment and implementation to optimise its products' performance and outcomes. The Group's direct sales model, supported by technical advice, enables it to build strong relationships with its customers, which in turn provides it with insights into its customers' requirements. The Group believes that its track record of developing products tailored to its customers' specific requirements is a key element of its successful growth.

The Group operates a fully integrated production process with over 10,000m^3 of fermentation capacity and 700m^3 of chemical synthesis capacity across 13 production facilities in Europe and the United States. This production model helps to ensure quality and reliability without depending on external suppliers. Through strategic investment, such as EUR 160 million of capital expenditure invested in its production facilities from January 1, 2018 to December 31, 2020, the Group believes it operates well-invested and modern manufacturing facilities that support its ability to efficiently produce high quality products. The Group's presence in both manufacturing and sales in the highly regulated markets of the United States and Europe means that it operates to the highest international standards.

The development of new veterinary and feed additive products through new product research and development plays an important role in its growth strategy. The Group's research and development activities for veterinary and feed additive products leverage its existing product portfolio and product lines to expand by adding new products, species or label claims, achieving approvals in new countries as well as creating new combinations and reformulations based upon its deep understanding of the Group's customers and the livestock market. The Group's newer products have historically contributed increased profitability for the Group. The Group's R&D efforts are directed toward vaccines, where the Group targets approximately 10% of revenue by 2025, representing a 5.6% CAGR over the five year period; coccidiostats, with two new products launched in 2020; as well as probiotics, enzymes and other antibiotics alternatives. In 2020, the Group invested 7% of its revenue in research and development and launched ten new products. The Group also directs R&D efforts to support its existing product registrations in the existing markets via its four worldwide R&D facilities.

For the three months ended March 31, 2021, the Group's revenue was EUR 160.9 million, reflecting growth of 11.2% compared to the three months ended March 31, 2020. For the years ended December 31, 2018, 2019 and 2020, its revenue was EUR 485.6 million, EUR 548.0 million and EUR 587.9 million, respectively, reflecting growth of 16.7%, 12.9% and 7.3%, respectively, compared to the previous year, and representing a 10% CAGR for the three year period). For the three months ended March 31, 2021, the Group's EBITDA was EUR 48.8 million, reflecting growth of 30.5% compared to the three months ended March 31, 2020. For the three months ended March 31, 2021, the Group's EBITDA margin was 30.3%, compared to 25.8% in the three months ended March 31, 2020. For the years ended December 31, 2018, 2019 and 2020, its EBITDA was EUR 122.0 million, EUR 127.1 million and EUR 166.7 million, respectively, with an EBITDA margin of 25.1% in 2018, 23.2% in 2019 and 28.4% in 2020.

Material Factors Affecting Results of Operations

The Group's results of operations have been affected in the periods under review, and are expected to continue to be affected, by the following factors.

- Development of existing products and new product launches
- Geographical expansion

- Cost efficiency reached through vertically integrated business model and efficient sales force
- Investments and acquisitions
- Foreign exchange rate fluctuations
- Impact of COVID-19

Development of existing products and new product launches

Development of existing products and new product launches are the main drivers of the Group's revenue growth and comprise its main growth strategy. In 2020, the Group launched ten new products, which have had an important impact on the Group's revenue growth. For example, in the last quarter of 2019, the Group launched a new feed additive product, Monovet, in the US, which achieved a market share of 19% in the country by the last quarter of 2020, and which significantly contributed to the 12% increase in the Group's revenue generated from the sale of feed additive products, in 2020. Furthermore, in August 2020, the Group launched another new feed additive product, Monimax, in Europe, which rapidly gained a 35% market share by December 2020, and which also contributed to the 12% increase in the Group's revenue generated from the sale of feed additive products, in 2020, see "*—Comparison Results of Operations for the Years Ended December 31, 2020 and December 31, 2019—Revenue*." The Group also introduced further new products in 2020, including Optiphos Plus a feed additive product, as well as Stenorol Crypto, Tuloxxin, Parofor Crypto, Iodol100 and Sedolin, which are veterinary products, in 2020, which also contributed to the increase in the Group's revenue for the year ended December 31, 2020.

In the last three years, 35% of the Group's revenue growth was attributable to the sales of new products launched during the same period, with 25% from products developed internally. The Group has a further 25 new products that are either in the development or registration phase as of the year ended December 31, 2020. The Group is engaged in developing vaccines, and expects its vaccine portfolio to represent approximately 10% of revenue by 2025, representing a 5.6% CAGR over the five year period. The Group also plans to develop antibiotics alternatives such as probiotics, hygiene products, phytogenic products and enzymes as the market is expected to shift to antibiotics alternatives, and to develop and commercialise new coccidiostats to build on its strong market position in the poultry segment, see "*Business—Strategies—Expand its product portfolio through customer-centred R&D*." Therefore, the Group expects that these new products and innovations will continue to have a positive impact on its revenue in the future.

Geographical expansion

The Group directly markets and sells its portfolio of more than 107 products to customers located in more than 100 countries across North America, Europe and RoW, accounting for 32%, 45% and 23% of revenue, respectively, in the year ended December 31, 2020. Since January 1, 2016, alongside acquisitions, the Group established new subsidiaries in Japan, Mexico and Canada, which contributed to the continued geographical expansion of the Group. The Group realized 90% of its rapid growth by combining the geographic expansion with important extensions to its product line for livestock. The Group's revenue from sales to Europe and North America increased by 26% and 20%, respectively from 2018 to 2020. According to Vetnosis, between 2019 and 2024, the animal health market is expected to grow at a CAGR of 1.4%, 3.4% and 6.1% in North America, Europe and the RoW, respectively. Accordingly, the Group expects that its geographical footprint will substantially contribute to its growth in the future and also believes that it is generally well positioned in the livestock market, with strong exposure to higher margin regions, particularly, North America and Europe.

Cost efficiency reached through vertically integrated business model and efficient sales force

The Group has a vertically integrated, large production capacity to serve increasing demands from the market and reduce overall costs. The Group's vertically integrated model covers each stage of the manufacturing process from development to production, regulatory, marketing, sales and services, and it produces 95% of finished products and 90% of APIs internally. The Group's vertically integrated business model enables it to mainly reduce its manufacturing and supply costs, as well as its maintenance capital expenditures. For the years ended December 31, 2018, 2019 and 2020, the Group's maintenance capital expenditures were EUR 6.5 million, EUR 7 million and 8 million, respectively, representing 1.3%, 1.3% and 1.4%, respectively, of its revenue for the same periods indicated.

Furthermore, the Group has a sales force with approximately 580 employees driving strong customer relationships with an efficient sales base. For the year ended December 31, 2020, more than 85% of the Group's volumes are sold directly to the end user of the products, by its own sales team, and this allows the Group to stay close to its customers and to keep sales costs low. The Group's global competitors, including

Zoetis and Elanco, also have similar volumes of direct sales. The Group's sales force is efficient, as demonstrated by selling and distribution costs, which represented 13% of the Group's revenue for the year ended December 31, 2020. In some markets, products are sold through selected distributors; the Group estimates that less than 15% of its sales volumes are sold to distributors who then sell and deliver the products to the end user.

Investments and acquisitions

The Group has completed several strategic investments and acquisitions in the past, including among others, acquisition of third-party products and acquisition of production facilities, and will continue to evaluate opportunities to support and accelerate its growth through selected bolt-on acquisitions going forward. The Group's material investments and acquisitions include, among others, its acquisition of Qalian, the animal health division of Neovia, from InVivo Group in 2018 which enhanced the Group's presence in the EU veterinary market and its acquisition of AgriLabs, in the US in 2018. From January 1, 2018 to December 31, 2020, the Group invested EUR 160 million of capital expenditure in its production capabilities to increase its fermentation capacity in Bulgaria and in its vaccine manufacturing facilities. Of this EUR 160 million, the Group invested EUR 110 million of capital expenditure in the manufacturing facility in Peshtera, Bulgaria and in 2019, the Group increased the fermentation capacity of this facility by 50%. As of the date of this prospectus, the new facility in Peshtera covers an area of 57,500 m^2, employing 200 personnel as of December 31, 2020 in the new facility, with between 80% and 85% of the capacity of the facility being utilized. From January 1, 2018 to March 31, 2021, the Group invested EUR 34.7 million of capital expenditure in the vaccine manufacturing facility in Razgrad, and a further estimated EUR 25.3 million is due to be invested by the end of 2021. As of the date of this prospectus, the Razgrad facility covers an area of 23,000 m2. The Group financed these investments through cash flows from operations and funds available under the Facilities Agreement (as defined below), see "*—Liquidity and Capital Resources—Financing Arrangements—Facilities Agreement*". The Group's ongoing investment in constructing a new production facility in Razgrad, Bulgaria, has been financed through the EIB Finance Contract (as defined below), see "*—Liquidity and Capital Resources—Financing Arrangements—EIB Finance Contract*".

The Group's investments and acquisitions have had and will continue to have effects on the Group's revenue, costs and overall profitability. Its strategic investments enabled the Group to capture revenue growth and increase its margins through the realization of synergies. For example, in 2019, the increase in the Group's revenue from veterinary products and the increase in the sales to Europe were supported by the inclusion of the full year impact of the acquisition of Qalian in France, which was acquired in September 2018. Further, the Group's costs increased in 2019 at a higher rate than the increase in the Group's revenue for the same period, mainly due to the fact that synergies of acquisitions of Agrilabs and Qalian had not yet been realized in 2019. The realization of synergies contributed to a decrease in the Group's selling and distribution costs in 2020, see "*—Comparison Results of Operations for the Years Ended December 31, 2019 and December 31, 2018—Revenue*" and "*—Comparison Results of Operations for the Years Ended December 31, 2020 and December 31, 2019—Selling and distribution costs.*"

Furthermore, the Group's investments and acquisitions have had and will continue to have effects on the Group's capital expenditure. The Group's strategic investments enable it to capture low maintenance capital expenditure at 1.4% of revenue for the year ended December 31, 2020. For the years ended December 31, 2018, 2019 and 2020, the Group's growth capital expenditure (capital expenditure including investments, acquisitions and product developments) were EUR 97 million, EUR 124 million and EUR 88 million, respectively, representing 19.9%, 22.6% and 14.9% of its revenue for the same periods indicated.

Foreign exchange rate fluctuations

Due to extensive international operations in North America and in other non-EU countries, the Group's results of operations is subject to foreign exchange rate fluctuations, as the revenue generated and the expenses incurred in relation to its operations in those countries are denominated in different currencies other than Euro. For the three months ended March 31, 2021 and for the year ended December 31, 2020, the Group generated 48% and 46%, respectively, of its revenues in Euro; 37% and 36%, respectively, of its revenues in US dollar and 15% and 18%, respectively, of its revenues in currencies other than Euro and US dollar. Furthermore, for the three months ended March 31, 2021 and for the year ended December 31, 2020, 52% and 50%, respectively, of the Group's cost of goods sold and operating expenses (excluding any non-recurring items) were in Euro, 43% and 45%, respectively, were in US dollar and 5% and 5%, respectively, were in currencies other than Euro and US dollar. However, the impact of foreign exchange rate fluctuations on the Group's revenue and expenses is not significant, and therefore, the Group has not yet experienced the need for hedging.

The Group's business operations are naturally hedged, as the products are priced in local currencies. Accordingly, the Group's subsidiaries operating in different countries incur expenses and earn revenues in local currencies. This notwithstanding, given that the Group's financial statements are reported in Euro, the Group records foreign exchange gains and losses arising from changes in currency exchange rates between the euro and the Group's other operating currencies. For example, in 2020, foreign exchange losses increased by EUR 15 million compared to 2019, which was one of the main factors that resulted in an increase in the Group's other operating expenses. In 2020, 76% of the foreign exchange losses resulted from the evaluation of the short-term and long-term intragroup monetary assets and liabilities at the closing exchange rate, as of December 31, 2020 see "*—Comparison Results of Operations for the Years Ended December 31, 2020 and December 31, 2019—Other operating expenses*."

Economic effect of the outbreak of COVID-19

COVID-19 has had, and continues to have, an adverse effect on the global economy, which, in turn, has adversely impacted the Group's results of operations. For the year ended December 31, 2020, the ongoing COVID-19 pandemic and the associated restrictions had a negative impact on sales of certain of the Group's products in the US, Latin America and India, which were offset by reduced selling and distribution costs. For example, in 2020, the Group launched Monovet in the US but, this proved to be an inopportune time to launch the product because cattle prices fell due to the impact of COVID-19 and, consequently, producers were forced to decrease their expenses, including in respect of the purchase of new products. Product sales in Latin America have also experienced slower growth for the year ended December 31, 2020, as meat consumption has decreased due to the closure of restaurants and hospitality as part of national lockdown measures and restrictions. Further, although global retail demand for animal protein has increased as a result of consumers eating more meals at home, the Group's sales in India decreased by 22% for the year ended December 31, 2020, compared to 2019, largely as a result of COVID-19 and the decrease in chicken consumption. However, notwithstanding the impact of COVID-19 and associated restrictions, the Group's revenue increased by EUR 39,921 thousand, or 7.3%, in 2020, compared to 2019, as the Group experienced revenue growth across all geographic sales regions except for India. The Group's ability to adopt new sales and marketing practices through videoconferencing, facilitating the roll out of new products, such as Monovet in the US and Monimax in EU, which helped to boost revenue in 2020. Furthermore, the Group's EBITDA increased by 31.2%, from EUR 127,086 thousand in 2019 to EUR 166,745 thousand in 2020, primarily as a result of its increased sales as well as reduced selling and distribution costs driven by savings on travel and marketing expenses due to COVID-19 related restrictions.

Description of Key Line Items

Set forth below is a brief description of the composition of certain line items of the consolidated statement of comprehensive income. This description must be read in conjunction with the significant accounting policies elsewhere in this section and in the Consolidated Financial Statements.

Revenue

The line item "revenue" consists of the revenue the Group generates from its operations. The Group's revenue primarily includes revenue from sale of products and revenue from services.

Revenue from sale of products

Revenue from sale of products consists of the income the Group generates from the sale of its animal health and human health products. Revenue from sale of products is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the finished goods.

Revenue from services

Revenue from services consists of the income the Group generates from the services it provides to its customers. These services include R&D lab scale process development work and some transport services.

Cost of Sales

Cost of sales primarily consists of cost of raw materials, employee remuneration and related expenses, cost of utilities and cost of facilities, other infrastructure and intellectual property.

Other Operating Income

Other operating income primarily consists of the income the Group generates from some non-recurring income such as insurance indemnifications, net gains on sale of some assets, purchase price adjustment related to past acquisitions, government grants and some other non-material items.

Selling and Distribution Costs

Selling and distribution costs primarily consist of costs related to the Group's sales, marketing, promotion and advertising, technical, logistics and procurement functions.

Administrative Expenses

Administrative expenses primarily consist of expenses related to legal and administration, finance and IT support functions as well as amortizations of marketing approvals regarding the Group's intellectual property.

Cost for administration of intellectual property

Cost for administration of intellectual property primarily consists of R&D expenses, maintenance of marketing authorizations, patents and trademarks.

Other Operating Expenses

Other operating expenses primarily consist of net foreign exchange losses and some non-recurring expenses such as impairment on some assets.

Finance Costs

Finance costs primarily consist of interest on syndicated and other facilities.

Results of Operations

The following table sets out the Group's consolidated results of operations for the periods indicated.

	Three months ended March 31,		Year ended December 31,		
	2021	2020	2020	2019	2018
	(unaudited)		(audited)	(audited)	(audited)[1]
	(euro in thousands)				
Revenue	160,918	144,762	587,937	548,016	485,562
Cost of sales	(88,483)	(80,975)	(321,910)	(318,874)	(274,807)
Gross profit	**72,435**	**63,787**	**266,027**	**229,142**	**210,755**
Other operating income	4,282	497	7,438	1,905	5,844
Selling and distribution costs	(18,532)	(20,282)	(78,112)	(78,763)	(65,405)
Administrative expenses	(9,318)	(9,316)	(36,220)	(35,937)	(30,689)
Cost for administration of intellectual property	(1,752)	(2,506)	(8,557)	(9,138)	(8,458)
Other operating expenses	(934)	(2,281)	(25,157)	(5,535)	(5,653)
Operating profit	**46,181**	**29,899**	**125,419**	**101,674**	**106,394**
Finance costs	(2,131)	(2,511)	(10,165)	(9,482)	(9,807)
Share of profit of associates and joint venture	(256)	(330)	(1,446)	(1,260)	(599)
Profit before taxes	**43,794**	**27,058**	**113,808**	**90,932**	**95,988**
Income tax expenses	(4,363)	(3,085)	(12,974)	(10,086)	(12,368)
Profit for the period	**39,431**	**23,973**	**100,834**	**80,846**	**83,620**
Profit for the period attributable to:					
Owners of the parent company	38,747	23,629	98,979	79,642	82,630
Non-controlling interest	684	344	1,855	1,204	990
Other comprehensive income					
Other comprehensive income to be reclassified to profit or loss in subsequent periods					
Exchange rate difference on translation of foreign operations	915	(206)	(1,928)	798	35
Cash flow hedges	88	130	393	(343)	(650)
Income tax effect	—	—	(39)	33	66
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	1,003	(76)	(1,574)	488	(549)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods					
Actuarial losses	—	—	148	(371)	(68)
Income tax effect	—	—	5	14	7
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	—	—	153	(357)	(61)
Income tax expense, attributable to other comprehensive income	—	—	**(34)**	**47**	**73**
Other comprehensive income / (loss) for the period, net of taxes	**1,003**	**(76)**	**(1,421)**	**131**	**(610)**
Total comprehensive income for the period, net of taxes	**40,434**	**23,897**	**99,413**	**80,977**	**83,010**
Attributable to:					
Owners of the parent company	39,649	23,630	97,808	79,796	82,074
Non-controlling interest	785	267	1,605	1,181	936
Earnings per share	0.28	0.17	0.72	0.58	0.60

(1) Certain figures under this table for the year ended December 31, 2018 have been reclassified. Please see "*Important Information—Presentation of Financial and Other Information—Change in accounting policies and presentation*" for the details of the reclassifications and the actual figures included in the Consolidated Financial Statements. The reclassification has not been audited.

Comparison Results of Operations for the Three Months Ended March 31, 2021 and March 31, 2020

Revenue

For the three months ended March 31, 2021, the Group's revenue increased by EUR 16,156 thousand, or 11.2%, compared to the three months ended March 31, 2020.

The increase in the Group's revenue was primarily attributable to an increase of EUR 7,390 thousand, or 10.5%, in the revenue generated from the sale of feed additive products. In the three months ended March 31, 2021, the increase in the revenue the Group generated from feed additives was mainly driven by increased sales of Monimax in Europe. An increase of EUR 2,882 thousand, or 5.3%, in the revenue generated from veterinary products also contributed to the increase in the Group's revenue. This increase was mainly attributable to growth of macrolide products, which is a class of antibiotics. Furthermore, an increase of EUR 5,698 thousand, or 41.9%, in the revenue generated from the sale of API & Other products also contributed to the increase in the Group's revenue. This increase was mainly attributable to continued volume growth in existing API products. We launched ten new products in the feed additives and veterinary product groups during 2020, which contributed 46% to the Group's overall revenue growth in the three months ended March 31, 2021 compared to the three months ended March 31, 2020.

The below table and chart represent the Group's revenue split by product for the three months ended March 31, 2021 and 2020:

	Three months ended March 31,	
	2021	2020
	(euro in thousands)	
Feed Additives	77,753	70,363
Veterinary Products	57,663	54,781
API & Other	19,291	13,593
Human Health Products	6,212	6,025
Total	**160,918**	**144,762**

Furthermore, in terms of geographical split of revenue, the Group's revenue increased across Europe and RoW, whereas slightly decreased in North America in the three months ended March 31, 2021 (as compared with the three months ended March 31, 2020). The increase in the Group's revenue was primarily driven by an increase of EUR 7,011 thousand, or 10.6%, in the revenue generated from sales to Europe. The sales growth in Europe was mainly driven by increased coccidiostat and human API sales. Also, Monimax, a new feed additive product, which was launched in Europe in August 2020, continued to gain more market share than the Group expected and contributed to the increase of EUR 7,011 thousand in the revenue generated from sales to Europe in the three months ended March 31, 2021. An increase of EUR 9,610 thousand, or 30.9%, in the revenue generated from sales to RoW also contributed to the increase in the Group's overall revenue. Increase in the revenue generated from sales to RoW was mainly attributable to increased macrolide sales and coccidiostat sales, as large existing customers in search of a more reliable supply chain opted to shift away from Asia to Huvepharma, and increased sales in Brazil. Increase in the Group's revenue was slightly offset by a decrease of EUR 464 thousand, or 1.0%, in the revenue generated from sales to North America, which was entirely due to volume growth offset by negative foreign exchange variance between EUR and USD in the three months ended March 31, 2021 compared to three months ended March 31, 2020.

The below table and chart represent the Group's revenue split by geography for the three months ended March 31, 2021 and 2020:

	Three months ended March 31,	
	2021	2020
	(euro in thousands)	
Europe	72,896	65,885
North America	47,275	47,739
Rest of World	40,747	31,137
Total	**160,918**	**144,762**

The Group expects to return to teens growth, with organic growth for the full year in 2021 expected to be above the level achieved in the three months ended March 31, 2021 as result of the continued growth in market share for Avert NE, Monovet and Monimax as well as the introduction of Cycleguard and Optigrid, for which FDA approval was obtained in the U.S. in the first quarter of 2021. Also, the Group expects high teens growth in 2022 due to the roll out of Monovet, Monimax and other pipeline products and low to mid-teens growth annually thereafter.

Cost of sales

For the three months ended March 31, 2021, the Group's cost of sales increased by EUR 7,508 thousand, or 9.3%, compared to the three months ended March 31, 2020, as a result of growth in the Group's sales volume. In the three months ended March 31, 2021, the cost of sales increased at a lower rate than the increase in the Group's revenue during the same period, mainly as a result of the successful launch of high margin products.

Other operating income

For the three months ended March 31, 2021, the Group's other operating income increased by EUR 3,785 thousand, compared to the three months ended March 31, 2020, primarily as a result of a positive FX impact, which contributed EUR 3.9 million due to favorable movement of foreign exchange rates.

Selling and distribution costs

For the three months ended March 31, 2021, the Group's selling and distribution costs decreased by EUR 1,750 thousand, or 8.6%, compared to the three months ended March 31, 2020, as a result of savings on travel and marketing expenses due to COVID-19 related restrictions.

Administrative expenses

For the three months ended March 31, 2021, the Group's administrative expenses remained at the same level as compared to the three months ended March 31, 2020.

Cost for administration of intellectual property

For the three months ended March 31, 2021, the Group's cost for administration of intellectual property decreased by EUR 754 thousand, or 30.1%, compared to the three months ended March 31, 2020, as a result of lower personnel expenses and government grants received.

Other operating expenses

For the three months ended March 31, 2021, the Group's other operating expenses decreased by EUR 1,347 thousand, compared to the three months ended March 31, 2020, as a result of a decrease in net foreign exchange losses.

Finance costs

For the three months ended March 31, 2021, the Group's finance costs decreased by EUR 380 thousand, or 15.1%, compared to the three months ended March 31, 2020 due to the extension of the maturity date of the long term facilities as a result of which the effective interest decreased.

Share of loss of associates and joint venture

For the three months ended March 31, 2021, the Group's share of loss of associates and joint venture decreased by EUR 74 thousand, or 22.4%, compared to the three months ended March 31, 2020, as a result of improved financial results of the joint venture with the Group's affiliate, Curtiss Healthcare, Inc ("**Curtiss**"), a contract research organization that develops animal health vaccines.

Income tax expenses

For the three months ended March 31, 2021, the Group's income tax expenses increased by EUR 1,278 thousand, or 41.4%, compared to the three months ended March 31, 2020, due to increased profitability and due to the fact that COVID-19 quarterly tax payment reliefs granted in certain jurisdictions in 2020 were not granted in 2021. The effective tax rate for the three months ended March 31, 2020 and 2021 was 11.4% and 10.0%, respectively.

Comparison Results of Operations for the Years Ended December 31, 2020 and December 31, 2019

The Group's consolidated results of operations for the year ended December 31, 2020 compared with the year ended December 31, 2019 are discussed below.

Revenue

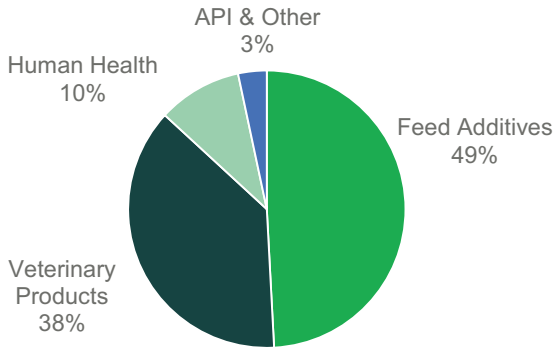
In 2020, the Group's revenue increased by EUR 39,921 thousand, or 7.3%, compared to 2019.

The increase in the Group's revenue was primarily attributable to an increase of EUR 30,928 thousand, or 12%, in the revenue generated from the sale of feed additive products. In 2020, the increase in the revenue the Group generated from feed additives was mainly driven by increased sales of Monovet in North America, which was launched in the last quarter of 2019 and completed its first full year of sales in 2020, reaching 19% market share by December 2020. The increase in the revenue the Group generated from feed additives was also driven by the launch of a new feed additive product, Monimax, which was launched in Europe, in August 2020, and had quickly gained a fast market share of 35% by December 2020. An increase of EUR 9,791 thousand, or 20.4%, in the revenue generated from the sale of the human health products also contributed to the increase in the Group's revenue. This increase was mainly attributable to volume growth in existing API products. The Group's non-core API business decreased by EUR 2,572 thousand, as compared with the prior year, which was partially offset by a slight increase of EUR 1,774 thousand, as compared with the year ended December 31 2019, in the revenue generated from the sale of veterinary products.

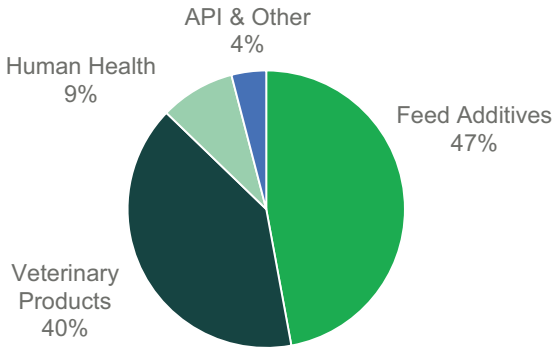
The below table and chart represent the Group's revenue split by product for the years ended December 31, 2020 and 2019:

	Year ended December 31,	
	2020	2019
	(euro in thousands)	
Feed Additives	289,056	258,128
Veterinary Products	221,569	219,796
API & Other	19,596	22,167
Human Health Products	57,716	47,925
Total	**587,937**	**548,016**

2020



2019

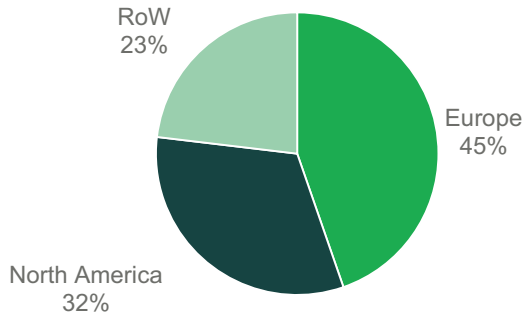


Furthermore, in terms of geographical split of revenue, the Group's revenue increased across all geographic sales regions in the year 2020 (as compared with the previous year). The increase in the Group's revenue was primarily driven by an increase of EUR 19,448 thousand, or 8.0%, in the revenue generated from sales to Europe. The sales growth in Europe was mainly driven by the launch of Monimax in August 2020, supported by strong sales on veterinary products. An increase of EUR 9,032 thousand, or 7.0%, in the revenue generated from sales to RoW also contributed to the increase in the Group's overall revenue. Increase in the revenue generated from sales to RoW was mainly attributable to sales growth in feed additive products in Brazil and veterinary products in Asian markets. Furthermore, the Group's revenue generated from sales to North America also increased by EUR 11,440 thousand, or 6.5%, driven by further volume growth in sales of Monovet, which gained market share throughout 2020.

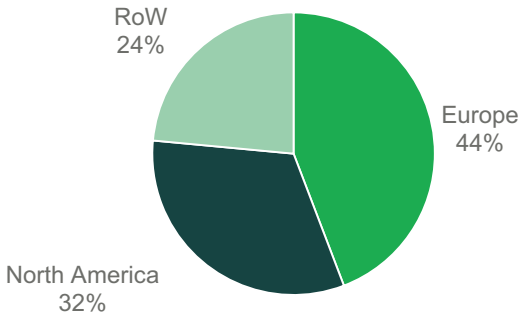
The below table and chart represent the Group's revenue split by geography for the years ended December 31, 2020 and 2019:

	Year ended December 31,	
	2020	2019
	(euro in thousands)	
Europe	261,931	242,483
North America	188,382	176,942
Rest of World	137,624	128,592
Total	**587,937**	**548,016**

2020



2019



Cost of sales

In 2020, cost of sales increased by EUR 3,036 thousand, or 1% compared to 2019, as a result of growth in the Group's sales volume. In 2020, the cost of sales increased at a lower rate than the increase in the Group's revenue during the same period, mainly as a result of the introduction of high margin products such as Monovet in the last quarter of 2019 and Monimax in 2020.

Other operating income

In 2020, other operating income increased by EUR 5,533 thousand, compared to 2019, primarily as a result of the income generated by the sale of a trademark as well as the insurance indemnification the Group received in connection with the flooding of its premises that was covered under its property damage and business interruption policy in Italy.

Selling and distribution costs

In 2020, selling and distribution costs decreased by EUR 651 thousand, or 0.8%, compared to 2019, as a result of realized synergies of recent acquisitions of Agrilabs and Qalian, and savings on travel and marketing expenses due to COVID-19 related restrictions. Among the synergies realized following the aforementioned acquisitions were the rationalization of the product range and personnel reductions due to the integration of sales, marketing, regulatory and logistics functions.

Administrative expenses

In 2020, administrative expenses increased by EUR 283 thousand, or 0.8% compared to 2019, mainly attributable to an increase in amortizations of marketing approvals regarding the Group's intellectual property as a result of an increase in the number of marketing approvals in 2020, compensated partially by lower travel expenses due to COVID-19 travel restrictions.

Cost for administration of intellectual property

In 2020, cost for administration of intellectual property decreased by EUR 581 thousand, or 6.4% compared to 2019, attributable to lower spending on maintenance of license and marketing authorizations, due to the fact that the Group had fewer international meetings and, consequently, reduced travel expenses in 2020 than in 2019.

Other operating expenses

In 2020, other operating expenses increased by EUR 19,622 thousand compared to 2019, primarily attributable to net foreign exchange losses of EUR 15,056 in 2020. In 2020, 76% of the net foreign exchange losses resulted from the evaluation of the short-term and long-term intragroup monetary assets and liabilities at the closing exchange rate, as of December 31, 2020, which cannot be set off against the corresponding intragroup liabilities and assets. In line with the consistently applied natural hedge, the Group will continue to manage its foreign currency risk through operational means, including managing same currency revenue in relation to same currency costs and same currency assets in relation to same-currency liabilities.

Finance costs

In 2020, finance costs increased by EUR 683 thousand, or 7.2% compared to 2019, mainly due to the utilization of committed facilities in 2019 to fund the completion of the extension of the Group's manufacturing facilities.

Share of loss of associates and joint venture

In 2020, share of loss of associates and joint ventures increased by EUR 186 thousand, or 14.8% compared to 2019, due to increased R&D expenses of Curtiss, for vaccine development, 49% shares of which were acquired from 2017 to 2020 (2017: 15%, 2018: 17.6%, 2019: 10.86%; 2020: 5.54%) with an exclusive option to acquire all remaining shares, providing the Group with exclusive rights to commercialize vaccines that are in development.

Income tax expenses

In 2020, income tax expenses increased by EUR 2,888 thousand, or 28.6% compared to 2019, due to increased profitability. The effective tax rate for the years 2020 and 2019 was 11.4% and 11.1%, respectively. The Group expects the effective tax rate to grow to 14% in the mid-term. This estimated increase is based on the Group's anticipated expansion in Europe and the US and the tax legislation of which the Group is currently aware in those jurisdictions.

Comparison Results of Operations for the Years Ended December 31, 2019 and December 31, 2018

The Group's consolidated results of operations for the year ended December 31, 2019 compared with the year ended December 31, 2018 are discussed below.

Revenue

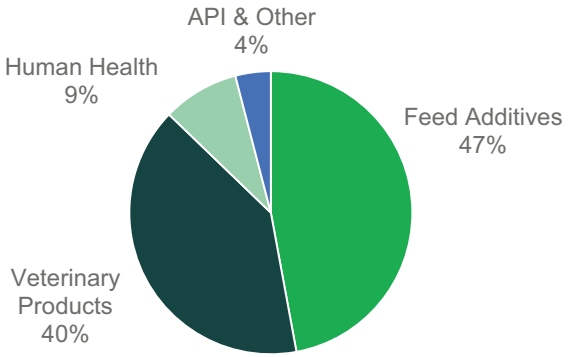
In 2019, the Group's revenue increased by EUR 62,454 thousand or 12.9%, compared to 2018.

The increase in the Group's revenue was primarily attributable to an increase of EUR 28,784 thousand, or 15.1%, in the revenue generated from the sale of veterinary products. In 2019, the increase in the revenue the Group generated from veterinary products was mainly driven by increased sales of veterinary products in Europe, supported by the inclusion of the full year impact of the acquisition of Qalian in France, which was acquired in September 2018 (see "*Business—History*"). The increase in the Group's revenue was also due to an increase of EUR 31,519 thousand, or 13.9% in the revenue generated from the sale of feed additive products. This increase was mainly attributable to increased coccidiostat sales as well as the launch of Monovet in North America in the last quarter of 2019. In 2019, coccidiostat sales increased because of volume growth realized primarily in the European, US, Russian and Brazilian markets.

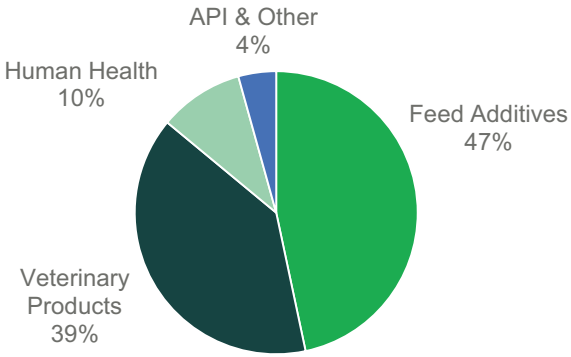
The below table and chart represent the Group's revenue split by product for the years ended December 31, 2019 and 2018:

	Year ended December 31,	
	2019	2018
	(euro in thousands)	
Feed Additives	258,128	226,609
Veterinary Products	219,796	191,012
API & Other	22,167	20,955
Human Health Products	47,925	46,985
Total	**548,016**	**485,562**

2019



2018

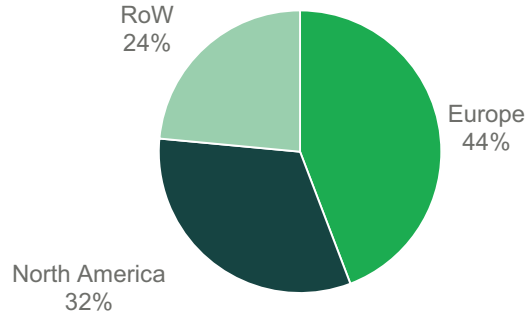


Furthermore, in terms of geographical split of revenue, the Group's revenue increased across all geographic sales regions in the year 2019. The increase in the Group's revenue was primarily driven by an increase of EUR 35,009 thousand, or 16.9%, in the revenue generated from sales to Europe. The revenue growth in Europe was mainly driven by increased sales of coccidiostats. The increase in the sales to Europe was also supported by the inclusion of the full year impact of the acquisition of Qalian, as discussed above. Also, an increase of EUR 20,115 thousand, or 12.8%, in the revenue generated from sales to North America contributed to the increase in the Group's overall revenue in 2019. The increase in sales to North America was mainly due to the launch of Monovet and increased coccidiostat sales in North America, as explained above. Furthermore, the Group's revenue generated from sales to RoW also increased by EUR 7,332 thousand in the year ended December 31, 2019 compared to the year ended December 31, 2018, or 6.0%, driven by increased sales, particularly in Russia, India and Turkey.

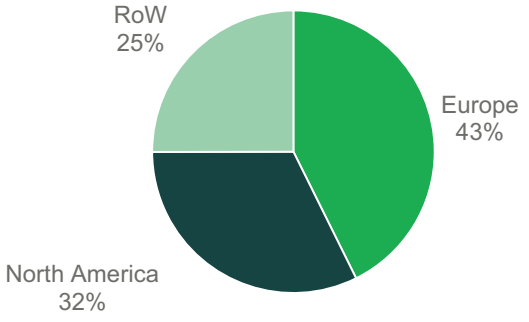
The below table and chart represent the Group's revenue split by geography for the years ended December 31, 2019 and 2018:

	Year ended December 31,	
	2019	2018
	(euro in thousands)	
Europe	242,483	207,474
North America	176,942	156,827
RoW	128,592	121,260
Total	**548,016**	**485,562**

2019



2018



Cost of sales

In 2019, the Group's cost of sales increased by EUR 44,067 thousand, or 16.0% compared to 2018, as a result of growth in the Group's sales volume. In 2019, the cost of sales increased at a higher rate than the increase in the Group's revenue during the same period, mainly due to the fact that synergies of recent acquisitions of Agrilabs and Qalian had not yet been realized in 2019.

Other operating income

In 2019, other operating income decreased by EUR 3,939 thousand, or 67.4% compared to 2018, primarily due to a decrease (as compared with the previous year) in net foreign exchange gains and in government grants that the Group received for the development of the Group's technologies used to develop and manufacture the Group's products.

Selling and distribution costs

In 2019, selling and distribution costs increased by EUR 13,358 thousand, or 20.4% compared to 2018, as a result of an increase in the number of employees forming part of the Group's sales and marketing team in the US in order to support the launch of Monovet, and the addition of Qalian operations in Europe, see "*Business—History*".

Administrative expenses

In 2019, administrative expenses increased by EUR 5,248 thousand, or 17.1% compared to 2018, primarily attributable to increased amortization of marketing approvals regarding the Group's intellectual property, as a result of an increase in the number of marketing approvals in 2019, and the addition of Qalian operations in Europe, see "*Business—History*".

Cost for administration of intellectual property

In 2019, cost for administration of intellectual property increased by EUR 680 thousand, or 8.0% compared to 2018, as a result of the inclusion of full year R&D and regulatory activities of the newly acquired entities, Qalian and Agrilabs, see "*Business—History*".

Other operating expenses

In 2019, other operating expenses slightly decreased by EUR 118 thousand, or 2.1% compared to 2018.

Finance costs

In 2019, finance costs decreased by EUR 325 thousand, or 3.3% compared to 2018, as a result of lower utilization of the revolving credit facilities.

Share of loss of associates and joint ventures

In 2019, share of loss of associates and joint ventures increased by EUR 661 thousand, or 110% compared to 2018, due to increased R&D expenses incurred by the Group's associate company, Curtiss, for vaccine development.

Income tax expenses

In 2019, income tax expenses decreased by EUR 2,282 thousand, or 18.5% compared to 2018, due to the decrease in taxable profit. The effective tax rate for the years 2019 and 2018 was 11.1% and 12.9%, respectively.

Liquidity and Capital Resources

General

The Group's primary sources of liquidity are cash on hand, cash flows from operations and funds available under its credit facilities. While in the Group's opinion its sources of liquidity will be sufficient to meet its working capital needs, growth strategies as well as to fund its capital expenditures, the Group can provide no assurance that its liquidity and capital resources will meet future funding requirements. The Group's sources of funding are affected by many factors, some of which are beyond its control, including economic conditions, regulatory developments, demand from its customers and availability of financing.

Cash flows

The following table presents primary components of the Group's cash flows for each of the periods indicated.

	Three months ended December 31,		Year ended December 31,		
	2021	2020	2020	2019	2018
	(unaudited)		(audited) (euro in thousands)	(audited)	(audited)[1]
Net cash flows from operating activities	20,143	20,162	103,868	68,693	121,007
Net cash flows used in investing activities	(21,716)	(40,141)	(95,817)	(134,606)	(156,332)
Net cash flows (used in) / from financing activities	(883)	27,345	(731)	62,667	24,224
Net increase in cash and cash equivalents	(2,456)	7,366	7,320	(3,246)	(11,101)
Net foreign exchange differences	34	(48)	(574)	72	
Cash and cash equivalents at the beginning of the period/year	**21,638**	**14,892**	**14,892**	**18,066**	**29,167**
Cash and cash equivalents at the end of the period/year	**19,216**	**22,210**	**21,638**	**14,892**	**18,066**

(1) Certain figures under this table for the year ended December 31, 2018 have been reclassified. Please see "*Important Information—Presentation of Financial and Other Information—Change in accounting policies and presentation*" for the details of the reclassifications and the actual figures included in the Consolidated Financial Statements. The reclassification has not been audited.

Net cash flows from operating activities

The Group generates net cash flows from operating activities primarily through proceeds generated from sales to its customers.

The Group's net cash flows from operating activities remained stable at EUR 20,143 thousand in the three months ended March 31, 2021, compared to EUR 20,162 thousand in the three months ended March 31, 2020.

The Group's net cash flows from operating activities was EUR 103,868 thousand in 2020, compared to EUR 68,693 thousand in 2019. This increase was primarily attributable to an increase in proceeds generated from sales to customers due to increased sales volume and to an increase in other cash flows from operating activities.

The Group's net cash flows from operating activities was EUR 68,693 thousand in 2019, compared to EUR 121,007 thousand in 2018. This decrease was primarily attributable to an increase in payments to suppliers compared to the previous year, which was partially offset by sales proceeds.

Net cash flows used in investing activities

The Group's net cash flows used in investing activities are primarily related to the recent extension of manufacturing capacity, in-house product development of intellectual property and acquisitions.

The Group's net cash flows used in investing activities were EUR 21,716 thousand in the three months ended March 31, 2021 compared to EUR 40,141 thousand in the three months ended March 31, 2020. The decrease was primarily attributable to the re-acquisition of a right to distribute a product in the U.S., which was previously granted to a third party.

The Group's net cash flows used in investing activities were EUR 95,817 thousand in 2020 compared to EUR 134,606 thousand in 2019. This decrease was primarily attributable to the completion of the extension of fermentation capacity in the Group's manufacturing facility in Peshtera, Bulgaria at the end of 2019.

The Group's net cash flows used in investing activities were EUR 134,606 thousand in 2019 compared to EUR 156,332 thousand in 2018. This decrease was primarily attributable to the fact that in 2018 the Group made greater investments than in 2019, as it made strategic acquisitions in North America and Europe, including the acquisitions of AgriLabs, Qalian and T-Hexx, in 2018, see "*Business—History*".

Net cash flows (used in) / from financing activities

The Group's cash flows from financing activities are related to proceeds it receives from its syndicated loan facilities. The Group's cash flows used in financing activities are primarily related to repayment of its syndicated loan facilities, lease liabilities, payment on interest and payment of dividends.

The Group's net cash used in financing activities was EUR (883) thousand in the three months ended March 31, 2021 compared to net cash flows from financing activities of EUR 27,345 thousand in the three months ended March 31, 2020. This change was primarily attributable to the payment of a dividend in the beginning of 2021.

The Group's net cash used in financing activities was EUR (731) thousand in 2020 compared to net cash flows from financing activities of EUR 62,667 thousand in 2019. This change was primarily attributable to an increase in proceeds from borrowings due to the utilization of the committed facilities in 2020 to fund the extension of the fermentation manufacturing facility in Peshtera.

The Group's net cash flows from financing activities were EUR 62,667 thousand in 2019 compared to EUR 24,224 thousand in 2018. This increase was primarily attributable to an increase in proceeds from borrowings due to the utilization of committed facilities in 2019 to fund the extension of fermentation manufacturing facility in Peshtera.

Working capital statement

In the opinion of the Group, the Group's working capital is sufficient for the Group's present requirements that is for at least twelve months following the date of this Prospectus.

Capital expenditures

The Group primarily incurs capital expenditures related to growth and maintenance of its manufacturing facilities, which includes expansion of its production capacity and improvements, in-house development and purchases of intellectual property and acquisitions.

For the years ended December 31, 2018, 2019 and 2020, the Group's maintenance capital expenditures were EUR 6.5 million, EUR 7 million and EUR 8 million, respectively, representing 1.3%, 1.3% and 1.4%, respectively, of its revenue for the same periods indicated. For the years ended December 31, 2018, 2019 and 2020, the Group's growth capital expenditures were EUR 97 million, EUR 124 million and EUR 88 million, respectively, representing 19.9%, 22.6% and 14.9% of its revenue for the same periods indicated. In the years ended December 31, 2018, 2019 and 2020, the sum of capital expenditure of the Group on in-licensing in order to drive growth in its vaccine products was EUR 13 million. For example, the Group in-licensed a portfolio of vaccines from Curtiss (including Avert NE) and a cattle portfolio from another provider. The total amount paid related to in-licensing was EUR 2.2 million in 2020, all of which was spent on products which contributed to total revenue of EUR 45.6 million. Furthermore, for the years ended December 31, 2018, 2019 and 2020, the Group had cash conversion (calculated as EBITDA less capital expenditures divided by EBITDA) of (28.2%), (5.9%) and 42.5%, respectively.

As the Group expects to continue expanding its asset base and product development in line with recent years, the Group's regular capital expenditures during the year 2021 are expected to be approximately EUR 100 million, primarily composed of the expenditures incurred in connection with the completion of the construction of the new vaccine facility in Razgrad, Bulgaria, which is expected to be completed by the end of 2021 as well as by the expenditure relating to the construction (which commenced in early 2021) of the new coccidiostat/vaccine plant in Lincoln, Nebraska, US, and regular product development. Also, the Company's regular capital expenditures in the mid-term are expected to be approximately EUR 100 million, which will include investments in the completion of the new vaccine facility in Razgrad, Bulgaria, and construction of the Lincoln vaccine plant as well as regular product development. In line with its historic track record and capital expenditure levels, the Company expects its regular capital expenditures as a percentage of revenue to be low to mid-teens in the mid-term, gradually declining towards 8%.

Furthermore, the Company plans to make growth capital expenditures during the year 2021, which are expected to be approximately EUR 25 million for additional investments in Peshtera and Lincoln to increase the capacity and to accelerate development of new products, and approximately EUR 20 million for additional in-licensing to drive growth in vaccines and development of new technologies, and the Company intends to use a portion of the expected net proceeds from the Offering to realize these investments, see "*Use of Proceeds*". The Company's growth capital expenditures in the mid-term are expected to be approximately EUR 100 million, over 2022 and 2024, which is planned to be invested in in-licensing, technologies and research. The Company expects that the capital expenditures on Lincoln and Peshtera would reduce the time for the new vaccine products to reach the market, as a result of the increased research and development capacity created through these investments. As a result of capital expenditures on in-licensing and new technology development, the Company expects that the time-to-market for new vaccine products could be reduced to approximately two years after the initial investment.

The Group's capital expenditures are planned and managed in strict accordance with projected sales volumes and the outcome of the sales and marketing bottom-up budgeting approach to every market. Capital expenditures are in principle not committed and, in the event there is a lower-than-planned customer demand, up to 80% of capital expenditures can be delayed or cancelled, which provides the Group with flexibility to manage its cash flows. The Group sets revenue growth and EBITDA targets based on both its regular and accelerated capital expenditure plans, and growth and margin expansion under the accelerated capital expenditure plans is expected to be driven by the introduction of new products with higher margins.

Financing Arrangements

Facilities Agreement

On August 15, 2014, Huvepharma International B.V., as the parent (the "**Parent**"), executed a facilities agreement with Citibank Europe PLC, the UK Branch acting as the agent, Citibank N.A., London Branch acting as the security agent, and Rabobank Antwerp, BNP Paribas S.A., Sofia Branch, UniCredit Bulbank AD and ING Bank N.V., Sofia Branch as the co-arrangers ("**Lenders**"), which was amended and restated on February 4, 2016, amended on March 2, 2016 and August 18, 2016, and further amended and restated on July 25, 2017, October 5, 2020 and December 23, 2020 ("**Facilities Agreement**") to include, amongst others, new revolving facilities, add new borrowers and extend the termination date of the Facilities Agreement. The Parent entered into the Facilities Agreement for various purposes, including but not limited to the financing of capital expenditure and investments. As of March 31, 2021, the total amount of the facilities, including any revolving facilities under the Facilities Agreement, is EUR 540,000,000, of which EUR 415,378,296 is outstanding as of the date of this Prospectus. The annual interest is the three months EURIBOR rate, plus a margin in the range of 1.25% to 1.75%, linked to the Net Senior Leverage (total net debt to EBITDA for the relevant period as defined in the Facilities Agreement). The maturity date of the Facilities Agreement is July 25, 2027.

EIB Finance Contract

On December 22, 2017, Biovet AD, as the borrower (the "**Borrower**"), executed a finance contract with the European Investment Bank ("**EIB**"), as amended and restated on April 3, 2018, as amended on July 17, 2018, April 12, 2019 and July 25, 2019 and as further amended and restated on December 4, 2020 ("**EIB Finance Contract**"). The Borrower entered into the EIB Finance Contract for the purposes of capital expenditure financing relating to the construction of the fermentation facility in Peshtera, Bulgaria, and the vaccine plant in Razgrad, Bulgaria, as well as its R&D activities. As of March 31, 2021, the total amount of the facilities under the EIB Finance Contract is EUR 125,000,000, of which EUR 94,883,000 is outstanding as of the date of this Prospectus. The annual interest rate is three months EURIBOR plus a margin of 0.78%. The EIB Finance Contract matures on March 31, 2026.

Financial Covenants under the Facilities Agreement and EIB Finance Contract

According to the Facilities Agreement and the EIB Finance Contract the Parent and the Borrower, as applicable, shall ensure that:

(a) EBITDA (as defined under the Facilities Agreement and in this Prospectus) to net finance charges ratio in respect of any 12 months period shall not be less than 4.00:1. For the purposes of the Facilities Agreement and the EIB Finance Contract, *net finance charges* is defined as the aggregate amount of accrued interest, commission, fees and other finance payments in respect of the borrowings after deducting any interest payable in the relevant 12 months period. As of the date of December 31, 2020 the applicable EBITDA to net finance charges ratio is 16.40:1.

(b) Total net debt to EBITDA (as defined under the Facilities Agreement and in this Prospectus) ratio in respect of any 12 months period shall not exceed 4.00:1. For the purposes of the Facilities Agreement and the EIB Finance Contract, *total net debt* is defined as the aggregate amount of all obligations of all members of the Group, as applicable. As of the date December 31, 2020 the applicable total net debt to EBITDA ratio is 2.87:1.

Dividends and Share Redemptions under the Facilities Agreement and EIB Contract

Pursuant to the Facilities Agreement and the EIB Finance Contract, subject to certain exceptions specified under the Facilities Agreement and the EIB Finance Contract, the Group (excluding the Issuer) is not allowed to (i) declare, make or pay any dividend, charge, fee or other distribution (whether in cash or in kind) on or in respect of its share capital; (ii) repay or distribute any dividend or share premium reserve; (iii) pay any

management, advisory or other fee to or to the order of any of the shareholders of the Parent; or (iv) redeem, repurchase, defease, retire or repay any of its share capital or resolve to do so. However, such restriction shall not apply to the following permitted distributions and transactions:

Permitted Distributions

(a) Payment of dividend to the Parent or any of its wholly-owned Subsidiaries,

(b) Payment of dividend made by the Parent to its shareholders or made directly to any shareholders of non-wholly owned Subsidiaries of the Parent, provided that:

   i. no event of default is continuing when the payment is made or would arise as a result of such payment, and

   ii. Total net debt to EBITDA (as defined under the Facilities Agreement and in this Prospectus) ratio in respect of any 12 months period shall not exceed 4.00:1.

Permitted Transactions

(a) any disposal required, financial indebtedness incurred, guarantee, indemnity, or security given under the finance documents as defined under the Facilities Agreement,

(b) transactions conducted in the ordinary course of business, and

(c) other permitted transactions specified under the Facilities Agreement and the EIB Finance Contract.

Change of Control

The Facilities Agreement and the EIB Finance Contract include a change of control provision, which could lead to a mandatory payment and cancellation event as per the Facilities Agreement and the EIB Finance Contract, as the Lenders and EIB have the right to request payment of the loan upon notification of the change of control event. Change of control provisions under Facilities Agreement and the EIB Finance Contract are triggered, amongst others if:

(a) (for the purposes of the Facilities Agreement and the EIB Finance Contract) Advance Properties ceases directly or indirectly:

   i. to hold beneficially more than 50% of Huvepharma International B.V.'s or the Borrower's (and other borrowers') issued share capital

   ii. to control more than 50% of votes of Huvepharma International B.V. or the Borrower (and other borrowers)

   iii. to appoint or remove all, or the majority, of the directors or officers of Huvepharma International B.V. or the Borrower (and other borrowers)

   iv. to give directions with respect to operating and financial policies of Huvepharma International B.V. or the Borrower (and other borrowers)

(b) (for the purposes of the EIB Finance Contract) Huvepharma International B.V. ceases directly or indirectly:

   i. to hold beneficially more than 50% of the Borrower's issued share capital

   ii. to control more than 50% of votes of the Borrower

   iii. to appoint or remove all, or the majority, of the directors or officers of the Borrower

   iv. to give directions with respect to operating and financial policies of the Borrower

Following the Offering, Advance Properties will continue to indirectly hold 85.00% of the Parent's (Huvepharma International B.V.'s) shares. As of the date of this Prospectus consent letters for the Offering from the Lenders and EIB were obtained to allow for, inter alia: (i) the reorganisation of the Group by way of incorporation of the Company as a direct subsidiary of the Selling Shareholder and the Contribution, followed by the conversion of the Company into a public company with limited liability, as of the First Trading Date, (ii) the offering of newly issued and existing ordinary shares in the capital of the Company; (iii) the admission to listing and trading of the ordinary shares in the capital of the Company on Euronext Amsterdam; and (iv) the relevant amendments to the Facilities Agreement and to the relevant finance documents pertaining to the Facilities Agreement to reflect the above reorganization.

Other Undertakings under the Facilities Agreement and EIB Finance Contract

Pursuant to the Facilities Agreement and EIB Finance Contract, and subject to certain exceptions specified under the Facilities Agreement and EIB Finance Contract, the Group (excluding the Issuer) is not allowed to issue or dispose any of their shares.

Security rights

The facilities provided under the Facilities Agreement and the EIB Finance Contract are collateralized by the following security rights:

- Share pledges over the shares of Huvepharma International B.V., Huvepharma Holdings B.V., Huveproject EAD, Huvepharma EOOD, Biovet AD, Huvepharma NV and Huvepharma Inc.;
- Pledge over all receivables of Huvepharma International B.V.;
- Pledge over all assets of Huvepharma Inc.;
- Pledge over the bank accounts of Huvepharma International B.V., Huvepharma Holdings B.V., Huvepharma Italia S.r.l. and Huvepharma NV;
- Pledge over the entire going concern of Huveproject EAD, Huvepharma EOOD and Biovet AD with the following specifically charged assets: machinery and equipment, intangible assets, real estate and intra-group receivables, bank accounts and insurances of Huveproject EAD, Huvepharma EOOD and Biovet AD;
- Assignment of receivables of Huvepharma NV and Huvepharma Do Brasil Ltda. and assignment of receivables owed to Huvepharma Italia S.r.l.

The Borrower's financial obligations under the EIB Finance Contract are also guaranteed by Huvepharma International B.V. and several other Group Companies under a guarantee and indemnity, and secured by a share pledge over the shares of the Borrower and other security rights.

Biovet AD's financial obligations under the agreement with United Bulgarian Bank AD, please see "*—Liquidity and Capital Resources—Off-Balance-Sheet Arrangements and Contingent Liabilities*" are secured by share pledges over the shares of Huveproject EAD, Huvepharma EOOD and Biovet AD, a pledge over the entire going concern of Huveproject EAD, Huvepharma EOOD and Biovet AD with the following specifically charged assets: machinery and equipment, intangible assets, real estate and intra-group receivables, bank accounts and insurances of Huveproject EAD, Huvepharma EOOD and Biovet AD, a mortgage over real estate and pledge over machinery and equipment.

Intercreditor Agreement

The Borrower also entered into an intercreditor agreement dated 15 August 2014, with, amongst others, the Lenders, EIB, the Agent, the Security Agent and subordinated creditors in connection with the Facilities Agreement and the EIB Finance Contract, which was then amended and restated by an amendment and restatement deed dated April 3, 2018 and supplemented by a supplemental deed dated 23 December 2020 ("**Intercreditor Agreement**"). The Borrower entered into the Intercreditor Agreement for the purposes of regulating the different financings in place between each group and class of lenders (including the Lenders, EIB and any subordinated creditors).

The following table sets forth the Group's total current interest-bearing loans and borrowings and the maturity of these borrowings for each of the periods indicated.

	Three months ended March 31,	Year ended December 31,			
	2021	2020	2019	2018	Maturity[1]
	(unaudited)	(audited) (euro in thousands)			
Current interest-bearing loans and borrowings					
Lease liabilities	2,323	2,480	2,204	380	2021
Current portion of loans					
Revolving credit lines	11,834	11,779	13,217	11,893	2021
Bank loan of EUR 268,680 thousand	13,664	13,805	13,101	13,082	2021
Bank loan of USD 51,320 thousand	2,551	2,581	2,249	2,240	2021
Soft Loan SAL1	284	284	—	—	2021
Italian State Fund Loan of EUR 197 thousand	30	39	—	42	2021
CAPEX facility of EUR 50,000 thousand	4,166	4.166	4,168	1,167	2021
EIB Finance Contract EUR 100,000 thousand	4,760	4,760	3,869	76	2021
Total current interest-bearing loans and borrowings	**39,612**	**39,894**	**38,808**	**28,880**	

(1) Maturity of the Current interest-bearing loans and borrowings for the year ended December 31, 2020 is 2021. Maturity of the Current interest-bearing loans and borrowings for the year ended December 31, 2019 is 2020. Maturity of the Current interest-bearing loans and borrowings for the year ended December 31, 2018 is 2019.

The following table sets forth the Group's total non-current interest-bearing loans and borrowings and the maturity of these borrowings for each of the periods indicated.

	Three months ended March 31,	Year ended December 31,			
	2021	2020	2019	2018	Maturity[1]
	(unaudited)	(audited) (euro in thousands)			
Non-current interest-bearing loans and borrowings					
Lease liabilities	5,011	4,969	4,657	511	2022-2026
Non-current portion of loans					
Revolving credit lines	110,787	71,195	38,362	—	2027
Bank loan of EUR 268,680 thousand	203,157	207,160	221,076	234,125	2027
Bank loan of EUR 51,320 thousand	38,504	39,289	41,870	44,120	2027
Soft Loan SAL1	2,394	2,395	1,528	—	2028
Italian State Fund Loan of EUR 197 thousand	18	18	97	95	2022
CAPEX facility of EUR 50,000 thousand	38,541	39,584	43,750	26,837	2027
EIB Finance Contract EUR 100,000 thousand	90,124	91,313	96,073	69,924	2026
Total non-current interest-bearing loans and borrowings	**488,536**	**455,923**	**447,413**	**375,612**	

(1) Maturity of the Non-current interest-bearing loans and borrowings for the year ended December 31, 2020: Lease liabilities 2022-2026, Revolving credit lines 2027, Bank loan of EUR 268,680 thousand 2027, Bank loan of EUR 51,320 thousand 2027, Soft Loan SAL 1 2028, Italian State Fund Loan of EUR 197 thousand 2022, CAPEX facility of EUR 50,00 thousand 2027, EIB Finance Contract EUR 100,000 thousand 2026.

Maturity of the Non-current interest-bearing loans and borrowings for the year ended December 31, 2019: Lease liabilities 2021-2025, Revolving credit lines 2022, Bank loan of EUR 268,680 thousand 2022, Bank loan of EUR 51,320 thousand 2022, Soft Loan SAL 1 2028, Italian State Fund Loan of EUR 197 thousand 2022, CAPEX facility of EUR 50,00 thousand 2022, EIB Finance Contract EUR 100,000 thousand 2026.

Maturity of the Non-current interest-bearing loans and borrowings for the year ended December 31, 2018: Lease liabilities 2020-2024, Revolving credit lines 2022, Bank loan of EUR 268,680 thousand 2022, Bank loan of EUR 51,320 thousand 2022, Italian State Fund Loan of EUR 197 thousand 2022, CAPEX facility of EUR 50,00 thousand 2022, EIB Finance Contract EUR 100,000 thousand 2026.

Off-Balance-Sheet Arrangements and Contingent Liabilities

For the year ended December 31, 2020, the Group provided guarantees in the amount of EUR 376 thousand (EUR 302 thousand in 2019 and EUR 955 thousand in 2018) associated with the purchase and sale of electrical power; and guarantees in the amount of EUR nil (EUR 73 thousand in 2019 and EUR 73 thousand in 2018)

related to a grant from the Bulgarian Small and Medium Enterprise Promotion Agency, which was provided as a security for the Group's obligations under the relevant grant agreement.

Biovet AD and Huvepharma EOOD as co-debtor have also entered into an agreement with United Bulgarian Bank AD for issuing bank guarantees which will expire on June 30, 2022. The agreement with United Bulgarian Bank AD provides that the bank shall issue bank guarantees up to a total limit of EUR 4,000 thousand for all outstanding bank guarantees of the Group. As of December 31 2020, the total amount of outstanding bank guarantees was EUR 457 thousand (EUR 374 thousand in 2019, EUR 1,027 thousand in 2018).

For the collaterals, pledges and mortgages established over the Group's assets, please see "*—Liquidity and Capital Resources—Financing Arrangements—Security rights.*"

Financial Risk Management

The Group's overall risk management program targets to minimize the potential adverse effects over its financial performance. The Group manages its capital to ensure that it will be able to continue operating as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The main risks arising from the Group's operations and financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk, which are summarized below.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to its long-term debt obligations with floating interest rates.

The Group manages its interest rate risk by having a balanced portfolio of both floating and fixed rate loans and borrowings. Additionally, the Group entered into interest rate swaps to fix the interest rate of certain of its debts. The relevant hedging agreements were entered into by Huvepharma EOOD in respect of the floating interest rate exposure of the Group under the Facilities Agreement, and Huvepharma EOOD's obligations under the hedging agreements are secured by share pledges over the shares of Huveproject EAD, Huvepharma EOOD and Biovet AD, a pledge over the entire going concern of Huveproject EAD, Huvepharma EOOD and Biovet AD with the following specifically charged assets: machinery and equipment, intangible assets, real estate and intra-group receivables, bank accounts and insurances of Huveproject EAD, Huvepharma EOOD and Biovet AD.

See Note 20 to the Consolidated Financial Statements for further details regarding its hedging activities.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to its operating activities in North America and in other non-EU countries, as the revenue the Group generates and the expenses it incurs in relation to its operations in those countries are denominated in different currencies other than euro. The Group does not engage in any hedging activities. However, it manages its foreign currency risk, in part, through operational means, including managing same currency revenue in relation to same currency costs and same currency assets in relation to same currency liabilities. The following tables demonstrate the sensitivity of the pre-tax profit of the Group to a reasonably possible change in the USD exchange rate, with all other variables held constant. The Group's exposure to foreign currency changes for all other currencies is not material.

	Change in the USD exchange rate	Effect on the profit before tax
2020	+6.85%	5,020
	-6.85%	(5,020)
2019	+2.88%	1,843
	-2.88%	(1,843)
2018	+5.19%	796
	-5.19%	(796)

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities, primarily for trade receivables, and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. Trade and other receivables (including prepayments) as a percentage of revenue was 22% in 2019 and 17% in 2020 and the Group expects this percentage to remain in the range of 20% to 21% in the future.

Trade receivables

Customer credit risk is managed by each business unit, subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed individually. Outstanding customer receivables are regularly monitored and any deliveries to major customers are generally covered by letters of credit or other forms of credit insurance.

The requirement for impairment is analyzed at each reporting date on an individual basis for each client. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 12 to the 2020 Consolidated Financial Statements. The Group evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in more than 100 jurisdictions and operate in largely independent markets.

Bank balances and deposits with banks and financial institutions

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Group's senior management on an annual basis and may be updated throughout the year subject to approval of the senior management. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments. The Group places its deposits only with banks with very good credit ratings. The Group's exposure to credit risk arises from default of the counterparty, with the maximum credit exposure equalling the carrying amount of these instruments.

Liquidity risk

Liquidity risk is the risk that the Group might face difficulties in meeting its financial liabilities when they are settled in cash or in other financial assets. The Group applies a conservative liquidity management policy through which the Group constantly maintains an optimum liquid stock of cash and a good ability to finance its operations. The Group uses borrowings as well. The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. The Group monitors and controls the actual and forecast cash flows and maintains the balance between the maturities of its assets and liabilities. For overview of the maturity profile of its financial liabilities, liabilities to personnel, tax and other liabilities based on contractual undiscounted payments, see Note 20 to the Consolidated Financial Statements.

Significant Accounting Policies

Significant accounting policies involve judgments and uncertainties that are sufficiently sensitive to result in materially different results under different assumptions and conditions. A detailed description of the significant accounting policies used in preparing the Group's consolidated financial statements are set forth in Note 2.2 to the Consolidated Financial Statements.

Changes in Accounting Policy and Disclosures

The Group applied IFRS 16—Leases and IFRIC 23—Uncertainty over Income Tax Treatments for the first time for the financial reporting period commencing January 1, 2019. IFRS 16 and IFRIC 23 did not have a material impact on the Group's balance sheet and results of operations. A detailed description of the interpretations with respect to the adoption of these accounting policies are set forth in Note 2.3 to the Consolidated Financial Statements.

Trend Information

Seasonality

The Group typically experiences lower revenues in the first quarter of each year, with higher revenues in the final quarter of the year. Also, the first quarter of the financial year typically has the lowest EBITDA because sales volume are usually lowest in the first quarter compared to other quarters while operating expenses typically remain flat across all quarters. This seasonality is largely driven by increased animal disease incidence, and a resulting increase in purchases of animal health products, in the autumn and winter months. The Group's EBITDA, as split by quarter, also reflects this seasonality.

Significant Recent Trends

Brexit took effect as of January 1, 2021. For veterinary products, a transition period is in place until January 1, 2023. Conversely, for feed additive products, the final regulatory framework remains unclear. Since Brexit, sales in the UK have been realized with minor logistical delays. Huvepharma Limited is based in the UK and was established in 2020 with a view to anticipating any legislative changes that may arise as a result of Brexit, including any potential new regulations related to the requirement to have a local presence in the UK in order to sell veterinary or feed additive products.

Overview

The global animal health industry is a large market estimated to be worth approximately USD 30.5 billion in 2016, USD 32.9 billion in 2019 and is projected to be worth USD 39.9 billion in 2024, according to the research and consulting firm Vetnosis (Outlook: 2019-2024F, Vetnosis Limited, June 2020). Within the global animal health industry, there are two distinct segments in which companies can participate that vary in market size according to Vetnosis:

- Livestock animals segment, with a market size of approximately USD 19.7 billion, and
- Companion animals segment, with a market size of approximately USD 13.2 billion

The Group's core operations focus on the health of livestock animals segment which represents approximately 60% of the global animal health industry. Livestock animals are those that are raised for animal protein and includes poultry, swine, beef and dairy cattle, small ruminants, like sheep and goats, and various aquatic animals (fish, shrimp, etc.).

Overall, Vetnosis projects the global animal health industry for livestock to grow nominally at a compound annual rate of 5% between 2019 and 2024 (increasing from a CAGR of 2.1% between 2016 and 2019, excluding swine). The fastest growth rates over this period will be in poultry, expected to grow in nominal term, 7.2%, followed by cattle and sheep at 4.2% and swine at 3.5%. According to Vetnosis, although both the companion animal segment and livestock species segment are expected to grow, all livestock species are expected to grow faster than the companion animal segment, which Vetnosis forecasts to grow at 2.5% from 2019 to 2024 (decreasing from a CAGR of 7.2% between 2016 and 2019).

The Group believes this growth will be driven by a number of strong and sustainable factors, including the following:

Increased Global Population

The world population reached 7.8 billion people in 2020 (from 7.0 billion people in 2010) and is growing at a rate of 1.0% per year (*Source: Our World in Data*). The United Nations projects the world population will reach 8.5 billion by 2030, and 9.7 billion by 2050, with most of the population growth occurring in developing countries. The Organisation for Economic Co-operation and Development ("**OECD**") further projects that the number of people in the middle class will grow by 2 billion between 2020 and 2030. Advances in medicine and better nutrition along with other factors have increased lifespan, adding to population growth and driving global demand for food and particularly animal protein (*Source: United Nations*).

Increased Global Demand for Protein

As the population continues to grow in size and improve in standard of living, it is forecast that people will consume an increasing amount of animal protein and dairy, both in the aggregate and on a per capita basis. For example, according to the United Nations (*Source: World Agriculture: towards 2015/2030—An FAO perspective, 2003*), since the early 1960s, per capita consumption of milk in certain developing markets has almost doubled, egg consumption has also doubled, and poultry meat consumption has increased fivefold.

When income and education increase, meat consumption increases follow. For the last twenty years meat consumption (beef, veal, pork, and poultry) has increased 3% annually in developing and emerging countries, while growth has only been about 0.4% in developed countries. The greatest increases have come from the Middle East and North Africa, where consumption has doubled from 12 to 24 kilograms of mostly chicken meat. South Asia per capita meat consumption has increased 10 to 18 kilograms (80% increase) (*Source: USDA, Agricultural Projections*). This increase is reflected in the growth of livestock markets, with a CAGR of 4.2% in poultry and 1.0% in cattle for the period 2016 to 2019. However, for the period 2016 to 2019, there was a decrease in swine with a CAGR of 6.1% due to African Swine Fever, which resulted in a 33% production loss in China and Vietnam (*Source: Vetnosis*). The swine market is expected to recover substantially from African Swine Fever, with repopulation ongoing in China and other Asian markets.

According to the United Nations, global per capita consumption of livestock products is expected to increase from 41 kg per year (2015) to 45 kg per year by 2030. In developing countries, the increase is projected to grow from 32 kg per year to 37 kg per year in the same time frame. Per capita global consumption of milk is projected to increase from 83 kg per year to 90 kg per year globally for the same time period. The OECD Food and Agriculture Organization of the United Nations ("**FAO**") also projects global meat production to increase

by 13% in 2028 relative to the period between 2016 and 2018, driven by developing countries, led by Argentina, Brazil, China, Mexico, Pakistan, and South Africa for beef and Asia for fish demand (*Source: OECD-FAO Agricultural Outlook 2019- 2028*). The CAGR of livestock markets for the period 2019 to 2024 is projected to be 3.5% for swine, 7.2% for poultry and 4.2% for cattle (*Source: Vetnosis*).

The trend for vegan alternatives to protein source is a growing trend in developed markets. Intelligence provider GlobalData estimates approximately 1.6% of global consumers identified as vegan in 2017 (*Source: www.globaldatareview.com*). However, the Group expects the impact of veganism on the overall mid to long term demand for food animal products to be limited.

Significant Pressure on Producers to Improve Productivity

Scarcity of arable land, fresh water and increased competitive uses for cultivated land have resulted in limited availability of natural resources for use by producers seeking to meet increased demand for food in general and animal protein in particular.

Around the world, livestock producers are exposed to price pressures that make them strive for efficient production. Live animal production continues to be a commodity business where low-cost production is essential for survival. Livestock producers are exposed to pricing pressures from changing commodity prices, namely feed ingredient prices and pressures from the market prices for their animal protein products. Some segments of the livestock industry have responded to these pressures by consolidating and vertically integrating, particularly seen in the poultry industry. However, for all livestock segments, the cost to producers of medicines and vaccines for their animals is a small fraction of the total cost of production. These medicines and vaccines treat and prevent diseases in herds and flocks before they become widespread, thus protecting the producers' investment in their animals. Also, the loss to disease and death, the increase in feed, labour and other input costs continue to pressure producers' profit margins, causing them to focus on seeking new ways to improve yields and productivity.

Animal health medicines and vaccines have contributed to improvements in animal health, resulting in increased production efficiency over the last 50 years by improving feed conversion ratios, production yields and cycle times and by reducing the cost impact of disease in animals. The Group believes that improvements in production efficiency will continue to depend on technologic interventions and advancements, including in animal health products. The cost of medicines and vaccines is small relative to other livestock production costs, including feed. Medicines and vaccines offer high return on investments by improving animal health, resulting in improved production and economic outcomes for producers.

Increasing importance of food quality and human health security are driving the evolution of the livestock market

As consumers and governments become increasingly focused on food safety and food quality, the Group believes there will be increased demand for its products raised by more sophisticated and industrialised producers.

Difficult economics for producers and increased food safety and biosecurity regulations have made it increasingly difficult for smaller and non-industrialized food producers to operate competitively. For example, China's national government generally has supported the move to larger, higher producing and more industrialized farms in order to modernize production and improve food safety as the country comes out of the African Swine Flu (ASF) crisis. In addition to heightened focus on food safety protocols from industrialized farms, they are also increasingly focused on the economic returns, which typically supports greater use of all animal health products.

Threats to human health associated with livestock are of growing concern to consumers, livestock producers and regulators. Keeping herds and flocks free from disease, including through the use of medicines and vaccines, is a key market need. Animals can act as carriers of harmful agents, such as bacteria, viruses, parasites, and fungi. When an agent from animals produces infection in humans it is known as a zoonotic diseases or zoonosis. As per the estimates of the Center for Disease Control and Prevention ("**CDC**"), more than six out of every 10 known infectious diseases in people can spread through animals, and 3 out of every 4 new or emerging infectious diseases in people are expected to come from animals. Products that address the risk of zoonotic diseases are vital to a healthy ecosystem and the Group believes that vaccines to protect herds from disease and medicines to treat diseases and limit their spread and automated high-throughput devices will continue to be utilized globally.

Regulatory pressure on antibiotics in production animals will continue to pressure the medicinal feed additive and anti-infective segment volumes according to Vetnosis and will drive the need for additional alternative products. Antimicrobial resistance in humans, or the risk that human pathogens evolve or otherwise emerge that are resistant to antibiotics is a significant health concern, and animal agriculture can play a role in mitigating this risk. As a company dedicated to the health and well-being of livestock, the Group seeks to help farmers responsibly use antibiotics when treating animals. The Group is focusing on antibiotics that are not medically important as human medicines, which therefore provides scant opportunity for the development of resistance to human antibiotics through the food chain. The Group is also actively working on vaccines and coccidiostats, which help to reduce the use of antibiotics in livestock.

Favorable commercial dynamics in the livestock health industry

The livestock health industry benefits from particular commercial dynamics driving tailwinds for existing players and significant barriers to entry for potential new entrants. The Group believes these dynamics can be summarized around the following three key topics: diversification, customer relationship, and brand and reputation.

Many animal health companies, particularly those with health products for livestock, have very diversified product portfolios. Blockbuster products in the animal health industry are those that typically reach USD 100 million in sales, compared to USD 1 billion in the human health field. Most livestock health companies do not rely on a few blockbusters, they often derive their revenue from many products in their portfolio. Having diversified portfolios makes these companies more resilient to changes in market dynamics and to volatility in species, countries and products, particularly as compared to companies focused on the more volatile companion animal market.

Customer relationships are key to drive growth in a market with a relatively concentrated client base. Customer concentration in food animal health is much higher than in the companion animal segment, where the increasing consolidation of key customer groups such as vet clinics is putting pressure on animal health companies. This allows players to drive sales on the back of smaller commercial teams and to build in-depth relationships with their clients. Best in class players can therefore closely monitor and anticipate the key needs and requirements from their clients and drive a strong customer retention rate, with the Group achieving a 98% retention rate over the last three years for the customers representing 75% of its revenue.

Brand and reputation also plays a key role in food animal health industry. Over and beyond the products delivered, clients of the food animal health sector expect a high level of complementary digital and advisory services. In that context, wining a new client is not entirely linked to the price or the quality of the product offered but also to the perceived ability to deliver a range of tailored services and data analytics. Also, security and reliability of quality supply is crucial in an industry where chains of production can be time sensitive. Only a few sizeable players benefit from that strong reputation and credibility that allow them to penetrate new markets and win new clients.

Significant growth opportunities driven by developing countries and innovation in mature markets

The Group believes market dynamics by regions can be divided between higher market emerging countries and more mature developed regions:

- According to Vetnosis, growth in emerging market countries is expected to come mainly from Latin America and Asia on the back of demographic and socio-economic factors driving an increasing animal protein consumption. Pigs and poultry are forecast to lead species sector growth in the outlook period, with expansion of China's swine herd to modern, biosecure, intensive production systems after recovery from African Swine Fever. The companion animals market has a small base in such emerging market countries, but is growing quickly.
- More developed regions such as North America are expected to show lower growth than other geographies. In the United States, for example, cattle is forecast to experience low growth, sheep flat, with pigs and poultry more positive according to Vetnosis. However, the Group has the potential to further expand its market share and product portfolio in livestock in developed markets such as the EU and North America, where there is room for innovation and development of new products and where livestock producers may be prepared to pay higher prices for new products with enhanced efficacy. The companion animals market is concentrated in such developed markets, and high end pet owners are already well served with effective products to tackle most diseases. High quality products have limited potential to access a significant market share of new pet owners, as the majority of pet owners are price sensitive. As such, the market for low cost generics is growing fast.

By species, ruminants will stay the largest market by revenue going forward but poultry is expected to drive future growth

Ruminants, which is comprised of beef and dairy cattle, sheep, and goats, and pigs, constituted approximately 47.3% and 24.6%, respectively, of the food animal sector revenue by species in 2019, according to Vetnosis. Other species including poultry and fish represents the remaining 28.1% of the food animal market.

The ruminants segment is expected to continue to grow at nominally 3.9% CAGR from 2019 to 2024 according to Vetnosis. The reduction in beef consumption in some markets in the early part of the outlook period due to COVID-19 related lockdowns is expected to be balanced in the midterm by the increasing demand in developing geographies (Latin America and Far East in particular) (*Source: Vetnosis*).

China, the world's largest producer of pork, is recovering from an epidemic of African Swine Fever and is expected to grow rapidly as production is recovered. The swine market, including China's recovery, is expected to grow at a CAGR of nominal 3.5% to 2024, according to Vetnosis.

The poultry segment is among the fastest growing proteins in the food animal sector and the rapid growth of these proteins is expected to continue at a nominal CAGR of 7.2% between 2019 and 2024, according to Vetnosis. The Far East market in particular is expected to benefit from the decrease in pork consumption patterns caused by African Swine Fever (ASF) with poultry meat consumption and production expected to be increasing. This is noteworthy as the majority (54.2% for the year ended December 31, 2020) of the Group's revenue are generated from poultry.

Aquaculture is a fast-growing source of animal protein globally based on its nutritional value. The rising trend of smart fishing and the increase in seafood trade is also propelling demand. However, the aquaculture segment remains immature with low production yields and high costs due to mortality and disease challenges limiting market growth. These factors have led to increased expenditures on aquaculture-specific animal health products.

Vaccines are expected to drive overall growth in a market marked by various product segment dynamics

Animal health products can be broken down into five main sub-categories with different underlying dynamics:

- Biologics (vaccines) represented a global market of USD 9.7 billion, based on 2019 revenue, and are expected to grow at a nominal rate of 5.6% CAGR from 2019 to 2024, according to Vetnosis. Over this period, biologicals will be the fastest growing product category for swine, cattle and poultry. Growth will be driven by the increased need for prevention via vaccination and reduction in use of antibiotics. In particular, the Group expects the product share of vaccines in the veterinary portfolio to increase from 9% in 2020 up to approximately 25% in the mid-term, following the continuing decrease of therapeutic antibiotics from 90% of the veterinary portfolio historically, to 70% in 2020, and which is expected to further decrease to approximately 50% in the mid-term.
- Parasiticides represented a global market of USD 8.3 billion, based on 2019 revenue and is expected to grow at a nominal rate of 2.9% from 2019 to 2024. This slower growth is primarily due to competition in the companion parasiticide segment.
- Medicinal feed additives represented a global market of USD 3.7 billion, based on 2019 revenue, and is expected to grow at a nominal rate of 4.3% from 2019 to 2024, according to Vetnosis. Growth in this segment is primarily due to the recovery of the swine segment in China.
- Anti-infectives represented a global market of USD 5.0 billion and is expected to grow at a nominal rate of 3.0% from 2019 to 2024. The slower growth of this category is expected to be from new generic entrants in the cattle segment and recovering swine population in China.
- Other pharmaceuticals represented a global market of USD 6.3 billion, based on 2019 revenue, and is expected to grow at a nominal rate of 3.1% from 2019 to 2024, according to Vetnosis.

The Group's operations are mainly focused on feed additive and veterinary product segments but the Group has also developed a vaccine pipeline to position itself in this fast growing market. The Group has already launched its first vaccine product(s) in all regions, EU, US and the ROW.

Additional key attractive key structural characteristics of the food animal health industry

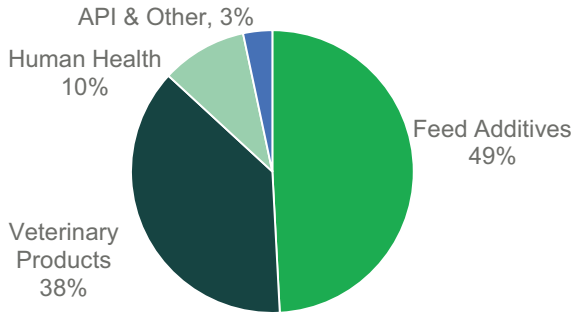
The key differences between animal health and human health industries are: time to market, sustained brand loyalty customer relationships, diversified product portfolios, and self-pay markets.

- *Fast and efficient product R&D cycle.* According to the Animal Health Institute (*Animal Health Institute—Approval and Regulation of Animal Medicines*), it takes on average 8.5 years to bring a new pharmaceutical product from discovery to FDA approval for livestock, compared to the average time of 12 years it takes for a human drug to go from application at the US FDA to approval (*Source: Gail A. Van Norman, Drugs, Devices, and the FDA: Part 1: An Overview of Approval Processes for Drugs, JACC: Basic to Translational Science, Volume 1, Issue 3, 2016, Pages 170-179*). The basic research and discovery efforts for new animal drugs and vaccines are very similar to those used for human drugs and vaccines. However, the development and regulatory approval process for animal drugs is shorter because of the simpler and more predictable research trial program needed to demonstrate efficacy and safety in the target animal. The development timelines are even shorter in companion animal products due to the lack of need to demonstrate human food safety. This is in contrast to livestock products to be used in animals intended for food consumption.
- *Limited dislocation from generic entrants.* Once a branded livestock product's patent expires, customers usually sustain brand loyalty for a number of years. This loyalty is driven by factors such as trust in the company, the people supporting the product and the experience with the product. There is no third-party payer system in animal health as there is in human health to drive generics into the market and drive prices down. Further, new branded generic products can also be launched at a premium price to the market if the product has been improved over the incumbent.
- *Deep customer relationships.* Direct face-to-face customer models allow animal health sales representatives at a regional level to develop a deep understanding of customer needs, which often facilitate strong and impactful relationships. This can also be contrasted to the companion animal market, where there is typically a need for development of, and investment in, significant sales and marketing infrastructure given the greater degree of market fragmentation. Representatives and consultants frequently partner with customers through product support and analytics, driving additional value for the customer.
- *Self-pay market.* Animal producers typically pay for products out of pocket, making them the primary decision makers. Purchasers make decisions without the pressure from insurance companies or government payers that are often involved in product and pricing decisions in human healthcare. However, the products used by the end user must provide an economic return for the use of the product as mentioned above.

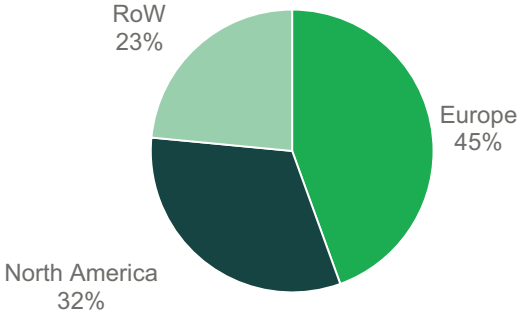
Overview

The Group is a top ten animal health company measured by revenue, with EUR 587.9 million revenue for the year ended December 31, 2020, with an established global presence and a nearly exclusive focus on livestock. Based on Vetnosis' analysis of 2019 revenues, the Group is the second largest player in poultry and swine animal health, excluding vaccines, in terms of the combined revenues in those categories, and the sixth largest player in the livestock health industry (including livestock animal vaccine products). The Group believes that it is well positioned in the livestock health market with strong exposure to both fast growing species and higher margin regions, particularly North America and Europe, which are highly regulated markets. In particular, the poultry, swine and cattle markets (which represented the vast majority of the Group's sales in 2020) are expected to grow at 4.9% CAGR in 2019-2024 as compared to 4.0% in the same period for the rest of the livestock market, according to Vetnosis. In the year ended December 31, 2020 approximately half of the Group's livestock health sales related to poultry, with the remainder split relatively evenly between swine and cattle.

The Group focuses on the development, manufacturing and marketing of livestock health products with a differentiated and growing product offering across veterinary products and feed additives (coccidiostats, enzymes). The Group's business model is underpinned by a well-balanced product portfolio with no single product representing more than 10% of its total revenue. For the year ended December 31, 2020, the Group's revenue split by product was as follows:



The Group directly markets and sells its portfolio of more than 107 products to customers located in more than 100 countries across North America, Europe and the rest of the world ("**RoW**"), accounting for 32%, 45% and 23% of revenue, respectively, in the year ended December 31, 2020.



While its top 25 customers accounted for approximately 38% of revenue, no single account represented more than 5% as of the year ended December 31, 2020. Over the last three years, the Group has retained almost 100% of its existing large customers (annual purchases per customer being more than EUR 500,000), which comprise almost 75% of the Group's revenue, and has grown sales to these customers by 24% over the same period. The Group operates directly in 85 markets, and in markets where it does not have a direct commercial presence, it sells to select, typically exclusive distributors that provide logistics and sales and marketing support for its products. Product pricing differs between regions and customers, where markets with higher quality and regulatory standards allow for, and require, higher pricing. Within a particular market, pricing between customers is largely consistent but may be variable depending on the volumes purchased by the relevant customer. For the year ended December 31, 2020, over 85% of Company's revenue was attributable to direct sales to end users.

The Group's focus on the livestock health market enables it to cover a large percentage of the industry with a relatively small sales, marketing and technical team of approximately 580 employees. The Group has established relationships with the world's leading livestock producers to which it offers a wide and increasing array of products and services across the poultry, swine and cattle markets. The Group's customer outreach is supported by its ability to offer in-depth technical advice on deployment and implementation to optimise its products' performance and outcomes. The Group's direct sales model, supported by technical advice, enables it to build strong relationships with its customers which in turn provides it with insights into its customers' requirements. The Group believes that its track record of developing products tailored to its customers' specific requirements is a key element of its successful growth.

The Group operates a fully integrated production process with over 10,000m^3 of fermentation capacity and 700m^3 of chemical synthesis capacity across 13 production facilities in Europe and the United States. This production model helps to ensure quality and reliability without depending on external suppliers. Through strategic investment, the Group believes it operates well invested and modern manufacturing facilities that support its ability to efficiently produce high quality products. For example, the Group invested EUR 160 million of capital expenditure in its production facilities from January 1, 2018 to December 31, 2020. The Group's presence in both manufacturing and sales in the highly regulated markets of the United States and Europe means that it operates to the highest international standards.

The development of new veterinary and feed additive products through new product research and development plays an important role in its growth strategy. The Group's research and development activities for veterinary and feed additive products leverage its existing product portfolio and product lines to expand by adding new products, species or label claims, achieving approvals in new countries as well as creating new combinations and reformulations based upon its deep understanding of the Group's customers and the livestock market. The Group's newer products have historically contributed increased profitability for the Group. The Group's R&D efforts are directed toward vaccines, where the Group targets approximately 10% of revenue by 2025, representing a 5.6% CAGR over the five year period; coccidiostats, with two new products launched in 2020; as well as probiotics, enzymes and other antibiotics alternatives. In 2020, the Group invested 7% of its revenue in research and development and launched ten new products. The Group also directs R&D efforts to support its existing product registrations in the existing markets via its four worldwide R&D facilities.

For the three months ended March 31, 2021, the Group's revenue was EUR 160.9 million, reflecting growth of 11.2% compared to the three months ended March 31, 2020. For the years ended December 31, 2018, 2019 and 2020, its revenue was EUR 485.6 million, EUR 548.0 million and EUR 587.9 million, respectively, reflecting growth of 16.7%, 12.9% and 7.3%, respectively, compared to the previous year, and representing a 10% CAGR for the three year period). For the three months ended March 31, 2021, the Group's EBITDA was EUR 48.8 million, reflecting growth of 30.5% compared to the three months ended March 31, 2020. For the years ended December 31, 2018, 2019 and 2020, its EBITDA was EUR 122.0 million, EUR 127.1 million and EUR 166.7 million, respectively, with an EBITDA margin of 25.1% in 2018, 23.2% in 2019 and 28.4% in 2020. Furthermore, the Group's gross profit margin increased from 44.1% in the three months ended March 31, 2020 to 45.0% in the three months ended March 31, 2021. This increase was mainly driven by the introduction of high margin products, expansion of the Group's manufacturing facilities (which has reduced its need to source APIs (as defined below) externally and therefore at higher cost), realizing the costs synergies from the recent acquisitions and prudent operating cost management and discipline.

Competitive Strengths

A leading animal health company with an established global presence and a nearly exclusive focus on livestock

The Group is a top ten animal health company measured by revenue, with EUR 587.9 million revenue for the year ended December 31, 2020 with an established global presence and a nearly exclusive focus on livestock such as poultry, swine and cattle (including sheep). Based on Vetnosis' analysis and Company data of 2019 revenues, the Group is the second largest player in poultry and swine animal health, excluding vaccines, in terms of the combined revenues in those categories and the sixth largest player in the livestock health industry (including livestock animal vaccine products).

By focusing on livestock, unlike some of its larger animal health competitors, there is no internal competition for resources between the companion animal and livestock businesses. Management of the Group can direct their efforts, including time and investment, to livestock opportunities. This also creates a strong sense of purpose in the Group that each person contributes to safe and efficient production of human food chain.

The Group has a broad and diversified product portfolio and sells its products in over 100 markets worldwide. The Group has a direct sales presence in 85 of these markets, which accounted for 91% of its sales for the year ended December 31, 2020. The Group utilizes carefully selected distributors in only 15 markets. The Group has strong market positions in the United States and the Europe, with an expanding footprint in the RoW which accounted for 32%, 45% and 23%, respectively, of its sales for the year ended December 31, 2020, respectively. The Group also believes that it is well positioned in the livestock market with strong exposure to both fast growing species and higher margin regions, particularly, North America and Europe, which are highly regulated markets. For the financial year ended December 31, 2020, the Group's revenue from sales to Europe and North America increased by 26% and 20%, respectively compared to the financial year ended December 31, 2018. For the period 2016 to 2020, the Group's sales increased from EUR 154 million to EUR 262 million with a CAGR of 14.1% in Europe, from EUR 118 million to EUR 188 million with a CAGR of 12.3% in North America and from EUR 107 million to EUR 138 million with a CAGR of 6.6% in the RoW.

Diversified portfolio of quality livestock health products that create economic value for customers

The Group has a diversified product portfolio of more than 107 quality animal health products including veterinary products, feed additives and active pharmaceutical ingredients ("**APIs**"), with a nearly exclusive focus on livestock. The Group's product portfolio is focused on value-added, high margin products which, supported by analytics, technical advice and ongoing service support from the Group, deliver value-added solutions to the end users. The Group competes based on the performance of its products and services and avoids exposure to commodity products such as those produced low cost, by low quality manufacturers. The Group's offering to livestock producers is very diversified including a broad range of veterinary pharmaceutical products and vaccines as well as a diversified feed additive range covering coccidiostats, enzymes, probiotics, phytogenic products, dietetics and hygiene products. See also "*—Strategies—Expand its product portfolio through customer-oriented R&D.*"

Further, the ability to offer customers secure product supply, globally, is fundamental to the Group's ability to grow. The strength of its products and industry relationships allows the Group to successfully and rapidly roll-out new products based on high-performance characteristics and cross-sales into existing relationships. For example, the Group's product Monovet, introduced in the United States in the last quarter of 2019, achieved a market share of 19% in the country by the last quarter of 2020. The Group's focus on livestock health and established relationships have positioned it well to benefit from sales of higher-margin products such as feed additives.

Proven ability to develop and commercialise new products in high growth opportunities

The Group has a strong culture of product innovation. In 2019, it had over 500 new product registrations, in 2020 it launched ten new products and currently it has a pipeline of 25 new products. In the last three years, 35% of the Group's revenue growth was attributable to the sales of new products launched during the same period, with 25% from products developed internally and 10% from two acquisitions made during this period.

The Group's research and development activities leverage its existing product portfolio and product lines to add new products and expand by adding new species or claims, achieving approvals in new countries as well as creating new combinations and formulations. In addition, the Group's newly completed production facilities (see "*—Production and Supply Chain*") enable it to deliver additional capability and efficiently to produce variety of products. The Group's advanced research and development capabilities allow it to enter selected new markets that have been difficult for others to enter and attract new volumes without compromising on price.

Consistent with its strategy of focus on value-added solutions, the Group's new products are focused on high growth and high margin areas, specifically vaccines, veterinary products, enzymes, coccidiostats and medical feed additives. The Group's vaccine development leverages new product lines adding to its existing coccidiosis vaccines lines. Furthermore, the Group believes that it is well-positioned to accommodate expected shifts from medicinal feed additives to non-antibiotic alternatives, see "*—Strategies—Expand its product portfolio through customer-oriented R&D*".

Efficient sales force driving strong customer relationships

The Group's focus on the livestock health market enables it to cover a large percentage of the industry with a relatively small sales force of approximately 580 efficient and highly trained employees. The Group's sales force is comprised of professionals who are experienced within the livestock industry and dedicated to the business of animal health. They are motivated to provide quality products and services, and are routinely provided with training to support the Group's customers achieve healthy animal production. The Group's sales

and marketing efforts are focused on direct interaction with customers, providing in-depth technical support and data analytics for products to maximize customers' return on investment.

The Group believes that its direct sales model has enabled it to build strong relationships with leading livestock producers and veterinarians to whom it offers a wide and increasing array of products and services across the poultry, swine and cattle markets. It achieved high customer retention in the last 10 years, and these established customer relationships provide insights that have enabled the Group to develop products tailored to its customers' specific needs. As an example, the Group has built and rolled out a software tool, Aviapp, for its customers which collates and analyzes data from over 50,000 poultry flocks worldwide. While the Group's top 25 customers accounted for approximately 38% of its sales, no single account represented more than 5% as of the year ended December 31, 2020.

Vertically integrated business and well invested asset base offering secure, cost-efficient and reliable operations, positioned to deliver revenue growth with increasing margins

The Group believes it is a leader in terms of manufacturing quality and supply reliability. The Group's core activity is fermentation, with over 10,000 m^3 of fermentation capacity in Europe, making it one of the largest and most efficient players in Europe, in terms of bioprocessing, as of the year ended December 31, 2020. The Group operates 13 production facilities in Europe and the United States, including an 8,500 m^2 logistic centre with capacity for 10,000 pallets. Its strong manufacturing capabilities drive the Group's competitive edge in terms of the quality and continuity of supply of its products. For example, the Group was able to replace the protein source in its production of paraomoycin with a cheaper version, without any investment requirement, which reduced the duration of the fermentation process, resulting in a 40% reduction in medium value and a 10% reduction in energy costs. The Group's vertically integrated model covers: each stage of the manufacturing process from development to production, regulatory, marketing, sales and services. Company produces 95% of finished products and 90% of APIs internally. This control over its supply chain enables the Group to offer security and quality of supply to its customers. The Group has a strong track record of cost control and profitability improvement, for example, moving the production of its product Albitoic in-house, through the construction of a new line at the Peshtera facility, which upon completion in 2021 is expected to reduce the cost of goods sold by 23%, with a three year pay-back period. Furthermore, the Group's vertically integrated model and modernized asset base help to avoid value leakage and afford a number of important competitive advantages, including the flexibility to quickly adapt to changing customer demands and switch between various products that can be produced with the same equipment, see "*—Track record of strong profitable growth which provides cash flow that allows for reinvestment in improvement of facilities*."

The Group's presence in both manufacturing and sales in the highly regulated markets of the United States and Europe means that it operates to the highest international standards. The Group has also been able to leverage the strength of its manufacturing operations into opportunistic long-term business-to-business projects in human health, which represented 10% the Group's revenue for the year ended December 31, 2020. For example, the Group has produced artemisinin, a human API, for the Bill & Melinda Gates Foundation, contributing to malaria eradication efforts. The Group can scale up any bioprocess for smaller but innovative companies or big multinationals. The Group has projects in the field of nutraceutical, cosmetics and flavour and fragrances.

Furthermore, the Group has large fermentation capacity in Europe and is committed to investing in Europe and the United States to support business growth. It has invested EUR 160 million of capital expenditure in its production capabilities from January 1, 2018 to December 31, 2020. These strategic investments enable the Group to capture future revenue growth and increase its margins, with low maintenance capital expenditures at 1.4% of revenue for the year ended December 31, 2020. The Group increased the capacity of its manufacturing facility in Peshtera, Bulgaria by 50% in 2019, having invested a total amount of EUR 110 million of capital expenditure (of the EUR 160 million capital expenditure invested in its production capabilities from January 1, 2018 to December 31, 2020). From January 1, 2018 to March 31, 2021, the Group invested EUR 34.7 million of capital expenditure in the vaccine manufacturing facility in Razgrad, and a further estimated EUR 25.3 million of capital expenditure is due to be invested by the end of 2021. At the beginning of 2021, the Group started the construction of a vaccine plant in the US. Both projects are expected to ensure the Group is well-positioned to take advantage of the growth in vaccine demand.

Experienced management team with strong track record supported by a dynamic talent pool

The Group's founder-led management team is comprised of experienced professionals from a wide range of leading animal health and related industries, globally. The team has led the Group through the last 20 transformational years and has a demonstrated track record of delivering strong organic growth supported by selective acquisitions to accelerate development with a focus on returns. From the outset, the management team

has tapped into a highly qualified pool of experts from the developed pharmaceutical industry in Bulgaria. Now a large organization with a presence in 100 countries, the Group has a well-trained and motivated, customer-focused and professional global team with personalized key performance indicators and incentive plans to enhance performance. Their experience in the animal health industry helps the Group respond to changing customer needs, rapidly, which is a key element of the Group's success.

Track record of strong profitable growth which provides cash flow that allows for reinvestment in improvement of facilities

The Group has generated organic growth of over 14% CAGR over the last 10 years, growing from revenues of EUR 122 million in 2010 to EUR 442 million in 2020. For the three months ended March 31, 2021, the Group's revenue was EUR 160.9 million, reflecting growth of 11.2% compared to the three months ended March 31, 2020. For the years ended December 31, 2018, 2019 and 2020, the Group's revenue was EUR 485.6 million, EUR 548.0 million and EUR 587.9 million, respectively, reflecting growth of 16.7%, 12.9% and 7.3%, respectively, compared to the prior year periods. For the three months ended March 31, 2021, the Group's EBITDA was EUR 48.8 million, reflecting growth of 30.5% compared to the three months ended March 31, 2020. For the years ended December 31, 2018, 2019 and 2020, its EBITDA was EUR 122.0 million, EUR 127.1 million and EUR 166.7 million, respectively, reflecting growth of 8.7%, 4.2% and 31.2%, respectively, compared to the previous year.

While most of its historic growth has derived from organic initiatives, the Group has also demonstrated its ability to source and integrate acquisitions and realize synergizes such as Agrilabs in the US and Qalian to gain critical mass in France in 2018. In both cases, the Group achieved a payback in less than three years due to the synergies and operational gains that resulted from the acquisitions.

Strategies

As a pure player focusing on the health and production of livestock, the Group aims to build on its current position to become the world's leading livestock health company by revenue by providing high quality products, services and support to its customers. To extend the Group's leadership across all segments of the livestock health market, the Group intends to implement the following strategies:

Drive profitable growth in the cattle market and further expand strong position in poultry and swine markets

The Group intends to continue to improve its swine and poultry market positions, alongside a particular focus on growth in the cattle segment, which is the second largest species segment (estimated by Vetnosis to be $7.8 billion in revenues as of 2019) after companion animals (estimated to be $13.2 billion as of 2019).

By launching Monovet in the United States, the Group has entered a large cattle product segment where the pioneer product, Rumensin® (Elanco) has not experienced competition since the product was launched in 1975. The Group now has a strong cattle product portfolio, including Tylovet, Optigrid and CycleGuard to help Monovet successfully compete in the beef cattle segment in the US.

The Group is the second largest player in poultry and swine animal health, excluding vaccines, in terms of the combined revenues in those categories, and the Group believes that it is well positioned to capitalize on the 4.9% CAGR growth that has been predicted by Vetnosis for the five-year period 2019-2024, particularly as a result of its exposure to higher margin regions in North America and Europe.

Expand its product portfolio through customer-centred R&D

The Group intends to build on its current market positions, to build on its deep knowledge of customers' needs, to leverage its four worldwide R&D facilities based in Bulgaria, the US, Belgium and Italy and to anticipate structural market changes driven both by regulatory initiatives and consumer preferences. While the Group will continue to focus on its current portfolio of value-added products, it plans to apply its market knowledge and R&D efforts to develop and launch new products that have significant potential for growth and high margins. The Group's R&D resources are directed towards the following three product categories:

- *Vaccines*: The Group is engaged in ongoing programs to commercialise products that address bacterial and viral threats in poultry, swine and cattle. The Group expects the vaccine market to grow substantially due to increasing demand for vaccine products, as the wider animal health market is expected to shift towards *prevention* of bacterial and viral diseases and away from *treatment* of such diseases, see "*Industry—Vaccines are expected to drive overall growth in a market marked by various product segment dynamics*". Therefore, the Group has directed its investments and R&D efforts toward vaccines

and it expects sales of its existing vaccines to grow by approximately 50% in the mid-term with its vaccine portfolio to represent approximately 10% of sales by 2025, representing a 5.6% CAGR over the five year period. According to Vetnosis, biologics represented a global market of USD 9.7 billion, based on 2019 revenue, and is expected to grow at a nominal rate of 5.6% CAGR between 2019 and 2024. See "*Industry Overview—Vaccines are expected to drive overall growth in a market marked by various product segment dynamics*".

- *Non-antibiotic portfolio including probiotics, hygiene products, phytogenic products, enzymes and other antibiotic alternatives:* The Group plans to develop and commercialise new, non-antibiotic products which improve animal health and performance, as consumer interest is focused on animal health, well-being, and production without the use of antibiotics. This evolution is creating an opportunity for a non-antibiotic product portfolio that meets the challenge of replacing antibiotics, which includes probiotics, hygiene products, phytogenics and enzymes. According to Vetnosis, regulatory pressure on antibiotics in livestock animals will continue to pressure medicinal feed additives and anti-infectives volumes and will drive the need for additional alternative products (see "*Industry Overview—Increasing importance of food quality and human health security are driving the evolution of the livestock market*"). In 2020, the Group launched ten new products and it has a further 25 new products that are either in the development or registration phase. The Group expects that existing veterinary products will almost double in revenue in the mid-term. Total revenue generated by non-antibiotic veterinary products is expected to quadruple as a result of the Group's plans to diversify its veterinary portfolio away from antibiotics.

  According to Vetnosis, medicinal feed additives represented a global market of USD 3.7 billion, based on 2019 revenue, and this market is expected to grow at a nominal rate of 4.3% between 2019 and 2024. See "*Industry Overview—Vaccines are expected to drive overall growth in a market marked by various product segment dynamics*".

- *Coccidiostats*: The Group plans to develop and commercialise new coccidiostats to build on its strong market position in the poultry segment. As of the date of this prospectus, the Group has two main products, Monovet and Monimax, which reached the US and EU markets, respectively, in 2020, and which are expected to further strengthen the Group's market position in poultry. The Group plans to launch Monimax in the USA and Canada and is advanced in the process of gaining approval for the launch. According to Vetnosis, other pharmaceuticals represented a global market of USD 6.3 billion, based on 2019 revenue, and the market is expected to grow at a nominal rate of 3.1% between 2019 and 2024. Poultry and sheep are expected to lead growth over the next five years. See "*Industry Overview—Vaccines are expected to drive overall growth in a market marked by various product segment dynamics*".

- *Aqua*: The Group is targeting a mid-term revenue target of approximately EUR 20 million for its existing aquaculture products. As of the date of this prospectus, the Group has two enzyme products and a probiotic for aqua and its mid-term revenue target is exclusive of projects which have yet to pass the proof-of-concept phase and have therefore not been included in the projections.

The Group has demonstrated in the past its advanced commercial and research and development capabilities to enter selected attractive new markets that have been difficult for others to enter, and attract new volumes at prices close to the pioneer product. The recent launch of Monovet in the US, mentioned above, is a good example of the Group's R&D capabilities. Further, the Group's scientific expertise allows it to launch pioneering technologies: to date the Group is the first livestock health company introducing a necrotic enteritis vaccine in poultry, through the commercialization of its AVERT™ NE vaccine launched in the US in December 2020. The use of this vaccine and the prevention of the disease will reduce the use of antibiotics that were used to prevent and treat this common disease.

The table below sets forth the number of new products the Group is targeting to launch between 2021 and 2027, by product group, as the output of its R&D spending.

	Number of R&D projects	Projected peak sales (EUR million)
	2021	
Feed additives	3	
Veterinary products	4	50
Vaccines	1	
	2022	
Feed additives	8	
Veterinary products	9	81
Vaccines	8	

	Number of R&D projects	Projected peak sales (EUR million)
	2023	
Feed additives	4	
Veterinary products	16	60
Vaccines	0	
	2024	
Feed additives	7	
Veterinary products	3	60
Vaccines	8	
	2025	
Feed additives	1	
Veterinary products	2	44
Vaccines	9	
	Total	
Feed additives	—	77
Veterinary products	—	124
Vaccines	—	92

Build future growth with opportunistic acquisitions

While 90% of its total revenue growth, between 2010 and 2020, has derived from organic initiatives, the Group has also demonstrated its ability to source, integrate and synergise acquisition opportunities such as Agrilabs in the United States and Qalian to gain critical mass in France in 2018. In both cases, the Group achieved a payback in less than three years due to the synergies and operational gains that resulted from the acquisitions.

The Group will continue to evaluate opportunities to support and accelerate its growth through selected bolt-on acquisitions focusing on acquiring new technologies or products or improving market presence in a region, while retaining a strong focus on strategic impact, returns and payback.

Leverage strong sales force to expand the Group's offering to new and existing clients

The Group's sales, marketing and technical team of approximately 580 experienced people is focused on building long-term relationships with its clients and developing a deep understanding of their requirements. The Group believes that its ability to anticipate its clients' needs, coupled with its flexible, adaptable and vertically integrated manufacturing capabilities, will allow the Group to both further penetrate its existing client base and win additional customers going forward.

The Group directly sells its portfolio in more than 100 countries across North America, Europe and the RoW, accounting for 32%, 45% and 23% of revenue, respectively, in 2020. Building on its strength as a pure livestock player in the world's largest livestock markets, the EU and the United States, the Group aims to increase its market share across its markets of operation through a combination of increased penetration of core customers with existing products, introduction of new high margin products and the acquisition of new customers. The Group will continue to focus primarily on developed markets where it has identified significant niche market opportunities to deliver growth at high margin. The Group has demonstrated constant growth in Europe, North America and the RoW markets; the relative share that each market comprises of the Group's total sales has remained consistent over time. As its affiliates in the RoW segment become more established, the Group expects that it will be able to broaden its product portfolio in these areas, allowing it to grow at a faster pace than the overall market.

Further, the Group aims to increase its market share with existing customers through its direct sales model, which is tailored to the livestock market, supported by new product introductions, and which will allow it to benefit from economies of scale as the Group continues to grow. The Group's close customer proximity and product quality allow it to introduce new products with minimal further investment in sales and advertising.

Focus on its strength in manufacturing to drive operating efficiency

The Group has a strong culture focused on operating efficiency which has underpinned its track record of profitable growth and margin improvements (+310bps since 2018).

Through strategic investment, such as EUR 160 million of capital expenditure invested in its production facilities from January 1, 2018 to December 31, 2020, the Group aims to operate best in class facilities that support its ability to efficiently produce high quality products. The Group's production model ensures quality

and reliability and removes dependence on external suppliers, which was of particular importance during the Covid-19 pandemic, which the Group has so far navigated without any major disruption to its manufacturing processes. The Group anticipates an increase in production capacity as a result of its recent investments, which include EUR 34.7 million of capital expenditure invested from January 1, 2018 to March 31, 2021 in a vaccine plant in Razgrad, Bulgaria (a further estimated EUR 25.3 million is due to be invested by the end of 2021). The enhanced production capacity and increased efficiency gained from these investments forms part of the Group's overall strategy to improve its operating margins.

Prudent financial management with focus on returns

The Group has a track record of profitable growth in the livestock market. Over the past three years, its teams have delivered 10% CAGR of the Group's revenue at a 28.4% EBITDA margin in 2020. The Group believes that it is well-positioned to continue delivering strong growth and EBITDA margin going forward, with revenue growth in the mid-teens percentages annually and EBITDA margin in the low to mid-30 percentages.

The Group has grown organically at 90% over the last three years while expanding its EBITDA margin from 25.1% in 2018 to 28.4% in 2020. The Group's business has been able to fund its growth largely through its strong cash flow generation, with cash conversion of 42.5% in 2020.

From January 1, 2018 to December 31, 2020, the Group invested EUR 160 million of capital expenditure in its production capabilities and anticipates further capital expenditure of approximately EUR 100 million in the mid-term (see "*Operating and Financial Review—Liquidity and Capital Resources—Capital Expenditures*"). The Group continues to manage its balance sheet in a conservative manner. As of December 31, 2020, the net leverage of the Company was 2.87x and its net debt was EUR 478,719 thousand. The Company targets a net leverage ratio of less than 1.5x by the end of 2021 and 2.0x or below in the mid-term, while its estimated average cost of financing is 1.7%. The Group's cash flow is strategically reinvested in growth, allowing the Group flexibility to reduce the level of reinvestment and free up additional cash, as necessary, on a discretionary basis. The Group expects its cash flow to be sufficient in the mid-term to maintain a net leverage ratio of 2.0x or below and pay a dividend to the investors of between 10% and 20% of profit for the year alongside its investment in growth activities. The Group's yearly capital allocation policy is designed to balance growth opportunities, optimal net leverage and shareholder returns.

History

The origins of the Company date back over 70 years to 1954, when Biovet production and R&D departments were established in Bulgaria. Since its inception, the Huvepharma group has developed a strong pharmaceuticals expertise, tapping into a highly qualified pool of experts due to the rich pharmaceutical industry that was created in Bulgaria. In 2000, Huvepharma EOOD acquired Biovet pursuant to the privatisation process. The company has since then expanded its international reach by starting grass root operations in the US and Belgium in 2005, China and Taiwan in 2006, Thailand in 2007, India in 2009, Brazil in 2010, Italy and Mexico in 2016, South Africa and Japan in 2017 and Canada in 2020 as well as by the successful integration of acquisitions in Turkey in 2015 and France in 2018. Over the last three years, 90% of the Company's revenue growth has been organic.

Huvepharma realized 90% of its rapid growth by combining the geographic expansion with important extensions to product line for livestock. Initially Huvepharma's products were focused on coccidiostats and API. Huvepharma has successfully expanded its product range by the development of animal health pharmaceuticals in 2009, enzymes in 2010, probiotics in 2013, coccidiosis vaccines in 2014, hygiene products in 2018 and its first novel vaccine introduction in 2020. Huvepharma is now focused on further vaccine development: it made recent investments in R&D and production facilities in Bulgaria in 2020 and acquired a vaccine R&D and production center in the US in 2017. The growth of Huvepharma has been supported by acquisitions that added additional production capacity (in Bulgaria in 2002 and 2005, the US in 2007, 2016, and 2017 and France in 2018) as well as expanding its product offering through acquisitions and licensing (coccidiostats, enzymes, vaccines, hygiene).

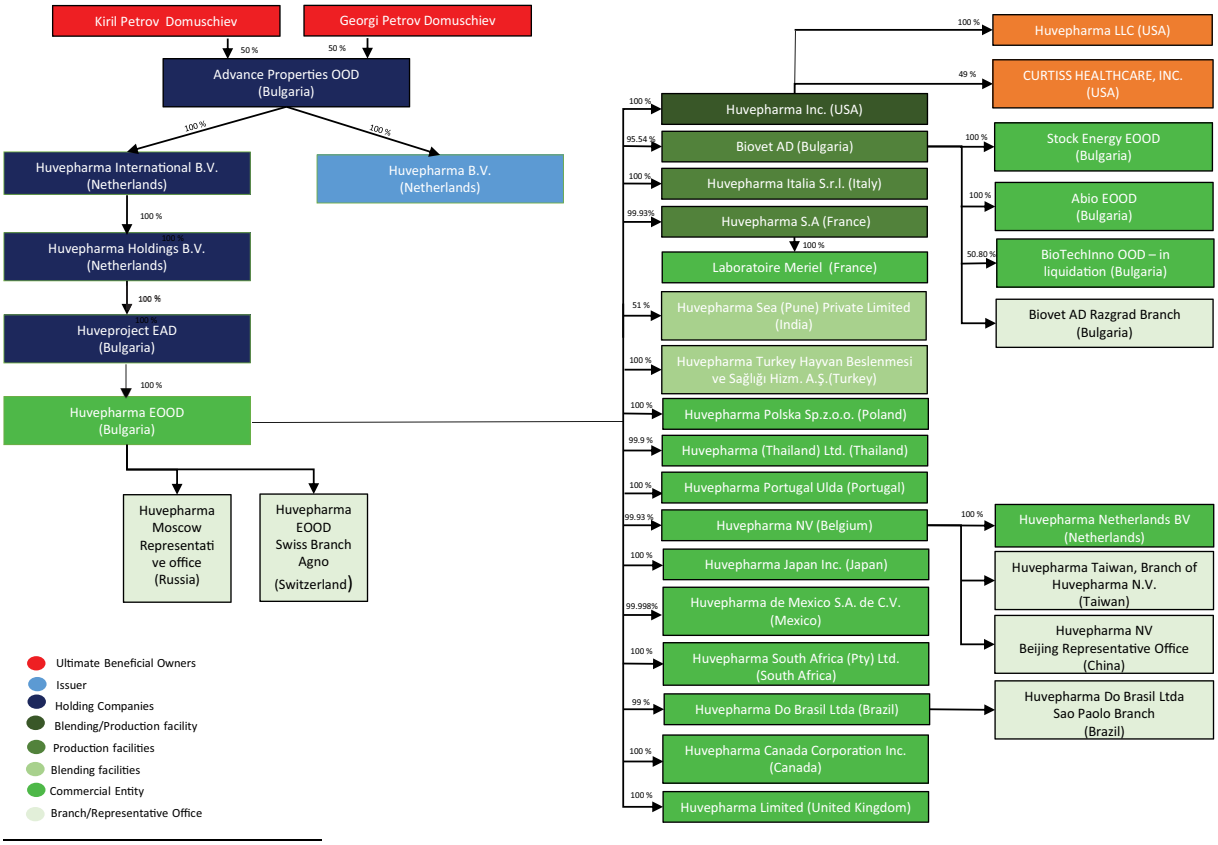
Organizational Structure

The Company is a private limited liability company, incorporated under the laws of, and domiciled in, the Netherlands. It was incorporated on April 19, 2021 as a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) under the laws of the Netherlands. The Company was incorporated as a direct subsidiary of the Selling Shareholder. On the First Trading Date, the Company will be converted into a public company with limited liability (*naamloze vennootschap*). Prior to such conversion, all

shares in the capital of Huvepharma International B.V. (which is at that moment the sole shareholder of the Group) will be contributed to the Company, after which the Company will become the sole shareholder of Huvepharma International B.V. After the Contribution, the principal assets of the Company will be the equity interests it directly or indirectly holds in its Group Companies.

As of the date of this Prospectus, the sole owner of the Company is the Selling Shareholder, which is equally owned by Kiril Petrov Domuschiev and Georgi Petrov Domuschiev. As of the same date, Huvepharma International B.V. has 25 subsidiaries, through which it conducts its sales and production operations. Huvepharma International B.V. intends to reorganize two of its indirect subsidiaries in France, as a result of which Laboratoire Meriel will merge with Huvepharma S.A. and be dissolved without liquidation. These subsidiaries will become indirect subsidiaries of the Company pursuant to the Contribution.

The following table provides an overview of the Group's subsidiaries as at the First Trading Date. These subsidiaries are both directly and indirectly held through intermediate holding companies.



Notes:

(1) On the First Trading date, all shares in the capital of Huvepharma International B.V. (which is the sole shareholder of the Group) will have been contributed to the Company, after which the Company will become the sole shareholder of Huvepharma International B.V.

(2) Huvepharma B.V. was incorporated on April 19, 2021. After the Contribution as described under (1) above and on the First Trading date, Huvepharma B.V. will be converted into a public company and will be renamed Huvepharma N.V.

(3) The percentages in this chart represent the Company's holding of both equity interest and all voting rights connected therewith in its significant subsidiaries.

The percentages in this chart represent the Company's holding of both equity interest and all voting rights connected therewith in its significant subsidiaries.

Products

Overview

The Group's activities address the livestock segment of animal health, as opposed to companion animals. Its products and services are part of the human food chain. It offers a broad range of high-quality, diversified health and veterinary-related products and services to its customers around the world, which are complemented by the Group's deep understanding of customer needs and the comprehensive technical advice offered to customers. Uniquely in the animal health industry, the Group researches, develops, produces and markets animal health products for livestock animals, which include poultry, swine, cattle (including sheep) and aqua.

The Group's product portfolio focuses on pioneer products, which are usually developed in-house or integrated through acquisitions and are priced higher than their generic competitors, and branded generics, which are priced at a similar level to pioneer products. The Group also markets generic products to provide a one-stop shop to its customers offering quality products. The Group's revenue is comprised of 55% pioneer products, 25% branded generics and 20% generics. Pioneer products' share of revenue is expected to continue to grow as the Group gain shares in Monovet, Monimax, Opiphos Plus and markets more vaccines. Branded generics are expected to grow as the Group broadens its portfolio to include new generics with improved formulations.

The Group's animal health products are divided into three principal categories, namely, feed additives, veterinary products and APIs. In addition, the Group develops, produces and markets human health products, which include high quality APIs and which share some common production facilities and know-how.

The table below sets forth the Group's revenue by product type, as of the dates indicated.

	As of December 31,			As of March 31,
	2018	2019	2020	2021
Product Type		%		%
Feed Additives	47	47	49	48
Veterinary Products	39	40	38	36
API & Other	4	4	3	4
Human Health Products	10	9	10	12
Total	**100**	**100**	**100**	**100**

The Group has a broad and diverse product portfolio, comprising 107 products. The Group develops these products with a customer-centric approach, focusing on its customers' needs, and it markets its products in more than 100 countries across North America, Europe and the RoW.

The table below sets forth the breakdown of the Group's product portfolio by product type, as of the date of this Prospectus:

Product Type	**2021**
Coccidiostats	11
Enzymes	8
Other feed additives	8
Vaccines	12
Antibiotics	22
Other vet products	14
Hygiene products	14
Human health & API	18
Total	**107**

For the three months ended March 31, 2021, the Group's total sales to North America, Europe and Rest of World represented 30%, 45% and 25% of its revenue, respectively. The table below sets forth the geographical split of the Group's revenue, as of the dates indicated.

	As of December 31,			As of March 31,
	2018	2019	2020	2021
Geography		%		%
North America	32	32	32	30
Europe	43	44	45	45
Rest of World	25	24	23	25
Total	**100**	**100**	**100**	**100**

The table below sets forth a breakdown of sales by region of each of the following product categories: feed additives, veterinary products, human health products and API and other products, for the periods indicated.

	Regional Sales (%)		
	2018	2019	2020
Feed Additives			
Europe	36	34	32
North America	32	35	38
Rest of World	32	31	30
	2018	**2019**	**2020**
Veterinary Products			
Europe	39	45	47
North America	41	37	33
Rest of World	20	18	20
	2018	**2019**	**2020**
Human Health Products			
Europe	90	85	91
North America	1	1	1
Rest of World	9	14	8
	2018	**2019**	**2020**
API & Other Products			
Europe	49	63	50
North America	26	26	30
Rest of World	25	11	20

The Group's top 10 food animal health products, measured by revenue, are poultry ionophores, enzymes, tylosin, vaccines, probiotics, pleuromutilin, APIs, aminoglycosides, hygiene products and cattle ionophores. For the three months ended March 31, 2021, 56% of its revenues, and for the year ended December 31, 2020, 61% of its revenue were generated through these 10 key products. The below table shows the product categories and major brands representing these products.

Product Category	Product Category Description	Major Brands*
Poultry ionophores	Feed additive—prevents coccidiosis in poultry	Sacox, Biocox, Salinopharm, Coxidin, Poulcox, Yumamycin
Enzymes	Feed additive—increases nutrient availability in animal feeds	Optiphos, Optiphos Plus, Hostazym, Huvezym
Tylosin	Feed additive—antibiotic for disease treatment in livestock	Pharmasin, Tylovet
Vaccines	Veterinary product—vaccines that prevent diseases in livestock	Advent, Inovocox, Huveguard, Avert NE
Probiotics	Feed additive—microbes that improve performance and gut health	B-Act, Optibac, Topgut
Pleuromutilin	Feed additive—antibiotic for disease treatment in livestock	Vetmulin, Rodotium
APIs	Active Pharmaceutical Ingredients	Tylosin, Tiamulin
Aminoglycosides	Feed additive—antibiotic for disease treatment in livestock	Parofor, Parofor-Crypto, Apravet
Hygiene products	Veterinary products—disinfectants	Prophyl, Vulkan, DT Foam
Cattle ionophores	Feed additive—prevents coccidiosis in cattle and improves rumen fermentation	Monovet, Monotec, Bobiovet, Corid

* All of the brands listed under this table are protected through trademark registrations.

Feed Additives

Feed additive products are designed to enable animal feed producers to improve the health, quality and technical performance of the animals. Feed additive products are comprised of enzymes, coccidiostats, probiotics, vitamins derivatives, and antibiotics. Approximately 90% of the Group's feed additives are produced through micro-organism fermentation and the remaining 10% are produced via other methods.

Below is a table showing the Group's principal existing feed additive products, with a description and primary species of each product.

Product/Brands*	Primary Species	Description	Region
Sacox/Biocox	Poultry	Coccidiostat	EU, US, ROW
Coxidin	Poultry	Coccidiostat	EU, ROW
Monimax	Poultry	Coccidiostat	EU, ROW
Stenorol	Poultry	Coccidiostat	EU, US, ROW
Coxiril	Poultry	Coccidiostat	EU, ROW
Monovet	Cattle	Coccidiostat	US, ROW
B-Act	Poultry, swine	Probiotic	EU, US, ROW
Optibac	Poultry, swine	Probiotic	EU, US, ROW
Bio-D	Poultry, swine	Vitamin	EU, US, ROW
Flavomycin	Poultry, swine, cattle	Antibiotic	US ROW
Albac	Poultry	Antibiotic	US ROW
Optiphos	Poultry, swine, aqua	Phytase enzyme**	EU, US, ROW
Optiphos Plus	Poultry, swine	Phytase enzyme	EU, US, ROW
Hostazym X	Poultry, swine, aqua	NSPase enzyme***	EU, US, ROW
Huvezym Gaz	Industrial	NSPase enzyme	EU, US, ROW

* All of the brands listed in this table are protected through trademark registrations.

** Enzymes that release phosphorus from phytate found in livestock feedstuffs.

*** Enzymes that break down non-starch polysaccharides, which are complex carbohydrates (fiber) found in plant cell walls.

Veterinary Products

The Group's veterinary products are designed to treat and prevent animal diseases. Depending on the purpose of use, these products can be offered in various application forms such as injectables, feed premixes, oral solutions or as water-soluble powders. The Group's veterinary products are comprised of vaccines, antibiotics, antiparasitics, coccidiostats, dietetic and hygiene products.

Below is a table showing the Group's principal existing veterinary products, with a description and primary species of each product.

Product/Brands*	Primary Species	Description	Region
Rodotium	Poultry	Antibiotic	ROW
Pigfen	Swine	Anthelmintic	EU, ROW
Gallifen	Poultry	Anthelmintic**	EU, ROW
Corid	Cattle	Coccidiostat	US
Stenorol-Crypto	Cattle	Coccidiostat	EU, ROW
Amproline	Poultry	Coccidiostat	EU, ROW
Sedoline	Poultry, swine, cattle	Phytogenic***	EU, ROW
Huverb	Poultry, cattle	Phytogenic	EU
Pharmasin	Poultry, swine, cattle	Antibiotic	EU, U.S., ROW
Tylovet	Poultry, swine, cattle	Antibiotic	EU, U.S., ROW
Vetmulin	Poultry, swine, rabbits	Antibiotic	EU, US, ROW
Tilmovet	Poultry, swine, cattle	Antibiotic	EU, US, ROW
Parofor	Swine, cattle	Antibiotic	EU, ROW
Amphen	Swine	Antibiotic	EU, ROW
Advent	Poultry	Vaccine	US, ROW
Huveguard	Poultry	Vaccine	EU
Inovocox	Poultry	Vaccine	US, ROW
Avert NE	Poultry	Vaccine	US
Bovivax	Cattle	Vaccine	EU

* All of the brands listed under this table are protected through trademark registrations.

** Antiparasitic.

*** Natural or non-abiotic growth promoters used as feed additives and derived from herbs, spices or other plants.

The Group's vaccine products are amongst the most strategically important veterinary products in its product portfolio, and provide a significant growth opportunity for the Group. As the wider food animal health market shifts to antibiotic alternatives, the Group expects the vaccine market to grow substantially due to improvements in vaccine technology and increasing demand for vaccine products pursuant to a general shift away from antibiotics and towards disease prevention.

Despite a gradual decline in the overall antibiotic market, the CAGR of antibiotic sales by the Group was over 15% from 2015 to 2020, with an opportunity for the Group to develop a niche in therapeutic antibiotics expected to grow in the mid-term at approximately 5% CAGR. Sales of antibiotics decreased from 83% of sales in the veterinary products segment in 2015 to 71% in 2020 and the Group expects this share to decrease in the near term as a result of the launch of new vaccines and non-antibiotic veterinary products.

The Group continues to develop vaccine products for coccidiosis prevention and reached the number two position by revenue in coccidiosis vaccines by 2018, only four years following the acquisition of Advent. In December 2020, the Group launched its first vaccine in the US that can be mass administered for the control of necrotic enteritis in poultry, called Avert NE, and as of the date of this Prospectus, it is the only vaccine product available on the market for mass vaccination of broilers for control of necrotic enteritis, a common bacterial disease in broilers. Although Avert NE vaccine is a new product, the Group expects the vaccine to achieve sales in the range of U.S.$25 million to U.S.$60 million once the market has developed. To develop its new vaccine products, the Group conducts in-house research and development activities at two of its US sites and collaborates with universities and CROs. Based on the current vaccine development project pipeline, the Group expects its vaccine products to represent approximately 10% of sales by 2025, representing a 5.6% CAGR over the next five years, provided that all vaccine products in its pipeline receive requisite approval from the relevant authorities.

Active Pharmaceutical Ingredients and other

APIs (active pharmaceutical ingredients) is the term used to refer to the biologically active component of a drug product. The Group mainly produces API products for use in the feed additives and veterinary products marketed by the Group. However, the Group also sells part of the animal health APIs or formulates animal health products for third parties on a contractual basis.

Below is a table showing the Group's principal API products, with a description and primary species of each product.

Product/Brands*	Primary Species	Description	Region
tylosin	poultry, swine, cattle	API	EU, US ROW
tiamulin	poultry, swine, cattle	API	EU, US, ROW
contract manufacturing .	poultry, swine, cattle	formulation	EU, US

Human Health Products

Our human health products mainly comprise of high quality API products. Our main human health products include, among others, antiparasitics, antibiotics, nutraceuticals, enzymes, flavors, flagrances and cosmetics. The human health products are a small part the Group's business, which shares some common production facilities and know-how, but is a secondary focus for the Group. Our human health products represented 12% and 10% of our revenue for the three months ended March 31, 2021 and for the year ended December 31, 2020, respectively.

Other Products and Services

In order to continuously learn and understand its customers' needs and to fulfil the Group's objective of enhancing the performance of its customers' businesses, the Group provides several complementary, value-added services to its customers. These services include software applications, like Aviapp® and product dose calculators, equipment that applies to the Group's products, like the Huvematic® liquid enzyme machinery and the Group's vaccine spray cabinets for day-old chicks, laboratory services, test kits as well as product and disease training and problem-solving training delivered on site.

Aviapp®

Aviapp is an IT platform, developed internally, which allows the Group's customers to record and manage data on the performance of their poultry at individual flock level. Aviapp is used in relation to over 50,000 flocks, producing 11,000 on site lesion scorings (which is the post mortem autopsy with scoring of lesions on the gut

caused by diseases indicating severity of the disease (e.g. lesions caused by coccidiosis)) annually. Aviapp captures and structures customers' data, to help the Group's customers to make critical decisions needed to optimize the health and performance of their flocks. Aviapp enables the users to enter a wide range of data covering more than 50 health and performance parameters. It allows customers to monitor diseases and animal welfare trends, and provides for functionalities to compare their results with internal and external benchmarks.

Dose Calculator

Dose Calculator is an IT application developed internally by the Group, which calculates the precise dose rate for the Group's veterinary products based on the body weight of the animals to be treated. Dose Calculator can be used based on standard, pre-configured values of feed or water intake, case-specific values of food or water intake or daily group doses (totals). Dose Calculator is designed to give customers the correct dose of active substance per kilogram of body weight, and it is applicable, regardless of product concentration, for every medicated premix, water-soluble veterinary product and all products in the Group's dietetic range for poultry. Dose Calculator is also made available for calculating the correct dosage of hygiene products offered for disinfection of animal houses. Dose Calculator is available in several languages, capturing the majority of the Group's customers around the world.

Huvematic®

The Group has developed a range of water-soluble enzymes, and developed the Huvematic machine to uniquely apply these enzymes to feed. Instead of shipping bulky liquid enzymes which are difficult to handle, the Group's customers receive a concentrated dry enzyme product and, using the Huvematic machine, can turn this concentrate into liquid enzymes onsite and on demand as feed is produced. A 1,000 litre container of liquid enzymes can be replaced by a single 10 kilogram bag of dry enzyme product. The Huvematic machine allows feed production to be optimized, as producing liquid enzymes onsite replaces the need for shipping, storing in expensive, cooled local warehouses and bulky liquid containers, which in turn allows the Group's customers to save money, time and warehouse space. It also negates the need to dispose of empty liquid containers, reducing the carbon footprint and eliminating the need for cool storage of liquid enzymes during transport and at the end user site.

Vaccine Spray Cabinet

The Huvepharma spray cabinet is a machine that is used for application of coccidiosis vaccines, which is typically sprayed on one day old chickens in the hatchery. The spray cabinet ensures consistent and homogenous application of coccidiosis vaccines to the chick in the hatchery, which begins the development of immunity to the disease as the chicks ingest the vaccine through preening. This method of vaccination provides early and cost-effective protection for the chicks against the coccidiosis parasite. The cabinet is designed to fit into every hatchery operation and it is easy to install, operate and maintain.

Other Services

The Group provides extensive laboratory services to its customers, whereby it checks the content of feed additives and veterinary products in feed samples to control correct application of its products.

The Group also provides training and consulting services to its customers all around the world in order to share its health and production knowledge and experience in the livestock industry, on topics including gut health, locomotion, respiratory, nutrition and feed formulation. Training and consulting services are provided by the Group's internal specialists and by independent, external experts.

The Group also provides manufacturing services for third party companies pursuant to manufacturing and supply contracts. Certain products produced for third parties are used as food ingredients, fragrance and flavors or cosmetic ingredients.

Sales and Marketing

Sales and Marketing at the Group is a demonstrable strength and is built on three pillars: culture, quality and focused marketing. These three pillars have helped to drive the Group's sales success.

Culture

The culture of the Group is driven by the focus on customers. The sales and marketing teams play a key role in this by working closely with individual customers to identify any animal health or nutrition problems that they

are facing and providing tailored recommendations on the best products or strategies to address the problems. Sales representatives maintain regular, in-person interaction with customers and local organizations, which enables the Group to develop ideas for new products and services that are responsive to customers' needs and feedback. The Group is focused on livestock and poultry and does so with a flat organization and central marketing support.

Quality Team

The Group believes that it can compete with larger animal health companies because of the experience and commitment of its sales force. The Group's sales and marketing teams are knowledgeable professionals, with experience in the livestock industry and educational backgrounds in veterinary or animal science. They are dedicated to the animal health business and flourish in the smaller sized teams compared to the larger teams that the Group competes with. The sales and marketing team has an over 95% retention rate year on year, which demonstrates their commitment to the Group as well as the depth of knowledge and experience of the animal health industry that our sales team is able to offer customers. The sales team is motivated and incentivized to provide quality products and services to achieve healthy animal production for customers. The Group provides training to the sales and marketing teams at the time of hiring as well as at quarterly team meetings, ensuring that employees are up to date on the latest developments affecting customers and the issues that they face.

Focused Marketing

The Group's marketing efforts are focused on direct interaction with customers, providing technical support and data analytics for products to maximize customers' return on investment as well as education on disease management and animal husbandry. The Group hosts nutritionist seminars attended by approximately 300 nutritionists, training and seminar events delivered to over 1,000 industry experts, veterinarian training sessions delivered to approximately 500 vets, annually. Group employees also attend approximately 15 international agro-fairs annually. The marketing team has a deep knowledge of the poultry and swine production industries and continues to develop its expertise in the cattle industry. The team uses animal trials to test products and animal health strategies to improve animal welfare and performance, which contributes to the Group's knowledge base and supports the proper use of these products to maximize the benefits for the customer. The marketing team also supports the sales efforts of the Group's sales representatives, who operate globally, by keeping marketing messages on target while providing for local customization in different countries and regions. To market its products and services, the Group relies primarily on sales calls and meetings with its customers and potential customers. Since a relatively small number of customers purchase most of the Group's products, this approach has been more effective and cost-efficient than advertising and mass media placements. The Group's marketing efforts also support cross-selling and the development of multiple product programs for customers, which helps to optimize the animal welfare and the performance of each of the Group's products.

In many countries, the Group's sales teams are divided into two: one team that focuses on feed additives, concentrating on coccidiostats, enzymes, probiotics, and addressing nutritionists and chief veterinarians of livestock and poultry producers, and another team that focuses on selling veterinary products to veterinarians that are either independent, part of a group practice or are veterinarians at large livestock and poultry producers. These teams work closely together and are supported by brand teams from local and central marketing.

The Group's sales teams, comprised of 580 sales and marketing managers, which operate globally, have a flat organizational structure, and their performance is monitored by the country, regional and global management teams. The Group's incentive programs are designed to differentiate and reward high performers. Sales representatives have clearly set objectives and incentives based on clearly defined and monitored qualitative and quantitative measures of performance that vary from sales results to the technical service support levels provided. Retention levels are high, with most countries experiencing less than 5% voluntary turnover. The Group believes it pays competitive salaries to attract the best livestock specialists to serve the Group's customers, and that employees receive a competitive compensation package overall. The quality of the Group's sales teams is highly valued by customers, and is a key component of the Group's business. Beyond sales representatives, all marketing, technical service, regulatory and customer service teams have individualized incentive schedules that define performance expectations as well as development goals, each prepared by the team member and his or her supervisor.

As of March 31, 2021, the Group had approximately 580 employees in sales, marketing and administrative positions, of which 278 are sales account managers. The composition of the sales and marketing force is 81%

male. The Group's non-sales employees are 34% female. The Group aims to improve the diversity and gender balance of its sales force.

More than 85% of the Group's volumes are sold directly to the end user of the products, in a business-to-business environment. This allows the Group to stay close to its customers and to keep sales costs low; for example the Group expends 12% to 13% of revenue on sales and marketing, as compared to competitors that typically expend 25% of revenue on sales and marketing, according to the reported results from competitors including Zoetis, Elanco, Virbac, Vetoquinol, Merck. These end users are typically large poultry and swine producers and feed mills that purchase directly. In some markets, products are sold through selected distributors, and the Group estimates that less than 15% of its sales volumes are sold to distributors who then sell and deliver the products to the end user. Selling through distributors is more common in smaller countries and when the Group enters new markets and this approach allows the Group to offer products to all animal producers globally.

Customers

The Group's customers are typically in the business of animal protein production, seeking to produce animal protein in a healthy, efficient, and profitable manner. Customers use the Group's feed additive, enzyme, veterinary products, and vaccines to prevent and treat diseases in poultry, swine and cattle (including sheep) and/or to improve feed efficiency. The Group's customers are a part of the human food chain, and as such are seeking products that will help them achieve the quality standards and food security they require, while supporting the high standard of animal health and well-being expected by their food-purchasing customers. The Company supplies leading livestock producers globally. Its key customers include Sanofi, Evonik, Rhodia, Patheon and the Bill & Melinda Gates Foundation.

The decision to use animal health products is a critical one, and one that requires confidence in the quality of the product and confidence in the standards of the company that is selling and supporting the product. Customers often have several key decision makers within their business who determine whether to use animal health products, such as those of the Group. One of the more critical decision makers is the veterinarian, which is why the Group focuses on providing the veterinarian with the tools and information needed to make the decision on what products to use, when and for how long. The veterinarian must be confident that the product will perform and that the company selling it will support the product by advising on its best use and providing other guidance as needed. The Group has an extensive service program in support of its products including on-site product training, field trials and performance analytics. Due to the vertical integration of the Group's production process, the Group is able to better control the quality of its products and ensure consistent supply to customers, which is an advantage compared to the Group's competitors that depend more on supply of third party-sources' active ingredients and formulation. This provides high flexibility in supplying the required volumes of high quality products to its customers in a consistent way.

The Group has excelled at building these relationships as demonstrated by its ability to retain customers over the years. Over the last three years, the Group has retained 98% of its existing large customers (annual purchases >€500,000), which comprise almost 75% of the Group's sales, and has grown sales to these customers by 24% over the same period. Customers value the technical support that the Group provides through its veterinarians, as well as the support offered by its sales representatives. This long-term relationship and the regular interaction with customers has allowed the Group to anticipate the needs of its customers, tailor and re-risk R&D spend and launch new products efficiently and successfully into its existing customer base.

The Group believes that its reliable and high quality supply of animal health products and services help to generate a strong reputation across the industry.

The Group does not consider its business to be dependent on a single customer or a few customers, and the Group believes the loss of any one customer would not have a material adverse effect on its results of operations. The Group's top 25 customers represented 36.9% of its revenue for the three months ended March 31, 2021 and 38% of its revenue for the year ended December 31, 2020, and none of its customers represented more than 5% of its revenue for the same periods indicated. The Group typically sells pursuant to informal verbal or written agreements servicing purchase orders from customers and does not enter long-term, formal written contracts, as is common in the animal health industry.

The Group's sales and marketing efforts have resulted in an impressive list of customers that purchase the Group's products around the world. The Group's current customers includes all of the top 25 global broiler producers (excluding China) and 24 of the top 25 global swine producers (excluding China), according to recent rankings by Watt Global Media.

The Group maintains a pricing policy for its products that seeks to maximize value for the Group and be competitive in the marketplace. The Group believes that customers recognize the value of the quality products and services the Group provides and, in the Group's experience, customers are willing to pay a premium compared to the lowest cost sellers present in the marketplace. For large customers, the Group has developed pricing strategies that reward purchasing based on selling programs that involve multiple products, such as various feed additives and veterinary products.

Brand and reputation also play a key role in the animal health industry. Beyond the products delivered, many customers have become accustomed to complementary digital and advisory services, which are offered by the Group, as well as its peers. As such, acquiring and retaining new customers is not only linked to the price or the quality of the product offered, but also to the ability of the supplier to deliver a range of tailored services and data analytics. The Group has been able to meet and continues to meet these customer expectations, as evidenced by the list of its global swine and poultry customers.

The Group acquires new customers in a strategic manner, particularly in emerging markets, through its dedicated local presence, customized programs that meet their needs and a coordinated educational effort to inform potential customers of the benefits and proper use of the Group's products. For example, the Group entered the USA in 2006, where it had no prior local presence, and within 15 years has gained 597 customers who purchased products directly from the Group in 2020. More recently the Group established direct selling operations in South Africa in 2018 and Japan in 2018 and, by 2020, the Group has gained 73 and 34 direct customers, respectively. Overall, approximately 90% of the Group's customers purchase directly and are end-users of the products while the remaining 10% are distributors that sell to end-users. Countries in which the Group directly sells its products accounted for approximately 85% of the total livestock feed market in the year ended December 31, 2020, according to Alltech.

Research and Development

The research and development team is one of the main drivers of growth for the Group and has a long track record of success, bringing many new products for livestock to market around the world. The research and development team enables the Group to continue to innovate and stay competitive and is integral to the Group's long-term growth. This team performs basic discovery research for new products, conducts the work needed during development and then prepares and submits the regulatory dossiers to the appropriate government regulatory agencies. One goal of the Group is to bring innovation to market for livestock that will prevent and treat important diseases and improve the production of animals. Another goal of the Group is to use is strength in regulatory to maintain registrations for its products around the world. R&D and the regulatory environment are barriers to entry for potential competitors in the animal health industry. The Group's strong R&D capabilities and history of success in securing regulatory approvals enable it to continue to compete effectively in the market.

The Group's research and development effort focuses on three distinct areas. First, the Group works to bring new and unique products to the market, with a strong ongoing effort to bring new vaccines that prevent diseases in poultry, swine, and cattle. Second, the Group conducts research that adds new indications for existing products, an example of which was the addition of an antiparasitic label claim for Parofor used in cattle. Third, the Group develops and registers new formulation and combinations of existing products. For example, the Group developed and registered Monimax® (monensin+nicarbazin), which was approved following a long and complex regulatory approval process and demonstrated the competence of the Group's research and development department.

The Group maintains an active licensing program and cooperates with universities around the world. It also seeks out licensing opportunities with human and animal health companies.

Because livestock enter the human food chain, the products administered to livestock must undergo rigorous testing to prove that the products are safe for human consumption. This safety testing for new products (where the active ingredient has not been previously registered) is thorough, which often leads to long and expensive development timelines. They are certainly longer than the development timelines for companion animal products but are often shorter that the drug approval process for humans. Approval for the Group's Monovet® product took over ten years, which was the first generic approval of monensin in the US by the US FDA, which took perseverance and continuous work with the FDA.

The Group conducts its research and development activities in-house and collaborates with universities and contract research organizations around the world. As of March 31, 2021, the Group employed approximately 216 employees in its in-house research and development organizations.

The Group's research and development centers are located in Lincoln, US; Antwerp, Belgium; Garessio, Italy and Bulgaria. The Group incurred cost for administration of intellectual property of EUR 1.8 million, EUR 8.5 million, EUR 9.1 million and EUR 8.6 million for the three months ended March 31, 2021 and the years ended December 31, 2018, 2019 and 2020, respectively.

As of the date of this Prospectus, the Group has one poultry nonsteroidal anti-inflammatory drug ("**NSAID**") veterinary product and two poultry vaccines in development stage. The Group continues to register and launch its AVERT® NE poultry vaccine in many markets. For cattle, the Group has several combination vaccines in development as well as feed additive products. For swine, the Group is developing a series of new vaccines. The total number of research and development projects is 107, of which 38 are veterinary product projects, 27 are feed additive projects and 31 are vaccine projects, further supporting the Group's ambition to have approximately 10% of the Group revenues represented by vaccines in five years.

Production and Supply Chain

The Group has modern, state-of-art production sites, which contribute to its operational efficiency and organic growth. The livestock market is price sensitive: the decision to use a particular product must have an economic return for the customer, so there is a limit to what a customer will pay for a product. To maintain the Group's high margins, it is critical therefore to manage for efficient, low-cost production and an efficient supply chain system over which the Group can maintain as much control as possible.

The Group is highly self-sufficient; it produces 90% of its API needs internally, in its production facilities in Bulgaria and Italy, and more than 95% of all products are formulated and packaged as final products at the Group's own production facilities in Bulgaria, Italy, USA, France, Turkey and India. As of the date of this Prospectus, the Group has four API production and formulation facilities, three in Bulgaria and one in Italy, as well as seven additional formulation and blending sites, three in the US, two in France, one in Turkey and one in India. The Group also has two vaccine production sites in the US The Group's global production network is comprised of the following sites:

Site	Location	Purpose	Capacity utilization[(1)] (%)	Personnel
Botevgrad	Bulgaria	API, Formulation, Packaging	70-75	122
Peshtera	Bulgaria	API, Formulation, Packaging	80-85	1,540
Razgrad	Bulgaria	API, Formulation, Packaging	80-85	813
Saint-Étienne	France	Formulation, Packaging	80-85	15
Segré	France	Formulation, Packaging	80-85	84
Garessio	Italy	API, formulation, packaging	60-75	162
Longmont	Colorado, US	Formulation, Packaging	75	11
Lincoln	Nebraska, US	Vaccine Production	85	10
Laurinburg	North Carolina, US	Vaccine Production	90-95	33
Van Buren	Arkansas, US	Formulation, Packaging	70	9
St. Louis	Missouri, US	Formulation, Packaging	65-70	100
Istanbul	Turkey	Formulation, Packaging	50-60	6
India	Pune	Formulation, Packaging	50-60	8

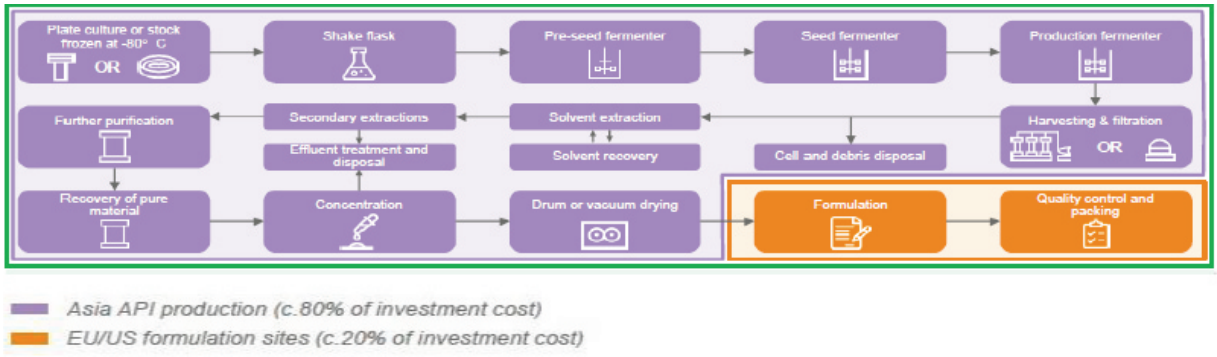
(1) Capacity utilization means the maximum amount or number that can be received or produced in an individual process or production step.

As of the date of this Prospectus, the Group has a cumulative fermentation capacity of over 10,000 m^3 in Europe and a cumulative chemical synthesis capacity of over 700 m^3 with average capacity utilization of between 80% and 85% across its operating sites. Since 2017, the Group has invested approximately EUR 162 million in capacity expansions in its production facilities to meet growing demand. In 2019, the Group increased the fermentation capacity of its production facility in Peshtera, Bulgaria by 50%, and is in the process of constructing a new production facility in Razgrad, Bulgaria for vaccine production, which is expected to be completed by the end of 2021. In early 2021, the Group also began construction of a new EUR 27 million production facility in the US to address the growing vaccine market, the additional site is expected to cover an area of 10,000 m^2 and employ 18 personnel from opening.

The Group has a vertically integrated, large production capacity to serve increasing demands from the market and reduce overall costs. The Group's in-house capabilities comprise every step in the production process, starting with strain identification, selection, seed preparation, fermentation, filtration, purification, formulation,

packaging and finishing with the delivery of finished products to its global customers. The Group's downstream production facilities include processing, blending, granulation, coating, formulation and packaging.

The chart below highlights the difference between the Group's production model and those of larger multinational animal health companies and low-cost producers in countries such as India and China. Large multinational companies generally have formulation, packaging and quality control as part of their own production lines and have chosen to purchase API, rather than produce APIs themselves. The production of APIs can often reach 80% of the investment costs of the final formulated product. Low cost manufacturers in countries like China mainly focus on the production of APIs. The Group produces its own APIs for internal use and converts them into a number of formulated and finished products, which it then sells on to its customers and distributors. The advantage of the Group's model is its ability to optimize the cost of production and to maintain strict quality control throughout the entire supply chain and production process.



The Group mainly produces its products in-house but also works with third-party suppliers and contract manufacturing organizations as part of its overall manufacturing and production system. For the three months ended March 31, 2021, the Group had cooperation with 17 third-party contract manufacturing organizations, who had a total share of less than 5% of the Group's overall production capacity. The Group's production and quality teams seek to ensure that all of these organizations adhere to its standards of production quality. The Group executes quality agreements with these organizations, which determine the necessary quality specifications. The Group also conducts periodical audits on these organizations, and physical checks on the products to assess their abilities to deliver products according to our uniform standard of qualityg.

All of the Group's production facilities, except in India, are Good Manufacturing Practice ("**GMP**") certified and are FDA approved, where required. The Group upholds the highest quality standards throughout the production cycle with on-site laboratories carrying out quality control checks. The Group's advanced production sites are fully compliant with strict national and international legislation, including the United States Department of Agriculture ("**USDA**") and Food and Drugs Administration ("**FDA**"). The Group is certified by the Feed Chain Alliance (OVOCOM) and holds OHSAS 18001, EU GMP, ISO 9001 and ISO 14001, Kosher, Halal and Organic certifications. Strict controls and checks are made by the Group's on-site quality control departments, who are responsible for ensuring that all incoming materials, intermediate and finished products meet the highest standard, as well as monitoring all processes during production. The Group follows comprehensive standard operating procedures (SOPs) in all of its production sites, and keeps detailed production records to give the Group full traceability for all its products. Also, the Group regularly provides training to its production employees and management to continuously improve standards of work at its production sites. As its products are part of the food chain, the Group is committed to following GMP and Hazard Analysis and Critical Control Point ("**HACCP**") principles to ensure the delivery of safe and efficacious products to its customers.

Competition

The Group faces strong competition in the animal health segments and countries around the world where the Group operates and competes. The principal methods of competition vary by region, country, livestock sector, product category and individual product. These methods include new product development and launches, quality, price, service and promotion to veterinarians, livestock producers, and decision makers at our customers.

Competitors to the Group range from the largest animal health companies in the world, like Zoetis, Inc, Merck Animal Health, a division of the human pharmaceutical company Merck & Co., Inc, Boehringer Ingelheim Vetmedica, Inc., the animal health division of Boehringer Ingelheim GmBH, Elanco, Inc., to smaller companies like Ceva Santé Animal S.A., Virbac S.A., Vetoquinol, S.A. and Phibro Animal Health Corporation. The Group

also faces competition from producers of nutritional health products, such as DSM Nutritional Products AG and Danisco Animal Nutrition, the animal health division of E. I. du Pont de Nemours and Company.

In addition to competition from established market participants, there could be new entrants to the livestock veterinary medicines, feed additive and vaccines segments in the future. In some markets, the Group also compete with companies that produce generic versions of the Group's products, but the level of competition from generic products varies across markets. For example, the level of generic competition is higher in Europe and certain emerging markets, like many countries in Asia, than in the United States.

Sourcing Raw Materials

The Group continuously searches for third-party suppliers on a global basis in order to source materials that meets the Group's quality standards at competitive prices and supply terms. The main raw materials used by the Group are soy and sunflower oil, wheat flour, soy protein, glucose, destroys, wheat starch and organic solvents such as butyl acetate and methanol. The Group conducts global research on potential suppliers, assesses samples of raw materials and visits and inspects suppliers to ensure that they are in compliance with industry manufacturing practices and applicable regulatory requirements. The Group also preforms periodic audits on the suppliers to assess their abilities to deliver components and raw materials that meet the Group's specifications. The Group uses its own quality control laboratories to assess all materials before use in production and retention samples are kept as required for regulatory purposes.

Information Technology

IT is important to the Group's ability to operate efficiently, and the Group's integrated IT systems support its business operations with advanced security and operational support. The Group's IT systems are managed centrally by its IT department, which is located in the Group's head office in Sofia, Bulgaria. The Group's IT department works with:

- Logistics Lab and Intelligent Systems for implementation and support of "Microsoft Dynamics", the enterprise resource planning system that the Group uses for recording its operational and accounting data,
- Poslovna Inteligencija for implementation and support of "IBM Cognos", hardware and software solutions used for data warehouse, budgeting and planning, reporting and financial consolidation activities,
- EASI for implementation and support of "Smart Sales", a CRM solution used by the Group's sales team to manage the relationship with end customers, and
- Emesron Bulgaria for implementation and maintenance "Emerson Delta V", a distributed control system used to manage and control fermentation processes in production.

Intellectual Property

The Group owns certain product registrations, patents, trade names and trademarks, and uses know-how, trade secrets, formulas and manufacturing techniques, which assist in maintaining the competitive positions of certain of the Group's products. The Group believes that technology is an important component of its competitive position, and is intended to provide it with low cost positions enabling the Group to produce high quality products. Though patents protect some of the Group's technology, its competitive advantage is primarily based on know-how built up over many years of commercial operation, which is protected as commercial secrets and specific production know-how and technology which is kept proprietary in its own factories. To that end, the Group has 11 patent families consisting of more than 90 patents or pending applications in more than 30 countries or territories. When the Group identifies new product opportunities where the relevant technology or product is patented, the Group typically seeks royalty-based, exclusive agreements to allow full rights to the product or technology, the option for the Group to register and sell the product on an exclusive basis in certain countries, and the ability to limit entry and enforce patent rights in the such countries.

Additionally, some of the Group's products are based on proprietary master seeds and proprietary or patented adjuvant formulations. The Group actively seeks to protect its proprietary information, including its trade secrets and proprietary know-how, including by seeking to require its employees, consultants, advisors and partners to enter into confidentiality agreements and other arrangements upon the commencement of their employment or engagement.

The Group seeks to file and maintain trademarks around the world based on commercial activities in most regions where it has, or desires to have, a business presence for a particular product or service. The Group

currently maintains more than 1,387 trademark applications and registrations globally, identifying goods and services related to the care of livestock.

Regulatory Environment

The Group markets its animal health products under thousands of governmental product registrations approving many of its products with respect to animal feed and drug safety and efficacy. The use of many of its feed additives and medicinal products is controlled by regulatory authorities that are specific to each country and sector (e.g., the FDA in the United States and EFSA/EMA in Europe). Because they regulate the safety of the human food supply or drug products, their responsibility also includes the regulation of feed additives for animals and veterinary medicines used in the livestock production. Each of the Group's products is registered separately in each country where it is sold. The Group continuously monitors, maintains and updates the appropriate registration files pertaining to such regulations and approvals. In certain countries where the Group works with a third party distributor, local regulatory requirements may require registration in the name of such distributor. As of January 2021, the Group had over 3,478 product registrations globally for feed additives and veterinary products, 188 product registrations globally for hygiene products, and 143 product registrations globally for dietetic products for veterinary use. The Group's expenditure on registration renewals and fees and development of regulatory dossiers for maintaining existing registrations was equivalent to approximately 7.5% of Group revenues for the year ended December 31, 2020. The Group is fully compliant with EMA guidelines, with none of its products being classified as Category A (avoid) or B (restrict). 70% of the Group's antibiotic products are categorized as Class C and the remaining 30% are categorized as Class D.

European Union and the UK

The Group is governed by the following EU regulatory bodies:

The European Medicines Agency ("**EMA**") is a centralized agency of the EU, currently located in London, England. In connection with Brexit, the agency was relocated to Amsterdam in March 2019. The agency is responsible for the scientific evaluation of Veterinary Medicinal Products ("**VMP**") developed by pharmaceutical companies for use in the EU. The agency has a veterinary review section distinct from the medical review section for human health products. The Committee for Veterinary Medicinal Products ("**CVMP**") is responsible for scientific review of the submissions for VMP and Immunological Veterinary Medicinal Products. If the CVMP concludes that all requirements for quality, safety and efficacy are met, they issue a positive opinion that is forwarded to the European Commission, who takes the final decision following the European comitology procedure. The centralized marketing authorization (commission decision) of the European Commission is valid in all of the EU. All countries that are not part of the EU but belong to the EEA, i.e., Norway, Iceland and Liechtenstein, have been part of the scientific assessment done by the CVMP. These countries issue a national marketing approval in accordance with the Commission Decision. A series of regulations, directives, guidelines, EU Pharmacopeia Monographs and other legislation provide the requirements for approval in the EU. In general, these requirements are similar to those in the US, requiring demonstrated evidence of purity, safety, efficacy and consistency of manufacturing processes.

If approval is sought for products that either cannot or do not need to follow the centralized procedure, approval can also be achieved by national approval in an EEA country agency. This national authorization can be mutually recognized by other EEA countries/EU member states (Mutual Recognition Procedure). In addition, national and mutual recognition can be done in a combined procedure (Decentralized Procedure).

The European Food Safety Authority ("**EFSA"**) is the agency of the EU that provides scientific advice and communicates with respect to existing and emerging risks associated with the food chain. EFSA was established in February 2002, is based in Parma, Italy. Based on EFSA's mandate, the agency evaluates applications for feed additives, including enzymes and several nutritionals for animals.

The European Chemical Agency ("**ECHA**") is the agency of the EU for the safe use of chemicals. ECHA was founded in 2007 and is based in Helsinki, Finland. Based on ECHA's mandate, the agency conducts the evaluation of biocides for the EU.

During the transition period from February 1 to December 31, 2020, EU pharmaceutical law continued to apply to the UK. However, since the UK formally left the EU on January 31, 2020, from January 1, 2021, EU pharmaceutical law applies to the UK in respect of Northern Ireland only. For veterinary medicines, a transitionary regime is in place till January 1, 2023. Feed additive transitional measures are still evolving. The Group has not faced any disruptions to its UK approvals to date and is confident that it will be able to comply with new and evolving regulatory requirements in the UK.

United States

US Food and Drug Administration

The regulatory body that is responsible for the regulation of animal health pharmaceuticals in the US is the Center for Veterinary Medicine, a division of the FDA. All manufacturers of animal health pharmaceuticals must demonstrate their products to be safe, effective and produced by a consistent method of manufacture as defined under the Federal Food, Drug and Cosmetic Act (the "**FFDCA**"). The FDA's basis for approving a new animal drug application is documented in a Freedom of Information Summary. Post-approval monitoring of products is required by law, with reports being provided to the CVM's Office of Surveillance and Compliance. Reports of product quality defects, adverse events or unexpected results are maintained and submitted in accordance with the law. Additionally, as part of the drug experience report, the Group is required to submit all new information pertaining to the safety or effectiveness of a product, regardless of the source.

US Department of Agriculture

The regulatory body in the US for veterinary biologicals is the US Department of Agriculture (the "**USDA**"). The Center for Veterinary Biologics within the Animal and Plant Health Inspection Service in the USDA is responsible for the regulation of animal health biologicals, which includes but is not limited to vaccines, bacterins, allergens, antibodies, antitoxins, toxoids, immunostimulants, certain cytokines, antigenic or immunizing components of live microorganisms, and diagnostic components of natural or synthetic origin, or that are derived from synthesizing or altering various substances or components of substances such as microorganisms, genes or genetic sequences, carbohydrates, proteins, antigens, allergens or antibodies. All manufacturers of animal health biologicals must show their products to be pure, safe, effective and produced by a consistent method of manufacture as defined under the Virus Serum Toxin Act. Post-approval monitoring of products is required. Reports of product quality defects, adverse events or unexpected results are maintained and submitted in accordance with the agency requirements.

Environmental Protection Agency

The main regulatory body in the US for veterinary pesticides is the Environmental Protection Agency (the "**EPA**"). The EPA's Office of Pesticide Programs is responsible for the regulation of most pesticide products applied to animals in accordance with a memorandum of understanding between the FDA and EPA for products that are subject to regulation under both the FFDCA and the Federal Insecticide, Fungicide and Rodenticide Act. All manufacturers of animal health pesticides must show their products will not cause unreasonable adverse effects to man or the environment as stated in the act. Within the US, individual state pesticide authorities must, before distribution in that state, also approve pesticide products that are approved by the EPA. Post-approval monitoring of products is required, with reports provided to the EPA and some state regulatory agencies.

Food Safety Inspection Service

The FDA is authorized to determine the safety of substances (including "generally recognized as safe" substances, food additives and color additives), as well as prescribe their safe conditions of use. However, although the FDA has the responsibility for determining the safety of substances, the Food Safety and Inspection Service, the public health agency in the USDA, still retains, under the tenets of the Federal Meat Inspection Act and the Poultry Products Inspection Act and their implementing regulations, the authority to determine that new substances and new uses of previously approved substances are suitable for use in meat and poultry products.

In addition, the FCPA prohibits US corporations and their representatives from offering, promising, authorizing or making payments to any foreign government official, government staff member, political party or political candidate in an attempt to obtain or retain business abroad. The scope of the FCPA includes interactions with certain healthcare professionals in many countries. Other countries have enacted similar anti-corruption laws and/or regulations. In some countries in which the Group operates, the pharmaceutical and life sciences industries are exposed to a high risk of corruption associated with sales to healthcare professionals and institutions. Notwithstanding the Group's reasonable efforts to conduct its operations in material compliance with the FCPA, the Group's international business could expose it to potential liability under the FCPA, which may result in the Group incurring significant criminal and civil penalties, and to potential liability under the anti-corruption laws and regulations of other jurisdictions in which the Group operates. In addition, the costs the Group may incur in defending against an FCPA investigation could be significant.

Brazil

The Ministry of Agriculture, Livestock Production and Supply ("**MAPA**") is the regulatory body in Brazil that is responsible for the regulation and control of pharmaceuticals, biologicals and medicinal feed additives for animal use. MAPA's regulatory activities are conducted through the Secretary of Agricultural Defense and its Livestock Products Inspection Department. In addition, regulatory activities are conducted at a local level through the Federal Agriculture Superintendence. These activities include the inspection and licensing of both manufacturing and commercial establishments for veterinary products, as well as the submission, review and approval of pharmaceuticals, biologicals and medicinal feed additives. MAPA is one of the most active regulatory agencies in Latin America, having permanent seats at several international animal health forums, such as Codex Alimentarius, World Organization for Animal Health and Committee of Veterinary Medicines for the Americas. MAPA was also recently invited to be a Latin American representative at International Cooperation on Harmonisation of Technical Requirements for Registration of Veterinary Medicinal Products ("**VICH**") meetings. Several normative instructions issued by MAPA have set regulatory trends in Latin America.

Japan

The Ministry of Agriculture, Forestry and Fishery ("**MAFF**") is the regulatory body in Japan that is responsible for the regulation and control of pharmaceuticals (including biologicals and pesticide/disinfectant) and feed additive/feed for animal use. MAFF's regulatory activities are conducted through the Livestock & Aquaculture Product Safety Control Division under Consumer safety bureau. The animal drug reviews and approvals, re-examination reviews, GxP compliance checks, GxP site inspections and product assay checks (including vaccine national assays) are done by National Veterinary Assay Laboratory ("**NVAL**"). MAFF coordinates with other agencies such as Ministry of Health, Labor and Welfare ("**MHLW**"**)** and Food safety commission ("**FSC**") to perform various license compliance checks (e.g., MA holder, manufacturer and oversea site accreditation) and ensure good promotional activities. Routine inspections, antimicrobial feed additive national assays and manufacturing inspections are done by the Food & Agriculture Material Inspection Center. For food animal products, animal drug review is done by NVAL but the human food safety review is done by FSC (ADI establishment and antimicrobial risk assessment) and MHLW (MRL establishment). These three agencies (NVAL, FSC and MHLW) work together to approve food animal products. In addition to those central government agencies, various licenses are delegated to the local municipal government, such as animal drug wholesaler and retailer licenses and feed additive distributor licenses.

Rest of world

Country-specific regulatory laws typically have provisions that include requirements for certain labelling, safety, efficacy and manufacturers' quality control procedures (to assure the consistency of the products), as well as company records and reports. Other countries' regulatory agencies typically either refer to the FDA, USDA, EU and other international animal health entities, including the World Organization for Animal Health, Codex Alimentarius or Veterinary International Conference on Harmonization ("**VICH**"), in establishing standards and regulations for veterinary pharmaceuticals and vaccines, or review the quality, safety and effectiveness of the products themselves according to their own national requirements.

Global policy and guidance

Joint FAO/WHO Expert Committee on Food Additives

The Joint FAO/WHO Expert Committee on Food Additives is an international expert scientific committee that is administered jointly by the Food and Agriculture Organization of the United Nations ("**FAO**") and the World Health Organization ("**WHO**"). They provide a risk assessment/safety evaluation of residues of veterinary drugs in animal products, exposure and residue definition and maximum residue limit proposals for veterinary drugs. Similarly, the Joint FAO/WHO Meeting on Pesticide Residues ("**JMPR**") is an international expert scientific group administered jointly by the FAO and WHO. JMPR reviews residues and analytical aspects of the pesticides, estimate the maximum residue levels, review toxicological data and estimate acceptable daily intakes for humans of the pesticides under consideration. The Group works with these committees to establish acceptable safe levels of residual product in food-producing animals after treatment with veterinary drugs or pesticides. This in turn enables the calculation of appropriate withdrawal times for our products prior to an animal entering the food chain.

Advertising and promotion review

Promotion of ethical animal health products is controlled by regulations in many countries. These rules generally restrict advertising and promotion to those claims and uses that have been reviewed and endorsed by the applicable agency. The Group conducts a review of promotion material for compliance with the local and regional requirements in the markets where the Group sells animal health products.

Import and Export of Products

The importation and exportation of animal health products is controlled by regulations in many countries. In some jurisdictions this may include obtaining separate permits or licenses by product or by company or filing notices with applicable regulatory agencies prior to the import or export of the product. The Group ensures compliance with local and global regulations in the markets where the Group imports/exports its animal health products.

International Cooperation on Harmonization of Technical Requirements for Registration of Veterinary Medicinal Products

VICH is a trilateral (EU-Japan-USA) program launched in 1996 aimed at harmonizing technical requirements for veterinary product registration. Several other countries have obtained observer status, e.g., Canada, New Zealand, Australia and South Africa, or are linked to VICH on basis of the VICH Outreach Forum, a VICH initiative with the main objective of providing a basis for wider international harmonization of technical requirements. In addition, the World Organization for Animal Health is an associate member of VICH.

The objectives of the VICH are as follows:

- Establish and implement harmonized technical requirements for the registration of veterinary medicinal products in the VICH regions, which meet high quality, safety and efficacy standards and minimize the use of test animals and costs of product development.
- Provide a basis for wider international harmonization of registration requirements through the VICH Outreach Forum.
- Monitor and maintain existing VICH guidelines, taking particular note of the ICH work program and, where necessary, update these VICH guidelines.
- Ensure efficient processes for maintaining and monitoring consistent interpretation of data requirements following the implementation of VICH guidelines.

By means of a constructive dialogue between regulatory authorities and industry, provide technical guidance enabling response to significant emerging global issues and science that impact regulatory requirements within the VICH regions.

Employees

As of December 31, 2020, the Group had 3,217 full time employees, of which 2,636 were employed in production and quality control functions, with the remaining 769 employed in sales, marketing, technology services, customer service, logistics, finance, legal and human resource functions. As of March 31, 2021, the Group had a total of 3,405 employees worldwide, most of whom were full-time employees, and of which 2,636 were employed in production and quality control functions. As of the same date, out of 3,405 employees, 276 employees were US-based and 2,992 employees were employed in Europe. The Group had approximately 3,049, 3,214 and 3,217 employees for the years ended December 31, 2018, 2019 and 2020, respectively.

Some of the employees working in the Group's subsidiaries in France, Italy and Belgium are members of unions, works councils, trade associations or are otherwise subject to collective bargaining agreements. To the best of the Group's knowledge, approximately 298 employees were subject to collective bargaining agreements as of the three months ended March 31, 2021.

The Group believes that a motivated and highly qualified workforce is essential to its business operations. The Group also believes that its future success and sustainability depend on the continuing ability to identify, hire, attain, train and retain qualified and talented employees. Over the last five years, the Group has achieved a staff retention rate of 91% over the last five years. The Group conducts training programs for its employees on a periodic basis, focusing, *inter alia*, on technical expertise, competency and managerial development. The Group employees also benefit from other development tools, such as sponsored trainings provided by third parties and universities.

Properties

As of the date of this Prospectus, the Group owns all of its production facilities, except the ones in Van Buren. As of the date of this Prospectus, the Group has 13 production facilities. See "*—Production and Supply Chain*". The Group also owns all of its research and development facilities co-located with certain of its production sites in Peshtera, Bulgaria, Lincoln, US, and Garessio, Italy. See "*—Research and Development*". The Group also owns or leases various additional properties for other business purposes including office space, warehouses and logistics centers.

The Group believes that its existing properties are adequate for its current requirements and for its operations in the near future.

Environmental, Health and Safety

The Group is subject to various federal, state, local and foreign environmental, health and safety laws and regulations. These laws and regulations govern matters such as the emission and discharge of hazardous materials into the ground, air or water; the generation, use, storage, handling, treatment, packaging, transportation, exposure to, and disposal of hazardous and biological materials, including recordkeeping, reporting and registration requirements; and the health and safety of its employees. Due to the nature of Company's operations, these laws and regulations also require the Group to obtain, and comply with, permits, registrations or other authorizations issued by governmental authorities. These authorities can modify or revoke the Group's permits, registrations or other authorizations and can enforce compliance through fines and injunctions.

Certain environmental laws impose strict liability, without regard to fault, for clean-up costs on persons who have disposed of or released hazardous substances into the environment, including at third-party sites or offsite disposal locations, or that currently own or operate (or formerly owned or operated) sites where such a release occurred. The Group could be subject to liability for the investigation and remediation of legacy environmental contamination caused by historical industrial activity at sites that the Group owns or on which it operates. In addition to clean-up actions brought by federal, state, local and foreign governmental entities, private parties could raise personal injury or other claims against the Group due to the presence of, or exposure to, hazardous materials on, from or otherwise relating to such a property. For the last three years, clean-up costs incurred by the Group were less than 1% of the Group's total sales.

The Group has committed to a target of reducing its carbon emissions by 25,000 tons per year commencing from 2023. In order to reduce its environmental footprint, the Group has made several investments in waste management and air quality and water management. For example, the Group established a co-generation plant for production of energy, steam and purified water in its production facility in Peshtera, Bulgaria. The Group also invested EUR 11 million in establishing two biomass incinerator plants in 2016 and 2017, one in its production facility in Peshtera, Bulgaria and the other in its production facility in Razgrad, Bulgaria, for management of biomass and hazardous materials, leading to a EUR 3 million reduction in costs per year. The Group also installed waste water treatment plants in its production facilities in Peshtera and Razgrad, and its production facility in Italy, as well as exhaust air filtration systems in every production facility where it is required by applicable regulations. Furthermore, the Group also plans to build solar power plants with 40MW of capacity in certain of its production facilities for energy production within the next two years. The Group expects that 1MW of installed solar power capacity will bring around EUR 80,000 of capex saving per year. The targeted capex saving is EUR 480,000—500,000 per MW. The projected savings are approximately EUR 3.2 million per year. The Group's target is to reduce its carbon emissions by 25,000 tonnes per year, starting from 2023.

In addition, the Group's products, including enzymes, probiotics and coccidiostats, support higher utilization of feed ingredients by animals. For example, the Group's enzyme products reduce resource consumption and increase the uptake of nutrition from the feed. This leads to less need for raw materials to feed livestock and less waste, and therefore helps to reduce the environmental footprint of animal production. The Group has also made investments in environmentally-friendly packaging with a lower carbon footprint than the previous packaging used by the Group.

The Group has a high focus on health and safety at work to minimize workplace accidents and to ensure compliance with the health and safety laws. For the year ended December 31, 2020, the Group experienced approximately nine workplace accidents in total, representing less than 0.5% of entire staff, compared to 19 accidents in year ended December 31, 2019, and none of which were fatal.

The Group has incurred, and will continue to incur, expenses to attain and maintain compliance with environmental, and health and safety laws. While the Group believes that its operations are currently in material compliance with environmental, and health and safety laws, the Group may, from time to time and in the ordinary course of business, receive notices of violation from governmental authorities, and may be involved from time to time in administrative, civil and/or criminal action for such violations. The Group maintains budgets and accounting reserves for costs and liabilities associated with environmental, and health and safety laws, which the Group currently believes are adequate. In many instances, it is difficult to predict the ultimate costs under environmental, and health and safety laws and the time period during which such costs are likely to be incurred.

Insurance

The Group carries insurance of various types, including public, product and pollution liability, directors and officer's liability, property damage and business interruption compensation insurance, goods in transit, credit insurance and workmen's compensation insurance, including life, accident and health insurances, which the Group believes are customary for its business and its risk profile. Some of the Group Companies are required by applicable regulations to maintain certain insurance policies, such as employer's liability, environmental liability, traffic, dangerous materials, dangerous waste compulsory financial liability, motor third party liability, health, life and accident insurance. As of the date of this Prospectus, each of the Group Companies satisfies the regulatory requirements and maintains mandatory insurance policies.

The Group believes that it is adequately insured and that the Group pays appropriate premiums for this coverage. The insurance coverage is regularly evaluated and adjusted, as necessary. In October 2020, the Group's Italian subsidiary incurred a loss, following floods experienced for the second time within the last four years, as a result of which flooding was excluded from the scope of the insurance coverage. The Group has implemented and continues to implement certain mitigating measures to protect against future floods, including raising the river embankments walls and building barriers to protect equipment at the facility. Based on these measures, the Group approached the insurer with a request to cover the risk of flood in the insurance policy and is awaiting a response. It cannot, however, be ruled out that the Group or one of the Group Companies could suffer damages that are not covered by the existing insurance policies or that exceed the coverage limits set in these policies.

Legal and Arbitration Proceedings

The Company is from time to time subject to claims and litigation and arbitration proceedings arising in the ordinary course of business. These claims and litigation may include, among other things, allegations of violations of competition law, labor laws, and environmental laws and regulations, as well as claims or litigation relating to product liability, intellectual property, breach of contract and tort. The Company operates in multiple jurisdictions and, as a result, a claim in one jurisdiction may lead to claims or regulatory penalties in other jurisdictions. The Company intends to defend against any pending or future claims and litigation.

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) that may have, or have had in the recent past, significant effects on the Company and/or the Group's financial position or profitability.

General

This section gives an overview of the material information concerning the Board and the Company's corporate governance as such will be reflected in the Articles of Association, the rules regarding the Board's functioning and internal organization (the "**Board Rules**") and the Relationship Agreement, each of which as they will be in effect ultimately on the First Trading Date. This summary does not purport to give a complete overview and should be read in conjunction with, and is qualified in its entirety by reference to, the relevant provisions of Dutch law in effect as at the date of this Prospectus as well as the Articles of Association, the Board Rules and the Relationship Agreement, as these will be in effect ultimately on the First Trading Date. The full text of the Articles of Association (in Dutch, and an unofficial English translation thereof), the Relationship Agreement and the Board Rules (both in English) will be available free of charge on the Company's website as of the First Trading Date (https://ir.huvepharma.com/static-files/10af7641-4980-4a6a-8bc8-fe11c6c8cc00 and https://ir.huvepharma.com/esg/policies-charters).

Board Structure

The Company has a one-tier board consisting of one or more Executive Directors (*uitvoerend bestuurders*) and one or more Non-Executive Directors (*niet-uitvoerend bestuurders*).

Board

Powers, responsibilities and functioning

The Board is charged with the management of the Company, subject to the restrictions contained in the Articles of Association, with the Executive Directors being primarily charged with the Company's day-to-day operations and the Non-Executive Directors being primarily charged with the supervision of the performance of the duties of the Executive Directors. As a matter of Dutch law, the Board's duties include determining the policies and strategy of the Company. In performing their duties, Directors are guided by the interests of the Company and of the business connected with it, taking into consideration the interests of the Company's stakeholders (which includes but is not limited to its business partners, its employees and the Shareholders). The Board will draw up a profile for its size and composition taking into account the nature of the Company's business, the Company's activities and the desired expertise, independence and background of the Non-Executive Directors, which will be in effect ultimately on the First Trading Date.

Each Director is charged with all tasks and duties of the Board that are not delegated to one or more other specific Directors by virtue of Dutch law, the Articles of Association or an arrangement catered for in the Articles of Association (e.g., the internal rules of the Board). The Directors may allocate their duties amongst themselves in or pursuant to the Board Rules or otherwise pursuant to resolutions adopted by the Board, provided that:

1. the Executive Directors shall be charged with the Company's day-to-day operations;
2. the task of supervising the performance of the duties of the Directors cannot be taken away from the Non-Executive Directors;
3. the Chairperson of the Board must be a Non-Executive Director; and
4. the making of proposals for the appointment of a Director, the determination of the compensation of the Executive Directors and the instruction of an external accountant (in cases where the shareholders meeting did not instruct an external auditor) cannot be allocated to an Executive Director.

The Board must submit certain important decisions to the General Meeting for approval, as described below in more detail under *"Board——Board decisions*".

The Board as a whole is authorized to represent the Company. In addition, the Chief Executive Officer individually has the authority to represent the Company, as well as any two other Executive Directors acting jointly. The Board is authorized to appoint proxy holders (*procuratiehouders*) who are authorized to represent the Company within the limits of the specific delegated powers provided to them in the proxy.

Board Rules

As indicated above, the Board will adopt the Board Rules that will govern, among other things, its decision-making process and conduct of meetings. The Board Rules will be in effect ultimately on the First Trading

Date and will then be published on the Company's website (https://ir.huvepharma.com/esg/policies-charters). The Board may amend the Board Rules from time to time.

Composition, appointment and removal

The Company has a Board composed of individuals. The Board shall consist of one or more Executive Directors and one or more Non-Executive Directors. The Board may determine the exact number of Executive Directors and Non-Executive Directors. When appointing a Director, the General Meeting shall specify, at the proposal of the Board, whether the Director is appointed as an Executive Director or as a Non-Executive Director.

The General Meeting shall appoint the Directors and may at any time suspend or dismiss any Director. In addition, the Board may at any time suspend an Executive Director. A resolution of the General Meeting to suspend or dismiss a Director shall require a majority of at least two thirds of the votes cast representing more than half of the issued share capital, unless the resolution is passed at the proposal of the Board. The General Meeting can only appoint Directors upon a nomination by the Board. The General Meeting may at any time resolve to render such nomination to be non-binding by a majority of at least two thirds of the votes cast representing more than half of the issued share capital. If a nomination is rendered non-binding, a new nomination shall be made by the Board. If the nomination comprises one candidate for a vacancy, a resolution concerning the nomination shall result in the appointment of the candidate, unless the nomination is rendered non-binding.

At a General Meeting, a resolution to appoint a Director can only be passed in respect of candidates whose names are stated for that purpose in the agenda of that General Meeting or the explanatory notes thereto.

The Board may elect one of the Non-Executive Directors to be the Chairperson of the Board (the "**Chairperson**") and one of the other Non-Executive Directors to be the Vice-Chairperson of the Board (the "**Vice-Chairperson**"). The Board may dismiss the Chairperson or Vice-Chairperson, provided that the Chairperson or Vice-Chairperson so dismissed shall subsequently continue his or her term of office as Non-Executive Director without having the title of Chairperson or Vice-Chairperson.

If a Director is absent or incapacitated, he or she may be replaced temporarily by a person whom the Board has designated for that purpose and, until then, the other Director(s) shall be charged with the management of the Company. If all of the Directors are absent or incapacitated, the management of the Company shall be attributed to the person who most recently ceased to hold office as the Chairperson, provided that if such former Chairperson is unwilling or unable to accept that position, the management shall be attributed to the person who most recently ceased to hold office as the Company's Chief Executive Officer. If such former Chief Executive Officer is also unwilling or unable to accept that position, the Company's management shall be attributed to one or more persons whom the General Meeting has designated for that purpose. The person(s) charged with the Company's management in this manner may designate one or more persons to be charged with the Company's management instead of, or together with, such person(s).

Under the Relationship Agreement, the Selling Shareholder will have the right to require the Company to cause the Board to nominate (i) one Executive Director and one Non-Executive Director designated by the Selling Shareholder, as long as the Selling Shareholder directly or indirectly continues to own at least 20% of the Company's issued share capital or (ii) one Non-Executive Director designated by the Selling Shareholder, as long as the Selling Shareholder directly or indirectly continues to own at least 10% (but less than 20%) of the Company's issued share capital (each such person designated by the Selling Shareholder in accordance with the Relationship Agreement is a "**Selling Shareholder Nominee**").

Term of appointment

There are no rules of mandatory Dutch law concerning the maximum terms of office, or the maximum number of consecutive terms of office, of Directors. Under the Code (as defined below), a person may be appointed as Executive Director for maximum terms of four years each, without a limitation on the number of consecutive terms. A person may be appointed as Non-Executive Director for a maximum of two consecutive four-year terms and, subsequently, for a maximum of two consecutive two-year terms. In case of a reappointment of a Non-Executive Director after an eight-year period, the Company's board report should disclose the reasons for such reappointment.

The initial appointment period for each of Kiril Petrov Domuschiev, Eddy Piron, Ellen de Brabander, Jacqueline Pieters-Zetsma and Sven Verbraeken shall be four years, terminating at the end of the annual General Meeting to be held in 2025.

Board meetings and decisions

Decisions of the Board shall be passed by simple majority of votes cast. Where there is a tie in any vote of the Board, the Chairperson shall have a casting vote, provided that there are at least three Directors in office. Otherwise, the relevant resolution shall not have been passed.

Pursuant to the Relationship Agreement, for as long as two Selling Shareholder Nominees serve on the Board and the Selling Shareholder directly or indirectly continues to own at least 20% of the Company's issued share capital, certain resolutions of the Board as described under "*Risk Factors—The Selling Shareholder will retain control of the Company preventing free float shareholders to significantly influence important corporate decisions*" above, can only be passed with the affirmative vote of both Selling Shareholder Nominees (provided they are not incapacitated or unable to act and are not precluded from voting as a result of a conflict of interest with the Company as noted below or as a result of being involved in a related party transaction as defined by the DCC). Similarly, for as long as one Selling Shareholder Nominee serves on the Board and the Selling Shareholder directly or indirectly continues to own at least 10% of the Company's issued share capital, such resolutions of the Board can only be passed with the affirmative vote of such Selling Shareholder Nominee (provided he or she is not incapacitated or unable to act and are not precluded from voting as a result of a conflict of interest with the Company as noted below or as a result of being involved in a related party transaction as defined by the DCC).

The approval of the General Meeting is required for resolutions of the Board concerning a material change to the identity or the character of the Company or the business, including in any event:

1. transferring the business or materially all of the business to a third party;
2. entering into or terminating a long-lasting alliance of the Company or of a subsidiary either with another entity or company, or as a fully liable partner of a limited partnership or general partnership, if this alliance or termination is of significant importance for the Company; and
3. acquiring or disposing of an interest in the capital of a company by the Company or by a subsidiary with a value of at least one third of the value of the assets, according to the balance sheet with explanatory notes or, if the Company prepares a consolidated balance sheet, according to the consolidated balance sheet with explanatory notes in the Company's most recently adopted annual accounts.

Conflict of interest

Dutch law provides that a Director may not participate in the adoption of resolutions (including deliberations in respect of these) if he or she has a direct or indirect personal interest conflicting with the interests of the Company. The mere fact that a Director has a personal interest in relation to a specific matter does not necessarily lead to the qualification of a conflict of interests. In order to qualify as a conflict of interests, the personal interests involved must be so incompatible with those of the Company and its business, that there are reasonable grounds for doubting whether the actions and decisions of the Director concerned were guided exclusively by the interests of the Company. If no resolution can be adopted by the Board as a consequence of such a personal conflict of interest, the resolution concerned may nevertheless be passed by the Board as if none of the Directors has a conflict of interest. If a Director does not comply with these provisions on conflicts of interest, the resolution concerned is subject to nullification (*vernietigbaar*) in accordance with Dutch law. The existence of a conflict of interest does not affect the authority to represent the Company, as described under "*Board—Powers, responsibilities and functioning*" above.

Under the Code (as defined below) and the Board Rules, each Director shall immediately report any actual or potential conflict of interest that is of material significance to the Company and/or to the relevant Director, to the Chairperson and to the other Directors and shall provide all information relevant to the conflict, including any relevant information concerning his or her spouse, registered partner or other life companion, foster child and relatives by blood or marriage up to the second degree. The determination whether a Director has a conflict of interest shall primarily be the responsibility of that Director. However, in case of debate, the Board must, after having heard the relevant Director and without that relevant Director being present, determine whether a reported matter qualifies as a conflict of interest within the meaning of Dutch law.

Under the Code (as defined below) and the Board Rules, all transactions in which there are conflicts of interests with Directors will be agreed on terms that are customary, must be disclosed in the Company's board report and, if the conflict of interest is of material significance to the Company and/or the relevant Director, require the approval of the Board.

Directors

On the First Trading Date, the Board shall be composed of the following Directors:

Name	Date of birth	Position	Member as of	Current Term of Appointment
Kiril Petrov Domuschiev	April 18, 1969	Chief Executive Officer and Executive Director	First Trading Date	Four years
Eddy Piron	April 2, 1961	Executive Director	First Trading Date	Four years
Jacqueline Pieters-Zetsma	February 4, 1967	Non-Executive Director and Chair of the Board	First Trading Date	Four years
Ellen de Brabander	February 15, 1963	Non-Executive Director and Chair of the Audit Committee	First Trading Date	Four years
Sven Verbraeken	June 7, 1979	Non-Executive Director and Vice Chairman of the Board	First Trading Date	Four years

On the First Trading Date, Eddy Piron and Sven Verbaeken shall be the initial Selling Shareholder Nominees.

The Company's registered address, Prins Bernhardplein 200, 1097 JB Amsterdam, the Netherlands, serves as the business address for all Directors.

Biographies—Executive Directors

Kiril Petrov Domuschiev will be the Chief Executive Officer and Executive Director of the Company as of the First Trading Date.

Kiril Petrov Domuschiev currently holds board positions at various subsidiaries within the Group, as: Executive Director of Huveproject EAD, General Manager of Huvepharma EOOD, Chairman of the Supervisory Board of Biovet AD, member of the Board of Directors and Director B of Huvepharma International B.V., member of the Board of Directors and Director B of Huvepharma Holdings B.V., member of the Board of Directors of Huvepharma, Inc., member of the Board of Directors of Huvepharma NV (Belgium)[1], member of the Board of Directors of Huvepharma (Thailand) Ltd., member of the Board of Directors of Huvepharma Sea (Pune) Private Limited, member of the Board of Directors of Canada Corporation Inc. and member of the Board of Directors of Huvepharma de Mexico S.A. de C.V.

In addition, Kiril Petrov Domuschiev holds positions outside the Group, as: Chairman of the Supervisory Board of Navigation Maritime Bulgare AD, Chairman of the Board of Directors at Advance Insurance Solutions Broker AD, Chairman of the Board of Directors at Advance Media Partners AD, Chairman of the Board of Directors at Advance Media Group EAD, Chairman of the Board of Directors at Advance Engineering AD and Deputy Chairman of the Board of Directors at Trade Center Trakia AD. Kiril Petrov Domuschiev previously held positions as Chairman of the Board of Directors of KG Maritime Partners AD and Chairman of the Board of Directors of KG Maritime Shipping AD.

Kiril Petrov Domuschiev holds a master's degree in Industrial Management from the Technical University, Sofia.

Eddy Piron will be an Executive Director of the Company as of the First Trading Date.

Eddy Piron currently holds board positions at various subsidiaries within the Group, being: as member of the Board of Directors at Huvepharma NV, as member of the Board of Directors and secretary of Huvepharma Inc. and as member of the Board of Directors at Huveproject EAD.

Eddy Piron further holds positions outside the Group, as: managing director at Norip BVBA, a management company through which management services are provided to Huvepharma NV (Belgium) and as member of the Board of Directors at Animal Health Europe, the European Animal Health Industry Federation. He has broad experience in animal livestock and human health in various fields including sales, sales management, marketing regulatory, business development and M&A through various functions at Amercian Home Company, Lederle, Roche and Alpharma.

1 This concerns Huvepharma NV, a subsidiary within the Group incorporated in Belgium and a direct subsidiary of Huvepharma EOOD, not the Company.

Eddy Piron holds a master's degree in agricultural engineering, a postgraduate management degree and a M.B.A., all from Katholieke Universiteit Leuven.

Biographies—Non-Executive Directors

Jacqueline Pieters-Zetsma will be an independent Non-Executive Director, Chair of the Board of Directors and member of the Audit Committee of the Company as of the First Trading Date.

Jacqueline Pieters-Zetsma currently holds the position of non-executive board member and chair of the audit committee of Calysta. Jacqueline Pieters-Zetsma further holds positions as chair of Strategic Advisory Board of Strike Two at The New Fork (blockchain) and as member of the Board at the Breadfruit House Dominica Foundation.

She formerly held positions as Lead Finance & Investments, Vision 2050 at the World Business Council for Sustainable Development, as member of the Advisory Board Women in Food & Agribusiness (2018—2020), as member of the Investment Committee Rabo Frontier Ventures, a VC Fund owned by Coöperatieve Rabobank U.A. (2017—2020), as Global Head Banking for Foods Inspiration Center, as Global Head Sector Banking Food & Agribusiness and Global Head Dairy, as member of the Shareholder Council at Rabo Partnership, as member of the Rabobank Ethics Committee and as member of the Advisory board of Rabo Art Collection, all within Coöperatieve Rabobank U.A. (2017—2020), and as member of the Economic Board of Utrecht, foreign affairs, Provincial Government Utrecht (2016—2019). In her roles with Rabobank, Jacqueline Pieters-Zetsma was never directly involved in and/or responsible for the relationship between Rabobank and the Group.

Jacqueline Pieters-Zetsma holds a bachelor's degree and master's degree in Agricultural Economics at Wageningen University.

Ellen de Brabander will be an independent Non-Executive Director and Chair of the Audit Committee of the Company as of the First Trading Date.

Ellen de Brabander currently holds the position of Senior Vice President at Pepsico. In addition, she is a Board member and member of the audit committee at HAS University (food agro college Nederland), a member of the Board of Directors and lead of the audit committee at the Open University NL, a member of the Board of Directors at Sanquin Health Services, and a member of the Board of Directors at New York Academy of Sciences, a member of the Board of Directors at Venture Partner Peakbridge, a member of the Board of Directors at Prenexus. Ellen de Brabander previously held the positions of founding CEO at EIT Food, a member of the Board of Directors and audit committee lead at ILSI (International Life Sciences Institute), Chief Science and Technology Officer and member of the executive leadership team at Merial, Chief Science and Technology Officer and member of the executive leadership team at Intervet, including CEO of DSM Pharma Chemicals and Chief Technology Officer at DSM, among others.

Ellen de Brabander holds a master's degree in Chemistry from Leiden University, a PhD in Chemistry from Leiden University and a Post-doc at MIT (USA).

Sven Verbraeken will be a non-independent Non-Executive Director, Vice Chairman of the Board and member of the Audit Committee of the Company as of the First Trading Date.

Sven Verbraeken currently holds board positions at various subsidiaries within the Group, being: member of the Board of Directors at Huvepharma NV (Belgium), member of the Board of Directors at Huvepharma SA, member of the Board of Directors and deputy general manager at Laboratoire Meriel SAS, member of the Board of Directors at Qalian Portugal, Chairman of the Board and liquidator at Qalian Italy SRL (liquidated and de-registered from the Italian Chamber of Commerce on December 11, 2020), member of the Board of Directors at Huvepharma UK Ltd. and member of the Board of Directors at Huvepharma Netherlands B.V. As a result, Sven Verbraeken does not qualify as independent pursuant to the Dutch Corporate Governance Code

Qalian Italy SRL commenced liquidation as of October 2019 and has been liquidated and deregistered from the Chamber of Commerce in Italy as of December 11, 2020. Sven Verbraeken has been a board member of Qalian Italy SRL since September 2018 and later acted as the company's liquidator. After the acquisition of Qalian, it was decided for strategic reasons to move production of Qualian Italia SRL from Italy to France. For that reason Qalian Italy SRL was voluntarily liquidated.

Sven Verbraeken is responsible for compliance with all accounting and tax law for all Huvepharma subsidiaries and supports the Group's CFO.

Board Committees

As of the First Trading Date, the Board will have established an Audit Committee. This committee has a preparatory and/or advisory role to the Board. This committee has a charter on its role, responsibilities and functioning, which charter will be in effect ultimately on the First Trading Date. This committee consists of Non-Executive Directors who are appointed to this committee by the Board. The committees report their findings to the Board, which is ultimately responsible for all decision-making.

Audit Committee

The Audit Committee is expected to consist of three members, being: Ellen de Brabander, Jacqueline Pieters-Zetsma and Sven Verbraeken. The Audit Committee will assist the Board in overseeing the Company's accounting and financial reporting processes and the audits of the Company's financial statements, among other matters. Ellen de Brabander will serve as chairperson of the Audit Committee.

Maximum Number of Non-executive Positions of Directors

Under Dutch law, restrictions apply with respect to the overall number of supervisory positions that executive or non-executive directors (including managing directors or supervisory directors on a two-tier board) of "large Dutch companies" may hold. The term "large Dutch companies" applies to Dutch public limited liability companies, Dutch private limited liability companies and Dutch foundations that meet at least two of the following three criteria on two consecutive balance sheet dates without interruption (in principle, determined on a consolidated basis): (i) the value of the company's/foundation's assets according to its balance sheet together with explanatory notes, on the basis of the purchase price or manufacturing costs exceeds EUR 20 million; (ii) its net turnover in the applicable year exceeds €40 million; and (iii) its average number of employees in the applicable year is 250 or more. For purposes of these limitations, positions with non-Dutch entities will not be taken into account and large companies and large foundations which belong to the same group are considered to be one and the same entity.

A person cannot be appointed as an executive or managing director of a "large Dutch company" if he or she already holds a position as supervisory director or non-executive director at more than two other "large Dutch companies" or if he or she is the chairperson of the supervisory board or one-tier board of another "large Dutch company". Also, a person cannot be appointed as a non-executive director or supervisory director of a "large Dutch company" if he or she already holds a supervisory position at five or more other "large Dutch companies", whereby the position of chairperson of the one-tier board or supervisory board of another "large Dutch company" is counted twice.

In addition, under certain circumstances in bankruptcy proceedings, a person may be prohibited by a Dutch court from being appointed as executive or non-executive director (or as managing director or supervisory director on a two-tier board). Such a prohibition can be imposed for up to five years and would be registered with the Dutch Trade Registry.

Following the Contribution, the Company shall meet the criteria of a large Dutch company as described in the previous paragraphs; none of the Directors transgress the associated limitations. In addition, none of the Directors has been prohibited from serving as such by a Dutch court in connection with bankruptcy proceedings.

Diversity

On February 11, 2021, a bill (*Wetsvoorstel inzake evenwichtige man vrouw verhouding in de top van het bedrijfsleven*) introducing stricter gender diversity measures was adopted by the Second Chamber of the Dutch House of Representatives (*Tweede Kamer*). The bill is currently expected to enter into force in 2021. Once the bill enters into force, Dutch listed companies with a relevant listing, such as the Company, will have to comply with a quota of at least one-third for both women and men on supervisory boards. In a one-tier board, this one-third quota shall be applicable to non-executive directors. The quota will apply to new appointments, i.e. companies can reappoint a supervisory or non-executive director without complying with the one-third quota in respect of such re-appointment, but only where this happens within eight years after the year of the supervisory or non-executive director's first appointment. A new appointment not in accordance with the one-third quota will in principle be regarded as null and void (*nietig*). As a result, the person in question will not become a supervisory or non-executive director of the company.

As of the date of this Prospectus, the Company would comply with these new rules if they would be in force as described in the bill as there is one Non-Executive Director who is a man and there are two Non-Executive Directors who are women.

Diversity Policy

The Board will adopt a diversity policy with respect to the composition of the Board that will be effective ultimately on the First Trading Date. The policy will address concrete objectives relating to diversity and the diversity aspects relevant to the Company (e.g., nationality, age, gender, education and background). The Company will disclose its diversity policy, as well as the objectives, implementation and results of such policy, as part of its annual corporate governance statement. If the composition of the Board diverges from the objectives included in the Company's diversity policy, the Company's current state of affairs should be outlined in the Company's annual corporate governance statement, indicating which measures are being taken to achieve the intended objectives, and by when these objectives are likely to be achieved.

Potential Conflicts of Interest and Other Information

The Company is aware of the fact that Kiril Petrov Domuschiev serves as Executive Director, while he will continue to be an (indirect) Shareholder (see "*Selling Shareholder and Related Party Transactions*"). Since the interest of Kiril Petrov Domuschiev as Selling Shareholder may not be aligned with the interest of the Company, a conflict of interest of may arise.

Sven Verbraeken holds a position as Non-Executive Director with the Company. As Non-Executive Director, Sven Verbraeken is primarily charged with the supervision of the performance of the duties of the Executive Directors. Sven Verbraeken holds an executive position as member of the board at Huvepharma Netherlands B.V. and at Huvepharma Limited. In addition, Sven Verbraeken supports the Group's CFO in relation to compliance with accounting and tax law matters for all Huvepharma subsidiaries. Sven Verbraeken does not receive compensation for his position as Non-Executive Director of the Company. In his role as Non-Executive Director of the Company, Sven Verbraeken may be conflicted in decision-making processes of the Company concerning Huvepharma Netherlands B.V. and Huvepharma Limited and regarding accounting and tax law matters more generally, due to his position as executive director at Huvepharma Netherlands B.V. and Huvepharma Limited and his role supporting the Group's CFO on accounting and tax law matters. He would be required to oversee, as a Non-Executive Director of the Company (for which he receives no compensation), actions which he himself would perform as executive director at Huvepharma Netherlands B.V. and Huvepharma Limited and compliance with accounting and tax law matters of subsidiaries, in respect of which he would have been directly involved.

Furthermore, as noted above, on the First Trading Date, Eddy Piron and Sven Verbraeken shall be the initial Selling Shareholder Nominees. The Company does not expect that the circumstances described above will automatically cause any of the Directors to have a conflict with the duties they have towards the Company. As noted above, the mere fact that a Director has a personal interest in relation to a specific matter, or acts as a nominee of a majority Shareholder, does not necessarily lead to the qualification of a conflict of interests. In order to qualify as a conflict of interests, the personal interests involved must be so incompatible with those of the Company and its business, that there are reasonable grounds for doubting whether the actions and decisions of the Director concerned were guided exclusively by the interests of the Company. The Board Rules include arrangements to ensure that the Board will in each relevant situation handle and decide on any (potential) conflict of interest, also in respect of Kiril Petrov Domuschiev, Eddy Piron and Sven Verbraeken. In accordance with applicable Dutch law, a Director shall not participate in the deliberation and decision-making process if he or she has a conflict of interest.

Other than the circumstances noted above, there are as of the date of this Prospectus no potential conflicts between the personal interests or other duties of the Directors on the one hand and the interests of the Company on the other hand.

During the last five years, none of the Directors: (i) has been convicted of fraudulent offenses; (ii) has served as a director or officer of any entity subject to bankruptcy proceedings, receivership or liquidation (other than Sven Verbraeken who is chairman of the Board of Directors and Liquidator of Qalian Italy SRL, which entered liquidation in October 2019 (see "*Biographies—Non-Executive Directors—Sven Verbraeken*" above)); or (iii) has been subject to any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies), or disqualification by a court from acting as a member of the administrative, management or supervisory body of an issuer, or from acting in the management or conduct of the affairs of any issuer.

Other than as disclosed in the section "*Selling Shareholder and Related Party Transactions—Relationship Agreement*", the Company is not aware of any arrangement or understanding with any shareholders, customers, suppliers or others, pursuant to which any person was selected as a member of a corporate body of the Company.

Related Party Transaction Policy

The Company does not have and does not expect to have a related party transaction policy. However, the Company intends to follow the recommendation of the Code (as defined below) that all transactions between the Company and a shareholder holding 10% or more of the Company's issued share capital should be agreed on customary terms, that decisions to enter into such a transaction that is of material significance to the Company and/or to the shareholder concerned should be approved by the Board and that any such transaction will be disclosed in the Company's board report, together with an affirmative statement that these recommendations of the Code (as defined below) have been complied with. Furthermore, as noted under "*Description of Share Capital—Related Party Transactions*", certain rules apply under the DCC with respect to transactions with a "related party" (as defined in those rules) and, under those rules, the Board is required to, and shall, establish an internal procedure to periodically assess whether transactions with related parties are concluded in the ordinary course of business and on normal market terms.

Board Remuneration

The remuneration of Directors shall be determined by the Board with due observance of the Company's compensation policy (the "**Compensation Policy**") and applicable statutory requirements. The Compensation Policy will be adopted on the First Trading Date by, and may only be amended by, the General Meeting.

A proposal with respect to remuneration schemes in the form of Ordinary Shares or rights to Ordinary Shares in which Directors may participate is subject to approval by the General Meeting by simple majority of votes cast. Such a proposal must set out at least the maximum number of Ordinary Shares or rights to subscribe for Ordinary Shares to be granted to the Directors and the criteria for granting or amendment.

The Company's Compensation Policy will authorize the Board to determine the amount, level and structure of the remuneration packages of the Directors (the "**Compensation Packages**"). These Compensation Packages may consist of a mix of fixed and variable compensation components, including base salary, short-term incentives, long-term incentives, fringe benefits, change of control benefits, severance pay and pension arrangements. The amount, level and structure of these Compensation Packages should contribute to the Company's strategy, long-term interests and sustainability by (i) attracting, retaining and motivating highly skilled individuals with the qualities, capabilities, profile and experience needed to support and promote the growth and sustainable success of the Company and its business, (ii) driving strong business performance, promoting accountability and incentivising the achievement of short and long-term performance targets with the objective of furthering long-term value creation in a manner consistent with the Company's identity, mission and values, (iii) assuring that the interests of the Directors are closely aligned to those of the Company, its business and its stakeholders and (iv) ensuring overall market competitiveness of the Compensation Packages, while providing the Board sufficient flexibility to tailor the Company's compensation practices on a case-by-case basis, depending on the market conditions from time to time.

In determining the amount, level and structure of Compensation Packages for the Directors, the Board shall consider, among other matters (i) the employment conditions of the employees of the Company and its subsidiaries, including their compensation and the development of relevant internal pay ratios, compared to those of the Directors, in order to strive for a balanced and fair remuneration, (ii) scenario analyses carried out in advance, (iii) the financial and non-financial performance indicators relevant to the Company's long-term strategy with due observance of the risks for the Company's business which may result from variable compensation and (iv) relevant market information such as industry standards and peer group data, pre-existing arrangements with the Directors, the respective positions which the Directors serve within the Company's organisation and any remuneration payable by the Company or any of its subsidiaries to the Directors in any other capacity.

The Company must re-submit the remuneration policy to the General Meeting for approval at least once every four years as of the First Trading Date. Under the Dutch law, (re)approval of the remuneration policy is subject to a majority of at least 75% of the votes cast, unless a lower majority is required by the Articles of Association. Pursuant to the Articles of Association, the resolution to approve the remuneration policy is subject to approval by the General Meeting by simple majority of votes cast. In addition, the Company will submit the implementation of the remuneration policy over the relevant financial year, in the form of a

remuneration report, to an advisory vote at each annual General Meeting. The aggregate annual amount or value of the variable compensation components shall not exceed 95% of the compensation components comprised in that Compensation Package.

Executive Director Remuneration

The remuneration of the Executive Directors (and any other future Executive Directors) will be determined by the Board in accordance with the Compensation Policy that is to be adopted prior to the First Trading Date.

Based on the Compensation Policy, the remuneration of Executive Directors may comprise of the following components, providing for an appropriate balance between fixed and variable remuneration over the short and longer term, which is directly linked to business performance, shareholder value-creation and supporting the Company's strategy, including its long-term interests and its sustainability:

- Fixed annual base salary;
- Short-term variable compensation;
- Long-term variable compensation;
- Fringe benefits;
- Change of control benefits;
- Severance pay; and
- Pension.

The description below sets out the general aspects of the Compensation Policy applicable to Executive directors; not all elements listed below is required to be part of the Compensation Package of an Executive Director.

*Fixed annual base salary ("**Annual Base Pay**")*

An Executive Director is entitled to an Annual Base Pay, including holiday allowance and other local statutory requirements (as applicable). The Annual Base Pay provides the main fixed element of the Compensation Package and is set at a level to attract and retain the calibre of the Executive Director required to devise and execute the Company's strategy.

*Short-term variable compensation ("**STI**") and long-term variable compensation ("**LTI**")*

An Executive Director is entitled to an STI and an LTI. The mix of STI and LTI in a Compensation Package should support both long-term value creation and the achievement of short-term Company objectives, including by (i) contributing to corporate social responsibility, (ii) rewarding the achievement of strategic milestones for the Company and its business, (iii) providing award opportunities in consideration for substantial contributions to the success of the Company and its business and/or (iv) promoting and incentivising continued service of the Directors within the Company's organisation.

With respect to all STI and LTI awards, subject to the terms of any existing contractual arrangements with the Executive Director concerned, the Board shall (i) set and, if appropriate, amend the applicable financial and/or non-financial metrics, targets, objectives and/or conditions, including corporate social responsibility metrics, and their respective weighting, in each case in accordance with the Compensation Policy, (ii) set and, if appropriate, amend the maximum amount for any cash incentive and the maximum number of securities underlying any equity incentive which may be awarded as part of an STI or LTI and (iii)
determine the extent to which the applicable targets, objectives and/or conditions are achieved and the extent to which incentive awards vest, using clear, pre-defined, objective and verifiable methods.

Equity-based STI or LTI awards shall be subject to the following rules: (i) unvested and vested but unexercised awards shall expire no later than 10 years after the date of grant and (ii) shares acquired by Executive Directors under such awards must be retained by them for a period of at least five years, provided that shares may be sold and transferred in order to facilitate a cashless exercise of such awards (also with respect to applicable taxes) and provided further that the Board may decide that no retention period applies to some or all of such awards.

Pension and fringe benefits

At the discretion of the Board (a) the Company shall (i) provide a pension arrangement for the Executive Directors with a pensionable salary that is based on their annual gross base salary and (ii) contribute to the pension premiums concerned up to an amount or percentage as determined by the Board (with the Executive Director concerned being obliged to pay the remaining part of such premiums) or (b) the Executive Directors shall be eligible to participate in the collective pension scheme that the Company has taken out for the benefits of its employees. Furthermore, an Executive Director is eligible to receive customary fringe benefits (other than the pension benefits described above).

For the financial year ended December 31, 2020, amounts of €16,181.86 as pension contribution and €36,841.77 as employer social security expenses were paid by Huvepharma N.V. (Belgium) for Sven Verbraeken. No pension and/or social contributions were paid by the Group for Eddy Piron and no pension and/or social contributions were paid by the Group for Kiril Petrov Domuschiev for the financial year ended December 31, 2020.

Severance arrangements

The Executive Directors may be eligible for such severance payment upon termination of office as determined by the Board from time to time. An Executive Director's severance pay shall not exceed his annual gross base salary and shall not be paid if his service agreement is terminated early at the initiative of the Executive Director concerned, or in the event of seriously culpable or negligent behavior on the part of the Executive Director concerned.

Adjustments to variable remuneration

The Board may adjust the amount or value of an STI or LTI awarded to an Executive Director to a suitable level, if payment or satisfaction of that award would be unacceptable under the standards of reasonableness and fairness.

The Company may further reclaim payments made (in cash, in kind or in the form of securities) under an STI or LTI award, in whole or in part, to the extent that such payment was made on the basis of incorrect information regarding the achievement of the targets, objectives and/or conditions underlying the award or regarding the circumstances on which the award was dependent. The Non-Executive Directors, or a special representative designated by the General Meeting, may demand such repayment on the Company's behalf.

Remuneration for the Executive Directors in 2021

Kiril Petrov Domuschiev, the Chief Executive Officer and an Executive Director, has a substantial shareholding in the Company, meaning there is already a clear and direct link between his reward and the Company's performance. Therefore, there are elements of the Compensation Policy in which Kiril Petrov Domuschiev will not participate for the first financial year ending after the IPO. The Compensation Package for Kiril Petrov Domuschiev will be kept under review by the Non-Executive Directors to ensure an appropriate balance is struck between his role as CEO and as a founder shareholder.

As from the First Trading Date, Kiril Petrov Domuschiev, and Eddy Piron, will not receive remuneration from the Company. Kiril Petrov Domuschiev will continue to receive remuneration for his positions within the Group as General Manager at Huvepharma EOOD, as Executive Director at Huveproject EAD and as Chairman of the Supervisory Board at Biovet AD. Eddy Piron will continue to receive remuneration for his positions within the Group as a member of the Board at Huvepharma NV (Belgium) and as member of the Board of Huveproject EAD. For the full year ended December 31, 2020, Eddy Piron received €262,468.00 for his position held at Huvepharma NV (Belgium) and €592,891.20 for his position held at Huveproject EAD.

During the full year ended December 31, 2020, Kiril Petrov Domuschiev received 431,142.86 Bulgarian LEV ("**BGN**") (the equivalent of which is approximately €220,530.74) for his position held at Huvepharma EOOD, 107,785.71 BGN (the equivalent of which is approximately €55,132.68) for his position held at Huveproject EAD and 1,107,785.71 BGN (the equivalent of which is approximately €566,567.74) for his position held at Biovet AD.[2]

2 Based on the exchange rate published by Bloomberg L.P. on June 22, 2021.

Non-Executive Director Remuneration

The Compensation Packages of the Non-Executive Directors should reflect the time spent and responsibilities of their role on the Board.

Based on the Compensation Policy, the remuneration of Non-Executive Directors may comprise of the following components, providing for an appropriate balance between fixed and variable remuneration over the short and longer term, which is directly linked to business performance, shareholder value-creation and supporting the Company's strategy, including its long-term interests and its sustainability:

- Annual fees (retainer fees, committee membership fees, chairperson fees and meeting attendance fees);
- STI;
- LTI; and
- Change of control benefits.

Remuneration for the Non-Executive Directors in 2021

As of the date of this Prospectus, the remuneration of the Non-Executive Directors will be as follows:

Jacqueline Pieters-Zetsma will receive an annual base salary of €45,000 for her position as member of the Board, €30,000 for her position as chair of the Board and €15,000 for her position on the Audit Committee. Jacqueline Pieters-Zetsma will be appointed as of the First Trading Date and no remuneration has been paid to her by the Group for the full year ended December 31, 2020.

Ellen de Brabander will receive an annual base salary of €45,000 for her position as member of the Board and €20,000 for her position as chair of the Audit Committee. Ellen de Brabander will be appointed as of the First Trading Date and no remuneration has been paid to her by the Group for the full year ended December 31, 2020.

Sven Verbraeken will not receive remuneration from the Company. Sven Verbraeken will continue to receive remuneration for his positions within the Group as member of the board at Huvepharma NV (Belgium). For the full year ended December 31, 2020 Sven Verbraeken received €181,965.03 for his position held at Huvepharma NV (Belgium).

Equity Holdings

Equity holdings Directors

As of the date of this Prospectus, the sole Executive Director, Kiril Petrov Domuschiev is the only Director to hold Shares (indirectly through the Selling Shareholder). Kiril Petrov Domuschiev indirectly holds one Ordinary Share.

Employment, Service and Severance Agreements

As at the date of this Prospectus, none of the members of the Board are employed by the Company. As at the date of this Prospectus, Kiril Petrov Domuschiev, Eddy Piron and Sven Verbraeken are and after Settlement will remain employed at entities elsewhere in the Group.

Each of the Directors will enter into a services agreement (*overeenkomst van opdracht*) on or around the First Trading Date. Such services agreement for Executive Directors may contain severance provisions which provide for compensation for the loss of income resulting from a termination of employment at the initiative of the Company, with a maximum of one year's base compensation, subject to certain conditions such as that the termination is not based on seriously culpable acts or negligence of the Executive Director. The new services agreement to be entered into by the Executive Directors on or around the First Trading Date do not contain any such severance provisions.

The services agreements are governed by Dutch law. The agreements shall remain in full force for the duration of the Director's term of office as Director and shall terminate, without prior notice being required, at the moment when the Director ceases to be a Director.

Liability of Directors

Under Dutch law, Directors may be liable towards the Company and, under circumstances, third parties for damages in the event of improper or negligent performance of their duties. They may be jointly and severally

liable for damages towards the Company for infringement of the Articles of Association or of certain provisions of Dutch law. In addition, they may be liable towards third parties for infringement of certain provisions of the DCC. Depending on the circumstances, they may also incur additional specific civil, administrative and criminal liabilities.

Subject to certain exceptions, the Articles of Association provide for indemnification of current and former Directors and other current and former officers and employees of the Company as designated by the Board with. No indemnification under the Articles of Association shall be given to an indemnified person:

- if a competent court or arbitral tribunal has established, without having (or no longer having) the possibility for appeal, that the acts or omissions of such indemnified person that led to the financial losses, damages, expenses, suit, claim, action or legal proceedings as described above are of an unlawful nature (including acts or omissions which are considered to constitute malice, gross negligence, intentional recklessness and/or serious culpability attributable to such indemnified person);
- to the extent that his or her financial losses, damages and expenses are covered under insurance and the relevant insurer has settled, or has provided reimbursement for, these financial losses, damages and expenses (or has irrevocably undertaken to do so);
- in relation to proceedings brought by such indemnified person against the Company, except for proceedings brought to enforce indemnification to which he or she is entitled pursuant to the Articles of Association, pursuant to an agreement between such indemnified person and the Company which has been approved by the Board or pursuant to insurance taken out by the Company for the benefit of such indemnified person; and
- for any financial losses, damages or expenses incurred in connection with a settlement of any proceedings effected without the Company's prior consent.

Under the Articles of Association, the Board may stipulate additional terms, conditions and restrictions in relation to the indemnification described above

Insurance

Directors and certain other directors and/or officers of the Group are insured under an insurance policy taken out by the Company against damages resulting from their conduct when acting in their capacities as directors or officers.

Indemnification

Based on the Articles of Association, the Company shall indemnify and hold harmless each of its current or former Directors or such current or former officer or employee of the Company or its Group Companies as the Board may determine at its absolute discretion (an "**Indemnified Officer**") against:

- any financial losses or damages incurred by such Indemnified Officer; and
- any expense reasonably paid or incurred by such Indemnified Officer in connection with any threatened, pending or completed suit, claim, action or legal proceedings of a civil, criminal, administrative or other nature, formal or informal, in which he becomes involved,

to the extent this relates to the Indemnified Officer's current or former position with the Company and/or a Group Company and in each case to the extent permitted by applicable law.

No indemnification shall be given to an Indemnified Officer:

- if a competent court or arbitral tribunal has established, without having (or no longer having) the possibility for appeal, that the acts or omissions of such Indemnified Officer that led to the financial losses, damages, expenses, suit, claim, action or legal proceedings are of an unlawful nature (including acts or omissions which are considered to constitute malice, gross negligence, intentional recklessness and/or serious culpability attributable to such Indemnified Officer);
- to the extent that the Indemnified Officer's financial losses, damages and expenses are covered under insurance and the relevant insurer has settled, or has provided reimbursement for, these financial losses, damages and expenses (or has irrevocably undertaken to do so);
- in relation to proceedings brought by such Indemnified Officer against the Company, except for proceedings brought to enforce indemnification to which the Indemnified Officer is entitled pursuant to the Articles of Association, pursuant to an agreement between such Indemnified Officer and the Company

which has been approved by the Board or pursuant to insurance taken out by the Company for the benefit of such Indemnified Officer; or

- for any financial losses, damages or expenses incurred in connection with a settlement of any proceedings effected without the Company's prior consent.

Pension Schemes

The Group ensures that all mandatory pension and social security contributions are paid in accordance with the applicable local laws. Other than that, no amounts for pension, retirement and/or similar benefits are set aside or accrued by the Group.

Works Council

Some of the employees working in the Company's subsidiaries in France, Italy and Belgium are members of unions, works councils, trade associations or are otherwise subject to collective bargaining agreements. To the best of the Company's knowledge, 246 employees were subject to collective bargaining agreements as of the three months ended March 31, 2021.

Employees

As of March 31, 2021, the Company had a total of 3,405 employees worldwide, most of whom were full-time employees, and of which 2,629 were employed in production and quality control functions, with the remaining 776 employed in sales, marketing, technology services, customer service, logistics, finance, legal and human resource functions. As of the same date, out of 3,405 employees, 276 employees were US-based and 2,992 employees were employed in Europe. As of December 31, 2020, the Group had 3,405 full time employees, of which 2,636 were employed in production and quality control functions, with the remaining 769 employed in sales, marketing, technology services, customer service, logistics, finance, legal and human resource functions. The Group had approximately 2,789 employees for the year ended December 31, 2018 and 3,159 employees for the year ended December 31, 2019.

Corporate Resolutions

It is expected that on or around the First Trading Date, a General Meeting resolution and Board resolution will be adopted in order to issue up to 15,000,000 New Offer Shares and to exclude all pre-emptive rights accruing to Shareholders in relation to the issuance of these Ordinary Shares and a resolution will be adopted approving the Contribution and conversion of the Company into a public company. The issuance and delivery of the Offer Shares will take place on the Settlement Date. See also "*The Offering—Timetable" and* "*The Offering—Payment*". In addition, prior to the First Trading Date, the Board will be authorized to issue Ordinary Shares or grant rights to subscribe for Ordinary Shares for (i) up to a maximum of 10% of the Ordinary Shares issued and outstanding on Settlement for general purposes; and, in addition, (ii) up to a maximum of 10% of the Ordinary Shares issued and outstanding on Settlement in connection with takeovers, mergers, demergers and strategic alliances.

Corporate Governance Code

The Dutch Corporate Governance Code, as amended, entered into force on, and applies to any financial year starting on or after, January 1, 2017 and finds its statutory basis in Book 2 of the DCC (the "**Dutch Corporate Governance Code**" or "**Code**"). The Dutch Corporate Governance Code will apply to the Company as it has its registered office in the Netherlands and its Ordinary Shares will be listed on Euronext Amsterdam on the First Trading Date.

The Dutch Corporate Governance Code is based on a "comply or explain" (*pas toe of leg uit*) principle. Accordingly, companies are required to disclose in their board report whether or not they are complying with the various best practice principles of the Dutch Corporate Governance Code that are addressed to the Board. If a company deviates from a best practice principle in the Dutch Corporate Governance Code, the reason for such deviation must be properly explained in its board report.

Deviations from the Best Practice Principles of the Dutch Corporate Governance Code

The Company acknowledges the importance of good governance and is committed to adhering to the best practices of the Code as much as possible. As of the First Trading Date, the Company expects to be fully compliant with the Code, with the exception of the following provisions:

- Best practice provision 4.3.3: Under the Articles of Association, Directors are to be appointed on the basis of a binding nomination prepared by the Board. This means that the nominee will be appointed to the Board, unless the General Meeting overrules the binding nature of the nomination (in which case a new nomination will be prepared for a subsequent General Meeting). The Articles of Association provide that the General Meeting can only pass resolve to overrule a binding nomination by at least a two-thirds majority of the votes cast, provided such majority represents more than half of the issued share capital. However, the Code recommends that the General Meeting should be capable of passing such resolution by a simple majority of votes cast, representing no more than one-third of the issued share capital.
- Best practice provision 4.3.3: Under the Articles of Association, Directors can only be dismissed by the General Meeting by simple majority of votes cast, provided that the Board proposes the dismissal. In other cases, the General Meeting can only pass such resolution by a two-thirds majority representing more than half of the issued share capital. However, the Code recommends that the General Meeting should be capable of passing such by simple majority, representing no more than one-third of the issued share capital.

The Company cannot exclude the possibility of deviating from additional provisions of the Code after the First Trading Date, in which case it will explain any such deviations in its board report as noted above.

DESCRIPTION OF SHARE CAPITAL

Set out below is a summary of the material information concerning the Company's share capital and of material provisions of Dutch law and the Articles of Association. It is based on relevant provisions of Dutch law in effect on the date of this Prospectus, the Articles of Association, the Board Rules and the Relationship Agreement, each of which as they will be in effect ultimately on the First Trading Date. This summary does not purport to give a complete overview and should be read in conjunction with, and is qualified in its entirety by reference to, the relevant provisions of Dutch law, the Articles of Association, the Board Rules and the Relationship Agreement, each of which as they will be in effect ultimately on the First Trading Date. The full text of the Articles of Association (in Dutch, and an unofficial English translation), the Relationship Agreement and the Board Rules (both in English) will be available free of charge on the Company's website as of the First Trading Date (https://ir.huvepharma.com/static-files/10af7641-4980-4a6a-8bc8-fe11c6c8cc00 and https://ir.huvepharma.com/esg/policies-charters). See also "*Management, Employees and Corporate Governance*" for a summary of other material provisions of the Articles of Association, the Board Rules, the Relationship Agreement and Dutch law relating to the Board.

General

The Company was incorporated as a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) under the laws of the Netherlands on April 19, 2021. On the First Trading Date, the Company will be converted into a public company with limited liability (*naamloze vennootschap*) with its statutory seat (*statutaire zetel*) in Amsterdam, the Netherlands, and will be renamed to Huvepharma N.V. The Company's registered office is at Prins Bernhardplein 200, 1097 JB Amsterdam, the Netherlands. The Company is registered with the Dutch Chamber of Commerce (*Kamer van Koophandel*) under number 82567409. The Company's telephone number is 020 521 4777. The Company's Legal Entity Identifier (LEI) is 213800LQ4S8CFRPLRL16. The Ordinary Shares' International Security Identification Number (ISIN) is NL0015000DB1.

Corporate Purpose

Pursuant to its Articles of Association, the objects of the Company are:

- to incorporate, to participate in any way whatsoever in, to manage, to supervise businesses and companies;
- to finance businesses and companies;
- to borrow, to lend and to raise funds, including the issue of bonds, promissory notes or other securities or evidence of indebtedness as well as to enter into agreements in connection with aforementioned activities;
- the entering into derivatives, hedge agreements or any other of such agreements;
- to render advice and services to businesses and companies with which the Company forms a group and to third parties;
- to grant guarantees, to bind the Company and to pledge its assets for obligations of the Company, group companies and/or third parties;
- to acquire, alienate, manage and exploit registered property and items of property in general;
- to trade in currencies, securities and items of property in general;
- to develop and trade in patents, trademarks, licenses, know-how and other intellectual and industrial property rights;
- to perform any and all activities of an industrial, financial or commercial nature,

and to do all that is connected therewith or may be conducive thereto, all to be interpreted in the broadest sense.

Share Capital

Authorized and issued share capital of the Company

As of the date of this Prospectus, the issued share capital of the Company comprises one Ordinary Share. Unless indicated otherwise, references to "Shares" will include both Ordinary Shares and Preferred Shares. As the Company is a company incorporated as a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) under the laws of the Netherlands, the Company is not required to have, and does

not have, an authorized share capital at the date of this Prospectus. The net asset value (total assets minus total liabilities) per Ordinary Share as at March 31, 2021, being the date of the Interim Financial Statements, and calculated using the one Ordinary Share issued and outstanding at that time, is EUR 367,406,000.

On the Settlement Date, the Company's authorized share capital will amount to EUR 97,500,000.00 divided into 406,250,000 Ordinary Shares and 406,250,000 Preferred Shares with a nominal value of EUR 0.12 each and the Company's issued share capital will amount to EUR 19,500,000, divided into 162,500,000 Ordinary Shares. The authorized share capital forms the maximum above which no shares can be issued by the Company without first amending the Articles of Association and increasing the authorized share capital.

All Shares in the Company's capital have been or will be, as applicable, created under, and are and will be subject to, Dutch law.

On the Settlement Date, all of the issued Ordinary Shares will be fully paid up. On the First Trading Date, there will be no convertible securities, exchangeable securities or securities with warrants in the Company. There are no acquisition rights and/or obligations over unissued share capital of the Company (or any undertaking to increase the share capital of the Company, other than pursuant to the Call Option Agreement). All of the Ordinary Shares represent capital in the Company. No share or loan capital of any member of the Group is under option or agreed, conditionally or unconditionally, to be put under option.

History of Share Capital

As the Company was incorporated on April 19, 2021, there is no historical information regarding its share capital for the years ended December 31, 2018, 2019 and 2020. Since its incorporation the Company has issued only one share at incorporation.

Pursuant to the Contribution on or prior to the First Trading Date, the equity in Huvepharma International B.V. will be contributed by the Selling Shareholder to the Company. Prior to the Conversion, the Company will issue additional Ordinary Shares to the Selling Shareholder and the aggregate nominal value of those Ordinary Shares will be charged against the Company's reserves. The below table sets forth the share capital of Huvepharma International B.V. for the years ended December 31, 2018, 2019 and 2020.

	December 31, 2020	December 31, 2019	December 31, 2018
Ordinary shares in the capital of Huvepharma International B.V.	137,029,066	137,029,066	137,029,066
Total	137,029,066	137,029,066	137,029,066

Anti-Takeover Measure

The General Meeting shall authorize the Board prior to the First Trading Date to grant a call option to an independent foundation under Dutch law (if and when incorporated) (the "**Protective Foundation**") to acquire Preferred Shares pursuant to a call option agreement (the "**Call Option Agreement**"), which may be entered into between the Company and such Protective Foundation, if then existing, after the First Trading Date. This call option, if and when granted, shall be continuous in nature and can be exercised repeatedly on multiple occasions. If the Protective Foundation, if and when incorporated, would exercise such call option, if and when granted, a number of Preferred Shares up to 100% of the Company's issued share capital held by others than the Protective Foundation, minus one share, will be issued to the Protective Foundation. After exercising the Call Option, the Protective Foundation shall acquire Preferred Shares representing up to 50% of the voting rights, minus one vote. These Preferred Shares would be issued to the Protective Foundation under the obligation to pay up 25% of their nominal value. In order for the Protective Foundation to finance the issue price in relation to the Preferred Shares, the Protective Foundation may enter into a finance arrangement with a bank or other financial institution. As an alternative to securing this external financing, subject to applicable restrictions under Dutch law, the Call Option Agreement, if and when entered into, may provide that the Protective Foundation may request the Company to provide, or cause the Company's subsidiaries to provide, sufficient funding to the Protective Foundation to enable the Protective Foundation to satisfy the payment obligation (or part thereof) in cash and/or to charge an amount equal to the payment obligation (or part thereof) against the Company's profits and/or reserves in satisfaction of such payment obligation. The articles of association of the Protective Foundation, if and when incorporated, will provide that it will promote and protect the interests of the Company, the business connected with it and the Company's stakeholders from time to time, and repressing possible influences which could threaten the strategy, continuity, independence and/or identity of the Company or the business connected with it, to such an extent that this could be considered to be damaging to the aforementioned interests. These influences may include a third party acquiring a significant percentage of

Ordinary Shares, the announcement of an unsolicited public offer for Ordinary Shares, shareholder activism, other concentration of control over Ordinary Shares or any other form of undue pressure on the Company to alter the Company's strategic policies. The Protective Foundation, if and when incorporated, shall be structured to operate independently of the Company.

The voting rights of the Shares are based on nominal value and, as the Company expects the Ordinary Shares to trade substantially in excess of their nominal value, Preferred Shares issued at 25% of their nominal value can carry significant voting power for a substantially reduced price compared to the price of Ordinary Shares and thus can be used as a defensive measure. These Preferred Shares, if and when issued, will have both a liquidation and dividend preference over Ordinary Shares and will accrue cash dividends at a fixed rate calculated over the amount paid-up on those Preferred Shares pro rata tempore for the period during which they were outstanding. The Protective Foundation would be expected to require the Company to cancel its Preferred Shares, if and when issued to the Protective Foundation, once the perceived threat to the Company, its business and its stakeholders has been removed or sufficiently mitigated or neutralized. However, subject to the same limitations described above, the Protective Foundation would, in that case, continue to have the right to exercise the call option in the future in response to a new threat to the interests of the Company, the Company's business and the Company's stakeholders from time to time.

Every Share will carry one vote. After the First Trading Date, Preferred Shares shall only be issued to the Protective Foundation, if and when incorporated, in accordance with the previous paragraph.

Form of Ordinary Shares and Preferred Shares

All Shares, if any, are in registered form and are only available in the form of an entry in the Shareholders' Register (as defined below) and not in certificate form and shall at all times remain in dematerialised form. See also "*The Offering—Delivery, Clearing and Settlement*" in relation to the delivery, clearing and settlement of Ordinary Shares.

Shareholders Register

Pursuant to Dutch law and the Articles of Association, the Company must keep a shareholders' register (the "**Shareholders' Register**"). A copy of the Shareholders' Register will be kept by the Board at the offices of the Company in the Netherlands. In the Shareholders' Register, the names and addresses of all Shareholders must be recorded, as well as the date they acquired their Shares, the date of acknowledgment or service and the paid-up amount on each Share. The Shareholders' Register also contains the names and addresses of usufructuaries (*vruchtgebruikers*) and pledgees (*pandhouders*) of Shares, stating when they acquired their usufruct or pledge, the date of acknowledgement or service and whether they hold the rights attached to such Shares pursuant to Section 2:88 paragraphs 2 and 4 DCC, as it relates to usufructuaries (*vruchtgebruikers*), and Section 2:89 paragraphs 2 and 4 DCC, as it relates to pledgees (*pandhouders*). If requested, the Board will provide a Shareholder, usufructuary or pledgee of such Shares with an extract from the Shareholders' Register relating to its title to a Share free of charge. If the Shares are encumbered with a right of usufruct or pledge, the extract will state who holds the rights attached to such Shares pursuant to Section 2:88 paragraphs 2 and 4 DCC, as it relates to usufructuaries (*vruchtgebruikers*), and Section 2:89 paragraphs 2 and 4 DCC, as it relates to pledgees (*pandhouders*).

For Ordinary Shares, including the Offer Shares, which are included in (i) a collective depot (*verzameldepot*) as referred to in the Dutch Securities Giro Transactions Act (*Wet giraal effectenverkeer*) (the "**Dutch Securities Giro Transactions Act**"), of which Ordinary Shares form part, as being kept by an intermediary, as referred to in the Dutch Securities Giro Transactions Act, or (ii) a giro depot (*girodepot*) as referred to in that Act of which Ordinary Shares form part, as being kept by a central institute as referred to in that Act, the name and address of the relevant intermediary or the relevant central institute shall be entered in the Shareholders' Register, stating the date on which those Ordinary Shares became part of such collective depot or giro depot, the date of acknowledgement or service, as well as the paid-up amount on each Ordinary Share.

A person who is entitled to, and wishes to, inspect the Shareholders' Register may do so only through the Company and in accordance with Dutch law.

Issuance of Shares

The General Meeting is the corporate body authorized to resolve on the issuance of Shares and the granting of rights to subscribe for Shares. The General Meeting can delegate such authority to another corporate body of the Company for a period not exceeding five years; this authorization may only be extended from time to time for a maximum period of five years.

Prior to the First Trading Date, the Board will be authorized to issue Ordinary Shares or grant rights to subscribe for Ordinary Shares for (i) up to a maximum of 10% of the Ordinary Shares issued and outstanding on Settlement for general purposes; and, in addition, (ii) up to a maximum of 10% of the Ordinary Shares issued and outstanding on Settlement in connection with takeovers, mergers, demergers and strategic alliances. The Company may not subscribe for its own Shares upon issuance. The Board may resolve to charge amounts to be paid up on shares against the Company's reserves, irrespective of whether those shares are issued to existing shareholders.

Prior to the First Trading Date, the General Meeting and the Board will further adopt resolutions to issue the New Offer Shares.

Pre-emptive Rights

In the event of an issuance of Ordinary Shares, each Shareholder will have a pro rata pre-emption right in proportion to the aggregate nominal value of the Ordinary Shares held by such Shareholder (except in case of an issue of Ordinary Shares to employees of the Company or a Group Company, against a contribution other than in cash or pursuant to the exercise of a previously acquired right to subscribe for Ordinary Shares). No pre-emption rights are attached to Preferred Shares and no pre-emption rights apply in the event of an issue of Preferred Shares. Pre-emption rights in respect of newly issued Ordinary Shares may be restricted or excluded by a resolution of the General Meeting. Another corporate body may restrict or exclude the pre-emption rights in respect of newly issued Ordinary Shares if it has been designated as the authorized body to do so by the General Meeting. Such designation can be granted for a period not exceeding five years. A resolution of the General Meeting to restrict or exclude the pre-emption rights or to designate another corporate body as the authorized body to do so requires a majority of not less than two-thirds of the votes cast, if less than one-half of the Company's issued share capital is represented at the meeting. Prior to the First Trading Date, the Board will be authorized for a period of 18 months from the First Trading Date to limit or exclude pre-emption rights in relation to an issuance of Ordinary Shares or a grant of rights to subscribe for Ordinary Shares that the Board is authorized to resolve upon (see above under "Issuance of Ordinary Shares").

Acquisition by the Company of its Shares

The Company may acquire fully paid-up Shares at any time for no consideration. The Company may also acquire fully paid-up Shares at any time for valuable consideration if (i) the Company's shareholders' equity (*eigen vermogen*) less the payment required to make the acquisition does not fall below the sum of paid-in and called-up share capital plus any reserves required by Dutch law or the Articles of Association and (ii) the aggregate nominal value of Shares which the Company acquires, holds or on which the Company holds a pledge (*pandrecht*) or which are held by a subsidiary of the Company, would not exceed 50% of the Company's issued share capital. An acquisition by the Company of Shares for valuable consideration must be authorized by the General Meeting. Such authorization may be granted for a maximum period of 18 months and must specify the number of Shares that may be acquired, the manner in which Shares may be acquired and the price limits within which Shares may be acquired. The actual acquisition may only be effected pursuant to a resolution of the Board.

The Board will be authorized for a period of 18 months following the First Trading Date to cause the repurchase of Ordinary Shares (or depository receipts for Ordinary Shares) by the Company of up to 10% of the Company's issued share capital, for a price per share not exceeding 110% of the average market price of the Ordinary Shares on Euronext Amsterdam (such average market price being the average of the closing prices on each of the five consecutive trading days preceding the date the acquisition is agreed upon by the Company).

The Board will be authorized for a period of 18 months following the First Trading Date to cause the repurchase of Preferred Shares, for a price which is higher than nil and does not exceed the nominal value of the Preferred Shares concerned, and provided that such Preferred Shares are fully paid up.

No authorization of the General Meeting is required if fully paid-up Ordinary Shares are acquired by the Company with the intention of transferring such Ordinary Shares to employees under an applicable employee share purchase plan.

Transfer of Shares

The Shares are in registered form (*op naam*). The transfer of a Share that is not included in a collective depot (*verzameldepot*) or giro depot (*girodepot*) as referred to in the Dutch Securities Giro Transactions Act or of a restricted right (*beperkt recht*) thereto requires a deed of transfer drawn up for that purpose and

acknowledgement of the transfer by the Company in writing (or service of the deed of transfer or an excerpt thereof to the Company in accordance with the DCC). Such acknowledgement is not required in the event that the Company is party to the transfer. Ordinary Shares may be included in a collective depot (*verzameldepot*) or a giro depot (*girodepot*) in accordance with the provisions of the Dutch Securities Giro Transactions Act. If an Ordinary Share is transferred or issued for inclusion in a collection deposit (*verzameldepot)*, the transfer or issue will be made to the intermediary concerned. If an Ordinary Share is transferred or issued for inclusion in a giro deposit (*girodepot*), the transfer or issue will be made to the central institute, being Euroclear Nederland. Upon transfer or issuance of an Ordinary Share to Euroclear Nederland or to an intermediary in order to include the Ordinary Share in a giro deposit (*girodepot*) or a collection deposit (*verzameldepot*), respectively, this will be effected without the cooperation of the other participants in the giro deposit (*girodepot*) or collection deposit (*verzameldepot)*, as applicable.

Ordinary Shares included in a collection deposit (*verzameldepot)* or giro deposit (*girodepot*) can only be delivered from that collection deposit or giro deposit with due observance of the related provisions of the Dutch Securities Giro Transactions Act. The transfer by a Shareholder who participates in a collection deposit (*verzameldepot*) of its book-entry rights representing its Ordinary Shares shall be effected in accordance with the provisions of the Dutch Securities Giro Transactions Act. The same applies to the establishment or transfer of a right of pledge and the establishment or transfer of a usufruct on these book-entry rights.

Capital Reduction

Subject to the provisions of Dutch law and the Articles of Association, the General Meeting may resolve to reduce the Company's issued share capital by (i) reducing the nominal value of the Shares through an amendment of the Articles of Association or (ii) cancellation of Shares held by the Company itself. A resolution to cancel Shares can only relate to (i) Shares held by the Company itself or in respect of which the Company holds the depository receipts and (ii) all Preferred Shares held by the company itself, with repayment of the amounts paid up in respect thereof and provided that, to the extent allowed under the Articles of Association, a distribution is made on those Preferred Shares, in proportion to the amounts paid up on those Preferred Shares, immediately prior to such cancellation becoming effective. A resolution to reduce the Company's issued share capital, shall require a prior or simultaneous approval from each class meeting of shares whose rights are prejudiced. However, if such a resolution relates to Preferred Shares, such resolution shall always require the prior or simultaneous approval of the class meeting concerned.

A resolution of the General Meeting to reduce the issued share capital requires a majority of at least two-thirds (2/3) of the votes cast if less than 50% of the issued share capital is represented at the General Meeting. If at least 50% of the issued share capital is represented at the General Meeting, the resolution of the General Meeting requires a simple majority of the votes cast. A reduction of the nominal value of Shares, without repayment and without dispensation from the obligation to satisfy a payment obligation must be made pro rata on all Shares concerned. This pro rata requirement may be deviated from if all Shareholders concerned so approve.

In addition, Dutch law contains detailed provisions regarding the reduction of capital. A resolution to reduce the issued share capital shall not take effect as long as creditors may oppose the resolution under the relevant provisions of the DCC (and, if timely opposed by a creditor, such resolution shall not take effect until the opposition has been withdrawn or the lifting of the opposition is enforceable).

Dividends and Other Distributions

General

The Company may only make distributions, whether a distribution of profits or of freely distributable reserves, to its Shareholders if its Shareholders' equity exceeds the sum of the paid-in and called-up share capital plus the reserves as required to be maintained by Dutch law or by the Articles of Association and—if it concerns a distribution of profits—after adoption of the Annual Accounts by the General Meeting from which it appears that such profit distribution is allowed. See "*Dividend Policy*" for a more detailed description regarding dividends.

Annual Profit Distribution and Right to reserve

Under the Articles of Association, if any Preferred Shares are or have been outstanding, a dividend is first paid out of the Company's profits, if available for distribution, to the holders or former holders, as applicable, of those Preferred Shares to the extent they are entitled to such distribution under the Articles of Association, which is referred to as preferred dividend. Thereafter, the Board may decide that all or part of the profits shown

in the adopted Annual Accounts will be added to the Company's reserves. After reservation of any such profits, any remaining profits will be at the disposal of the General Meeting at the proposal of the Board with the approval of the Board for distribution on the Ordinary Shares, subject to applicable restrictions of Dutch law described above.

Interim Distribution

Under the Articles of Association, the Board is permitted, subject to certain requirements and the applicable restrictions of Dutch law described above, to declare and pay interim dividends without the approval of the General Meeting.

Distributions from and Charges against the Reserves

Under the Articles of Association, the General Meeting may, subject to the applicable restrictions of Dutch law described above, make distributions from the Company's freely distributable reserves at the proposal of the Board.

In addition, under the Articles of Association, the Board may, subject to the applicable restrictions of Dutch law described above, charge amounts to be paid on Shares against the Company's reserves, irrespective of whether those Shares are issued to existing Shareholders.

Distribution in kind

Under the Articles of Association, the General Meeting may, subject to the applicable restrictions of Dutch law described above, decide that a distribution be made in the form of Ordinary Shares or in the form of the Company's assets, instead of being made in cash, at the proposal of the Board.

Payment

Payment of any future dividend or other distribution on Shares in cash will in principle be made in euro, but the Board may decide that payment will be made in another currency. The parties entitled to a distribution shall be the relevant Shareholders, usufructuaries and pledgees, as the case may be, at a date to be determined by the Board for that purpose; this date shall not be earlier than the date on which the distribution is announced. Any dividends and other distributions on Ordinary Shares that are paid to Shareholders through Euroclear Nederland will be automatically credited to the relevant Shareholders' accounts. There are no restrictions in relation to the payment of dividends or distributions under the DCC in respect of holders of Shares who are non-residents of the Netherlands.

However, see "*Taxation*" for a discussion of certain aspects of taxation of dividends in the Netherlands. Payments of profit and other distributions shall be announced in a notice by the Company. A Shareholder's claim to payments of profits and other distributions lapses after five years have expired after the day on which the claim became payable. Any profit or other distributions that are not claimed within this period will be considered to have been forfeited to the Company and will be carried to the reserves of the Company. For the purpose of calculating the amount or allocation of any distribution, Shares held by the Company in its own capital shall not be taken into account. No distribution shall be made to the Company in respect of Shares held by it in its own capital.

Exchange Controls and other Provisions relating to non-Dutch Shareholders

Under Dutch law, subject to the 1977 Sanction Act (*Sanctiewet 1977*) or otherwise by applicable sanctions and measures, including those concerning export control, pursuant to European Union regulations, applicable anti-boycott regulations, applicable anti-money-laundering regulations and similar rules, there are no exchange control restrictions on investments in, or payments on, Shares, provided that the payment in a foreign currency for any Shares issued, or to be issued, by the Company will only result in the performance of the obligation to pay up the Shares, to the extent that the Company consents to payment in such foreign currency, the paid-up sum can be converted (exchanged) freely into euro and is equal to at least the payment obligation with respect to such Shares. There are no special restrictions in the Articles of Association or Dutch law, except as noted above, that limit the right of Shareholders who are not citizens or residents of the Netherlands to hold or vote Shares.

General Meetings and Voting Rights

General Meetings

General Meetings must be held in Amsterdam, Arnhem, Assen, The Hague, Haarlem, 's-Hertogenbosch, Groningen, Leeuwarden, Lelystad, Maastricht, Middelburg, Rotterdam, Schiphol (Haarlemmermeer), Utrecht or Zwolle, all in the Netherlands. The annual General Meeting must be held at least once a year, within six months after the end of the financial year. Extraordinary General Meetings may be held as often as the Board deems desirable. In addition, one or more Shareholders (or others with meeting rights under Dutch law), who solely or jointly represent at least the percentage of the issued capital as required by law, which currently is at least one-tenth of the issued capital, may request that a General Meeting be convened, the request setting out in detail matters to be considered. If the Board has not taken the steps necessary to ensure that such meeting can be held within eight weeks after the request, the Shareholder(s) (or others with meeting rights under Dutch law) making such request may, on their application and in accordance with Dutch law, be authorized by the competent Dutch court in preliminary relief proceedings to convene a General Meeting. Furthermore, within three months of it becoming apparent to the Board that the equity of the Company has decreased to an amount equal to or lower than one-half of the paid-up and called up part of the capital, a General Meeting must be held to discuss any requisite measures.

The convocation of the General Meeting must be published through an announcement by electronic means. Shareholders registered in the Shareholders' Register may also be convened by means of convening notices sent to them at their respective addresses as included in the Shareholders' Register. Furthermore, Shareholders and others with meeting rights under Dutch law may be convened by means of electronic messages sent to them (e.g., by email) in accordance with their instructions. The notice must state the subjects to be dealt with, the time, date and place of the meeting, the record date, the manner in which persons entitled to attend the General Meeting may register and exercise their rights, the procedure for participating in the meeting by proxy, the Company's website, and such other information as may be required by Dutch law. The notice must be given by at least such number of days prior to the day of the meeting as required by Dutch law, which is currently 42 days.

The agenda for the annual General Meeting typically contains specific subjects, including, among other things, the adoption of the Annual Accounts, the discussion of substantial changes in the corporate governance structure of the Company and the distribution profits, insofar as these are at the disposal of the General Meeting, and the granting of discharge to the Directors in respect of the performance of their duties as Directors during the financial year to which the Annual Accounts relate.

One or more Shareholders (and others with meeting rights under Dutch law), who solely or jointly represent at least the percentage of the issued capital as required by law, which currently is at least 3% of the Company's issued share capital, may, in accordance with Dutch law, request that an item is added to the agenda. Such requests must be made in writing or by electronic means, must either be substantiated or include a proposal for a resolution, and must be received by the Company at least 60 days before the day of the General Meeting. No resolutions may be adopted on items other than those that have been included in the agenda (unless the resolution would be adopted unanimously during a meeting where the entire issued capital of the Company is present or represented).

Shareholders who, individually or with other Shareholders, hold Shares that represent at least one percent of the issued share capital or a market value of at least EUR 250,000 may request the Company to disseminate information that is prepared by them in connection with an agenda item for a General Meeting, provided that the Company has done a so-called "identification round" in accordance with the provisions of the Dutch Securities Transactions Act. The Company can only refuse disseminating such information, if received less than seven business days prior to the day of the General Meeting, if the information gives or could be excepted to give an incorrect or misleading signal with respect to the Company or if, in light of the nature of the information, the Company cannot reasonably be required to disseminate it.

The General Meeting is chaired by the Chairperson. If no Chairperson has been elected or if he or she is not present at the meeting, the General Meeting shall be presided over by the Vice Chairperson. If no Vice Chairperson has been elected or if he or she is not present at the meeting, the General Meeting shall be presided over by the CEO. If no CEO of the Board has been elected or if he or she is not present at the meeting, the General Meeting shall be presided over by a person designated in accordance with the Articles of Association. Directors may attend a General Meeting. In these General Meetings, Directors have an advisory vote. The chairperson of the General Meeting may decide at his or her discretion to admit other persons to the General Meeting.

Record date, admission and registration

Each Shareholder (as well as other persons with meeting rights under Dutch law) may attend the General Meeting, address the General Meeting and, insofar as they have such right, exercise voting rights attached to the relevant Shares, either in person or by proxy. Shareholders and others with meeting rights under Dutch law may exercise these rights, if they are the Shareholders (or holders of meeting rights under Dutch law) on the record date for the General Meeting, which, at the date of this Prospectus, is the 28th day before the day of the General Meeting. Under the Articles of Association, Shareholders and others with meeting rights under Dutch law must notify the Company of their identity and their intention to attend the meeting in writing or by electronic means. This notice must be received by the Company ultimately on the seventh day prior to the General Meeting, unless indicated otherwise when such meeting is convened.

Response Period and Cooling-Off Period

In accordance with the Code and the Articles of Association, Shareholders having the right to put an item on the agenda under the rules described above shall exercise such right only after consulting the Board in that respect. If one or more Shareholders intend to request that an item be put on the agenda that may result in a change in the Company's strategy, the Board must be given the opportunity to invoke a reasonable period to respond to such intention. Such period shall not exceed 180 days (or such other period as may be stipulated for such purpose by Dutch law and/or the Code from time to time). If invoked, the Board must use such response period for further deliberation and constructive consultation, in any event with the Shareholders(s) concerned, and shall explore the alternatives. At the end of the response time, the Board shall report this consultation and the exploration of alternatives to the General Meeting. The response period may be invoked only once for any given General Meeting and shall not apply (a) in respect of a matter for which a response period has been previously invoked or (b) if a Shareholder holds at least 75% of the Company's issued share capital as a consequence of a successful public bid. The response period may also be invoked in response to Shareholders or others with meeting rights under Dutch law requesting that a General Meeting be convened, as described above.

In addition, Dutch law allows the Board to invoke a statutory cooling-off period of up to 250 days during which the general meeting of shareholders would not be able to dismiss, suspend or appoint members of the management board of supervisory board (or amend the provisions in the articles of association dealing with those matters) unless those matters would be proposed by the management board. This cooling-off period could be invoked by the Board in case:

- Shareholders, using either their shareholder proposal right or their right to request a General Meeting, as described above, propose an agenda item for the General Meeting to dismiss, suspend or appoint a member of the Board (or to amend any provision in the Articles of Association dealing with that matter); or
- a public offer for the Company is made or announced without the Company's support, provided, in each case, that the Board believes that such proposal or offer materially conflicts with the interests of the Company and its business.

The cooling-off period, if invoked, ends at occurrence of the earliest of the following events:

- the expiration of 250 days from:
    - o in case of Shareholders using their shareholder proposal right, the day after the deadline for making such proposal expired;
    - o in case of Shareholders using their right to request a General Meeting, the day when they obtain court authorization to do so; or
    - o in case of a hostile offer being made, the first following day;
- the day after the hostile offer having been declared unconditional; or
- the Board voluntarily terminating the cooling-off period.

In addition, Shareholders representing at least 3% of the Company's issued share capital may request the Enterprise Chamber for early termination of the cooling-off period. The Enterprise Chamber must rule in favor of the request if the Shareholders can demonstrate that:

- the Board, in light of the circumstances at hand when the cooling-off period was invoked, could not reasonably have come to the conclusion that the relevant shareholder proposal or hostile offer constituted a material conflict with the interests of the Company and its business;
- the Board cannot reasonably believe that a continuation of the cooling-off period would contribute to careful policy-making;
- if other defensive measures have been activated during the cooling-off period and not terminated or suspended at the relevant Shareholders' request within a reasonable period following the request (i.e., no "stacking" of defensive measures).

During the cooling-off period, if invoked, the Board must gather all relevant information necessary for a careful decision-making process. In this context, the Board must at least consult with Shareholders representing at least 3% of the Company's issued share capital at the time the cooling-off period was invoked and the Works Council. Formal statements expressed by these stakeholders during such consultations must be published on the Company's website to the extent these stakeholders have approved that publication.

Ultimately one week following the last day of the cooling-off period, the Board must publish a report in respect of its policy and conduct of affairs during the cooling-off period on the Company's website. This report must remain available for inspection by Shareholders and others with meeting rights under Dutch law at the Company's office and must be tabled for discussion at the next General Meeting.

Voting rights

Each Ordinary Share and each Preferred Share, if any are outstanding, confers the right on the holder to cast one vote at a General Meeting. Pursuant to Dutch law, no votes may be cast at a General Meeting in respect of Shares that are held by, or of which the depositary receipts are held by, the Company or any of its subsidiaries. Nonetheless, the holders of a right of usufruct (*vruchtgebruik*) and the holders of a right of pledge (*pandrecht*) in respect of Shares held by the Company or its subsidiaries in the Company's share capital are not excluded from the right to vote on such Shares, if the right of usufruct (*vruchtgebruik*) or the right of pledge (*pandrecht*) was granted prior to the time such Shares were acquired by the Company or any of its subsidiaries. Neither the Company nor any of its subsidiaries may cast votes in respect of a share on which the Company or such subsidiary holds a right of usufruct (*vruchtgebruik*) or a right of pledge (*pandrecht*). Shares which are not entitled to voting rights pursuant to the preceding sentences will not be taken into account for the purpose of determining the number of shareholders that vote and that are present or represented, or the amount of the share capital that is provided or that is represented at a General Meeting. At the General Meeting, resolutions are passed by a simple majority of the valid votes cast, unless Dutch law or the Articles of Association prescribe a greater majority. If there is a tie in voting, the proposal concerned will be rejected.

The Board may decide that persons entitled to attend and vote at General Meetings may cast their vote electronically or by post prior to the General Meeting. The Board may determine the period during which votes may be cast in this manner, provided that the votes shall not be cast prior to the record date for the General Meeting. Votes validly cast electronically or by post rank as equal to votes validly cast at the General Meeting.

Temporary COVID-19 Act

As of the date of this Prospectus, under temporary legislation relating to the outbreak of the COVID-19 pandemic, the Board may extend the six-month period within which the annual General Meeting must be held by up to four months. In addition, the Board may decide that a General Meeting will only be held virtually, without physical attendance, provided that certain requirements are met.

Amendment of the Articles of Association

Under the Articles of Association, the General Meeting can only resolve on the amendment to the Articles of Association at the proposal of the Board.

Dissolution and liquidation

Under the Articles of Association, the General Meeting can only resolve on the dissolution of the Company at the proposal of the Board.

In the event of the Company's dissolution, the liquidation shall be effected by the Board, unless the General Meeting decides otherwise. During liquidation, the provisions of the Articles of Association will remain in force as far as possible. To the extent that any assets remain after payment of all of the Company's liabilities, if any Preferred Shares are or have been outstanding, a liquidation distribution equal to the preferred dividend is first paid out to the holders or former holders of those Preferred Shares (to the extent they are entitled to such distribution under the Articles of Association). Thereafter, any remaining assets shall be distributed to the Shareholders in proportion to their number of Ordinary Shares.

Annual Accounts and Semi-Annual Accounts

Annually, within four months after the end of the financial year, the Company must publish and simultaneously file with the AFM, its annual financial report, consisting of the financial statements, a management board report, a responsibility statement, an independent auditor's report and certain other information required under Dutch law and make them available for inspection by the Shareholders (and others with meeting rights under Dutch law) at the office of the Company and on its website. The Company's Annual Accounts must be signed by all members of the Board. If the signature of one or more of the Directors is missing, this will be stated and reasons for this omission will be given. The Annual Accounts must be adopted by the General Meeting.

The Board must refile the adopted Annual Accounts with the AFM within five business days following adoption by the General Meeting.

The Company must publish its semi-annual financial report as soon as possible, but at the latest three months after the end of the first six months of the financial year. If the semi-annual financial statements are audited or reviewed, the independent auditor's report or the independent auditor's review report must be published together with the semi-annual financial report. If the semi-annual financial statements are unaudited or not reviewed, the interim management board report should state so.

The Company does not intend to publish interim financial statements other than financial statements for the six months ended 30 June of each financial year.

Dutch Financial Reporting Supervision Act

On the basis of the Dutch Financial Reporting Supervision Act (*Wet toezicht financiële verslaggeving*) (the "**FRSA**"), the AFM supervises the application of financial reporting standards by, among others, companies whose corporate seat is in the Netherlands and whose securities are listed on a regulated Dutch or foreign stock exchange, such as the Company.

Pursuant to the FRSA, the AFM has an independent right to: (i) request an explanation from the Company regarding its application of the applicable financial reporting standards if, based on publicly known facts or circumstances, it has reason to doubt that the Company's financial reporting meets such standards; and (ii) recommend the Company to make available further explanations. If the Company does not comply with such a request or recommendation, the AFM may request the enterprise chamber of the court of appeal in Amsterdam (*Ondernemingskamer van het Gerechtshof te Amsterdam*) (the "**Enterprise Chamber**") to order the Company to: (i) make available further explanations as recommended by the AFM; (ii) provide an explanation of the way it has applied the applicable financial reporting standards to its financial reports; or (iii) prepare or restate its financial reports in accordance with the Enterprise Chamber's instructions.

Rules Governing Obligations of Shareholders to Make a Public Takeover Bid

Pursuant to the Dutch Financial Supervision Act (*Wet op het financieel toezicht*) ("**DFSA**"), and in accordance with European Directive 2004/25/EC, also known as the Takeover Directive, anyone who (individually or jointly with others) directly or indirectly obtains dominant control (*overwegende zeggenschap*) of the Company is required to make a public takeover bid for all issued and outstanding Ordinary Shares or depositary receipts for Ordinary Shares, unless an exemption applies (including an exemption for shareholders who, acting alone or in concert, already had dominant control over the Company at the time of the initial listing of the Ordinary Shares). Such control is deemed present if someone is able to exercise, alone or acting in concert, at least 30% of the voting rights in the General Meeting. For further information, see "*Shareholder Structure and Related Party Transactions—Related Party Transactions*".

In addition, no person may launch a public offer to acquire the Ordinary Shares, unless an offer document has been approved by the AFM. Such a public offer may only be launched by way of publication of an approved offer document. The Dutch public offer rules are intended to ensure that in the event of a public offer, among

others, sufficient information is made available to the holders of the shares, the holders of the shares are treated equally, that there is no abuse of inside information and that there is a proper and timely offer period.

Squeeze-out Proceedings

Pursuant to Section 2:92a DCC, a shareholder who contributes at least 95% of the issued share capital of a public company with limited liability *(naamloze vennootschap)* under the laws of the Netherlands for its own account, alone or together with a group of companies, may institute proceedings against such company's minority shareholders jointly for the transfer of their shares to such shareholder. The proceedings are held before the Enterprise Chamber and can be instituted by means of a writ of summons served upon each of the minority shareholders in accordance with the provisions of the Dutch Code of Civil Procedure (*Wetboek van Burgerlijke Rechtsvordering*). The Enterprise Chamber may grant the claim for squeeze-out in relation to all minority shareholders and will determine the price to be paid for the shares, if necessary after appointment of one or three experts who will offer an opinion to the Enterprise Chamber on the value to be paid for the shares of the minority shareholders. Once the order to transfer becomes final before the Enterprise Chamber, the person acquiring the shares shall give written notice of the date and place of payment and the price to the holders of the shares to be acquired whose addresses are known to him. Unless the addresses of all of them are known to him, he is required to publish the same in a daily newspaper with nationwide circulation.

The offeror under a public takeover bid is also entitled to start squeeze-out proceedings if, following the public takeover bid, the offeror contributes at least 95% of the outstanding share capital and represents at least 95% of the voting rights. The claim of a takeover squeeze-out needs to be filed with the Enterprise Chamber within three months following the expiry of the acceptance period of the offer. The Enterprise Chamber may grant the claim for squeeze-out in relation to all minority shareholders and will determine the price to be paid for the shares, if necessary after appointment of one or three experts who will offer an opinion to the Enterprise Chamber on the value to be paid for the shares of the minority shareholders. In principle, the offer price is considered reasonable if the offer was a mandatory offer or if at least 90% of the shares to which the offer related were received by way of voluntary offer.

The DCC also gives the minority shareholders that have not previously tendered their shares under an offer the right to institute proceedings with the Enterprise Chamber for the transfer of their shares to the offeror, provided that the offeror has acquired at least 95% of the outstanding share capital and represents at least 95% of the voting rights. With regard to price, the same procedure as for takeover squeeze-out proceedings initiated by an offeror applies. The claim also needs to be filed with the Enterprise Chamber within three months following the expiry of the acceptance period of the offer.

Obligations to Disclose Holdings

Holders of the Shares may be subject to notification obligations under the DFSA. Shareholders are advised to seek professional advice on these obligations.

Obligations of Shareholders to Disclose Holdings

Pursuant to the DFSA, any person who, directly or indirectly, acquires or disposes of an actual or potential interest in the capital or voting rights of a Dutch listed company must immediately notify the AFM through the designated portal, if, as a result of such acquisition or disposal, the percentage of capital interest or voting rights held by such person in the company reaches, exceeds or falls below any of the following thresholds: 3%, 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% and 95%.

A notification requirement also applies if a person's capital interest or voting rights reaches, exceeds or falls below the abovementioned thresholds as a result of a change in the Company's total outstanding share capital or voting rights. Such notification must be made no later than the fourth trading day after the AFM has published the Company's notification of the change in its outstanding share capital. The Company is required to notify the AFM immediately of the changes to its total share capital or voting rights if it's issued share capital or voting rights changes by 1% or more since its previous notification. The Company must furthermore notify the AFM within eight days after each quarter, in the event its share capital or voting rights changed by less than 1% in that relevant quarter since its previous notification.

In addition, every holder of 3% or more of the Company's share capital or voting rights whose interest changes in respect of the previous notification to the AFM by reaching or crossing one of the abovementioned thresholds as a consequence of the interest being differently composed due to shares or voting rights having been acquired through the exercise of a right to acquire the same, such as options for shares, must notify the

AFM of the changes within four trading days after the date on which the holder knows or should have known that his or her interest reaches, exceeds or falls below a threshold

The AFM keeps a public register of all notifications made pursuant to these disclosure obligations and publishes all notifications received by it. The shareholder notifications referred to in this section should be made electronically through the notification system of the AFM.

Controlled entities, within the meaning of the DFSA, do not have notification obligations under the DFSA, as their direct and indirect interests are attributed to their (ultimate) controlling parent. Any person may qualify as a controlling parent for purposes of the DFSA, including a natural person. A person who has a 3% or larger interest in the Company's share capital or voting rights and who ceases to be a controlled entity for these purposes must immediately notify the AFM. As at that moment, all notification obligations under the DFSA will become applicable to the former controlled entity.

For the purpose of calculating the percentage of capital interest or voting rights, the following interests must, among other things, be taken into account: (i) shares and voting rights directly held (or acquired or disposed of) by any person; (ii) shares and voting rights held (or acquired or disposed of) by such person's controlled entity or by a third-party for such person's account or by a third-party with whom such person has concluded an oral or written voting agreement; (iii) voting rights acquired pursuant to an agreement providing for a temporary transfer of voting rights against a payment; (iv) shares which such person (directly or indirectly) or third-party referred to above, may acquire pursuant to any option or other right to acquire shares; (v) shares that determine the value of certain cash-settled financial instruments such as contracts for difference and total return swaps; (vi) shares that must be acquired upon exercise of a put option by a counterparty; and (vii) shares that are the subject of another contract creating an economic position similar to a direct or indirect holding in those shares.

Special attribution rules apply to shares and voting rights that are part of the property of a partnership or other community of property. A holder of a pledge or right of usufruct in respect of shares can also be subject to the reporting obligations, if such person has, or can acquire, the right to vote the shares. The acquisition of (conditional) voting rights by a pledgee or beneficial owner may also trigger the reporting obligations as if the pledgee or beneficial owner were the legal holder of the shares.

For the purpose of calculating the percentage of capital interest or voting rights, the following instruments qualify as "*shares*": (i) shares; (ii) depositary receipts for shares (or negotiable instruments similar to such receipts); (iii) negotiable instruments for acquiring the instruments under (i) or (ii) (such as convertible bonds); and (iv) options for acquiring the instruments under (i) or (ii).

The notification to the AFM should indicate whether the interest is held directly or indirectly, and whether the interest is an actual or a potential interest.

Notification of Short Positions

Each person holding a gross short position in relation to the issued share capital of a Dutch listed company that reaches, exceeds or falls below any one of the following thresholds: 3%, 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% and 95%, must immediately notify the AFM through the designated portal. If a person's gross short position reaches, exceeds or falls below one of the above-mentioned thresholds as a result of a change in the company's issued share capital, such person must make a notification not later than the fourth trading day after the AFM has published the company's notification in the public register of the AFM. No set-off is permitted between a long position and a short position. Shareholders are advised to consult with their own legal advisers to determine whether the gross short selling notification obligation applies to them.

In addition, pursuant to Regulation (EU) No 236/2012, each person holding a net short position attaining 0.2% of the issued share capital of a Dutch listed company is required to notify such position to the AFM. Each subsequent increase of this position by 0.1% above 0.2% must also be notified. Each net short position equal to 0.5% of the issued share capital of a Dutch listed company and any subsequent increase of that position by 0.1% will be made public via the AFM short selling register. To calculate whether a natural person or legal person has a net short position, their short positions and long positions must be set off. A short transaction in a share can only be contracted if a reasonable case can be made that the shares sold can actually be delivered, which requires confirmation of a third-party that the shares have been located. The notification shall be made no later than 15:30 pm CET on the following trading day.

Obligations of Directors to Disclose Holdings

Pursuant to the DFSA, each Director must notify the AFM: (i) immediately following the initial admission to trading and listing of, the number of Ordinary Shares and options they hold and the number of votes they are

entitled to cast in respect of the Company's issued share capital; and (ii) subsequently, of each change in the number of Ordinary Shares or options they hold and of each change in the number of votes they are entitled to cast in respect of the Company's issued share capital, immediately after the relevant change. If a Director has notified a transaction to the AFM under the DFSA as described under "*Obligations of Shareholders to Disclose Holdings*", such notification is sufficient for purposes of the DFSA as described in this paragraph.

Obligations of PDMRs to Disclose Holdings

Pursuant to Regulation (EU) No 596/2014 of the European Parliament and of the Council of April 16, 2014 on market abuse, and the regulations promulgated thereunder (the "**Market Abuse Regulation**"), persons discharging managerial responsibilities (each a "**PDMR**"), must notify the AFM and the Company by means of a standard form of any transactions conducted for their own account relating to Ordinary Shares or any debt instruments of the Company or to derivatives or other financial instruments linked thereto.

PDMRs within the meaning of the Market Abuse Regulation include: (i) Directors; or (ii) senior executives who are not Directors, who have regular access to inside information relating directly or indirectly to the Company and power to take managerial decisions affecting the future developments and business prospects of the Company.

In addition, pursuant to the Market Abuse Regulation, persons who are closely associated with PDMRs for purposes of the Market Abuse Regulation, are also required to notify the AFM and the Company of any transactions conducted for their own account relating to Ordinary Shares or any debt instruments of the Company or to derivatives or other financial instruments linked thereto. Closely associated persons to PDMRs under the Market Abuse Regulation are: (i) the spouse or any partner considered by national law as equivalent to the spouse; (ii) dependent children; (iii) other relatives who have shared the same household for at least one year at the relevant transaction date; and (iv) any legal person, trust or partnership, the managerial responsibilities of which are discharged by a PDMR or by a person referred to under (i), (ii) or (iii) above, which is directly or indirectly controlled by such a person, which is set up for the benefit of such a person, or the economic interest of which is substantially equivalent to those of such a person.

These notification obligations under the Market Abuse Regulation apply to any subsequent transaction once a total amount of transactions conducted by a PDMR or a person closely associated to a PDMR has reached the threshold of EUR 5,000 within a calendar year (calculated without netting). The first transaction exceeding the threshold must be notified as set out above. The transactions carried out by a PDMR and by a closely associated person should not be aggregated. The notifications pursuant to the Market Abuse Regulation described above must be made to the AFM by the PDMRs and by closely associated persons no later than the third business day following the relevant transaction date. The PDMR must notify the AFM of their transactions and transactions carried out by closely associated persons within two business days of receipt of notification of those transactions. Notwithstanding the foregoing, Directors need to notify the AFM of each change in the number of Ordinary Shares that they hold and of each change in the number of votes they are entitled to cast in respect of the Company's issued share capital, immediately after the relevant change.

The Company is required to draw up a list of all PDMRs and persons closely associated with them and notify PDMRs of their obligations in writing. PDMRs are required to notify the persons closely associated with them of their obligations in writing.

Non-compliance

Non-compliance with the notification obligations under the DFSA and the Market Abuse Regulation, set out in the paragraphs above, is an economic offence (*economisch delict*) and could lead to the imposition of criminal prosecution, administrative fines, imprisonment or other sanctions. The AFM may impose administrative penalties or a cease-and-desist order under penalty for non-compliance. If criminal charges are pressed, the AFM is no longer allowed to impose administrative penalties and *vice versa*, the AFM is no longer allowed to seek criminal prosecution if administrative penalties have been imposed. Furthermore, a civil court can impose measures against any person who fails to notify or incorrectly notifies the AFM of matters required to be correctly notified. A claim requiring that such measures be imposed must be instituted by the Company and/or one or more Shareholders who alone or together with others represent(s) at least 3% or the Company's issued share capital or are able to exercise at least 3% of the voting rights. The measures that the civil court may impose, include: (i) an order requiring the person violating the disclosure obligations to make appropriate disclosure, (ii) suspension of voting rights in respect of such person's Ordinary Shares for a period of up to three years as determined by the court, (iii) voiding a resolution adopted by the General Meeting, if the court determines that the resolution would not be have been adopted if the voting rights of the person who is obliged

to notify had not been exercised, or suspension of a resolution until the court makes a decision about such voiding, and (iv) an order to the person violating the disclosure obligations to refrain, during a period of up to five years as determined by the court, from acquiring Ordinary Shares and/or voting rights in Ordinary Shares.

Public registry

The AFM does not issue separate public announcements of these notifications. It does, however, keep a public register of all notifications under the DFSA on its website (www.afm.nl/en/professionals/registers). Third parties can request to be notified automatically by email of changes to the public register in relation to a particular company's shares or a particular notifying party.

Identity of Shareholders and distribution of information

The Company may, in accordance with Chapter 3A of the Dutch Securities Giro Act, request (i) Euroclear Nederland, (ii) admitted institutions, (iii) intermediaries, (iv) institutions abroad, and (v) managers of investment institutions, to provide certain information on the identity of its Shareholders. No information will be given on Shareholders with an interest of less than 0.5% of the issued share capital. A holder of Ordinary Shares who, individually or together with other Shareholders, holds an interest of at least 10% of the issued share capital may request the Company to establish the identity of its Shareholders. This request may only be made during a period of 60 days until (and not including) the 42nd day before the day on which the General Meeting will be held.

At the written request of a Shareholder who, individually or with other Shareholders, holds Ordinary Shares that represent at least 1% of the issued and outstanding share capital or a market value of at least EUR 250,000, the Company will disseminate information, prepared by such Shareholder or Shareholders in connection with an agenda item for the General Meeting, to other Shareholders of which the Company received certain information upon the request, at its own discretion, for such information with the entities listed in the previous paragraph under (iii), (iv) and (v). The Company can only refuse disseminating such information, if received less than seven business days prior to the day of the General Meeting, if the information gives or could give an incorrect or misleading signal or if, in light of the nature of the information, the Company cannot reasonably be required to disseminate it.

Related Party Transactions

Directive (EU) 2017/828 of the European Parliament and of the Council of May 17, 2017 amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement (the "**Shareholder Rights Directive II**"), establishes requirements in relation to the exercise of certain shareholder rights attached to voting shares in relation to general meetings of companies which have their registered office in a Member State of the European Union and the shares of which are admitted to trading on a regulated market situated or operating within a Member State of the European Union.

The Dutch act to implement the Shareholder Rights Directive II (*bevordering van de langetermijnbetrokkenheid van aandeelhouders*) (the "**Dutch SRD Act**") entered into force on 1 December 2019. The Dutch SRD Act, among other things, added new rules on related party transactions to the DCC and provided that "material transactions" with "related parties" not entered into within the ordinary course of business or not concluded on normal market terms, must be approved by the Board and be publicly announced at the time that the transaction is entered into. If information is required to be published at an earlier stage under the Market Abuse Regulation, that requirement prevails. The Board is required to establish an internal procedure to periodically assess whether transactions with related parties are concluded in the ordinary course of business and on normal market terms. Any Director that is involved in a related party transaction cannot participate in the decision-making with respect to the related party transaction concerned. In this context: a "related party" is interpreted in accordance IFRS-EU (IAS 24 (Related Party Disclosures)) and includes a party that has "control", "joint control" or "significant influence" over the Company or is a member of the Company's key management personnel; and a transaction is considered "material" if it would constitute inside information within the meaning of the Market Abuse Regulation and is concluded between the Company and a related party (which for this purpose, and in line with the Dutch Corporate Governance Code, in any event includes one or more shareholders representing at least 10% of the issued share capital or a Director). Certain related party transactions are not subject to the foregoing approval and disclosure provisions, including transactions concluded between the Company and any of its subsidiaries.

In addition, under the Code, all transactions between the Company and a Shareholder holding 10% or more of the Company's issued share capital should be agreed on customary terms. Decisions to enter into such a

transaction that is of material significance to the Company and/or to the Shareholder concerned should be approved by the Board. Any such transaction should be disclosed in the Company's board report, together with an affirmative statement that these recommendations of the Code have been complied with.

As of the First Trading Date, the Company intends to enter into the Relationship Agreement. This Relationship Agreement will provide for the following matters:

- provisions relating to the composition of the Board, including nomination rights for the Selling Shareholder of Selling Shareholder Nominees to the Board;
- provisions that, as long as one or both Selling Shareholder Nominees serve on the Board, certain Board resolutions can only be passed with an affirmative vote from such Selling Shareholder Nominee(s) (provided such Selling Shareholder Nominee(s) is/are not incapacitated or unable to act and is/are not precluded from voting as a result of a conflict of interest with the Company as noted below or as a result of being involved in a related party transaction as defined by the DCC);
- provisions relating to the sharing of information between the Company on the one hand and the Selling Shareholder on the other hand;
- undertakings by the Selling Shareholder towards the Company to exercise its voting rights in the General Meeting and other rights it has as a Shareholder in a manner consistent with the terms of the Relationship Agreement; and
- orderly sell-down arrangements requiring coordination and consultation among the Selling Shareholder and the Company in case the Selling Shareholder would pursue a sale of all or part of its Shares.

Market Abuse Regulation

The regulatory framework on market abuse is set out in the Market Abuse Directive (2014/57/EU) as implemented in Dutch law and the Market Abuse Regulation, which is directly applicable in the Netherlands.

Insider dealing and market manipulation prohibitions

Pursuant to the Market Abuse Regulation, no natural or legal person is permitted to: (i) engage or attempt to engage in insider dealing in financial instruments listed on a regulated market or for which a listing has been requested, such as the Ordinary Shares; (ii) recommend that another person engages in insider dealing or induce another person to engage in insider dealing; or (iii) unlawfully disclose inside information relating to the Ordinary Shares or the Company.

Insider dealing arises where a person possesses inside information, as described in the following paragraph "*Public disclosure of inside information*", and uses that information by acquiring or disposing of, for its own account or for the account of a third party, directly or indirectly, financial instruments to which that information relates. The use of inside information by cancelling or amending an order concerning a financial instrument to which the information relates where the order was placed before the person concerned possessed the inside information, will be considered to be insider dealing.

The Company has adopted insider dealing rules in respect of the reporting and regulation of transactions in the Company's securities by Directors and its employees, which will be effective as at the First Trading Date. Furthermore, no person may engage in or attempt to engage in market manipulation.

Public disclosure of inside information

The Company is required to make inside information public. Pursuant to Market Abuse Regulation, inside information is (i) information (ii) of a precise nature, (iii) which has not been made public, (iv) relating, directly or indirectly, to one or more issuers or to one or more financial instruments, and (v) which, if it were made public, would be likely to have a significant effect on the prices of those financial instruments or on the price of related derivative financial instruments. Unless an exception applies, the Company must without delay publish inside information which directly concerns the Company by means of a press release which it must file with the AFM and post and maintain it on its website for at least five years.

An intermediate step in a protracted process can also deemed to be inside information if, by itself, it satisfies the criteria of inside information. Under specific circumstances, the disclosure of inside information may be delayed, which needs to be notified to the AFM after the disclosure has been made. Upon request of the AFM, a written explanation needs to be provided setting out why a delay of the publication was considered permitted.

Manager's transactions

A PDMR is not permitted to (directly or indirectly) conduct any transactions on their own account or for the account of a third-party, relating to Ordinary Shares or debt instruments of the Company or other financial instruments linked thereto, during a closed period of 30 calendar days before the announcement of an interim financial report or an annual report of the Company.

Non-compliance

In case of non-compliance with the market abuse rules set out above, the AFM has the power to take appropriate administrative sanctions, such as fines, and/or other administrative measures in relation to possible infringements. Non-compliance with the market abuse rules set out above could also constitute an economic offense (*economisch delict*) and/or a crime (*misdrijf*) and could lead to the imposition of administrative fines by the AFM. The public prosecutor could press criminal charges resulting in fines or imprisonment. If criminal charges are pressed, it is no longer allowed to impose administrative penalties and *vice versa*.

The AFM shall in principle also publish any decision imposing an administrative sanction or measure in relation to an infringement of the Market Abuse Regulation.

Insider Trading

The Company has adopted insider trading rules in respect of the reporting and regulation of transactions in the Company's securities by Directors and its employees, which will be effective as at the First Trading Date. The Company and any person acting on its behalf or on its account is obligated to draw up an insider list, to promptly update the insider list and provide the insider list to the AFM upon its request. The Company and any person acting on its behalf or on its account is obligated to take all reasonable steps to ensure that any person on the insider list acknowledges in writing the legal and regulatory duties entailed and is aware of the sanctions applicable to insider dealing, market manipulation and unlawful disclosure of inside information.

Transparency Directive

The Netherlands will be the Company's home Member State for the purposes of Directive 2004/109/EC, as a consequence of which the Company will be subject to the DFSA in respect of certain ongoing transparency and disclosure obligations.

SELLING SHAREHOLDER AND RELATED PARTY TRANSACTIONS

Selling Shareholder

As at the date of the Prospectus, the Selling Shareholder, a limited liability company incorporated and existing under Bulgarian law, is the only Shareholder of the Company. The Selling Shareholder has its seat and registered address at 3A Nikolay Haitov Str., Izgrev area, Sofia 1113, and is registered in the Commercial Register at the Bulgarian Registry Agency under registered number (UIC) 131159471. The Selling Shareholder's telephone number is +359 2 973 34 56 and its LEI is 213800Y426JKXO3JMP79.

As of the date of this Prospectus, the Selling Shareholder is equally owned by Kiril Petrov Domuschiev and Georgi Petrov Domuschiev, each directly holding 50% of the equity and voting rights in the Selling Shareholder. At the date of this Prospectus, Kiril Petrov Domuschiev does not hold a management position at the Selling Shareholder and Georgi Petrov Domuschiev holds the position of Managing Director (legal representative) at the Selling Shareholder.

As at the date of the Prospectus, the Selling Shareholder holds 1 Ordinary Share, comprising all the issued Ordinary Shares in the Company and voting rights in that Ordinary Share, and is the only party that has a substantial shareholding in the Company within the meaning of Chapter 5.3 of the DFSA that will apply as from the First Trading Date. Prior to the Conversion, the Company will issue additional Ordinary Shares to the Selling Shareholder and the aggregate nominal value of those Ordinary Shares will be charged against the Company's reserves.

The Selling Shareholder is offering up to 11,064,796 Existing Offer Shares in the Offering, assuming no exercise of the Over-Allotment Option.

Major and Controlling Shareholders on the date of this Prospectus

	Amount of Share Capital Owned		
Shareholder	Number / class of Ordinary Shares	Percentage of share capital	Percentage of Voting Rights
Advance Properties OOD	1	100%	100%

Holdings Immediately Prior and After Settlement

Prior to the Conversion, the Company will issue additional Ordinary Shares to the Selling Shareholder and the aggregate nominal value of those Ordinary Shares will be charged against the Company's reserves. Consequently, immediately prior to Settlement, the Selling Shareholder will hold 162,500,000 Ordinary Shares, comprising 100% of the issued Ordinary Shares and voting rights attached to such Ordinary Shares. Immediately prior to Settlement Kiril Petrov Domuschiev and Georgi Petrov Domuschiev will each hold indirectly 81,250,000 Ordinary Shares, comprising 50% of the issued Ordinary Shares and voting rights attached to such Ordinary Shares.

The Company is offering up to 15,000,000 New Offer Shares in the Offering, comprising 9.23% of the issued Ordinary Shares and voting rights attached to such Ordinary Shares, assuming no exercise of the Over-Allotment Option.

Assuming the Over-Allotment Option is fully exercised, the New Offer Shares will constitute 9.23% of the Ordinary Shares.

The Selling Shareholder is offering up to 11,064,796 Ordinary Shares in the Offering, comprising 6.35% of the issued Ordinary Shares and voting rights attached to such Ordinary Shares, assuming no exercise of the Over-Allotment Option. Consequently, after Settlement the Selling Shareholder will hold 151,435,204 Ordinary Shares, comprising 86.96% of the issued Ordinary Shares and voting rights attached to such Ordinary Shares. After Settlement Kiril Petrov Domuschiev and Georgi Petrov Domuschiev will each hold indirectly 75,717,602 Ordinary Shares, comprising 43.48% of the issued Ordinary Shares and voting rights attached to such Ordinary Shares.

The following table sets forth information with respect to the size of the shareholdings of the Selling Shareholder both immediately prior to Settlement and immediately after Settlement, without and with full exercise of the Over-Allotment Option, assuming that the Selling Shareholder does not subscribe for any New Offer Shares.

Selling Shareholder	Ordinary Shares owned immediately prior to Settlement			Ordinary Shares owned immediately after Settlement					
				Without exercise of the Over-Allotment Option			With full exercise of the Over-Allotment Option		
	Amount	Share capital	Voting rights	Amount	Share capital	Voting rights	Amount	Share capital	Voting rights
Advance Properties OOD	162,500,000	100%	100%	151,435,204	86.96%	86.96%	148,027,912	85.00%	85.00%

To the extent known to the Company, none of the Company's Directors or senior managers intends to subscribe in the Offering.

Each Ordinary Share gives the right to cast one vote at the General Meetings. All Shareholders have the same voting rights.

The Selling Shareholder does not on the date of this Prospectus, and will not on the Settlement Date, have different voting rights than any other Shareholders.

The Company is not aware of any arrangements the operation of which may at a subsequent date result in a change of control of the Company. The rights and obligations of Shareholders, including minority Shareholders, are governed by applicable laws and regulations. See, for example, *"Description of Share Capital—Related Party Transactions"*. The Articles of Association do not provide any specific provisions in addition to the provisions of the applicable laws and regulations that ensure control by the major or controlling Shareholders is not abused.

Related Party Transactions

In the course of its ordinary business activities, members of the Group regularly enter into agreements with other companies within the Group. The existing agreements between members of the Group relate to renting office space and human resources services. For the years ended December 31, 2018, 2019 and 2020 and the three months ended March 31, 2021, the total amounts due from purchase of services was EUR 545 thousand, EUR 6,074 thousand, EUR 5,184 thousand and EUR 926 thousand, respectively.

The sales to and purchases from related parties are made at contractual prices. Outstanding balances as at December 31, 2020 are unsecured, interest-free and the settlement is made in cash. There have been no guarantees provided to or received for any related party receivables or payables. At March 31, 2021 the Company has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

On December 29, 2020, Huvepharma EOOD and Biovet AD each entered into a sponsorship and advertising agreement with the Bulgarian professional football club PFC Ludogorets 1945 AD, which is controlled by the ultimate beneficial owners of the Group. The term of each agreement is January 1, 2021 to December 31, 2021. The terms of Huvepharma EOOD's agreement with PFC Ludogorets 1945 AD are as follows:

- Fixed consideration (excluding VAT) of BGN 6.0 million (approximately EUR 3.1 million);
- Additional consideration for winning the championship title (excluding VAT) of BGN 1.0 million (approximately EUR 0.5 million); and
- Additional consideration for 2nd or 3rd place in the final standings of the First League championship (excluding VAT) of BGN 0.5 million (approximately EUR 0.3 million).

The terms of Biovet AD's agreement with PFC Ludogorets 1945 AD are as follows:

- Fixed consideration (excluding VAT) of BGN 1.7 million (approximately EUR 0.9 million);
- Additional consideration for winning the championship title (excluding VAT) of BGN 0.5 million (approximately EUR 0.3 million); and
- Additional consideration for 2nd or 3rd place in the final standings of the First League championship (excluding VAT) of BGN 0.4 million (approximately EUR 0.2 million).

The table below sets forth receivables from and payables to related parties as of the dates indicated:

	As of March 31,		As of December 31,		
	2021	2020	2020	2019	2018
	(EUR thousand)				
Amounts due from related parties					
Total current receivables	52	73	135	58	—
Total non-current receivables	—	—	—	8	34
Total receivables from related parties	**52**	**73**	**135**	**66**	**34**
Amounts due to related parties					
Total current liabilities	—	4	8	29	76
Total liabilities to related parties	**—**	**4**	**8**	**29**	**76**

In addition to the above, for the three months ended March 31, 2021, the Company had a total EUR 7,709 thousand non-current receivables from Huvepharma Holdings B.V. (EUR 7,104 thousand for the year ended December 31, 2019 and EUR 7,104 thousand for the year ended December 31, 2020). This receivable was due to recharged bank fees.

Furthermore, for the three months ended March 31, 2021 and the years ended December 31, 2018, 2019 and 2020, the Company had nil, EUR 25 thousand, EUR 25 thousand and EUR 25 thousand payable to the Selling Shareholder. This payable was due to purchase of human resources services. See Note 21 of the Consolidated Financial Statements (Related Party Disclosures) for further information on the related party transactions.

Compensation of Key Management Personnel

The compensation of the Group's "key management personnel" for purposes of IFRS must be disclosed as a related party transaction under IFRS. Accordingly, this has been disclosed as a related party transaction in Note 21 of the Consolidated Financial Statements (Related Party Disclosures).

For the three months ended March 31, 2021, the total amount of compensation paid to key management personnel was EUR 1,299 thousand. For the years ended December 31, 2018, 2019 and 2020, the total amount of compensation paid to key management personnel was EUR 6,586 thousand, EUR 6,072 thousand and EUR 6,314 thousand, respectively.

For the three months ended March 31, 2021, the total amount of the retirement benefit provision related to the management personnel was EUR 42 thousand. For the years ended December 31, 2018, 2019 and 2020, the total amount of the retirement benefit provision related to the management personnel was EUR 42 thousand, EUR 42 thousand and EUR 42 thousand, respectively.

In addition, information on remuneration for the management team, which forms part of the Group's "key management personnel" for purposes of IFRS, can be found in the section "*Management, Employees and Corporate Governance—Board Remuneration*".

Relationship Agreement

The Selling Shareholder and the Company intend to enter into the Relationship Agreement, which will become effective as of the First Trading Date and will then be published on the Company's website (https://ir.huvepharma.com/esg/policies-charters).

The Relationship Agreement contains certain arrangements regarding the relationship between the Selling Shareholder and the Company as of the First Trading Date. Below is an overview of the material elements of the Relationship Agreement.

Composition of the Board

Under the Relationship Agreement, the Selling Shareholder will have the right to require the Company to cause the Board to nominate (i) one Executive Director and one Non-Executive Director designated by the Selling Shareholder, as long as the Selling Shareholder directly or indirectly continues to own at least 20% of the Company's issued share capital or (ii) one Non-Executive Director designated by the Selling Shareholder, as long as the Selling Shareholder directly or indirectly continues to own at least 10% (but less than 20%) of the Company's issued share capital.

Board resolutions

Pursuant to the Relationship Agreement, for as long as two Selling Shareholder Nominees serve on the Board and the Selling Shareholder directly or indirectly continues to own at least 20% of the Company's issued share capital, certain resolutions of the Board can only be passed with the affirmative vote of both Selling Shareholder Nominees (provided they are not incapacitated or unable to act and are not precluded from voting as a result of a conflict of interest with the Company as noted below or as a result of being involved in a related party transaction as defined by the DCC). Similarly, for as long as one Selling Shareholder Nominee serves on the Board and the Selling Shareholder directly or indirectly continues to own at least 10% of the Company's issued share capital, such resolutions of the Board can only be passed with the affirmative vote of such Selling Shareholder Nominee (provided he or she is not incapacitated or unable to act and are not precluded from voting as a result of a conflict of interest with the Company as noted below or as a result of being involved in a related party transaction as defined by the DCC). These arrangements relate to the following Board resolutions:

- Entering into or terminating a long-lasting alliance of the Company or of a dependent company either with another entity or partnership, or as a fully liable partner of a limited partnership or general partnership, if this alliance or termination is of significant importance for the Company;
- Disposing of assets of the Company in excess of 10% of the total asset value of the Company and its subsidiaries;
- Entering by the Company into a merger, demerger or consolidation;
- Material changes in the existing legal structure or organization structure of the group of the Company;
- The grant of rights to subscribe for ordinary shares in the capital of the Company;
- The limitation or exclusion of pre-emption rights for ordinary shares in the capital of the Company;
- Determining and changing the Company's dividend policy;
- The issue of new ordinary shares in the capital of the Company to be offered for listing;
- Reduction of the share capital of the Company;
- Variation of the rights attaching to any class of shares in the Company;
- Amendment, modification, restatement or any other change to the Company's constitutional documents and policies, including the Board Rules by any material and permanent change of the responsibilities within the Board;
- Appointment or removal of a Director or change to the size of the Board, the nomination and the exclusion of Board members, and the procedure for the designation, nomination or election of the Board or the constitution of any committee of the Board;
- Any action to dissolve, wind up or liquidate the Company; and
- Any change to the nature of the Company's business, including the introduction and commencement of a new line of business that is unrelated to the core business of the Company.

Orderly Market Arrangements

The Relationship Agreement states that, at any time after the expiry of the lock-up period, the Selling Shareholder is entitled to sell all or part of its Ordinary Shares. As long as the Selling Shareholder directly or indirectly continues to own at least 10% of the Company's issued share capital, subject to certain exceptions, it must notify the Company for any transfer involving Shares representing 3% or more of the Company's issued share capital.

In addition, the Relationship Agreement provides that, as long as the Selling Shareholder directly or indirectly continues to own at least 10% of the Company's issued share capital, the Selling Shareholder must allow the Company to participate in, and may require the Company to provide reasonable assistance with, an offering by the Selling Shareholder representing 10% of more of the Company's issued share capital at that time and which entails the Company's involvement in the form of a management road show and/or the preparation of a prospectus or similar offering document (a "**Fully Marketed Offering**"). If the Selling Shareholder requests the Company to assist on a Fully Marketed Offering, the Company and the Selling Shareholder shall cooperate in executing the Fully Marketed Offering to standards which are consistent with market practice for similar transactions. This will require the Company's assistance with documentation (including potentially a

prospectus), due diligence, comfort letters, listing requirements, road shows and marketing and any other reasonable requests from any underwriters or advisers in relation to such an offering. There can be only one Fully Marketed Offering initiated by the Selling Shareholder during any twelve month period.

THE OFFERING

Introduction

The Company is offering up to 15,000,000 New Offer Shares. The Selling Shareholder is offering up to 11,064,796 Existing Offer Shares, not including any Over-Allotment Shares. Assuming no exercise of the Over-Allotment Option, the Offer Shares will constitute not more than 13.04% of the Company's issued share capital. Assuming the Over-Allotment Option is fully exercised, the Offer Shares will constitute not more than 15.00% of the Company's issued share capital. The Offering consists solely of private placements: (i) in the EEA to Qualified Investors; (ii) in the United Kingdom that are directed only at "qualified investors" within the meaning of Article 2 of the Prospectus Regulation, as it forms part of domestic law in the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (a) who have professional experience in matters relating to investments falling within Article 19(5) of the Order 2005; (b) falling within Article 49(2)(a) to (d) of the Order; and (c) to whom it may otherwise lawfully be communicated; and (iii) in the United States to persons that are reasonably believed to be QIBs (as defined in Rule 144A under the US Securities Act, as amended). The Offering outside of the United States will be made in compliance with Regulation S under the US Securities Act. Prospective purchasers are hereby notified that sellers of the Shares may be relying on the exemption from the provisions of Section 5 of the US Securities Act provided by Rule 144A. The Offering is made only in those jurisdictions in which, and only to those persons to whom, the Offering may be lawfully made.

The Selling Shareholder expects to grant the Underwriters the Over-Allotment Option, exercisable up to 30 calendar days after the First Trading Date, pursuant to which the Stabilization Manager may require the Selling Shareholder to sell at the Offer Price up to 3,472,826 additional Over-Allotment Shares, comprising up to 15% of the total number of Offer Shares sold in the Offering, to cover over-allotments or short positions, if any, in connection with the Offering or to facilitate stabilization transactions. Pursuant to the Offer, the Selling Shareholder will experience a 6.03% dilution as a result of the issue of 22,906,272 Offer Shares (that is, its, his or her proportionate interest in the Company will decrease by 6.03%), if the Offer Price is set at the mid-point of the Offer Price Range (assuming no exercise of the Over-Allotment Option) and 8.14% if the Over-Allotment Option is exercised in full.

Selling Shareholder

The Selling Shareholder is Advance Properties OOD, a limited liability company incorporated and existing under Bulgarian law having its seat and registered address at 3A Nikolay Haitov Str., Izgrev area, Sofia 1113, and registered in the Commercial Register at the Bulgarian Registry Agency under registered number (UIC) 131159471.

Timetable

Subject to acceleration or extension of the timetable for, or withdrawal of, the Offering, the timetable below sets forth certain expected key dates for the Offering.

Event	Expected Date	Time CET
Start of Offering Period	June 24, 2021	9:00
End of Offering Period	June 30, 2021	14:00
Pricing and Allocation	July 1, 2021	
First Trading Date (trading on an "as-if-and-when-issued" basis on Euronext Amsterdam)	July 1, 2021	9:00
Settlement Date (payment and delivery)	July 5, 2021	

The Company and the Selling Shareholder, in consultation with the Joint Global Coordinators, reserves the right to accelerate or extend the Offering Period.

The Company and the Selling Shareholder, after consultation with the Joint Global Coordinators may adjust the dates, times and periods given in the timetable and throughout this Prospectus. If the Company should decide to do so, it will make this public through a press release, which will also be posted on the Company's website. Any other material alterations will be published through a press release that will also be posted on the Company's website and (if required) in a supplement to this Prospectus that is subject to the approval of the AFM.

Any extension of the timetable for the Offering will be published in a press release at least three hours before the end of the original Offering Period, provided that any extension will be for a minimum of one full day. Any

acceleration of the timetable for the Offering will be published in a press release at least three hours before the proposed end of the accelerated Offering Period. In any event, the Offering Period will be at least six business days.

Offer Price and Number of Offer Shares

The Offer Price is expected to be in the range of EUR 20.00 to EUR 25.75 (inclusive) per Offer Share. The Offer Price and the exact number of Offer Shares will be determined on the basis of a book building process. The Offer Price may be set within, above or below the Offer Price Range. The Offer Price Range is an indicative price range. The Offer Price and the exact number of Offer Shares offered will be determined by the Company and the Selling Shareholder, after close consultation with the Joint Global Coordinators, after the end of the Offering Period, including any acceleration or extension, on the basis of the book building process and taking into account economic and market conditions, a qualitative and quantitative assessment of demand for the Offer Shares, and other factors deemed appropriate.

The Offer Price, the exact numbers of Offer Shares to be sold and the maximum number of Over-Allotment Shares will be stated in the Pricing Statement, which will be published through a press release that will also be posted on the Company's website and filed with the AFM.

Change of the Offer Price Range or Number of Offer Shares

The Offer Price Range is an indicative price range. The Company and the Selling Shareholder after close consultation with the Joint Global Coordinators, reserve the right to change the Offer Price Range and/or to increase or decrease the maximum number of Offer Shares prior to Allocation. Any increase of the top end of the Offer Price Range, or the determination of an Offer Price above the Offer Price Range, on the last day of the Offering Period will result in the Offering Period being extended by at least two business days. Any increase of the top end of the Offer Price Range on the day prior to the last day of the Offering Period will result in the Offering Period being extended by at least one business day. Any change in the number of Offer Shares and/or the Offer Price Range will be announced in a press release that will be posted on the Company's website. Upon a change of the number of Offer Shares, references to Offer Shares in this Prospectus should be read as referring to the amended number of Offer Shares and references to Over-Allotment Shares should be read as referring to the amended number of Over-Allotment Shares.

Offering Period

Subject to acceleration or extension of the timetable for the Offering, prospective investors may subscribe for Offer Shares during the period commencing at 9:00 CET on June 24, 2021 and ending at 14:00 CET on June 30, 2021. In the event of an acceleration or extension of the Offering Period, pricing, allotment, admission and first trading of the Offer Shares, as well as payment (in euros) for and delivery of the Offer Shares in the Offering may be advanced or extended accordingly.

If a significant new factor, material mistake or material inaccuracy relating to the information included in this Prospectus, which may affect the assessment of the Offer Shares, arises or is noted before the closing of the Offering, a supplement to this Prospectus will be published in accordance with relevant provisions under the Prospectus Regulation. Such a supplement will be subject to the approval by the AFM in accordance with the Prospectus Regulation, and will be made public in accordance with the relevant provisions under the Prospectus Regulation. The summary shall also be supplemented, where necessary, to take into account new information included in the supplement.

Subscription and Allocation

The allocation of the Offer Shares is expected to take place after the closing of the Offering Period on or about July 1, 2021, subject to acceleration or extension of the timetable for the Offering. Allocation to investors who applied to subscribe for Offer Shares will be determined by the Company and the Selling Shareholder after close consultation with the Joint Global Coordinators, and full discretion will be exercised as to whether or not and how to allocate the Offer Shares subscribed for. There is no maximum or minimum number of Offer Shares for which prospective investors may subscribe and multiple (applications for) subscriptions are permitted. In the event that the Offering is over-subscribed, investors may receive fewer Offer Shares than they applied to subscribe for. The Company and the Selling Shareholder and the Underwriters may, at their own discretion and without stating the grounds therefor, reject any subscriptions wholly or partly. On or around the day that Allocation occurs, the Underwriters will notify Qualified Investors (or the relevant financial intermediary) of any allocation of Offer Shares made to them. Any monies received in respect of subscriptions

which are not accepted in whole or in part will be returned to the investors without interest and at the investors' risk.

Investors participating in the Offering will be deemed to have checked whether and to have confirmed they meet the requirements of the selling and transfer restrictions in "*Selling and Transfer Restrictions*". Each investor should consult that investor's own advisors as to the legal, tax, business, financial and related aspects of a purchase of Ordinary Shares.

Payment

Payment (in euros) for and delivery of the Offer Shares will take place on the Settlement Date, which is expected to be July 5, 2021, subject to acceleration or extension of the timetable for the Offering. Taxes and expenses, if any, must be borne by the investor (for more information see "*Taxation*"). Investors must pay the Offer Price in immediately available funds in full in euro on or before the Settlement Date.

Listing and Trading

Prior to the Offering, there has been no public market for the Ordinary Shares. Application has been made to list all of the Ordinary Shares on Euronext Amsterdam under the symbol "HUVE" with ISIN NL0015000DB1. Subject to acceleration or extension of the timetable for the Offering, trading on an "as-if-and-when-issued" basis in the Offer Shares is expected to commence on or about July 1, 2021. The Ordinary Shares will trade in euro on Euronext Amsterdam.

Delivery, Clearing and Settlement

The Ordinary Shares are registered shares which will be entered into the collection deposit and giro deposit on the basis of the Dutch Securities Giro Act. The Offer Shares will be delivered in book-entry form through the facilities of Euroclear Nederland. Application has been made for the Ordinary Shares to be accepted for clearance through the book-entry facilities of Euroclear Nederland. Euroclear Nederland has its offices at Herengracht 459-469, 1017 BS Amsterdam, the Netherlands.

Subject to acceleration or extension of the timetable for the Offer, the Settlement Date is expected to be July 5, 2021, the second business day following the First Trading Date (T+2). Delivery of the Offer Shares will take place on the Settlement Date, through the book-entry facilities of Euroclear Nederland, in accordance with its normal settlement procedures applicable to equity securities and against payment (in euros) for the Offer Shares and the Over-Allotment Shares, if applicable, in immediately available funds.

The closing of the Offering may not take place on the Settlement Date or at all if certain conditions or events referred to in the Underwriting Agreement are not satisfied or waived or occur on or prior to such date. See "*Plan of Distribution*".

If Settlement does not take place on the Settlement Date as planned or at all, the Offering may be withdrawn, in which case all subscriptions for Offer Shares will be disregarded, any allotments made will be deemed not to have been made and any subscription payments made will be returned without interest or other compensation. Any dealings in Ordinary Shares prior to Settlement are at the sole risk of the parties concerned. Neither the Company, the Underwriters, the Listing and Paying Agent nor Euronext Amsterdam N.V. accept any responsibility or liability for any loss incurred by any person as a result of a withdrawal of the Offering or the (related) annulment of any transactions in Ordinary Shares on Euronext Amsterdam.

Restrictions on the transfer of Ordinary Shares are set out in "*Selling and Transfer Restrictions*".

Voting Rights

Each Share confers the right to cast one vote in the General Meeting, see "*Description of Share Capital—General Meetings and Voting Rights*". All Shareholders have the same voting rights.

Ranking and Dividends

The Offer Shares and, if the Over-Allotment Option will be exercised, any Over-Allotment Shares will, upon issue, rank equally in all respects. The Offer Shares will carry dividend rights as of the date of issue. See "*Dividend Policy*".

Dilution

The issuance of the Offer Shares will result in the Company's share capital increasing by approximately 9.23%. The Offer Shares will consist of 15,000,000 Ordinary Shares offered by the Company and up to 11,064,796 Ordinary Shares offered by the Selling Shareholder. Accordingly, the Selling Shareholder will suffer an immediate dilution as a result of the Offering of approximately 6.03%.

Listing and Paying Agent

ING Bank N.V. is the Listing and Paying Agent with respect to the Ordinary Shares on Euronext Amsterdam.

Stabilization Manager

Citigroup is the Stabilization Manager with respect to the Ordinary Shares on Euronext Amsterdam.

Fees and Expenses of the Offering

No expenses or taxes will be charged by each of the Company and the Selling Shareholder in respect of the Offering.

PLAN OF DISTRIBUTION

Underwriting

The Company, the Selling Shareholder and the Joint Global Coordinators (including as representative for and on behalf of the Joint Bookrunners and Co-Lead Managers) will enter into the Underwriting Agreement, which is expected to be supplemented and amended by the Pricing Agreement among the parties to the Underwriting Agreement setting forth the final Offer Price, the number of Offer Shares and the purchase commitments of each Underwriter, provided that the Offering has not been terminated prior thereto in accordance with the terms of the Underwriting Agreement and the Pricing Agreement.

Under the terms and subject to the conditions set forth in the Underwriting Agreement, the Underwriters will severally agree to procure purchasers for the Offer Shares or, failing which, to purchase the Offer Shares themselves, and the Company will agree to issue and sell the Offer Shares to purchasers procured by the Underwriters or, failing which, to the Underwriters themselves.

Subject to the satisfaction of these conditions precedent, the proportion of Offer Shares that the Underwriters will be required to purchase is indicated below.

Underwriters	Underwriting Commitment of Offer Shares
J.P. Morgan	35.0%
BNP PARIBAS	35.0%
Citigroup	12.5%
ING	5.0%
UniCredit Corporate & Investment Banking	5.0%
KBC Securities	2.5%
Rabobank	2.5%
Raiffeisen Bank International	2.5%
Total	**100%**

In the Underwriting Agreement, the Company and the Selling Shareholder make certain representations and warranties. In addition, the Company will indemnify the Underwriters against certain liabilities in connection with the Offering.

The Underwriting Agreement will provide that the obligations of the Underwriters to procure purchasers for or, failing which, to purchase the Offer Shares themselves, are subject to, among other things, the following conditions: (i) the execution of the Pricing Agreement by the parties to the Underwriting Agreement, (ii) receipt of opinions on certain legal matters from counsel, (iii) receipt of customary officers' certificates, (iv) compliance with the Underwriting Agreement in all material respects, (v) AFM's approval of this Prospectus being in full force and effect, (vi) certain other customary conditions, including the representations and warranties of the Company and the Selling Shareholder remaining accurate as of the date of this Prospectus, the Pricing Agreement and the First Trading Date, and (vii) the Company not having published an amendment or supplement to this Prospectus.

Upon the occurrence of certain specific events, such as (i) any of the conditions precedent not being satisfied or waived, (ii) a breach of any representation, warranty or undertaking of the Underwriting Agreement or (iii) a statement in this Prospectus being untrue, inaccurate or misleading or a new matter having arisen that constitutes a material omission from this Prospectus, the Joint Global Coordinators may elect to terminate the Underwriting Agreement at any time prior to the First Trading Date (or thereafter, in respect of the Over-Allotment Option only).

In consideration of the agreement by the Underwriters to procure purchasers for the Offer Shares or, failing which, to purchase the Offer Shares themselves, at the Offer Price and subject to the Offer Shares being sold as provided for in the Underwriting Agreement, the Company has agreed to pay the Underwriters an aggregate commission of 1.75% of the gross proceeds of the Offering (including, if applicable, any gross proceeds from the sale of the Offer Shares pursuant to the exercise of the Over-Allotment Option). This does not include any incentive fees, which may be paid to the Underwriters at the discretion of the Company. The Company and the Selling Shareholder have also agreed to reimburse the Underwriters for certain expenses incurred by them in connection with the Offering.

The Offer Shares have not been and will not be registered under the US Securities Act or the applicable securities laws of any state of the US and may not be offered, sold, pledged or transferred within the US, except pursuant to an applicable exemption from, or in a transaction not subject to, the registration

requirements of the US Securities Act. The Offer Shares may be offered and sold: (i) in the US only to persons reasonably believed to be QIBs in reliance on Rule 144A or pursuant to another exemption from, or in a transaction not subject to, the registration requirement under the US Securities Act and applicable state securities laws; and (ii) outside the US in "offshore transactions" as defined in, and in compliance with Regulation S. Any offer or sale of Offer Shares in reliance on Rule 144A will be made by broker dealers who are registered as such under the Exchange Act. Terms used in this paragraph have the meanings given to them by Regulation S and Rule 144A.

The Underwriting Agreement provides that the Banks may directly or through their respective US broker-dealer affiliates arrange for the offer and resale of Ordinary Shares within the United States only to QIBs in reliance on Rule 144A or another exemption from, or transaction not subject to, the registration requirements of the US Securities Act.

Potential Conflicts of Interests

The Underwriters are acting exclusively for the Company and/or the Selling Shareholder and for no one else and will not regard any other person (whether or not a recipient of this Prospectus) as their respective clients in relation to the Offering and will not be responsible to anyone other than to the Company and/or the Selling Shareholder for giving advice in relation to the Offering and for the listing and trading of the Ordinary Shares and/or any other transaction or arrangement referred to in this Prospectus.

The Underwriters and/or their respective affiliates have in the past been engaged, and may in the future, from time to time, engage in commercial banking, investment banking and financial advisory and ancillary activities in the ordinary course of their business with the Company, the Selling Shareholder or any parties related to any of them, in respect of which they have received, and may in the future receive, customary fees and commissions.

In connection with the Offering, the Underwriters and any of their respective affiliates, acting as an investor for its own account, may take up Offer Shares in the Offering and in that capacity may retain, purchase or sell for its own account such securities and any Offer Shares or related investments and may offer or sell such Offer Shares or other investments otherwise than in connection with the Offering. Accordingly, references in this Prospectus to Offer Shares being offered or placed should be read as including any offering or placement of Offer Shares to the Underwriters or any of their respective affiliates acting in such capacity. The Underwriters do not intend to disclose the extent of any such investment or transactions otherwise than pursuant to any legal or regulatory obligation to do so. In addition the Underwriters or their affiliates may enter into financing arrangements (including swaps) with investors in connection with which the Underwriters (or their affiliates) may from time to time acquire, hold or dispose of Offer Shares.

On August 15, 2014, Huvepharma International B.V., as the parent (the "**Parent**"), executed a facilities agreement with Citibank Europe PLC, the UK Branch acting as the agent, Citibank N.A., London Branch acting as the security agent, and Rabobank Antwerp, BNP Paribas S.A., Sofia Branch, UniCredit Bulbank AD and ING Bank N.V., Sofia Branch as the co-arrangers ("**Lenders**").

Rabobank Antwerp, BNP Paribas S.A., Sofia Branch and UniCredit Bulbank AD, an affiliate of UniCredit Bank AG Milan Branch, are the lending banks and co-arrangers of the Syndicated Facility Agreement dated August 15, 2014, currently in place with Huvepharma International B.V and subsidiaries within the Huvepharma Group amounting to EUR 540,000,000 as of March 31, 2021. Of the total amount of EUR 540,000,000, EUR 415,378,296 remains outstanding as of the date of this Prospectus. The Company intends to repay amounts outstanding under the revolving credit facilities with part of the proceeds from the Offering.

As a result of acting in the capacities described above, the Underwriters may have interests that may not be aligned, or could potentially conflict, with investors' and the Company's and the Selling Shareholder's interests.

Lock-up Arrangements

The Joint Global Coordinators may, in their sole discretion and at any time, waive the restrictions, including those on sales, issuances or transfers of Ordinary Shares, described below.

Pursuant to the Underwriting Agreement, the Company has agreed with the Joint Global Coordinators that, for a period of 180 days after the First Trading Date (the lock-up period), it will not, except as set forth below, without the prior written consent of the Joint Global Coordinators (acting on behalf of the Underwriters), (A) directly or indirectly, issue, offer, pledge, sell, contract to sell, sell or grant any option, right, warrant or contract to purchase, exercise any option to sell, purchase any option or contract to sell, or lend or otherwise

transfer or dispose of, directly or indirectly, any Ordinary Shares or other shares of the Company or any securities convertible into or exercisable or exchangeable for, or substantially similar to, Ordinary Shares or other shares of the Company or file any registration statement under the Securities Act or any similar document with any other securities regulator, stock exchange or listing authority with respect to any of the foregoing; (B) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of any Ordinary Shares or other shares of the Company or otherwise has the same economic effect as (A), whether any such transaction in the case of (A) and (B) is to be settled by delivery of Ordinary Shares or such other securities, in cash or otherwise; (C) publicly announce such an intention to effect any such transaction; or (D) submit to its shareholders or any other body of the Company a proposal to effect any of the foregoing.

The foregoing shall not apply to (i) the granting of awards in options or Ordinary Shares by the Company or the issuance of Ordinary Shares upon exercise of options granted by the Company, in each case pursuant to employee incentive schemes or (ii) the issue of the New Offer Shares.

Pursuant to the Underwriting Agreement, the Selling Shareholder has agreed with the Underwriters that, for a period of 180 days after the First Trading Date (the lock-up period), it will not, except as set forth below, without the prior written consent of the Joint Global Coordinators (acting on behalf of the Underwriters), (A) directly or indirectly, offer, pledge, sell, contract to sell, sell or grant any option, right, warrant or contract to purchase, exercise any option to sell, purchase any option or contract to sell, or lend or otherwise transfer or dispose of, directly or indirectly, any Ordinary Shares or other shares of the Company or any securities convertible into or exercisable or exchangeable for, or substantially similar to, Ordinary Shares or other shares of the Company or request or demand that the Company file any registration statement under the Securities Act or any similar document with any other securities regulator, stock exchange or listing authority with respect to any of the foregoing; (B) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of any Ordinary Shares or other shares of the Company or otherwise has the same economic effect as (A), whether any such transaction in the case of (A) and (B) is to be settled by delivery of Ordinary Shares or such other securities, in cash or otherwise; (C) publicly announce such an intention to effect any such transaction; or (D) submit to its or the Company's shareholders or any other body of the Company a proposal to effect any of the foregoing.

The foregoing shall not apply to: (i) the sale of the Existing Offer Shares in the Offering; (ii) the lending of Ordinary Shares to Stabilization Manager (acting on behalf of the Underwriters) pursuant to the Stock Lending Agreement; (iii) an acceptance of a general offer for the ordinary share capital of the Company made in accordance with the Dutch Financial Supervision Act or the provision of an irrevocable undertaking to accept such an offer, provided that the Joint Global Coordinators shall be notified in advance in writing two Business Days prior to such acceptance or undertaking; or (iv) any transfer of Ordinary Shares by the Selling Shareholder to any of (A) its subsidiaries or subsidiary undertakings or (B) its affiliates or to any investment fund or other entity controlled or managed by the Selling Shareholder or any of the entities referred to in (A), provided that prior to any such transfer the transferee shall have agreed to be bound by the foregoing restrictions for the remainder of the lock-up period.

Over-Allotment and Stabilization

In connection with the Offering, Citigroup, as the Stabilization Manager, or any of its agents may (but will be under no obligation to), to the extent permitted by applicable law, over-allot Ordinary Shares or effect other transactions with a view to supporting the market price of the Ordinary Shares at a higher level than that which might otherwise prevail in the open market. The Stabilization Manager will not be required to enter into such transactions and such transactions may be effected on any securities market, over-the-counter market, stock exchange (including Euronext Amsterdam) or otherwise and may be undertaken at any time during the period commencing on the First Trading Date and ending no later than 30 calendar days thereafter. The Stabilization Manager or any of its agents will not be obligated to effect stabilizing transactions, and there will be no assurance that stabilizing transactions will be undertaken. Such stabilizing transactions, if commenced, may be discontinued at any time without prior notice. Save as required by law or regulation, neither the Stabilization Manager nor any of its agents intends to disclose the extent of any over-allotments made and/or stabilization transactions under the Offering. The Underwriting Agreement will provide that the Stabilization Manager may, for purposes of stabilizing transactions, over-allot Ordinary Shares up to 15% of the total number of Offer Shares sold in the Offering. The Underwriting Agreement will provide that to the extent the Stabilization Manager earns any profit as a result of stabilizing transactions, it shall remit such profit to the Selling Shareholder, and that any loss resulting from stabilizing transactions will be for the account of the Underwriters.

In connection with the Over-Allotment Option, up to 15% of the total number of Offer Shares will be made available to the Stabilization Manager for the account of the Joint Global Coordinators by the Selling Shareholder through a securities loan to be entered into on or around the date of the Underwriting Agreement (the "**Stock Lending Agreement**").

None of the Company, the Selling Shareholder or the Underwriters makes any representation or prediction as to the direction or the magnitude of any effect that the transactions described above may have on the price of the Ordinary Shares or any other securities of the Company. In addition, none of the Company, the Selling Shareholder or the Underwriters makes any representation that the Stabilization Manager will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

SELLING AND TRANSFER RESTRICTIONS

No action has been taken by the Company, the Selling Shareholder or the Underwriters that would permit, other than pursuant to the Offering, an offer of the Offer Shares or possession or distribution of this Prospectus or any other offering material in any jurisdiction where action for that purpose is required. The distribution of this Prospectus and the offer of the Offer Shares in certain jurisdictions may be restricted by law.

Persons into whose possession this Prospectus comes should inform themselves about and observe any such restrictions, including those in the paragraphs that follow. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdictions.

United States

The Offer Shares have not been and will not be registered under the US Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States, and, subject to certain exceptions, may not be offered or sold within the United States.

In the United States, the Offer Shares will be sold only to persons reasonably believed to be QIBs in reliance on Rule 144A under the US Securities Act. All offers and sales of the Offer Shares outside the United States will be made in compliance with Regulation S under the US Securities Act.

In addition, until the end of the 40th calendar day after commencement of the offering, an offering or sale of Offer Shares within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the US Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

Rule 144A

Each purchaser of the Offer Shares within the United States pursuant to Rule 144A, by accepting delivery of this Prospectus, will be deemed to have represented, agreed and acknowledged that:

(i) It is (a) a QIB (b) acquiring such Offer Shares for its own account or for the account of a QIB and (c) aware, and each beneficial owner of such Offer Shares has been advised, that the sale of such Offer Shares to it is being made in reliance on Rule 144A.

(ii) It understands that such Offer Shares have not been and will not be registered under the US Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or for the account of a QIB, (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S or (c) pursuant to an exemption from registration under the US Securities Act provided by Rule 144 thereunder (if available), in each case in accordance with any applicable securities laws of any State of the United States.

(iii) The Offer Shares are "restricted securities" within the meaning of Rule 144(a)(3) and no representation is made as to the availability of the exemption provided by Rule 144 for resales of any Offer Shares.

(iv) It understands that such Offer Shares (to the extent they are in certificated form), unless otherwise determined by the Company in accordance with applicable law, will bear a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE US SECURITIES ACT OF 1933 (THE "US SECURITIES ACT") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE US SECURITIES ACT ("RULE 144A") TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE US SECURITIES ACT OR (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE US SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE

EXEMPTION PROVIDED BY RULE 144 UNDER THE US SECURITIES ACT FOR RESALES OF THIS SECURITY.

(v) The Company, the Underwriters and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. If it is acquiring any Offer Shares for the account of one or more QIBs, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

(vi) The purchaser will not deposit or cause to be deposited such Offer Shares into any depositary receipt facility established or maintained by a depositary bank other than a Rule 144A restricted depositary receipt facility, so long as such Offer Shares are "restricted securities" within the meaning of Rule 144(a)(3).

(vii) The Company shall not recognize any offer, sale, pledge or other transfer of the Offer Shares made other than in compliance with the above-stated restrictions.

Prospective purchasers are hereby notified that sellers of the Offer Shares may be relying on the exemption from the provisions of Section 5 of the US Securities Act provided by Rule 144A.

Regulation S

Each purchaser of the Offer Shares outside of the United States pursuant to Regulation S, by its acceptance of delivery of this Prospectus and the Offer Shares, will be deemed to have represented, agreed and acknowledged as follows:

- The purchaser is, or at the time the Offer Shares were purchased will be, the beneficial owner of such Offer Shares and (i) is, and the person, if any, for whose account it is acquiring the Offer Shares is, outside the United States, (ii) is not an affiliate of the company or a person acting on behalf of such an affiliate, and (iii) is not in the business of buying or selling securities or, if it is in such business, it did not acquire such Offer Shares from the company or an affiliate thereof in the initial distribution of such Offer Shares.
- The purchaser is aware that such Offer Shares (i) have not been and will not be registered under the US Securities Act or with any securities regulatory authority of any state or other jurisdiction within the United States; and (ii) are being sold in accordance with Rule 903 or 904 of Regulation S and is purchasing such Offer Shares in an "offshore transaction" in reliance on Regulation S.
- The purchaser acknowledges that the Company, the Selling Shareholder, the Underwriters and their respective affiliates will rely upon the truth and accuracy of the acknowledgements, representations and agreements in the foregoing paragraphs.
- The purchaser is aware of the restrictions on the offer and sale of the Offer Shares pursuant to Regulation S described in this Prospectus.
- The Company shall not recognize any offer, sale, pledge or other transfer of the Offer Shares made other than in compliance with the above-stated restrictions.

European Economic Area

In relation to each state which is a party to the agreement relating to the European Economic Area ("**EEA**") (a "**Member State**"), with effect from and including the date on which the Prospectus Regulation enters into effect in that Member State, an offer to the public of any Offer Shares which are the subject of the Offering contemplated by this Prospectus may not be made in that Member State, except that an offer in that Member State of any Offer Shares may be made to a Qualified Investor.

No such offer of the Offer Shares shall require the Company or any Underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Regulation.

Each person in a Member State who acquires any Offer Shares in the Offering or to whom any offer is made will be deemed to have represented, acknowledged and agreed to and with the Company and the Underwriters that it is a Qualified Investor. In the case of any Offer Shares being offered to a financial intermediary as that term is used in Article 5(1) of the Prospectus Regulation, each such financial intermediary will be deemed to have represented, acknowledged and agreed to and with the Company and the Underwriters that the Offer Shares acquired by it in the offer have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer to the public. In addition, each financial intermediary will be deemed to have represented, acknowledged

and agreed that an offer or resale in a Member State is only allowed if that offer or resale is made to Qualified Investors, in circumstances in which the prior consent of the Joint Global Coordinators has been obtained to each such proposed offer or resale.

The Company and the Underwriters and their affiliates will rely upon the truth and accuracy of the foregoing representations, acknowledgements and agreements.

For the purposes of this provision, the expression an "offer" in relation to any Offer Shares in any Member State means the communication in any form and by any means of sufficient information on the terms of the Offering and any Offer Shares to be offered so as to enable an investor to decide to purchase any Offer Shares.

United Kingdom

In the United Kingdom, this Prospectus is being distributed only to, and is directed only at, persons who: (i) have professional experience in matters relating to investments falling within the definition of "investment professionals" in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Order**"); (ii) are high net worth bodies corporate, unincorporated associations and partnerships and the trustees of high value trusts, as described in Article 49(2) of the Order; (iii) the Company believes on reasonable grounds to be persons to whom Article 49(2) of the Order applies for these purposes; or (iv) other persons to whom it may lawfully be communicated (all such persons being referred to in (i), (ii), (iii) and (iv) are defined as "**Relevant Persons**"). In the United Kingdom, any investment or investment activity to which this Prospectus relates is only available to and will only be engaged in with Relevant Persons. Any other persons who receive this Prospectus should not rely on or act upon it.

No offer of the Offer Shares which are the subject of the Offering contemplated by this Prospectus may be made to the public in the United Kingdom except that an offer may be made to the public in the United Kingdom:

(a) at any time to any legal entity which is a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**");

(b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA) in the United Kingdom subject to obtaining the prior consent of the relevant Joint Global Coordinators nominated by the Company for any such offer; or

(c) at any time in any other circumstances falling within section 86 of the Financial Services and Markets Act 2000 (the "**FSMA**"),

provided that no such offer of Offer Shares referred to in (a) and (c) above shall require the Company or any Underwriter to publish a prospectus pursuant to section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA.

For the purposes of this provision, the expression "an offer of Offer Shares to the public" in relation to any Offer Shares means the communication in any form and by any means of sufficient information on the terms of the offer and the Offer Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Offer Shares.

Australia

This document (a) does not constitute a prospectus or a product disclosure statement under the Corporations Act 2001 of the Commonwealth of Australia ("**Corporations Act**"); (b) does not purport to include the information required of a prospectus under Part 6D.2 of the Corporations Act or a product disclosure statement under Part 7.9 of the Corporations Act; has not been, nor will it be, lodged as a disclosure document with the Australian Securities and Investments Commission ("**ASIC**"), the Australian Securities Exchange operated by ASX Limited or any other regulatory body or agency in Australia; and (c) may not be provided in Australia other than to select investors ("**Exempt Investors**") who are able to demonstrate that they (i) fall within one or more of the categories of investors under section 708 of the Corporations Act to whom an offer may be made without disclosure under Part 6D.2 of the Corporations Act, and (ii) are "wholesale clients" for the purpose of section 761G of the Corporations Act.

The Offer Shares may not be directly or indirectly offered for subscription or purchased or sold, and no invitations to subscribe for, or buy, the Offer Shares may be issued, and no draft or definitive offering memorandum, advertisement or other offering material relating to any Offer Shares may be distributed,

received or published in Australia, except where disclosure to investors is not required under Chapters 6D and 7 of the Corporations Act or is otherwise in compliance with all applicable Australian laws and regulations. By submitting an application for the Offer Shares, each purchaser or subscriber of Offer Shares represents and warrants to the Company, the Selling Shareholder, the Underwriters and their affiliates that such purchaser or subscriber is an Exempt Investor.

As any offer of Offer Shares under this document, any supplement or the accompanying prospectus or other document will be made without disclosure in Australia under Parts 6D.2 and 7.9 of the Corporations Act, the offer of those Offer Shares for resale in Australia within 12 months may, under the Corporations Act, require disclosure to investors if none of the exemptions in the Corporations Act applies to that resale. By applying for the Offer Shares each purchaser or subscriber of Offer Shares undertakes to the Company, the Selling Shareholder and the Underwriters that such purchaser or subscriber will not, for a period of 12 months from the date of issue or purchase of the Offer Shares, offer, transfer, assign or otherwise alienate those Offer Shares to investors in Australia except in circumstances where disclosure to investors is not required under the Corporations Act or where a compliant disclosure document is prepared and lodged with ASIC.

Canada

The Offer Shares may be sold in Canada only to purchasers resident or located in the Provinces of Ontario, Québec, Alberta and British Columbia, purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Offer Shares must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this document (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 Underwriting Conflicts ("**NI 33-105**"), the Underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this Offering.

Japan

The Offer Shares have not been and will not be registered under the Financial Instruments and Exchange Law, as amended (the "**FIEL**"). This document is not an offer of securities for sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or entity organized under the laws of Japan) or to others for reoffer or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exception from the registration requirements under the FIEL, and otherwise in compliance with the FIEL and other relevant laws and otherwise in compliance with such law and any other applicable laws, regulations or ministerial guidelines of Japan.

Hong Kong

The Offer Shares will not be offered or sold in Hong Kong, by means of any document, other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No advertisement, invitation or document relating to the Offer Shares, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong has been issued or has been possessed for the purposes of issue, or will be issued or possessed for the purposes of issue, whether in Hong Kong or elsewhere (except if permitted to do so under the securities laws of Hong Kong), other than with respect to Offer Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to

"professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance

Singapore

This Prospectus has not been and will not be registered as a prospectus with the Monetary Authority of Singapore and the securities will be offered pursuant to exemptions under the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"). Accordingly, this Prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the securities may not be circulated or distributed, nor may the securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (1) to an institutional investor under Section 274 of the SFA; (2) to a relevant person pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions, specified in Section 275 of the SFA or (3) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA. Where the securities are subscribed or purchased under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor) (as defined in Section 4A of the SFA) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for six months after that corporation or that trust has acquired the securities under Section 275 of the SFA except: (i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA; (ii) where no consideration is or will be given for the transfer; (iii) where the transfer is by operation of law; (iv) as specified in Section 276(7) of the SFA; or (v) as specified in Regulation 32 of the Securities and Futures (Offers and Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Qatar

This Prospectus and any other material in relation to the Offering do not, and are not intended to, constitute an invitation or an offer of securities in the State of Qatar (including the Qatar Financial Centre) and accordingly should not be construed as such. The Offer Shares have not been, and shall not be, offered, sold or delivered at any time, directly or indirectly, in the State of Qatar. Any offering of the Offer Shares shall not constitute a public offer of securities in the State of Qatar. By receiving this document, the person or entity to whom it has been provided understands, acknowledges and agrees that: (i) neither this document nor the Offer Shares have been registered, considered, authorised or approved by the Qatar Central Bank, the Qatar Financial Markets Authority, the Qatar Financial Centre Regulatory Authority or any other authority or agency in the State of Qatar; (ii) neither the Company, the Selling Shareholder, nor persons representing them are authorised or licensed by the Qatar Central Bank, the Qatar Financial Markets Authority, the Qatar Financial Centre Regulatory Authority or any other authority or agency in the State of Qatar, to market or sell the Offer Shares within the State of Qatar; (iii) this document may not be provided to any person other than the original recipient and is not for general circulation in the State of Qatar; and (iv) no agreement relating to the sale of the Offer Shares shall be consummated within the State of Qatar. No marketing of the Offer Shares has been or will be made from within the State of Qatar and no subscription to the Offer Shares may or will be consummated within the State of Qatar. Any applications to invest in the Offer Shares shall be received from outside of Qatar. This document shall not form the basis of, or be relied on in connection with, any contract in Qatar. Neither the Company, the Selling Shareholder, nor any person representing them are, by distributing this document, advising individuals resident in the State of Qatar as to the appropriateness of investing in or purchasing securities or other financial products. Nothing contained in this document is intended to constitute investment, legal, tax, accounting or other professional advice in, or in respect of, the State of Qatar

UAE (excluding the DIFC and ADGM)

The Offer Shares have not been and will not be offered, sold or publicly promoted or advertised in the United Arab Emirates other than in compliance with any laws applicable in the United Arab Emirates governing the issue, offering, promotion and sale of securities.

DIFC

This Prospectus relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority ("DFSA"). This Prospectus is intended for distribution only to persons of a type specified in the Offered Securities Rules of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this Prospectus nor taken steps to verify the information set forth herein and has no responsibility for the Prospectus. The Offer Shares to which this Prospectus relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the Offer Shares offered should conduct their own due diligence on the Offer Shares. If you do not understand the contents of this Prospectus you should consult an authorised financial advisor.

South Africa

No "offer to the public" (as such term is defined in the South African Companies Act, 71 of 2008, as amended (the "South African Companies Act")) in South Africa is being made in connection with the issue of the Shares and accordingly the Prospectus does not, nor does it intend to, constitute a "registered prospectus", as contemplated in chapter 4 of the South African Companies Act. No South African residents or other offshore subsidiaries may subscribe for or purchase any Shares or beneficially own or hold any Shares unless such subscription, purchase or beneficial holding or ownership is pursuant to Section 96(1) of the South African Companies Act, or is otherwise permitted under the South African Exchange Control Regulations or the rulings or policies of the South African Reserve Bank or applicable law.

Information made available in the Prospectus should not be considered as "advice" as defined in the South African Financial Advisory and Intermediary Services Act, 2002.

TAX WARNING

Potential investors and sellers of Ordinary Shares should be aware that they may be required to pay stamp taxes or other documentary taxes or fiscal duties or charges in accordance with the laws and practices of the country where the Offer Shares are transferred or other jurisdictions. In addition, dividends distributed on the Offer Shares, or income derived from the Offer Shares, may be subject to taxation, including withholding taxes, in the jurisdiction of the Company, in the jurisdiction of the holder of Offer Shares, or in other jurisdictions in which the holder of Offer Shares may be required to pay taxes (including, but not limited to, as a result of the Company being determined to be a tax resident of such other jurisdiction). Any such tax consequences may have an impact on the net income received from the Offer Shares.

Prospective investors should carefully consider the tax consequences of investing in the Offer Shares and consult their own tax adviser about their own tax situation. Finally, potential investors should be aware that tax regulations and their application by the relevant taxation authorities change from time to time, with or without retroactive effect. Accordingly, it is not possible to predict the precise tax treatment which will apply at any given time.

CERTAIN MATERIAL DUTCH TAX CONSIDERATIONS

Scope of Discussion

The following is a general summary of certain material Dutch tax consequences of the acquisition, holding and disposal of the Offer Shares. This summary does not purport to describe all possible tax considerations or consequences that may be relevant to a holder or prospective holder of Offer Shares and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as trusts or similar arrangements) may be subject to special rules. In view of its general nature, this general summary should be treated with corresponding caution.

This summary is based on the tax laws of the Netherlands, published regulations thereunder and published authoritative case law, all as in effect on the date hereof, and all of which are subject to change, possibly with retroactive effect. Where the summary refers to "the Netherlands" or "Dutch" it refers only to the part of the Kingdom of the Netherlands located in Europe.

This discussion is for general information purposes only and is not Dutch tax advice or a complete description of all Dutch tax consequences relating to the acquisition, holding and disposal of the Offer Shares. Holders or prospective holders of Offer Shares should consult their own tax advisers regarding the Dutch tax consequences relating to the acquisition, holding and disposal of the Offer Shares in light of their particular circumstances.

Please note that this summary does not describe the Dutch tax consequences for:

(i) a holder of Offer Shares if such holder, and in the case of individuals, such holder's partner or certain of its relatives by blood or marriage in the direct line (including foster children), has a substantial interest (*aanmerkelijk belang*) or deemed substantial interest (*fictief aanmerkelijk belang*) in the Company under the Dutch Income Tax Act 2001 (*Wet inkomstenbelasting 2001*). Generally speaking, a holder of securities in a company is considered to hold a substantial interest in such company, if such holder alone or, in the case of individuals, together with such holder's partner (as defined in the Dutch Income Tax Act 2001), directly or indirectly, holds (i) an interest of 5% or more of the total issued and outstanding capital of that company or of 5% or more of the issued and outstanding capital of a certain class of shares of that company; or (ii) rights to acquire, directly or indirectly, such interest; or (iii) certain profit sharing rights in that company that relate to 5% or more of the company's annual profits or to 5% or more of the company's liquidation proceeds. A deemed substantial interest may arise if a substantial interest (or part thereof) in a company has been disposed of, or is deemed to have been disposed of, on a non-recognition basis;

(ii) a holder of Offer Shares, if the Offer Shares held by such holder qualify or qualified as a participation (*deelneming*) for purposes of the Dutch Corporate Income Tax Act 1969 (*Wet op de vennootschapsbelasting 1969*). Generally, a holder's shareholding of 5% or more in a company's nominal paid-up share capital qualifies as a participation. A holder may also have a participation if (a) such holder does not have a shareholding of 5% or more but a related entity (statutorily defined term) has a participation or (b) the company in which the shares are held is a related entity (statutorily defined term);

(iii) pension funds, investment institutions (*fiscale beleggingsinstellingen*) and exempt investment institutions (*vrijgestelde beleggingsinstellingen*) (each defined in the Dutch Corporate Income Tax Act 1969) and other entities that are, in whole or in part, not subject to or exempt from Dutch corporate income tax as well as entities that are exempt from corporate income tax in their country of residence, such country of residence being another state of the European Union, Norway, Liechtenstein, Iceland or any other state with which the Netherlands has agreed to exchange information in line with international standards; and

(iv) a holder of Offer Shares who is an individual for whom the Offer Shares or any benefit derived from the Offer Shares is a remuneration or deemed to be a remuneration for activities performed by such holder or certain individuals related to such holder (as defined in the Dutch Income Tax Act 2001).

Withholding tax

Dividends distributed by the Company generally are subject to Dutch dividend withholding tax at a rate of 15%. Generally, the Company is responsible for the withholding of such dividend withholding tax at source; the Dutch dividend withholding tax is for the account of the holder of Offer Shares.

The expression "dividends distributed" includes, among other things:

- distributions of profits in cash or in kind, deemed and constructive distributions and repayments of paid-in capital not recognized for Dutch dividend withholding tax purposes;
- liquidation proceeds, proceeds of redemption of Offer Shares, or proceeds of the repurchase of Offer Shares by the Company or one of our subsidiaries or other affiliated entities, other than as a temporary investment (*tijdelijke belegging*), to the extent such proceeds exceed the average paid-in capital of those Offer Shares as recognized for purposes of Dutch dividend withholding tax;
- an amount equal to the nominal value of Offer Shares issued or an increase of the nominal value of Offer Shares, to the extent that it does not appear that a contribution, recognized for purposes of Dutch dividend withholding tax, has been made or will be made; and
- partial repayment of the paid-in capital, recognized for purposes of Dutch dividend withholding tax, if and to the extent that the Company has net profits (*zuivere winst*), unless (i) the general meeting has resolved in advance to make such repayment and (ii) the nominal value of the Offer Shares concerned has been reduced by an equal amount by way of an amendment of the Company's articles of association.

Individuals and corporate legal entities who are resident or deemed to be resident of the Netherlands for Dutch tax purposes, generally are entitled to an exemption of or a credit for any Dutch dividend withholding tax against their income tax or corporate income tax liability and to a refund of any residual Dutch dividend withholding tax. The same generally applies to holders of Offer Shares that are neither resident nor deemed to be resident of the Netherlands if the Offer Shares are attributable to a Dutch permanent establishment of such non-resident holder.

A holder of Offer Shares that is resident of a country other than the Netherlands may, depending on such holder's specific circumstances, be entitled to exemptions from, reductions of, or full or partial refunds of, Dutch dividend withholding tax under Dutch national tax legislation or a double taxation convention in effect between the Netherlands and such other country.

Remittance to the Dutch tax authorities

In general, the Company will be required to remit all amounts withheld as Dutch dividend withholding tax to the Dutch tax authorities. However, under certain circumstances, the Company is allowed to reduce the amount to be remitted to the Dutch tax authorities by the lesser of:

- 3% of the portion of the distribution paid by the Company that is subject to Dutch dividend withholding tax; and
- 3% of the dividends and profit distributions, before deduction of foreign withholding taxes, received by the Company from qualifying foreign subsidiaries in the current calendar year (up to the date of the distribution by the Company) and the two preceding calendar years, as far as such dividends and profit distributions have not yet been taken into account for purposes of establishing the above mentioned reduction.

Although this reduction reduces the amount of Dutch dividend withholding tax that the Company is required to remit to the Dutch tax authorities, it does not reduce the amount of tax that the Company is required to withhold on dividends distributed by it.

Dividend stripping

Pursuant to legislation to counteract "dividend stripping", a reduction, exemption, credit or refund of Dutch dividend withholding tax is denied if the recipient of the dividend is not considered to be the beneficial owner as described in the Dutch Dividend Withholding Tax Act 1965 (*Wet op de dividendbelasting 1965*) of those dividends. This legislation generally targets situations in which a shareholder retains its economic interest in shares but reduces the withholding tax costs on dividends by a transaction with another party. It is not required for these rules to apply that the recipient of the dividends is aware that a dividend stripping transaction took place. The Dutch State Secretary of Finance takes the position that the definition of beneficial ownership introduced by this legislation will also be applied in the context of a double taxation convention.

Taxes on income and capital gains

Dutch Resident Entities

Generally speaking, if the holder of Offer Shares is an entity that is a resident or deemed to be resident of the Netherlands for Dutch corporate income tax purposes (a "**Dutch Resident Entity**"), any payment on the Offer Shares or any gain or loss realized on the disposal or deemed disposal of the Offer Shares is subject to Dutch corporate income tax at a rate of 15% with respect to taxable profits up to €245,000 and 25% with respect to taxable profits in excess of that amount (rates and brackets for 2021).

Dutch Resident Individuals

If the holder of Offer Shares is an individual resident or deemed to be resident of the Netherlands for Dutch income tax purposes (a "**Dutch Resident Individual**"), any payment on the Offer Shares or any gain or loss realized on the disposal or deemed disposal of the Offer Shares is taxable at the progressive Dutch income tax rates (with a maximum of 49.5% in 2021), if:

(i) the Offer Shares are attributable to an enterprise from which the holder of Offer Shares derives a share of the profit, whether as an entrepreneur (*ondernemer*) or as a person who has a co-entitlement to the net worth (*medegerechtigd tot het vermogen*) of such enterprise without being an entrepreneur or shareholder (as defined in the Dutch Income Tax Act 2001); or

(ii) the holder of Offer Shares is considered to perform activities with respect to the Offer Shares that go beyond ordinary asset management (*normaal, actief vermogensbeheer*) or derives benefits from the Offer Shares that are taxable as benefits from other activities (*resultaat uit overige werkzaamheden*).

If the above-mentioned conditions (i) and (ii) do not apply to the individual holder of Offer Shares, such holder will be taxed annually on a deemed return (with a maximum deemed return of 5.69% in 2021) on the individual's net investment assets (*rendementsgrondslag*) for the year, insofar the individual's net investment assets for the year exceed a statutory threshold (*heffingvrij vermogen*). The deemed return on the individual's net investment assets for the year is taxed at a rate of 31%. Actual income, gains or losses in respect of the Offer Shares are as such not subject to Dutch income tax.

The net investment assets for the year are the fair market value of the investment assets less the allowable liabilities on January 1 of the relevant calendar year. The Offer Shares are included as investment assets. For the net investment assets on January 1, 2021, the deemed return ranges from 1.90% up to 5.69% (depending on the aggregate amount of the net investment assets of the individual on January 1, 2021). The deemed return will be adjusted annually on the basis of historic market yields.

Non-residents of the Netherlands

A holder of Offer Shares that is neither a Dutch Resident Entity nor a Dutch Resident Individual will not be subject to Dutch income taxes in respect of any payment on the Offer Shares or in respect of any gain or loss realized on the disposal or deemed disposal of the Offer Shares, provided that:

(i) such holder does not have an interest in an enterprise or deemed enterprise (as defined in the Dutch Income Tax Act 2001 and the Dutch Corporate Income Tax Act 1969) which, in whole or in part, is either effectively managed in the Netherlands or carried on through a permanent establishment, a deemed permanent establishment or a permanent representative in the Netherlands and to which enterprise or part of an enterprise the Offer Shares are attributable; and

(ii) in the event the holder of Offer Shares is an individual, such holder does not carry out any activities in the Netherlands with respect to the Offer Shares that go beyond ordinary asset management and does not derive benefits from the Offer Shares that are taxable as benefits from other activities in the Netherlands.

Under certain specific circumstances, Dutch taxation rights may be restricted for non-residents of the Netherlands pursuant to double taxation conventions.

Gift and inheritance taxes

Residents of the Netherlands

Gift or inheritance taxes will arise in the Netherlands with respect to a transfer of Offer Shares by way of a gift by, or on the death of, a holder of Offer Shares who is resident or deemed resident of the Netherlands at the time of the gift or such holder's death.

Non-residents of the Netherlands

No gift or inheritance taxes will arise in the Netherlands with respect to a transfer of Offer Shares by way of a gift by, or on the death of, a holder of Offer Shares who is neither resident nor deemed to be resident of the Netherlands, unless:

(i) in the case of a gift of an Offer Share by an individual who at the date of the gift was neither resident nor deemed to be resident of the Netherlands, such individual dies within 180 days after the date of the gift, while being resident or deemed to be resident of the Netherlands; or

(ii) in the case of a gift of an Offer Share is made under a condition precedent, the holder of Offer Shares is resident or is deemed to be resident of the Netherlands at the time the condition is fulfilled; or

(iii) the transfer is otherwise construed as a gift or inheritance made by, or on behalf of, a person who, at the time of the gift or death, is or is deemed to be resident of the Netherlands.

For purposes of Dutch gift and inheritance taxes, amongst others, a person that holds the Dutch nationality will be deemed to be resident of the Netherlands if such person has been a resident of the Netherlands at any time during the ten years preceding the date of the gift or such person's death. Additionally, for purposes of Dutch gift tax, amongst others, a person not holding the Dutch nationality will be deemed to be resident of the Netherlands if such person has been a resident of the Netherlands at any time during the twelve months preceding the date of the gift. Applicable double taxation conventions may override deemed residency.

Value added tax (VAT)

No Dutch VAT will be payable by a holder of Offer Shares in respect of any payment in consideration for the acquisition, holding or disposal of the Offer Shares.

Other taxes and duties

No Dutch registration tax, stamp duty or any other similar documentary tax or duty will be payable by a holder of Offer Shares in respect of any payment in consideration for the acquisition, holding or disposal of the Offer Shares.

CERTAIN US FEDERAL INCOME TAX CONSIDERATIONS

The following is a discussion of certain US federal income tax consequences of the acquisition, ownership and disposition of Offer Shares by a US Holder (as defined below). This discussion deals only with initial purchasers of Offer Shares that are US Holders and that will hold Offer Shares as capital assets (generally, property held for investment). This discussion is based on the tax laws of the United States, including the Internal Revenue Code of 1986, as amended (the "**Code**"), US Treasury regulations promulgated thereunder, and administrative rulings and judicial interpretations thereof, in each case as in effect of the date of this Prospectus. All of the foregoing authorities are subject to change, which change could apply retroactively and could affect the tax consequences described below. There can be no assurance that the United States Internal Revenue Service (the "**IRS**") or US courts will agree with the tax consequences described in this discussion.

The discussion does not cover all aspects of US federal income taxation that may be relevant to an investor in light of such investor's particular circumstances or to investors subject to special treatment under the US federal income tax laws (including, but not limited to, banks or other financial institutions; insurance companies; tax-exempt organizations; regulated investment companies; real estate investment trusts, individual retirement accounts and other tax deferred accounts; partnerships and other pass-through entities or arrangements (and investors therein); US expatriates; dealers in securities or currencies; traders in securities; persons that directly, indirectly or constructively own 10% or more of the Company's equity interests (by vote or value); investors that will hold Offer Shares as part of straddles, hedging transactions or conversion

transactions for US federal income tax purposes; "dual resident" corporations; or investors whose functional currency is not the US dollar). Except as expressly described herein, this discussion does not address the US federal income tax consequences that may apply to US Holders under the Tax Convention between the United States of America and the Kingdom of the Netherlands (the "**US Treaty**"). US Holders should consult their tax advisors concerning the application of the US Treaty to the acquisition, ownership and disposition of Offer Shares.

Further, this discussion does not address the potential application of the Medicare tax on net investment income, the alternative minimum tax, or the US federal gift and estate tax consequences, or any US state, local or non-US tax consequences of the acquisition, ownership and disposition of Offer Shares. This discussion does not address the tax consequences of owning options or warrants or similar instruments on Offer Shares, or any tax consequences applicable to the holder of an equity interest in a holder of Offer Shares.

As used herein, the term "**US Holder**" means a beneficial owner of Offer Shares that is, for US federal income tax purposes: (i) an individual citizen or resident of the United States; (ii) a corporation or any entity taxable as a corporation for US federal income tax purposes created or organized under the laws of the United States, any state thereof or the District of Columbia; (iii) an estate the income of which is subject to US federal income tax without regard to its source; or (iv) a trust if: (a) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more US persons have the authority to control all substantial decisions of the trust; or (b) the trust has a valid election in effect under applicable US Treasury regulations to be treated as a US person for US federal income tax purposes. If any entity or arrangement treated as a partnership for US federal income tax purposes holds Offer Shares, the US tax treatment of a partner in the partnership will depend on the status of the partner and the activities of the partnership. Prospective purchasers that are partnerships or partners in partnerships should consult their tax advisors concerning the US federal income tax consequences of the acquisition, ownership and disposition of Offer Shares.

THE SUMMARY OF US FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. ALL PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS CONCERNING THE TAX CONSEQUENCES OF ACQUIRING, OWNING, OR DISPOSING OF OFFER SHARES IN LIGHT OF THEIR PARTICULAR CIRCUMSTANCES, INCLUDING THE APPLICABILITY AND EFFECT OF OTHER FEDERAL, STATE, LOCAL, NON-US AND OTHER TAX LAWS, INCLUDING THE US TREATY, AND POSSIBLE CHANGES IN TAX LAW.

Distributions

Subject to the discussion below under "*—Passive Foreign Investment Company Considerations*," the gross amount of any distribution of cash or property with respect to the Offer Shares generally will be included in a US Holder's gross income as dividend income to the extent such distributions are paid out of the Company's current or accumulated earnings and profits (as determined under US federal income tax principles). Distributions in excess of the Company's current and accumulated earnings and profits will be treated first as a non-taxable return of capital, thereby reducing the US Holder's adjusted tax basis in the Company's Offer Shares (but not below zero), and thereafter as either long-term or short-term capital gain depending upon whether the US Holder held the Company's Offer Shares for more than one year as of the time such distribution is actually or constructively received. Because the Company does not maintain calculations of its earnings and profits under US federal income tax principles, US Holders should assume that any distribution will be treated as a dividend for US federal income tax purposes. As discussed below under "*Effect of Dutch Withholding Taxes*", the amount of a dividend will be treated as including any amounts withheld in respect of foreign taxes. A dividend will be included in a US Holder's income as ordinary income on the date such US Holder actually or constructively receives it, and as discussed below, it will be treated as foreign-source dividend income. The dividends will not be eligible for the dividends received deduction generally allowed to corporate US Holders.

Subject to certain holding period requirements and other conditions, the US dollar amount of dividends paid to individuals and certain other non-corporate US Holders may be eligible for preferential rates of taxation if the dividends give rise to "qualified dividend income" for US federal income tax purposes. Dividends received with respect to the Offer Shares may give rise to qualified dividend income if certain requirements are satisfied, including that the Company: (i) is eligible for the benefits of a comprehensive income tax treaty with the United States that the IRS has approved for purposes of the qualified dividend rules; and (ii) was not a PFIC (as defined below) during the taxable year in which the dividend is paid or in the prior taxable year. The US Treaty has been approved by the IRS for purposes of the qualified dividend rules and the Company expects to be eligible for the benefits of the US Treaty. In addition, as discussed below under "*Passive Foreign Investment*

Company Considerations", the Company does not believe it was a PFIC for the taxable year ending December 31, 2020 and does not expect to be a PFIC for the current taxable year or in the foreseeable future. US Holders should consult their tax advisors regarding the application of the relevant rules to their particular circumstances.

Foreign Currency Dividends

The gross amount of any dividend income paid in a currency other than the US dollar will be the US dollar amount calculated by reference to the spot market exchange rate in effect on the date of receipt, regardless of whether the payment is in fact converted into US dollars on that date. If the dividend is converted into US dollars on the date of receipt, a US Holder should not be required to recognize foreign currency gain or loss in respect of the dividend income. US Holders will have a tax basis in the currency received equal to its US dollar value on the date of receipt. A US Holder may have foreign currency gain or loss if the dividend is converted into US dollars after the date of receipt, which gain or loss will be US-source ordinary income or loss.

Effect of Dutch Withholding Taxes

Under current Dutch law (see "—*Certain Material Dutch Tax Considerations*"), dividends paid by a Dutch corporation to a US Holder will generally be subject to Dutch withholding tax. For US federal income tax purposes, US Holders will be treated as having received the amounts attributable to the Dutch taxes withheld by the Company, and as then having paid the withheld taxes to the Dutch tax authority. As a result, the amount of dividend income included in gross income for US federal income tax purposes by a US Holder with respect to a payment of dividends may be greater than the amount of cash actually received (or receivable) by the US Holder.

Foreign Tax Credit

The amount of a dividend will be treated as foreign-source dividend income. Accordingly, a US Holder generally will be entitled, subject to certain limitations, to a credit against its US federal income tax liability, or to a deduction, if elected, in computing its US federal taxable income, for non-refundable Dutch income taxes withheld from dividends. For purposes of the foreign tax credit limitation, dividends paid by the Company generally will constitute foreign source income in the "passive category income" basket. US Holders will not be entitled to a foreign tax credit for the amount of any Dutch taxes withheld in excess of the applicable rate or for any Dutch taxes which are refundable. The foreign tax credit rules are complex and US Holders should consult their tax advisors concerning the availability of the US foreign tax credit in their particular circumstances.

Sale, Exchange or Other Taxable Disposition

Subject to the discussion below under "—*Passive Foreign Investment Company Considerations*," a US Holder generally will recognize gain or loss for US federal income tax purposes on the sale, exchange or other taxable disposition of the Offer Shares in an amount equal to the difference between the US dollar value of the amount realized on such sale, exchange or other taxable disposition and the US Holder's adjusted tax basis (determined in US dollars) in such Offer Shares. Such gain or loss generally will be capital gain or loss and will be long-term capital gain or loss if the US Holder's holding period for the Offer Shares exceeds one year. For certain non-corporate US Holders, including individuals, the maximum United States income tax rate applicable to net long- term capital gain is currently 20%. The deductibility of capital losses is subject to limitations. Any gain or loss generally will be US-source gain or loss for foreign tax credit purposes.

A US Holder's initial tax basis in its Offer Shares generally will be the US dollar value of the foreign currency denominated purchase price of the Offer Shares on the date of purchase. If the Offer Shares are treated as traded on an "established securities market," a cash basis US Holder or, if it elects, an accrual basis US Holder, will determine the US dollar value of the cost of such Offer Shares by translating the amount paid at the spot rate of exchange on the settlement date of the purchase. Such an election by an accrual basis US Holder must be applied consistently from year to year and cannot be revoked without the consent of the IRS. Accrual-basis US Holders that do not elect to be treated as cash-basis taxpayers for this purpose may have a foreign currency gain or loss for US federal income tax purposes as described below. The amount realized generally will be the US dollar value of the payment received, determined at the spot rate of exchange on the date of such sale, exchange or other taxable disposition. If the Offer Shares are treated as traded on an established securities market, a cash basis taxpayer or, if it elects, an accrual basis taxpayer, will determine the US dollar value of the amount realized by translating the amount received at the spot rate of exchange on the settlement date of the sale, exchange or other taxable disposition.

On the settlement date, the US Holder will recognize US-source foreign currency gain or loss (taxable as ordinary income or loss) equal to the difference (if any) between the US dollar value of the amount received based on the exchange rates in effect on the date of the sale, exchange or other taxable disposition and the settlement date. However, as discussed above, in the case of Offer Shares traded on an established securities market that are sold by a cash basis US Holder (or an accrual basis US Holder that so elects), the amount realized will be based on the exchange rate in effect on the settlement date for the sale, exchange or other taxable disposition, and no exchange gain or loss will be recognized at that time. A US Holder will have a tax basis in the foreign currency received equal to the US dollar value of the foreign currency on the settlement date. Any gain or loss recognized on a subsequent conversion or other disposition of the foreign currency generally will be treated as US source ordinary income or loss, and is in addition to the gain or loss, if any, recognized on the sale, exchange or other taxable disposition of Offer Shares. A US Holder should consult its own tax advisors regarding the treatment of any foreign currency gain or loss realized with respect to any currency received in a sale or other disposition of the Offer Shares.

Passive Foreign Investment Company Considerations

In general, a corporation organized outside the United States will be treated as a passive foreign investment company ("**PFIC**") for US federal income tax purposes in any taxable year in which (a) 75% or more of its gross income is passive income (the "**income test**") or (b) 50% or more of its assets by value (generally determined on the basis of a quarterly average) either produce passive income or are held for the production of passive income (the "**asset test**"). "**Gross income**" generally includes all sales revenues less the cost of goods sold, plus income from investments and from incidental or outside operations or sources, and "**passive income**" generally includes, for example, dividends, interest, certain rents and royalties, certain gains from the sale of stock and securities, and certain gains from commodities transactions. For purposes of the PFIC income test and asset test described above, if the Company owns, directly or indirectly, 25% or more of the total value of the outstanding shares of another corporation, the Company will be treated as if it (a) held a proportionate share of the assets of such other corporation and (b) received directly a proportionate share of the income of such other corporation.

Based on the current and projected income, assets and activities of the Company, and the current and projected income, assets and activities of the Company's subsidiaries, the Company does not expect to be a PFIC for its current taxable year or in the foreseeable future. However, because a determination of whether a company is a PFIC must be made annually after the end of each taxable year and the Company's PFIC status for each taxable year will depend on facts, including the composition of Company's income and assets and the value of Company's assets (which may be determined in part by reference to the market value of the Offer Shares) at such time, there can be no assurance that the Company will not be a PFIC for the current or any future taxable year. If the Company is a PFIC for any taxable year during which a US Holder holds the Offer Shares and any of the Company's non-US subsidiaries is also a PFIC, such US Holder will be treated as owning a proportionate amount (by value) of the shares of the lower-tier PFIC for purposes of the application of these rules. US Holders are urged to consult their tax advisors about the application of the PFIC rules to any of the Company's subsidiaries.

Generally, if the Company is a PFIC for any taxable year during which a US Holder holds the Offer Shares, the US Holder may be subject to adverse tax consequences. Generally, gain recognized by a US Holder upon a disposition (including, under certain circumstances, a pledge) of the Offer Shares by the US Holder would be allocated ratably over the US Holder's holding period for such Offer Shares. The amounts allocated to the taxable year of disposition and to years before the Company became a PFIC would be taxed as ordinary income. The amount allocated to each other taxable year would be subject to tax at the highest rate in effect for that taxable year for individuals or corporations, as appropriate, and an interest charge would be imposed on the tax attributable to the allocated amount. Further, to the extent that any distribution received by a US Holder on the Offer Shares exceeds 125% of the average of the annual distributions on such Offer Shares received during the preceding three years or the US Holder's holding period, whichever is shorter, that distribution would be subject to taxation in the same manner as gain, described immediately above. Certain elections may be available that would result in alternative treatments (such as mark-to-market treatment) of the Offer Shares if the Company was a PFIC.

If the Company was a PFIC for any year during which a US Holder owned Offer Shares, the Company would generally continue to be treated as a PFIC with respect to such US Holder for all succeeding years during which such US Holder held the Offer Shares, even if the Company ceased to meet the threshold requirements for PFIC status.

If a US Holder owns the Offer Shares during any year in which the Company is a PFIC, the US Holder generally will be required to file an IRS Form 8621 annually with respect to the Company, generally with the US Holder's US federal income tax return for that year unless specified exceptions apply.

US Holders should consult their tax advisors regarding the Company's PFIC status for any taxable year and the potential application of the PFIC rules.

Information Reporting and Backup Withholding

In general, payments of dividends and the proceeds from the sale, exchange or other taxable disposition of Offer Shares that are made within the United States, by a US payor, or through certain US-related financial intermediaries, will be reported to the IRS and to the US Holder as may be required under applicable regulations. Backup withholding may apply to these payments if the US Holder fails to furnish a correct taxpayer identification number or any other required certification, or fails to report in full dividend or interest income from its Offer Shares or other securities it holds. US Holders generally must provide a duly completed IRS Form W-9 (Request for Taxpayer Identification Number and Certification) to avoid the imposition of backup withholding. Certain US Holders (such as a corporation) are not subject to backup withholding but may be required to provide certification of their exempt status.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against a US Holder's US federal income tax liability. A US Holder may obtain a refund of any excess amounts withheld under the backup withholding rules by timely filing the appropriate claim for refund with the IRS and furnishing any required information.

Tax Return Disclosure Requirements

A US Holder may be required to report a sale or other taxable disposition of its Offer Shares on IRS Form 8886 (Reportable Transaction Disclosure Statement) if it recognizes foreign currency loss that exceeds US $50,000 in a single taxable year from a single transaction in its Offer Shares. US Holders are urged to consult their tax advisors in this regard.

Foreign Financial Asset Reporting

Certain US Holders who are individuals (or certain specified entities) that own "specified foreign financial assets" with an aggregate value in excess of US $50,000 (and in some circumstances, a higher threshold) may be required to report information relating to an interest in the Company's Offer Shares by attaching a complete IRS Form 8938, Statement of Specified Foreign Financial Assets (which requires US Holders to report "foreign financial assets", which generally include financial accounts held at a non-US financial institution, interests in non-US entities, as well as stock and other securities issued by a non-US person), to their tax return for each taxable year in which they hold the Company's Offer Shares, subject to certain exceptions (including an exception for the Company's Offer Shares held in accounts maintained by US financial institutions). US Holders should consult their tax advisors regarding their reporting obligations with respect to their ownership and disposition of the Offer Shares.

THE SUMMARY OF US FEDERAL INCOME TAX CONSEQUENCES SET OUT ABOVE IS FOR GENERAL INFORMATION ONLY. ALL PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS CONCERNING THE TAX CONSEQUENCES OF ACQUIRING, OWNING, OR DISPOSING OF OFFER SHARES IN LIGHT OF THEIR PARTICULAR CIRCUMSTANCES, INCLUDING THE APPLICABILITY AND EFFECT OF OTHER FEDERAL, STATE, LOCAL, NON-US AND OTHER TAX LAWS, INCLUDING THE US TREATY, AND POSSIBLE CHANGES IN TAX LAW.

INDEPENDENT AUDITORS

The Consolidated Financial Statements of Huvepharma International B.V. as of and for the years ended December 31, 2018, December 31, 2019 and December 31, 2020, included in this Prospectus, have been audited by EY, independent auditors, as stated in their independent auditor's reports appearing herein.

The independent auditors have included the following 'Emphasis of matter relating to uncertainty about Corona' in its independent auditor's report related to the consolidated financial statements of the Company as of and for the year ended December 31, 2019:

> *"**Emphasis of matter relating to uncertainty about Corona***
>
> *The developments surrounding the Corona (Covid-19) virus have a profound impact on people's health and on our society as a whole, as well as on the operational and financial performance of organizations and the assessment of the ability to continue as a going concern. The financial statements and our auditor's report thereon reflect the conditions at the time of preparation. The situation changes on a daily basis giving rise to inherent uncertainty. The impact of these developments on Huvepharma International B.V. are disclosed in the Events after the reporting date section in the Management board report (page 7) and Events after the reporting date (note 27) in the financial statements. We draw attention to these disclosures. Our opinion is not modified in respect of this matter."*

The unaudited condensed consolidated Interim Financial Statements of Huvepharma International B.V. as of and for the three months ended March 31, 2021, included in this Prospectus, have been reviewed by EY, independent auditors, as stated in their independent auditor's review report appearing herein.

EY is an independent registered audit firm with its principal place of business at Boompjes 258, 3011 XZ Rotterdam, the Netherlands. The office address of the independent auditor that signed the Independent Auditor's reports is Antonio Vivaldistraat 150, 1083 HP Amsterdam, the Netherlands. EY is registered at the Chamber of Commerce of Rotterdam in The Netherlands under number 24432944.

The registered accountants of EY are members of the NBA (*Koninklijke Nederlandse Beroepsorganisatie van Accountants—the Royal Netherlands Institute of Chartered Accountants*). The NBA is the professional body for accountants in the Netherlands.

GENERAL INFORMATION

Domicile, Legal Form and Incorporation

The Company's legal and commercial name is Huvepharma B.V., to be converted into a public company with limited liability and to be renamed Huvepharma N.V. on the First Trading Date. The Company's registered office is at Prins Bernhardplein 200, 1097 JB Amsterdam, the Netherlands. The Company is registered with the Dutch Chamber of Commerce (*Kamer van Koophandel*) under number 82567409. The Company's telephone number is 020 521 4777. The Company's Legal Entity Identifier (LEI) is 213800LQ4S8CFRPLRL16. The Ordinary Shares' International Security Identification Number (ISIN) is NL0015000DB1. The Company's website is www.huvepharma.com.

No Significant Change

As at the date of this Prospectus, there has been no significant change in the financial performance and the financial position of the Group since March 31, 2021.

Expenses of the Offering

The expenses related to the Offering are estimated at approximately EUR 14 million and include, among other items, the fees due to the AFM and Euronext Amsterdam N.V., the commission for the Underwriters, and legal and administrative expenses, as well as publication costs and applicable taxes, if any. The expenses payable by the Company are estimated to amount to approximately EUR 14 million. See also "*Reasons for the Admission and Offering and Use of Proceeds*".

Availability of Documents

Subject to any applicable securities laws, copies of the following documents will be available and can be obtained free of charge from the Company's website (https://ir.huvepharma.com/static-files/10af7641-4980-4a6a-8bc8-fe11c6c8cc00; https://ir.huvepharma.com/financial-filings/listing-information and https://ir.huvepharma.com/esg/policies-charters) from the date of this Prospectus (save for the Pricing Statement, which will be available after pricing of the Offering) until at least 12 months thereafter:

- this Prospectus
- the Articles of Association
- the Pricing Statement
- the Board Rules
- the Relationship Agreement
- the rules for the Audit Committee

The Pricing Statement will be available after pricing of the Offering.

DEFINITIONS

The following definitions are used in this Prospectus:

Admission	The admission to listing and trading of all ordinary shares in the capital of the Company on Euronext Amsterdam, a regulated market of Euronext Amsterdam N.V.
AFM	The Dutch Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*)
Allocation	Allocation of the Offer Shares
Annual Accounts	The annual accounts of the Company referred to in article 2:391 DCC
APIs	Active pharmaceutical ingredients
Articles of Association	The articles of association of the Company as they will read shortly after determination of the Offer Price
ASIC	The Australian Securities and Investments Commission
Asset test	50% or more of its assets by value either produce passive income or are held for the production of passive income, based on the quarterly average of the fair market value of such assets
BNP Paribas	BNP Paribas S.A.
Board	The board of directors (*bestuur*) of the Company
Board Rules	The rules regarding the Board's functioning and internal organization
Borrower	Biovet AD
CAGR	Compound annual growth rate
Call Option Agreement	A call option agreement between the Company and the Protective Foundation
CDC	Center for Disease Control and Prevention
CERCLA	United States Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended
CET	Central European Time
Citigroup	Citigroup Global Markets Europe AG
Co-Lead Managers	Coöperatieve Rabobank U.A., KBC Securities NV and Raiffeisen Bank International AG
Company	Huvepharma N.V. (at the date of this prospectus still a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) named Huvepharma B.V., expected to be converted into a public company with limited liability (*naamloze vennootschap*) on the First Trading Date pursuant to an notarial deed of amendment and conversion of the articles of association and conversion in accordance with a resolution of the General Meeting to be adopted shortly prior to the conversion on the First Trading Date)
Consolidated Financial Statements	The audited consolidated financial statements of the Group for the years ended December 31, 2018, December 31, 2019 and December 31, 2020
Corporations Act	Corporations Act 2001 of the Commonwealth of Australia
Contribution	the contribution of all shares in the capital of Huvepharma International B.V. from the Selling Shareholder to the Company, after which the Company becomes the sole shareholder of Huvepharma International B.V. which will take place shortly prior to the Company's conversion into a public company with limited liability, (*naamloze vennootschap*) on the First Trading Date
COVID-19	The coronavirus pandemic that first emerged in December 2019
CROs	Clinical research organizations

CVMP	Committee for Veterinary Medicinal Products
DCC	Dutch Civil Code
Deed of Amendment	The notarial deed of amendment and conversion of the Company, which deed will be executed on the First Trading Date
DFSA	The Dutch Financial Supervision Act (*Wet op het financieel toezicht*)
Director	A member of the Board
Dutch Corporate Governance Code or "Code"	The Dutch corporate governance code issued on 8 December 2016
Dutch Resident Entity	An entity that is a resident or deemed to be resident of the Netherlands for Dutch corporate income tax purposes
Dutch Resident Individual	An individual resident or deemed to be resident of the Netherlands for Dutch income tax purposes
Dutch Securities Giro Transactions Act	Dutch Securities Giro Transactions Act (*Wet giraal effectenverkeer*)
Dutch SRD Act	Dutch act to implement the Shareholder Rights Directive II (*bevordering van de langetermijnbetrokkenheid van aandeelhouders*)
DWT Exit Tax	The Emergency act conditional exit tax dividend tax (*Spoedwet conditionele eindafrekening dividendbelasting*), a proposal of law currently pending before the Dutch parliament
ECHA	European Chemical Agency (agency of the EU for the safe use of chemicals)
EBITDA	Revenue less cost of sales, administration expenses, selling and distribution costs, cost of administration of intellectual property plus depreciation and amortization and non-recurring items
EBITDA Margin	The ratio of EBITDA to revenue in a given period
EEA	European Economic Area
EFSA	European Food Safety Authority
EIB	European Investment Bank
EIB Finance Contract	the finance contract between Biovet AD, as the borrower and the EIB, as amended and restated on April 3, 2018, July 17, 2018, April 12, 2019, July 25, 2019 and December 4, 2020
EMA	European Medicines Agency
Enterprise Chamber	The Dutch enterprise chamber of the court of appeal in Amsterdam
EPA	Environmental Protection Agency
ESMA	The European Securities and Markets Authority
EU	European Union
EU Food Transparency Regulation	Regulation (EU) 2019/1381 of the European Parliament and of the Council of June 20, 2019 on the transparency and sustainability of the EU risk assessment in the food chain and amending Regulations
EUR or euro or €	The lawful currency of the European Economic and Monetary Union
Euroclear Nederland	Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V.
Euronext Amsterdam	Euronext in Amsterdam, a regulated market of Euronext Amsterdam N.V.
Europe	EU, the UK, Switzerland, Norway, Russia, Ukraine, Kazakhstan, Belarus, Turkey
EUWA	European Union (Withdrawal) Act 2018

Exchange Act	US Securities Exchange Act of 1934, as amended
Executive Directors	Executive directors (*uitvoerend bestuurders*) of the Company
Exempt Investors	Select investors who are able to demonstrate that they (i) fall within one or more of the categories of investors under section 708 of the Corporations Act to whom an offer may be made without disclosure under Part 6D.2 of the Corporations Act and (ii) are "wholesale clients" for the purpose of section 761G of the Corporations Act
Existing Offer Shares	Up to 11,064,796 existing Ordinary Shares offered by the Selling Shareholder
EY	Ernst & Young Accountants LLP
Facilities Agreement	a facilities agreement with Citibank Europe PLC, the UK Branch acting as the agent, Citibank N.A., London Branch acting as the security agent, and Rabobank Antwerp, BNP Paribas S.A., Sofia Branch, UniCredit Bulbank AD and ING Bank N.V., Sofia Branch as the co-arrangers, which was amended and restated on February 4, 2016, amended on March 2, 2016 and August 18, 2016, and further amended and restated on July 25, 2017, October 5, 2020 and December 23, 2020
FAO	Food and Agriculture Organization of the United Nations
FDA	US Food and Drug Administration
FFDCA	Federal Food, Drug and Cosmetic Act
First Trading Date	The date on which trading on an "as-if-and-when-issued" basis in the Shares on Euronext Amsterdam commences, which is expected to be July 1, 2021
FRSA	Dutch Financial Reporting Supervision Act (*Wet toezicht financiële verslaggeving*)
FSC	Food safety commission
FSMA	Financial Services and Markets Act 2000
FTEs	Full time equivalent personnel
GDPR	The General Data Protection Regulation (EU) 2016/679
General Meeting	The general meeting of the Company
GMP	Good Manufacturing Practice
Gross income	All sales revenues less the cost of goods sold, plus income from investments and from incidental or outside operations or sources
Group	The Company and its Group Companies
Group Companies	The Company's subsidiaries within the meaning of article 2:24b DCC
HACCP	Hazard Analysis and Critical Control Point
IAS	International Accounting Standards
IFRS	The International Financial Reporting Standards as adopted by the European Union
Income test	75% or more of its gross income is passive income
Intercreditor Agreement	An intercreditor agreement dated August 15, 2014, with, amongst others, the Lenders, EIB, the Agent, the Security Agent and subordinated creditors in connection with the Facilities Agreement and the EIB Finance Contract, which was then amended and restated by an amendment and restatement agreement entered into on 3 April 2018 and supplemented by a supplemental agreement dated 23 December 2020
Interim Financial Statements	The condensed consolidated interim financial information of the Group as of and for the three months ended March 31, 2021 (including comparative numbers as of and for the three months ended March 31, 2020)

ISIN	International securities identification number
IRS	United States Internal Revenue Service
Issuer	The Company
IT	Information technology
JMPR	Joint FAO/WHO Meeting on Pesticide Residues
Joint Bookrunners	ING Bank N.V. and UniCredit Bank AG, Milan Branch
Joint Global Coordinators	J.P. Morgan AG, BNP Paribas S.A. and Citigroup Global Markets Europe AG in their capacity as joint global coordinators
J.P. Morgan	J.P. Morgan AG
LEI	Legal Entity Identifier
Lesion scoring	post mortem autopsy with scoring of lesions on the gut caused by diseases indicating severity of the disease (e.g. lesions caused by coccidiosis)
Lenders	Rabobank Antwerp, BNP Paribas S.A., Sofia Branch, UniCredit Bulbank AD and ING Bank N.V., Sofia Branch as the co-arrangers under the Facilities Agreement
Listing and Paying Agent	ING Bank N.V.
MAFF	Ministry of Agriculture, Forestry and Fishery
MAPA	Ministry of Agriculture, Livestock Production and Supply
Market Abuse Regulation	Regulation (EU) No 596/2014 of the European Parliament and the Council
Member State	Each member state of the European Economic Area
MHLW	Ministry of Health, Labor and Welfare
MiFID II	EU Directive 2014/65/EU on markets in financial instruments, as amended
MiFID II Product Governance Requirements	MiFID II, articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II, and local implementing measures
New Offer Shares	up to 15,000,000 newly issued Ordinary Shares issued and offered by the Company
Non-Executive Directors	Non-executive directors (*niet-uitvoerend bestuurders*) of the Company
NSAID	Nonsteroidal anti-inflammatory drug
NVAL	National Veterinary Assay Laboratory
OECD	Organisation for Economic Co-operation and Development
Offer Price	The offer price per Offer Share
Offer Price Range	The expected price range of EUR 20.00 to EUR 25.75 (inclusive) per Offer Share
Offer Shares	The Shares that will be issued by the Company in the Offering, which includes, unless the context indicates otherwise, the Over-Allotment Shares
Offering	The offering of the Offer Shares that solely consists of private placements to Qualified Investors in the EEA and to certain institutional investors in other jurisdictions
Offering Period	The period during which the Offering will take place, commencing on 9:00 CET on June 24, 2021 and ending on 14:00 CET on June 30, 2021, subject to acceleration or extension of the timetable for the Offering
Order	The Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended

Ordinary Shares	Ordinary shares in the Company's share capital, with a nominal value of EUR 0.12 each
Over-Allotment Option	The option to be granted to the Stabilization Manager (on behalf of the Joint Global Coordinators) exercisable within 30 calendar days after the First Trading Date, pursuant to which the Stabilization Manager (on behalf of the Joint Global Coordinators) may require the Selling Shareholder to sell at the Offer Price up to 3,472,826 additional Ordinary Shares, comprising up to 15% of the total number of Offer Shares sold in the Offering, to cover over-allotments or short positions, if any, in connection with the Offering or to facilitate stabilization transactions
Over-Allotment Shares	The Shares that may be made available pursuant to the Over-Allotment Option
Parent	Huvepharma International B.V., as the parent under the Facilities Agreement
Passive income	For example, dividends, interest, certain rents and royalties, certain gains from the sale of stock and securities, and certain gains from commodities transactions
PDMR	Person discharging managerial responsibilities within the meaning of Article 3(25) of the Market Abuse Regulation
PFIC	Passive foreign investment company
Pricing Agreement	The pricing agreement supplementing and amending the Underwriting Agreement among the parties to the Underwriting Agreement setting forth the final Offer Price, the number of Offer Shares and the purchase commitments of each Underwriter
Pricing Statement	The pricing statement detailing the Offer Price, the exact number of Offer Shares to be sold and the maximum number of Over-Allotment Shares, which will be filed with the AFM
Preferred Shares	Preferred shares in the Company's share capital, with a nominal value of EUR 0.12 each, if and when issued
Prospectus	This document or prospectus dated June 24, 2021
Prospectus Regulation	Regulation (EU) 2017/1129 (and amendments thereto), and includes any relevant implementing measure in each Member State
Protective Foundation	An independent foundation under Dutch law (if and when incorporated) that will be granted a call option to acquire Preferred Shares pursuant to the Call Option Agreement
QIBs	Qualified institutional buyers as defined in Rule 144A of the US Securities Act
Qualified Investors	qualified investors within the meaning of Article 2 of the Prospectus Regulation
Regulation S	Regulation S under the US Securities Act
Relevant Person	A relevant person within the meaning of the Order
Rule 144A	Rule 144A under the US Securities Act of 1933, as amended
RoW	The rest of the world (other than United States and the Europe)
R&D	Research and development
Selling Shareholder	Advance Properties OOD
Settlement	Payment (in euro) for and delivery of the Offer Shares
Settlement Date	The date on which Settlement occurs, which is expected to be on or about July 5, 2021, subject to acceleration or extension of the timetable of the Offering
Shares	The Preferred Shares and the Ordinary Shares

Shareholder(s)	A holder of Shares
Shareholders' Register	The shareholders' register of the Company with the last signed entry being dated April 19, 2021
Shareholder Rights Directive II	Directive (EU) 2017/828 of the European Parliament and of the Council of May 17, 2017 amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement
Stabilization Manager	Citigroup Global Markets Europe AG
Stock Lending Agreement	The stock lending agreement expected to be dated June 24, 2021 between the Selling Shareholder and the Stabilization Manager
Target Market Assessment	A product approval process, which has determined that the Shares are: (i) compatible with an end target market of investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II
The Netherlands	The part of the Kingdom of the Netherlands located in Europe
Underwriters	Joint Global Coordinators together with the Joint Bookrunners and the Co-Lead Managers
Underwriting Agreement	The underwriting agreement expected to be entered into on or about June 24, 2021 between the Company and the Underwriters
US	United States of America
US dollars or US$ or USD or $	The US Dollar, the lawful currency in the US
USDA	US Department of Agriculture
US Holder	A beneficial owner of Offer Shares and (i) a citizen or individual resident of the United States; (ii) a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States, any state therein or the District of Columbia; or (iii) an estate or trust the income of which is subject to US federal income taxation regardless of its source
USMCA	United States-Mexico-Canada Agreement
US Treaty	The Tax Convention between the United States of America and the Kingdom of the Netherlands
US Securities Act	The United States Securities Act of 1933, as amended
VAT	Value added tax
Vetnosis	Vetnosis Limited
VICH	Veterinary International Conference on Harmonization
VMP	Veterinary Medicinal Products
WHO	World Health Organization

FINANCIAL STATEMENTS

Huvepharma® International B.V.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period ended 31 March 2021

HUVEPHARMA INTERNATIONAL B.V.

Contents

HUVEPHARMA INTERNATIONAL B.V.

Consolidated statement of comprehensive income

for the three months ended 31 March 2021

	Notes	Unaudited 31 March 2021	Unaudited 31 March 2020
		EUR'000	EUR'000
Revenue	4	**160,918**	**144,762**
Cost of sales		(88,483)	(80,975)
Gross profit		**72,435**	**63,787**
Other operating income		4,282	497
Selling and distribution costs		(18,532)	(20,282)
Administrative expenses		(9,318)	(9,316)
Cost for administration of intellectual property		(1,752)	(2,506)
Other operating expenses		(934)	(2,281)
Operating profit		**46,181**	**29,899**
Finance costs		(2,131)	(2,511)
Share of loss of associates and joint venture		(256)	(330)
Profit before taxes		**43,794**	**27,058**
Income tax expense	6	(4,363)	(3,085)
Profit for the period		**39,431**	**23,973**
Profit for the period attributable to:			
Equity holders of the parent company		38,747	23,629
Non-controlling interest		684	344
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Exchange rate difference on translation of foreign operations		915	(206)
Cash flow hedges		88	130
Other comprehensive profit/(loss) for the period, net of taxes		**1,003**	**(76)**
Total comprehensive income for the period, net of taxes		**40,434**	**23,897**
Attributable to:			
Equity holders of the parent company		39,649	23,630
Non-controlling interest		785	267
Earnings per share		0.28	0.17

Kiril Petrov Domuschiev Nessa Cherif Intertrust (Netherlands) B.V.

The accompanying notes from pages F-8 to F-14 form an integral part of these financial statements.

HUVEPHARMA INTERNATIONAL B.V.

Consolidated statement of financial position

as at 31 March 2021

	Notes	Unaudited 31 March 2021	Audited 31 December 2020
		EUR'000	EUR'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	365,038	356,508
Intangible assets	8	300,884	290,926
Investment in associates		9,315	9,152
Deferred tax assets		6,918	6,858
Other receivables		239	242
Prepayments		546	476
		682,940	**664,162**
Current assets			
Inventories		199,933	187,868
Trade and other receivables	9	111,037	95,698
Prepayments		7,237	4,998
Income tax receivable		579	2,010
Cash and short-term deposits		19,216	21,638
		338,002	**312,212**
TOTAL ASSETS		**1,020,942**	**976,374**
EQUITY AND LIABILITIES			
Equity			
Issued capital		137,029	137,029
Share premium		16,813	16,813
Other capital reserves		62,085	60,815
Retained earnings		141,833	133,245
Equity attributable to the equity holders of the parent company		**357,760**	**347,902**
Non-controlling interests		9,383	8,598
Total equity		**367,143**	**356,500**
Non-current liabilities			
Interest-bearing loans and borrowings	9	488,536	455,923
Other non-current liabilities		2,242	2,392
Retirement benefit liability		3,121	3,182
Government grants		41	41
Deferred tax liabilities		4,235	4,988
Other financial liabilities		501	600
		498,676	**467,126**
Current liabilities			
Trade and other payables	9	110,815	110,768
Interest-bearing loans and borrowings	9	39,612	39,894
Deferred income		13	36
Income tax liability		4,683	2,050
		155,123	**152,748**
Total liabilities		**653,799**	**619,874**
TOTAL EQUITY AND LIABILITIES		**1,020,942**	**976,374**

Kiril Petrov Domuschiev Nessa Cherif Intertrust (Netherlands) B.V.

The accompanying notes from pages F-8 to F-14 form an integral part of these financial statements.

HUVEPHARMA INTERNATIONAL B.V.

Consolidated statement of changes in equity

for the three months ended 31 March 2021

	Issued capital	Other capital reserves	Retained earnings	Total equity attributable to the equity holders of the parent company	Non-controlling interest	Total equity
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
At 1 January 2021	**137,029**	**77,628**	**133,245**	**347,902**	**8,598**	**356,500**
Profit for the period	—	—	38,747	38,747	684	39,431
Other comprehensive income	—	902	—	*902*	101	1,003
Total comprehensive income	—	902	38,747	39,649	785	40,434
Reserves transfer	—	377	(377)	—	—	—
Dividends, declared and paid	—	—	(30,000)	(30,000)	—	(30,000)
Acquisition of non-controlling interests	—	—	—	—	—	—
Other changes	—	(9)	218	209	—	209
At 31 March 2021 (unaudited)	**137,029**	**78,898**	**141,833**	**357,760**	**9,383**	**367,143**
At 1 January 2020	**137,029**	**62,681**	**51,341**	**251,051**	**7,019**	**258,070**
Profit for the period	—	—	23,629	23,629	344	23,973
Other comprehensive income	—	1	—	1	(77)	(76)
Total comprehensive income	—	1	23,629	23,630	267	23,897
Reserves transfer	—	345	(345)	—	—	—
Dividends, declared and paid	—	—	—	—	—	—
Acquisition of non-controlling interests	—	—	—	—	(12)	(12)
Other changes	—	1	(37)	(36)	—	(36)
At 31 March 2020 (unaudited)	**137,029**	**63,028**	**74,588**	**274,645**	**7,274**	**281,919**

Kiril Petrov Domuschiev Nessa Cherif Intertrust (Netherlands) B.V.

The accompanying notes from pages F-8 to F-14 form an integral part of these financial statements.

HUVEPHARMA INTERNATIONAL B.V.

Consolidated statement of cash flows

for the three months ended 31 March 2021

	Unaudited 31 March 2021	Unaudited 31 March 2020
	EUR'000	EUR'000
OPERATING activities		
Proceeds from customers	151,020	156,861
Payments to suppliers	(111,435)	(113,950)
Income taxes paid and refunded	(935)	(516)
Other taxes paid and refunded	4,131	621
Salaries, wages and related social securities	(22,686)	(22,301)
Other cash flows from operating activities	48	(553)
Net cash flows from operating activities	**20,143**	**20,162**
INVESTING activities		
Purchase of property, plant and equipment	(11,947)	(13,524)
Proceeds from sales of property, plant and equipment	7	—
Payments to acquire investments		(2,722)
Purchase of intangible assets	(9,794)	(23,903)
Interest received	18	8
Net cash flows used in investing activities	**(21,716)**	**(40,141)**
FINANCING activities		
Payments for NCI acquisition		(12)
Cash payment to owners	(30,000)	
Interest paid	(3,682)	(1,804)
Payment of liabilities under lease contracts	(743)	(727)
Proceeds from borrowings	40,039	35,928
Repayment of borrowings	(6,497)	(6,040)
Net cash flows used in financing activities	**(883)**	**27,345**
Net increase (decrease) in cash and cash equivalents	(2,456)	7,366
Net foreign exchange differences	34	(48)
Cash and cash equivalents at 1 January	21,638	14,892
Cash and cash equivalents at 31 March	**19,216**	**22,210**

Kiril Petrov Domuschiev Nessa Cherif Intertrust (Netherlands) B.V.

The accompanying notes from pages F-8 to F-14 form an integral part of these financial statements.

1. Corporate information

Huvepharma International B.V. (the "Company") is a private limited liability company incorporated on 31 July 2014 under the laws of the Netherlands, having its official seat in Amsterdam, the Netherlands and its principal place of business at Prins Bernhardplein 200, 1097 JB Amsterdam, the Netherlands.

The Company was incorporated as a part of group restructuring which included the incorporation of Huvepharma International B.V., Huvepharma Holdings B.V., the Netherlands and Huveproject EAD, Bulgaria inserted as intermediate parents of Huvepharma EOOD Group (the "Group" or "Huvepharma Group").

At 31 March 2021 the ultimate parent company of the Company's capital is "Advance Properties" OOD which holds 100% of the ordinary registered share capital of the Company.

The principal activities of the Group include production and trading with veterinary pharmaceuticals, feed additives and human health products on the international markets.

These condensed consolidated interim financial statements were approved by the Board of Directors on 7 June 2021.

2. Basis of preparation and changes to the Group's accounting policies

Basis of preparation

The interim condensed consolidated financial statements for the three months ended 31 March 2021 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2020.

New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of new standards and interpretations effective as of 1 January 2021.

The nature and the impact of each of the following new standards, amendments and/or interpretations are described below:

- Amendments to IFRS 4 Insurance Contracts—deferral of IFRS 9, effective 1 January 2021
- Amendments to IFRS 9 Financial Instruments, IFRS 7 Financial Instruments: Disclosures, IAS 39 Financial Instruments: Recognition and measurement, IFRS 4 Insurance contracts and IFRS 16 Leases- Interest Rate Benchmark Reform—Phase 2, effective 1 January 2021

Amendments to IFRS 4 Insurance Contracts—deferral of IFRS 9

The amendment to IFRS 4 provides a temporary exemption that permits, but does not require, the qualifying insurer to apply IAS 39 Financial Instruments: Recognition and Measurement rather than IFRS 9 for annual periods beginning before 1 January 2023. This standard is not applicable to the Group.

Amendments to IFRS 9 Financial Instruments, IFRS 7 Financial Instruments: Disclosures, IAS 39 Financial Instruments: Recognition and measurement, IFRS 4 Insurance contracts and IFRS 16 Leases- Interest Rate Benchmark Reform—Phase 2, effective 1 January 2021

The amendments to IFRS 9, IFRS 7, IAS 39, IFRS 4 and IFRS 16 provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. The amendments also provide a relief for contractual modifications or changes to cash flows that are directly required by the reform and is required to be applied by entities applying IFRS 4 that are using the exemption from IFRS 9 and for IFRS 16 lease modifications

2. Basis of preparation and changes to the Group's accounting policies (Continued)

required by the IBOR reform. The amendments provide temporary relief to entities from having to meet the separately identifiable requirement when an nearly risk-free rate (RFR) instrument is designated as a hedge of a risk component.

The effective date of the amendments is for annual periods beginning on or after 1 January 2021. The requirements must be applied retrospectively. Hedging relationships must be reinstated once an entity first applies the amendments if the hedging relationship was discontinued solely due to changes required by IBOR reform and it would not have been discontinued if the phase two amendments had been applied at that time. An entity is not required to restate prior periods.

These amendments had no impact on the condensed consolidated interim financial statements of the Group as it does not have any interest rate hedge relationships.

3. Segment information

The Group's operations are not highly seasonal. However, Group's revenue is subject to some seasonal fluctuations—revenue in the first quarter of each year tends to be lower and revenue in the final quarter tends to be higher. This seasonality in revenue is largely driven by increased animal disease incidence, and a resulting increase in purchases of animal health products, in the autumn and winter months. Group manages any resulting working capital investment needs by utilizing the available revolving credit facilities.

a) Information about products

the Group's revenue split by product for the three months ended on 31 March 2021 and 31 March 2020 is as follows:

	31 March 2021	31 March 2020
	EUR'000	EUR'000
Feed additives	77,753	70,363
Veterinary products	57,663	54,781
Human health products	19,291	13,593
Active pharmaceutical ingredients and others	6,212	6,025
	160,918	**144,762**

b) Geographic information

Selected geographic area information is presented in the following tables:

	31 March 2021	31 March 2020
	EUR'000	EUR'000
Revenue		
Europe	72,896	65,885
North America	47,275	47,739
Rest of the world	40,747	31,137
	160,918	**144,762**

	31 March 2021	31 December 2020
	EUR'000	EUR'000
Non-current assets		
Europe	582,481	569,889
North America	90,217	84,147
Rest of the world	2,539	2,549
	675,237	**656,585**

3. Segment information (Continued)

Non-current assets included in this note include property, plant and equipment, intangible assets, and investment in associates.

4. Revenue

The Group's revenue split by type of finished goods and services for the three months ended on 31 March 2021 and 31 March 2020 is as follows:

a) Type of finished goods or service

	31 March 2021	31 March 2020
	EUR'000	EUR'000
Revenue from sale of products	160,016	144,212
Revenue from services	642	367
Revenue from sale of electricity	260	183
	160,918	**144,762**

b) Timing of revenue recognition

	31 March 2021	31 March 2020
	EUR'000	EUR'000
Goods transferred at a point in time	160,276	144,395
Services transferred over time	642	367
	160,918	**144,762**

5. Impairment testing of intangible assets with indefinite lives

The Group performed its annual impairment test in December 2020, where intangible assets with indefinite useful lives as well as intangible assets in progress were tested as a part of a cash-generating unit—Huvepharma International B.V., the Group. As of 31 March 2021, the Management has assessed that no impairment indicators exist and that there is no need for impairment testing.

6. Income tax

The major components of income tax expense for the three months ended on 31 March 2021 and 31 March 2020 include:

Statement of comprehensive income

	31 March 2021	31 March 2020
	EUR'000	EUR'000
Current income tax charge	(5,176)	(3,608)
Deferred tax relating to the origination and reversal of temporary differences	813	523
Income tax expense reported in the statement of comprehensive income	**(4,363)**	**(3,085)**

7. Property, plant and equipment

During the three months ended 31 March 2021, the Group acquired assets with a total cost of EUR 10,506 thousand (31 December 2020: EUR 40,300 thousand).

8. Intangible assets

During the three months ended 31 March 2021, the Group acquired intangible assets with a total cost of EUR 11,661 thousand (31 December 2020: EUR 34,772 thousand).

9. Financial instruments

Set out below is an overview of the financial instruments, other than cash and short-term deposits, held by the Group. All financial instruments in the table below are presented at amortized cost.

As of 31 March 2021 and 31 March 2020, the Group is in compliance with all covenants. Total net debt to EBITDA (as defined under the Facilities Agreement) ratio in respect of any 12 months period shall not exceed 4.00:1. As of 31 March 2021 the net debt to EBITDA is 2.89:1, ensuring enough headroom. According to the agreement signed with the banks if some of the financial conditions is not satisfied for two consecutive Financial Quarters the event shall be considered as breach of covenants and will lead to an Event of Default, whereas the Bank may make Immediate demand. In this case the balance of loans and borrowings would be presented as short term in the consolidated financial statements.

	31 March 2021	31 December 2020
	EUR'000	EUR'000
Financial assets		
Trade and other receivables	111,037	95,698

Financial liabilities

	31 March 2021	31 December 2020
	EUR'000	EUR'000
Current interest-bearing loans and borrowings		
Lease liabilities	2,323	2,480
Current portion of loans		
Revolving credit lines	11,834	11,779
Bank loan of EUR 268,680 thousand	13,664	13,805
Bank loan of EUR 51,320 thousand	2,551	2,581
Soft loan SAL1	284	284
Italian State Fund Loan of EUR 197 thousand	30	39
CAPEX Facility of EUR 50,000 thousand	4,166	4,166
EIB Finance Contract EUR 125,000 thousand	4,760	4,760
Total current interest-bearing loans and borrowings	**39,612**	**39,894**

	31 March 2021	31 December 2020
	EUR'000	EUR'000
Non-current interest-bearing loans and borrowings		
Lease liabilities	5,011	4,969
Non-current portion of loans		
Revolving credit facilities of EUR 170,000 thousand	110,787	71,195
Bank loan of EUR 268,680 thousand	203,157	207,160
Bank loan of EUR 51,320 thousand	38,504	39,289
Soft loan SAL1	2,394	2,395
Italian State Fund Loan of EUR 197 thousand	18	18
CAPEX Facility of EUR 50,000 thousand	38,541	39,584
EIB Finance Contract EUR 125,000 thousand	90,124	91,313
Total non-current interest-bearing loans and borrowings	**488,536**	**455,923**

9. Financial instruments (Continued)

Fair values

Set out below is a comparison by class of carrying amounts and fair values of all of the Group's financial instruments that are carried in the condensed consolidated interim financial statements:

	Carrying amount	
	31 March 2021	31 December 2020
	EUR '000	EUR '000
Financial assets		
Trade and other receivables	111,037	95,698
Cash and short-term deposits	19,216	21,638
Financial liabilities		
Interest bearing loans and borrowings	528,148	495,817
Trade and other payables	110,815	110,768

The fair value of the financial assets and liabilities is equal to the carrying amount.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- Long-term fixed-rate and variable-rate receivables are evaluated by the Group based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer and the risk characteristics of the financed transaction/project. Based on this evaluation, allowances are taken into account for the expected losses of these receivables. As at 31 March 2021, the carrying amounts of such receivables, net of allowances, were not materially different from their calculated fair values.
- Cash and short-term deposits, trade receivables, trade payables, and other current assets and liabilities approximate their carrying amounts due to the short-term maturities of these instruments.

10. Related party transactions

Ultimate parent company

As of 31 March 2021 Advance Properties holds 100.00% of Huvepharma International B.V. and is its ultimate parent company.

Other related parties (under common control)

The Group has related parties under the common control of Kiril Domuschiev and Georgi Domuschiev, the ultimate beneficial owners.

10. Related party transactions (Continued)

The condensed consolidated interim financial statements include the financial information of the subsidiaries listed in the following table:

	Country of incorporation	% of equity interest 31 March 2021	% of equity interest 31 December 2020
Huvepharma Holdings B.V.	Netherlands	100%	100%
Huveproject EAD	Bulgaria	100%	100%
Huvepharma EOOD	Bulgaria	100%	100%
Biovet AD	Bulgaria	95,54%	95,54%
Huvepharma NV	Belgium	99,93%	99,93%
Huvepharma Inc	USA	100%	100%
Huvepharma LLC	USA	100%	100%
Huvepharma Polska Sp.z.o.o.	Poland	100%	100%
Huvephrma (Thailand) Ltd.	Thailand	99,99%	99,99%
Huvepharma do Brasil Comercio e Importacao Ltda.	Brazil	99%	99%
Huvepharma Sea Pune Private Limited	India	51%	51%
Huvepharma South Africa (Pty) Ltd.	South Africa	100%	100%
ANC Hayvan Beslenmesi ve Sagligi Hizmetleri. A.S.	Turkey	100%	100%
Huvepharma Italia S.R.L.	Italy	100%	100%
Huvepharma de Mexico S.A.	Mexico	100%	100%
Abio EOOD (subsidiary of Biovet AD)	Bulgaria	95,54%	95,54%
Bio TechIno OOD (subsidiary of Biovet AD)	Bulgaria	48,53%	48,53%
Huvepharma Japan, Inc.	Japan	100%	100%
Huvepharma Canada Corporation Inc.	Canada	100%	100%
Huvepharma Netherlands BV	The Netherlands	99,93%	99,93%
Stock Energy EOOD	Bulgaria	95,54%	95,54%
Huvepharma S.A.	France	99,93%	99,93%
Laboratoire Meriel S.A.S.	France	100%	100%
Qalian Portugal Unipessoal	Portugal	100%	100%
Huvepharma Limited	United Kingdom	100%	100%

The following table provides the total amount of transactions that have been entered into with related parties during the three months ended 31 March 2021 and 2020, as well as balances with related parties as at 31 March 2021 and 31 December 2020:

		Other related parties (under common control) EUR'000
Sales to / purchases from related parties		
Purchases of services	31 March 2021	926
	31 March 2020	799
Amounts due from related parties	31 March 2021	52
	31 December 2020	135
Amounts due to related parties	31 March 2021	0
	31 December 2020	8

Terms and conditions of related party transactions

The sales to and purchases from related parties are made at contractual prices. Outstanding balances at the period-end are unsecured, interest-free and the settlement is made in cash. There have been no guarantees provided to or received for any related party receivables or payables.

10. Related party transactions (Continued)

This assessment is undertaken each financial period through examining the financial position of the related party and the market in which the related party operates.

11. Dividends paid and proposed

As at 31 March 2021 dividends amounting EUR 30,000 thousand were paid by the Group (2020:0).

12. Commitments and contingent liabilities

Legal claims

There were no significant pending material legal claims to which the Group is a party as a defendant.

The group has no significant contingent liabilities or contingent assets.

13. Events after the reporting period

Management declares that after the end of the reporting period and until the date of the preparation of these condensed consolidated interim financial statements there are no significant and /or material non-adjusting events which took place concerning the activities of the Group, the non-disclosure of which could influence the true and fair presentation of the condensed consolidated interim financial statements.

Building a better working world

Independent auditor's review report

To: the shareholders of Huvepharma International B.V.

Our conclusion

We have reviewed the condensed consolidated interim financial statements of Huvepharma International B.V. based in Amsterdam for the three month period ended 31 March 2021.

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements of Huvepharma International B.V. for the three month period ended 31 March 2021, is not prepared, in all material respects, in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union.

The condensed consolidated interim financial statements comprise:

- The consolidated statement of financial position as at 31 March 2021
- The following: consolidated statements for the three month period ended 31 March 2021: the statements of comprehensive income, changes in equity and cash flows
- The notes comprising of a summary of the significant accounting policies and selected explanatory information

Basis for our conclusion

We conducted our review in accordance with Dutch law and the International Standard on Review Engagements (ISRE) 2410, "*Review of interim financial information performed by the independent auditor of the entity*". A review of interim financial information in accordance with the ISRE 2410 is a limited assurance engagement. Our responsibilities under this standard are further described in the Our responsibilities for the review of the condensed consolidated interim financial statements section of our report.

We are independent of Huvepharma International B.V. in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Responsibilities of management for the condensed consolidated interim financial statements

Management is responsible for the preparation and presentation of the condensed consolidated interim financial statements in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union. Furthermore, management is responsible for such internal control as it determines is necessary to enable the preparation of the condensed consolidated interim financial statements that is free from material misstatement, whether due to fraud or error.

Our responsibilities for the review of the condensed consolidated interim financial statements

Our responsibility is to plan and perform the review in a manner that allows us to obtain sufficient and appropriate assurance evidence for our conclusion.

The level of assurance obtained in a review engagement is substantially less than the level of assurance obtained in an audit conducted in accordance with the International Standards on Auditing. Accordingly, we do not express an audit opinion.

We have exercised professional judgement and have maintained professional skepticism throughout the review, in accordance with the ISRE 2410.

Our review included among others:

- Updating our understanding of Huvepharma International B.V. and its environment, including its internal control, and the applicable financial reporting framework, in order to identify areas in the condensed consolidated interim financial statements where material misstatements are likely to arise due to fraud or error, designing and performing analytical and other review procedures to address those areas, and obtaining assurance evidence that is sufficient and appropriate to provide a basis for our conclusion
- Obtaining an understanding of internal control as it relates to the preparation of interim financial statements
- Making inquiries of management and others within Huvepharma International B.V.
- Applying analytical procedures with respect to information included in the condensed consolidated interim financial statements
- Obtaining assurance evidence that the condensed consolidated interim financial statements agrees with, or reconciles to, Huvepharma International B.V.'s underlying accounting records
- Evaluating the assurance evidence obtained
- Considering whether there have been any changes in accounting principles or in the methods of applying them and whether any new transactions have necessitated the application of a new accounting principle
- Considering whether management has identified all events that may require adjustment to or disclosure in the condensed consolidated interim financial statements
- Considering whether the condensed consolidated interim financial statements has been prepared in accordance with the applicable financial reporting framework and represents the underlying transactions free from material misstatement

Amsterdam, 7 June 2021

Ernst & Young Accountants LLP

signed by D.K. Noort

HUVEPHARMA International B.V.

FINANCIAL STATEMENTS

For the year ended 31 December 2020

HUVEPHARMA International B.V.

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GENERAL INFORMATION

Management Board

Kiril Petrov Domuschiev
Nessa Cherif
Intertrust (Netherlands) B.V.

Registered address and address of management

Prins Bernhardplein 200, 1097 JB Amsterdam, the Netherlands

Banks

Citibank N.A.—Sofia Branch
Eurobank Bulgaria
KBC Bank
Bank of Georgia
MKB Unionbank
UniCredit Bulbank
CosmosBank
Bank VTB 24
Credit Agricole Bulgaria
Raiffeisenbank
Bank of India
DEXIA Bank
Deutsche Bank
E SUN commercial bank
Bank of China
Komercijalna banka AD
Banco Do Brasil S.A.
Standart Chartered Bank MUMB
Eurobank Bulgaria AD
BNP Paribas
Allianz Bank Bulgaria
United Bulgarian Bank
Rabobank
ABN Amro
DSK Bank EAD
The European Investment Bank
International Investment Bank

Auditors

Ernst & Young Accountants LLP
Cross Towers
Antonio Vivaldistraat 150
1083 HP Amsterdam

MANAGEMENT BOARD REPORT

Management presents the report and the consolidated financial statements of Huvepharma International B.V. and its subsidiaries ("the Group") as at 31 December 2020 and for the year then ended, prepared in accordance with the International Financial Reporting Standards as adopted for use in the European Union and title 9 of Book 2 of the Dutch Civil Code.

Huvepharma International B.V. is a private limited liability company incorporated on 31 July 2014 under the laws of the Netherlands, having its official seat in Amsterdam, the Netherlands and its principal place of business at Prins Bernhardplein 200, 1097 JB Amsterdam, the Netherlands.

At 31 December 2020 the sole owner of the Company's capital is "Advance Properties OOD" Bulgaria, which is the ultimate parent company.

In compliance with Dutch legislation on board diversity, at least 30% of the seats on the Huvepharma International B.V. Management Board is held by men and at least 30% of these seats is held by women.

Review of activity

Description of the principal activity

Huvepharma Group is a fast growing global pharmaceutical group with a focus on manufacturing of veterinary generic drug pharmaceuticals and marketing human nutraceutical and animal health products. Huvepharma means HUman and VEterinary PHARMAceuticals. The Group manufactures a wide range of veterinary pharmaceuticals and human health products (antibacterial, analgetics, inflammatory and other medicines) in different medicinal forms, such as medicated premixes and powders and granules for the preparation of oral solutions, concentrates for oral solutions, tablets and boluses. It also manufactures various types of fodder additives, such as coccidiostats, enzymes, vitamin-mineral premixes. It is also a manufacturer of a large number of active pharmaceutical substances used for the formulation of readily available pharmaceuticals for veterinary and human medicine.

Huvepharma Group companies have manufacturing facilities in three locations in Bulgaria (Peshtera, Botevgrad and Razgrad), five manufacturing facilities in USA (St. Louis, Missouri; Lincoln, Nebraska; Laurinburg, North Carolina; Longmont, Colorado and Van Buren, Arkansas), one manufacturing plant in Italy located in Garessio, two in France—located in Segré and St Etienne, one in Turkey located in Istanbul and one in India located in Pune. These manufacturing facilities have different production processes and activities like: fermentation, downstream steps, formulation and packaging, quality control through our on-site laboratories starting from incoming materials, in process control and quality control of finish product, R&D laboratories for process improvements and new product development. Where required, all production sites are GMP certified and FDA approved and they are fully compliant with strict national and international legislation. Also, for the needs of the manufacturing processes, there are on-site well developed utility structure, including electricity, air, steam, and natural gas distribution facilities and wastewater treatment plants.

The Group's subsidiaries are based in Bulgaria, Turkey, Thailand, USA, Belgium, Taiwan (being a branch of the Belgium subsidiary), Poland, India, Russia (representative office of Bulgarian subsidiary), Brazil, Republic of South Africa, Canada, Mexico, Italy, Thailand, France, the Netherlands, Japan, UK and China (representative office of Huvepharma NV). Huvepharma Group is present in every major market through local representatives and holds important product registrations in the USA (FDA approved) and in the European Union. The Group offers an enlarged product portfolio with registrations in over 100 countries. It also partners with all major export-oriented integrators in Latin America and Asia that value products with a Brand Specific Approval (BSA) in the EU.

Current period results

For the financial year of 2020, the Group reports profit before tax of EUR 114 million (2019: EUR 91 million).

During the financial year of 2020 the quantities of veterinary—medical products manufactured and sold have increased. The Group has further invested in technologies for production of various animal health products. In 2020, Huvepharma Group continued its strong financial performance and recorded revenue growth of 7.3% compared to 2019. Total sales increased from EUR 548 million in 2019 to EUR 588 million in 2020. High margin growth was realized mostly through organic initiatives by increasing sales of the existing product portfolio and by launching new products developed in-house.

In 2020 we continued to strengthen our position in US and Europe and rolling out new product ranges globally. New products contributed to the realization of higher margins.

The increase in revenue was primarily attributable to an increase of EUR 30.9 million, or 12%, in the revenue generated from the sale of the feed additive products. In 2020, the increase in the revenue generated from feed additives was mainly driven by increased sales of Monovet in North America, which was launched in the last quarter of 2019 and completed its first full year of sales in 2020, reaching 19% market acceptance by December 2020. The increase in the revenue generated from feed additives was also driven by the launch of a new feed additive product, Monimax, which was launched in Europe, in August 2020. We realized a fast 35% share of the competitive product by December 2020. An increase of EUR 9.8 million, or 20.4%, in the revenue generated from the sale of the human health products also contributed to the increase Huvepharma Group revenue. This increase was mainly attributable to volume growth in existing API products. The remaining decrease of EUR 0.8 million is attributable to the decrease of our non-core API business (EUR -2.6 million) which was partially offset by the growth in Vet Products (EUR 1.8 million).

Furthermore, in terms of geographical split of revenue, Huvepharma Group revenue increased across all geographic sales regions in the year 2020. Whereas, the increase in the revenue was primarily driven by an increase of EUR 19.4 million, or 8.0%, in the revenue generated from sales to Europe. The sales growth in Europe was mainly driven by the launch of Monimax in August 2020 supported by strong sales on veterinary products. An increase of EUR 9.0 million, or 7.0%, in the revenue generated from sales to RoW also contributed to the increase in the Company's revenue. Increase in the revenue generated from sales to RoW was mainly attributable to a sales growth in feed additive products in Brazil and veterinary products in Asian markets. Furthermore, Huvepharma Group revenue generated from sales to North America also increased by EUR 11.4 million, or 6.5%, driven by further volume growth in sales of Monovet gaining market share throughout 2020.

Operating expenses

Operating expenses comprise of Selling and distribution costs, Administrative expenses and Cost for administration of intellectual property. Operating expenses are in-line with management expectations at 20.9% of revenue in 2020 compared to 22.6% of revenue in 2019 and are further explained below:

Selling and distribution costs

In 2020, selling and distribution costs decreased by EUR 0.7 million, or 0.8%, compared to 2019, as a result of realized synergies of recent acquisitions of Agrilabs and Qalian, and savings on travel and marketing expenses due to COVID-19 related restrictions. Realized synergies of recent acquisitions contributed to the decrease of the Company's selling and distribution costs, because of rationalization of the product range and personnel reductions due to integration of sales, marketing, regulatory and logistics functions.

Administrative expenses

In 2020 administrative expenses increased by EUR 283 thousand, or 0.8% compared to 2019, mainly attributable to an increase in amortizations of marketing approvals regarding the Company's intellectual property, compensated partially by lower travel expenses due to COVID-19 travel restrictions.

Other operating expenses

In 2020, other operating expenses increased by EUR 19,622 thousand compared to 2019, primarily attributable to an increase in net foreign exchange losses. In 2020, 76% of the net foreign exchange losses resulted from the evaluation of the short-term and long-term intragroup monetary assets and liabilities at the closing exchange rate, as of 31 December 2020, which cannot be set off against the corresponding foreign exchange gains on the respective intragroup liabilities and assets already reflected in the exchange rate differences on translation of foreign operations.

In line with the consistently applied natural hedge, the Company will continue to manage its foreign currency risk through operational means, including managing same currency revenue in relation to same currency costs and same currency assets in relation to same-currency liabilities.

Statement of financial position

Inventory

Inventory position has increased in line with the 7% revenue increase as well as reflecting the inventory build-up in advance of the projected sales growth, higher inventory levels related to the launch of new products and the start-up of the new production plant at Peshtera and build-up a Central warehouse.

Property, plant and equipment

Increase in the Property, plant and equipment represent the investment in projects related to capacity expansion, new product implementation and achieving better efficiency and reducing costs.

Intangible assets

Intangible assets increase represents the development regulatory dossiers for new veterinary and feed additive products as well as acquisition of intellectual property. The Group's development activities leverage its existing product portfolio and product lines to expand by adding new products, species or label claims, achieving approvals in new countries as well as creating new combinations and reformulations based upon its deep understanding of the customers and the livestock market.

Trade and other payables

Payables decrease reflects the different timing in orders and payments in the ordinary course of business and the decreased trade payables related to investments projects.

Interest-bearing loans and borrowings

Interest-bearing loans and borrowings increased by EUR 9.6 million reflecting the net effect of the repayment of non-current facilities of the Group and the utilization of revolving credit facilities to fund the working capital.

Liquidity and Capital Resources

General

Huvepharma Group primary sources of liquidity are cash on hand, cash flows from operations and funds available under its credit facilities.

Cash flows

Net cash flows from operating activities

The Company generates net cash flows from operating activities primarily through proceeds generated from sales to its customers.

During financial year 2020 the net cash flow from operating activities has increased to EUR 103.9 million (2019: EUR 68.7 million). This increase was primarily attributable to an increase in proceeds generated from sales to customers due to increased sales volume and introduction of new product ranges globally.

Net cash flows used in investing activities

Huvepharma Group net cash flows used in investing activities are primarily related to the recent extension of manufacturing capacity, in-house product development of intellectual property and acquisitions.

Net cash flows used in investing activities were EUR 95.8 million in 2020 compared to EUR 134.6 million in 2019. This decrease was primarily attributable to the completion of the extension of fermentation capacity in Huvepharma Group manufacturing facility in Peshtera, Bulgaria at the end of 2019.

Net cash flows (used in) / from financing activities

Huvepharma Group cash flows from financing activities are related to proceeds it receives from its syndicated loan facilities. The Company's cash flows used in financing activities are primarily related to repayment of its syndicated loan facilities, lease liabilities, payment on interest and payment of dividends.

Net cash used in financing activities was EUR (0.7) million in 2020 compared to EUR 62.7 million in 2019. This decrease was primarily attributable to a decrease in proceeds from borrowings due to the completion of the extension of the fermentation manufacturing facility at the end of 2019.

Financing Arrangements

Facilities Agreement

Huvepharma Group have further amended and restated its facilities Agreement on 5 October 2020 and on 23 December 2020 to include, amongst others, new revolving facility of EUR 90 million, add new borrowers and extend the termination date of the Facilities Agreement from July 2022 till July 2027.

Working capital statement

Working capital is closely monitored by the Management of the Group. The working capital increases from EUR 123 million in 2019 to EUR 178 million in 2020 mainly as a net effect of the increase in Inventory and the decrease in Trade and other payables. The Company believes that its available working capital is sufficient for the Group's present requirements.

Expected future development and business goals

The future manufacturing and trade activities of the Group will be directed towards the following objectives:

- growth in revenue through organic initiatives
- strengthening the EU veterinary portfolio
- expanding into Cattle Market
- increase in production volumes due to the new facilities built
- diversifying product portfolio
- further expanding geographic footprint

The coronavirus pandemic that first emerged in December 2019 ("COVID-19") has had, and continues to have, an adverse effect on the global economy, the severity and duration of which is difficult to predict. It is impossible to predict the full extent of the impact of the COVID-19 pandemic and its resulting economic impact.

Demand for animal protein has shifted as a result of the spread of COVID-19. Also, governments of the countries in which the Group operates have introduced a number of restrictions as a result of which many restaurants and other hospitality companies have closed.

However, retail demand for animal protein has increased as a result of consumers eating more meals at home. As the COVID-19 had, and continue to have, an adverse effect on the global economy, the Group's results of operations has also been affected. Between December 2019 and December 2020 the ongoing COVID-19 pandemic and the associated restrictions had a negative impact on sales of certain of the Group's products in the U.S., Latin America and India. For example, in 2020 the Company launched Monovet in the U.S. However as a result of COVID-19, this was an inopportune time to launch the product as cattle prices were low and as a result, producers had decreased their expenses. Product sales in Latin America have also experienced slower growth for the year ended 31 December 2020, as meat consumption has decreased due to the closure of restaurants and hospitality as part of national lockdown measures and restrictions. Further, the Group's sales in India decreased by 14%, for the year ended 31 December 2020, compared to 2019, largely as a result of COVID-19 and the decrease in chicken consumption. However, despite of these effects of COVID-19, the Group's revenue increased by EUR 39.9 million, or 7.3% in 2020, compared to 2019 as a result of revenue growth across all geographic sales regions.

Research and Administration of the intellectual property

The Group has its own Research and Development Institute (RDI). The operations of RDI are developed in a way that corresponds to the organizational structure of the Group in four sections: micro-biological, chemical, ready veterinary forms and analytical. The work in these sections is divided into projects and developments included in the innovation program, tasks assigned to facilitate the production process, manufacturing of products that meet specific client's needs and activities ensuring specific product analysis. The total amount of the fees related to the administration of the intellectual property in 2020 is EUR 8.6 million.

Key risk and uncertainties

Overall risk management of the Group

The Group's activities expose it to a variety of financial risks like interest rate risk, foreign currency risk, credit risk and liquidity risk. Management reviews and agrees business policies and procedures to mitigate and address these risks. Further reference is made Note 20 for the financial risk management objectives and policies. Along with financial risks the Group is exposed to strategic risks, operational risks and compliance risks:

Strategic risk

Strategic risk is defined as the risk to current and future earnings that arise from adverse business decisions, change in customer demand, legislation or the industry. Strategic risk includes the risk of missing targets because the business units do not respond, or do not respond adequately enough, to changes in their business environment. The Group defines a risk as a potential future development in an event which could lead to a negative deviation from projected business objectives. Taking this into consideration, the Group has installed instruments and processes which risks can be recognized at an early stage.

The strategy is mainly focused on growth in the veterinary pharmaceuticals and feed additives markets. The growth strategy is linked to the risk that we might encounter difficulties in connection with certain operational and/or financial requirements, which cannot, or not to a sufficient extent, operatively be met. This strategic risk is assessed to be low. The Group has a backup for the Group facilities, human resources, internal structures, management tools and financial resources if needed.

The Group is active in the focus on manufacturing of API's, veterinary generic drug pharmaceuticals and marketing human nutraceutical and animal health products which business is characterized among other things, by high price sensitivity, continued margin pressure, intense competition and continuously changing regulatory framework conditions. This industry risk is considered low. The Group operates active risk minimization by comprehensively monitoring the market activity of all market participants, further strengthening of internal integration of production and sales activities and on the basis of the observations indicating courses of action.

The Group is prepared to take moderate risks to realize its strategy and goals. Management of the Group considers the control of the Group's risks as one of the key elements of its responsibilities. The vision is an integrated part of the Group's policies.

Interest risk

The Group is not exposed to significant interest risk due to the terms of the bank loans. However, the Group has entered into an interest rate swaphedge contract in order to hedge the variable interest payable on 50% of its bank debt.

Foreign currency risk

As the Group operates globally it is exposed to exchange rate fluctuations and foreign currency risk to the extent that its costs are denominated in currencies other than those in which it earns revenues.

In addition, the Group's financial statements are reported in euro and changes in currency exchange rates between the euro and other currencies have had and may continue to have, an impact on the Group's results of operations.

The main objective of the currency risk management policy is to protect against fluctuations in the value of the assets, liabilities and expected cash flows caused by the movements in the exchange rates. The two largest currencies of the Group in terms of revenue and cost are EUR and USD. The Group has an approximately equal currency split in terms of revenues and costs. Therefore, the Group has a natural hedge from the alignment of revenues and costs. Foreign currency risk related the to two main currencies is well managed as proceeds from sales in the US are used for the purchasing of USD denominated raw materials.

Credit risk

The credit risk arises mainly from receivables from clients and investments in financial instruments. The credit risk exposure is a result from the individual characteristics of the separate clients. This exposure might also depend on risk of default for the industry or the internal market in which the Group operates. The credit risk of the Group is insignificant as significant amount of receivables are under insurance coverage.

The book value of the financial assets represents the maximum credit exposure. The maximum credit exposure as at the balance sheet date is:

	2020	2019
	EUR'000	EUR'000
Trade receivables (Note 12)	82,639	96,869
Receivables from related parties (Note 21)	135	58
Investment in associates	9,152	8,799
Cash and cash equivalents	21,638	14,892
	113,564	**120,618**

Liquidity risk

The Group's liquidity management is performed in order to meet the payments for a period of 60 days, including the financial liabilities; this planning excludes the potential effect of extraordinary circumstances, which cannot be predicted in the normal conditions.

According to the agreement signed with the banks if some of the financial conditions is not satisfied for two consecutive Financial Quarters the event shall be considered as breach of covenants and will lead to an Event of Default, whereas the Bank may make immediate demand. In this case the balance of loans and borrowings would be presented as short term in the consolidated financial statements. As of 31 December 2020 the Group is in compliance with all covenants. Total net debt to EBITDA (as defined under the Facilities Agreement) ratio in respect of any 12 months period shall not exceed 4.00:1. As of 31 December 2020 the net debt to EBITDA is 2.87:1, ensuring enough headroom.

Operational risk

Operational risk is the risk of losses that may occur due to inadequate or malfunctioning internal processes or systems, human error, criminal behaviour, etc. The Group's management is aware of these risks and take measure to mitigate these risks. As a pharmaceutical company we are subject to intense inspections by the competent authorities (FDA, EMA, National Public Health ministries) in all the regions where we operate. These are supplemented by internal extensive quality control departments at all production and distribution sites as well as by external audits executed by certification organisms such as SGS and FCA (Food Chain Alliance).

Capital management

For the purpose of the Group's capital management, capital includes issued capital, share premium and all other equity reserves attributable to the equity holders of the parent.

The primary objective of the Group's capital management is to maximise the shareholder value.

The Group follows a prudent capital structure and conservative leverage management.

Group current net leverage is 2.87:1 as a result of the Group ambitious CAPEX programs between 2018 and 2020 which was partially financed by debt.

Group debt structure is characterized by long maturities and sufficient flexibility and has a committed EUR 540 million Facilities Agreement from international lenders with maturity in July 2027 as well as a EUR 125 million facility with the EIB with maturity in 2026. This allows enough headroom.

In December 2017 the Group signed a contract with the EIB to finance the capex relating to the construction of the fermentation facility in Peshtera and the vaccine plant in Razgrad as well as R&D activities.

The Group is supported by a large pool of both international and local banks.

The Group further deleveraging plan is driven by existing debt amortization and strong cash flow generation.

Principal risks and uncertainties

The Group assesses the principal risks which it faces in view of their possibility of occurrence and magnitude of impact they might have on the Group's ability to achieve its business objectives. Our risk appetite, or the level of risk the Group is willing to accept before any mitigating activities to reduce the risk, is determined considering the severity of the respective risk for the Group, i.e. the magnitude of its impact on the Group. Risk appetite is determined in four categories—zero tolerance, low, moderate and high.

Based on the Group's assessment of the principle inherent risks it faces, the Group has identified the following main risks that could have significant impact on the financial performance of the Group, before taking into account any controls and mitigating activities of the Group. Key mitigating actions in respect of each inherent risk are also presented.

Global financial and economic developments

Description of the risk—Economic conditions and geopolitical environment could have a material impact on our ability to achieve objectives. Some of our customers and suppliers could be affected directly by an economic downturns and political crisis and could face cash flow problems and increased credit risk.

Risk appetite—low to moderate

Key mitigating activities—We have procedures put in place to monitor and limit exposure to collectability risk. In line with major economic forecasts for the global economy, we have not assumed any global economic downturn over the following year and we assess this risk as low. However, significant geopolitical uncertainties exist in a number of markets where we operate.

Ability to compete effectively

Description of the risk—Animal health industry is very competitive industry with moderate compound annual growth over the last few years and lower margins compared to human health. There is increased risk of facing increased competition as competition may aggressively lower prices to defend or grow market shares.

Risk appetite—low to moderate

Key mitigating activities—The Group is well positioned to defend or further increase its market share on its main markets by streamlining its product portfolio. The Group is well positioned versus competition to defend its position due to its high level of internal integration and lean sales and marketing structure. Furthermore, It is broadening its offering in terms of products and customer base while improving its marketing and pricing management programs. The Group is prepared to take moderate risks in order to be competitive.

Increased regulatory risk

Description of the risk—Group operates mainly in the livestock segment and is subject to extensive and increasing regulations. More stringent regulations might have an impact on the Group performance as such may cause longer approval times and higher compliance cost. There is also a risk for antibiotics which where regulatory authorities may restrict use of antibiotics for animal health.

Risk appetite—Zero tolerance

Key mitigating activities—The Group monitors closely the developments in each country it operates and takes measures to comply with all the regulations, including Good Manufacturing Practices. The Group has zero tolerance to breaches of regulations. The Group is well structured to comply with more stringent regulations as they may arrive. The Group is actively diversifying is product portfolio with alternatives to antibiotics, such as vaccines, probiotics, enzymes and herbal products.

Risks related to products' quality and safety

Description of the risk— Any issues arising due to quality and/or safety failures of the Group's products could impact the Group's reputation and business results. This may result in lower sales for the Groups as customers will prefer to by from alternative suppliers.

Risk appetite—Zero tolerance

Key mitigating activities— All reported issues in this respect are reviewed and assessed following all relevant industry and regulatory guidelines. The Group has strong quality assurance and quality control systems in place to ensure that it produces high quality products that meet regulatory requirements. The Group is regularly audited by various regulatory bodies on the management of these issues. The Group has zero tolerance for failures related to the quality and safety of its products.

Compliance with laws and regulations in general

Description of the risk—Compliance risk is the risk of not complying with laws and regulations, for example risks related to litigation, tax compliance, erroneous financial reporting. These may result in damages claims, penalties or corrective actions impacting the profitability of the Group.

Risk appetite—Zero tolerance

Key mitigating activities—The Group ensures that it properly identifies and understand its duties, obligations and liabilities towards the governments and other stakeholders. This includes regular checks for new or updated compliance obligations. The Group develops appropriate policies and procedures to make sure it meets its obligations in a timely manner. It assigns ownership and responsibility to specific employees or teams to monitor the developments in the area of compliance and take appropriate actions. Group's management is regularly updated on the overall compliance environment.

Monitoring and reporting

Various means of monitoring and reporting are in place. These provide a robust and continuous overview of the functioning of the common controls and the mitigation of common risks. The Group's management take the lead in instigating internal audits to check the effectiveness of the internal controls and risk and incident mitigations. Independent audits, including unannounced audits, were executed by the Group Internal Auditor in a program that was agreed with the Group's management.

Internal audit activities

Control activities are carried out by the internal appointed auditor who regularly reviews:

- compliance aspects such as the implementation of training on values, segregation of duties, and follow-up of audits from various stakeholders;
- the execution, follow up and quality of the relevant set of risk assessments; and
- best practices from internal and external sources to further strengthen Group's risk management cycle as well as to ensure appropriate risk management training for all employees at the Group.

External audit activities

As a pharmaceutical company we are subject to intense inspections by the competent authorities (FDA, EMA, National Public Health ministries) in all the regions where we operate. These are supplemented by internal extensive quality control departments at all production and distribution sites as well as by external audits executed by certification organisms such as SGS and FCA (Food Chain Alliance).

Current and planned improvements in the risk management system

Current risk management practices meet the requirements of the management of the Group. However, management is considering the implementation of an Enterprise Risk Management framework to improve the risk management and reporting process.

Environment

Huvepharma Group understands the importance of complying with the legal regulations and covering variety of environmental issues. Based on that principles the group is proved as responsible corporation on a long-term global perspective of harmony with the global environment. To achieve this the company proactively invests in air quality, water management and waste management and solar power energy production.

Use of financial instruments

The Group's principal financial liabilities, other than derivatives, comprise interest-bearing loans and borrowings and trade payables. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group also has cash and short-term deposits, and trade receivables, which arise directly from its operations. The derivative interest rate swap is serving the purpose to hedge the cash flow risk arising from TLA. More details about the financial instruments held by the Group and the financial risk arising from them is disclosed in notes 20 and 23.

Management's responsibilities

Management prepares consolidated financial statements each financial year that give a true and fair view of the state of affairs of the Group as at the year-end and of the profit or loss and cash-flows for the year then ended.

Management confirms that suitable accounting policies have been used and applied consistently and, reasonable and prudent judgments and estimates have been made in the preparation of the consolidated financial statements for the year ended 31 December 2020.

Management also confirms that applicable accounting standards have been followed and that the consolidated financial statements have been prepared on a going concern basis.

Management is responsible for keeping proper accounting records, for safeguarding the assets and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Events after the reporting date

Pursuant to a decision of the General Meetings of Shareholders dated 4 February 2021, dividends amounting to EUR 30,000 thousand were paid by the Group in February 2021 from 2020 profit (2020: 0).

Management declares that after the end of the reporting period and until the date of the preparation of these consolidated financial statements there are no other significant or material non-adjusting events which took place concerning the activities of the Group, the non-disclosure of which could influence the true and fair presentation of the consolidated financial statements.

Signed by Kiril Petrov Domuschiev	Signed by Nessa Cherif	Signed by Intertrust (Netherlands) B.V.

HUVEPHARMA International B.V.

FINANCIAL STATEMENTS

Consolidated statement of comprehensive income

for the year ended 31 December 2020

	Notes	2020	2019
		EUR'000	EUR'000
Revenue	6.1	**587,937**	**548,016**
Cost of sales		(321,910)	(318,874)
Gross profit		**266,027**	**229,142**
Other operating income	6.2	7,438	1,905
Selling and distribution costs	6.8	(78,112)	(78,763)
Administrative expenses	6.7	(36,220)	(35,937)
Cost for administration of intellectual property		(8,557)	(9,138)
Other operating expenses	6.3	(25,157)	(5,535)
Operating profit		**125,419**	**101,674**
Finance costs	6.4	(10,165)	(9,482)
Share of loss of associates and joint venture	24	(1,446)	(1,260)
Profit before taxes		**113,808**	**90,932**
Income tax expense	7	(12,974)	(10,086)
Profit for the year		**100,834**	**80,846**
Profit for the year attributable to:			
Owners of the parent company		98,979	79,642
Non-controlling interest		1,855	1,204
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Exchange rate difference on translation of foreign operations		(1,928)	798
Cash flow hedges		393	(343)
Income tax effect	7	(39)	33
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		(1,574)	488
Other comprehensive income not to be reclassified to profit or loss in subsequent periods			
Actuarial losses	16	148	(371)
Income tax effect	7	5	14
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		153	(357)
Income tax expense, attributable to other comprehensive income		**(34)**	**47**
Other comprehensive income/(loss) for the year, net of taxes		**(1,421)**	**131**
Total comprehensive income for the year, net of taxes		**99,413**	**80,977**
Attributable to:			
Owners of the parent company		97,808	79,796
Non-controlling interest		1,605	1,181
Earnings per share	14.6	0.72	0.58

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These consolidated financial statements were approved by the Board of Directors on 30 April 2021.
The accompanying notes from page F-33 to F-83 page are an integral part of these financial statements

HUVEPHARMA International B.V.

FINANCIAL STATEMENTS

Consolidated statement of financial position

As at 31 December 2020

	Notes	2020	2019
		EUR'000	EUR'000
ASSETS			
Non-current assets			
Property, plant and equipment	8	356,508	336,850
Intangible assets	9	290,926	268,468
Investment in associates	24	9,152	8,799
Deferred tax assets	7	6,858	4,442
Receivables from related parties	21	—	8
Other receivables		242	287
Prepayments		476	384
		664,162	**619,238**
Current assets			
Inventories	11	187,868	162,416
Trade and other receivables	12	95,698	113,035
Prepayments		4,998	5,881
Income tax receivable		2,010	1,986
Cash and short-term deposits	13	21,638	14,892
		312,212	**298,210**
TOTAL ASSETS		**976,374**	**917,448**
EQUITY AND LIABILITIES			
Equity			
Issued capital	14.1	137,029	137,029
Share premium	14.2	16,813	16,813
Other capital reserves	14.4	60,815	45,868
Retained earnings		133,245	51,341
Equity attributable to the owners of the parent company		**347,902**	**251,051**
Non-controlling interests	14.5	8,598	7,019
Total equity		**356,500**	**258,070**
Non-current liabilities			
Interest-bearing loans and borrowings	10	455,923	447,413
Other non-current liabilities	17	2,392	2,246
Retirement benefit liability	16	3,182	3,115
Government grants	15	41	120
Deferred tax liabilities	7	4,988	4,720
Other financial liabilities	22	600	993
		467,126	**458,607**
Current liabilities			
Trade and other payables	17	110,768	158,745
Interest-bearing loans and borrowings	10	39,894	38,808
Deferred income		36	79
Income tax liability		2,050	3,139
		152,748	**200,771**
Total liabilities		**619,874**	**659,378**
TOTAL EQUITY AND LIABILITIES		**976,374**	**917,448**

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HUVEPHARMA International B.V.

FINANCIAL STATEMENTS

Consolidated statement of changes in equity

for the year ended 31 December 2020

	Issued capital	Other capital reserves, net	Retained earnings	Equity attributable to the owners of the parent company	Non-controlling interest	Total equity
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
At 1 January 2019	**137,029**	**47,274**	**(13,271)**	**171,032**	**5,817**	**176,849**
Profit for the year	—	—	79,642	79,642	1,204	**80,846**
Other comprehensive income	—	154	—	154	(23)	**131**
Total comprehensive income	—	154	79,642	79,796	1,181	**80,977**
Reserves transfer	—	15,254	(15,254)	—	—	**—**
Other change	—	(1)	224	223	21	**244**
At 31 December 2019	**137,029**	**62,681**	**51,341**	**251,051**	**7,019**	**258,070**
At 1 January 2020	**137,029**	**62,681**	**51,341**	**251,051**	**7,019**	**258,070**
Profit for the year	—	—	98,979	98,979	1,855	**100,834**
Other comprehensive income	—	(1,171)	—	(1,171)	(250)	**(1,421)**
Total comprehensive income	—	(1,171)	98,979	97,808	1,605	**99,413**
Reserves transfer	—	16,117	(16,117)	—	—	**—**
Other change	—	1	(958)	(957)	(14)	**(971)**
Acquisition of non-controlling interest	—	—	—	—	(12)	**(12)**
At 31 December 2020	**137,029**	**77,628**	**133,245**	**347,902**	**8,598**	**356,500**

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These consolidated financial statements were approved by the Board of Directors on 30 April 2021.
The accompanying notes from page F-33 to F-83 are an integral part of these financial statements

HUVEPHARMA International B.V.

FINANCIAL STATEMENTS

Consolidated statement of cash flows

for the year ended 31 December 2020

	Notes	2020 EUR'000	2019 EUR'000
Operating activities			
Proceeds from customers		630,636	568,497
Payments to suppliers		(455,234)	(420,283)
Income taxes paid and refunded		(15,872)	(11,186)
Other taxes paid and refunded		12,968	7,843
Salaries, wages and related social securities	6.7	(73,008)	(72,993)
Other cash flows from operating activities		4,378	(3,185)
Net cash flows from operating activities		**103,868**	**68,693**
Investing activities			
Purchase of property, plant and equipment	8	(43,481)	(83,514)
Proceeds from sale of property, plant and equipment	8	31	4
Purchase of intangible assets	9	(52,157)	(47,291)
Proceeds from sale of intangible assets	9	1,749	—
Payments to acquire investments		(2,623)	(3,832)
Interest received		37	27
Other cash flows from investing activities		627	—
Net cash flows used in investing activities		**(95,817)**	**(134,606)**
Financing activities			
Payments for NCI acquisition		(12)	—
Payment of liabilities under lease contracts	26	(2,893)	(2,620)
Proceeds from borrowings	10, 26	35,170	92,233
Repayment of borrowings	10, 26	(24,947)	(19,030)
Payment of interest	26	(8,049)	(7,916)
Net cash flows (used in)/ from financing activities		**(731)**	**62,667**
Net increase in cash and cash equivalents		7,320	(3,246)
Net foreign exchange differences		(574)	72
Cash and cash equivalents at 1 January		14,892	18,066
Cash and cash equivalents at 31 December	13	**21,638**	**14,892**

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These consolidated financial statements were approved by the Board of Directors on 30 April 2021.
The accompanying notes from page F-33 to F-83 are an integral part of these financial statements

1. Corporate information

Huvepharma International B.V. (the "Company"), Dutch Chamber of Commerce number 61186228, is a private limited liability company, incorporated on 31 July 2014 under the laws of the Netherlands, having its official seat in Amsterdam, the Netherlands and its principal place of business at Prins Bernhardplein 200, 1097 JB Amsterdam, the Netherlands.

The Company was incorporated as a part of Group restructuring which included the incorporation of Huvepharma International B.V., Huvepharma Holdings B.V., Netherlands and Huveproject EAD, Bulgaria as intermediate parents of Huvepharma EOOD.

At 31 December 2020 the sole owner of the Company's capital is "Advance Properties" OOD which holds 100% of the ordinary registered share capital of the Company, which is the ultimate parent company.

The consolidated financial statements of Huvepharma International B.V. and its subsidiaries (the "Group" or "Huvepharma Group") for the year ended 31 December 2020 were authorized for issue in accordance with a resolution of the Board of Directors dated 30 April 2021. These financial statements are subject to the approval of the Company's Annual Shareholder's Meeting. The separate financial statements of the Group were authorized for issue in accordance with a resolution of the Board of Directors dated 30 April 2021.

The principal activities of the Group include production and trading with veterinary pharmaceuticals, feed additives and human health products on the international markets.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted for use in the European Union ("EU") and title 9 of Book 2 of the Dutch Civil Code.

These consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments that have been measured at fair value.

The consolidated financial statements are presented in Euro and all values are rounded to the nearest thousand ("EUR thousand"), unless otherwise indicated.

Going concern

The Group prepares its consolidated financial statements applying the going concern assumption.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2020.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received

2.1 Basis of preparation (Continued)

- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

Changes in accounting policies and disclosures

As a result of changes in the presentation in the financial statements, certain figures for the year ended 31 December 2019 have been reclassified. These reclassifications do not impact the prior period results nor the equity position of the Group.

Until 2019, the Group was presenting revolving credit facilities as current liabilities. In 2020, the Group reassessed the appropriateness of this presentation with relation to the terms of the respective syndicated facilities agreement and as a result concluded that the revolving credit facilities with a maturity date longer than 12 months after balance sheet date should be presented as non-current liability.

Further, the Group reassessed its presentation of foreign currency revaluation gains and losses on a gross basis in other operating income and other operating expense respectively and concluded that more appropriate presentation can be achieved through presentation on a net basis.

The table below presents a comparison of the Non-current interest bearing loans and borrowings, Current interest bearing loans and borrowings, Other operating income and Other operating expense, as at and for the year ended 31 December 2019 as stated in the consolidated financial statements for the year ended 31 December 2020:

	31 December 2019 figures included in consolidated financial statements as of 31 December 2020	31 December 2019 figures included in consolidated financial statements as of 31 December 2019	Reclassification
	EUR'000	EUR'000	EUR'000
Consolidated statement of financial position			
Non-current interest bearing loans and borrowings	447,413	409,051	38,362
Current interest bearing loans and borrowings	38,808	77,170	(38,362)
Consolidated statement of comprehensive income			
Other operating income	1,905	30,214	(28,309)
Other operating expense	(5,535)	(33,908)	28,373
Finance income	—	64	(64)

2.2 Summary of significant accounting policies

a) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

2.2 Summary of significant accounting policies (Continued)

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed.

If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

b) Investment in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investment in its associate and joint venture are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost.

The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

2.2 Summary of significant accounting policies (Continued)

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss within 'Share of profit of an associate and a joint venture' in the statement of profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

c) Foreign currency translation

The Group's consolidated financial statements are presented in Euro, which is also the parent company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

(i) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

All differences are taken to the profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in the fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognized in other comprehensive income or profit or loss is also recognized in other comprehensive income or profit or loss, respectively).

(ii) Group Companies

On consolidation level the assets and liabilities of foreign operations are translated into EUR at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on the translation are recognized in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in the income statement.

Any goodwill arising on the acquisition of a foreign operation subsequent to 1 January 2005 and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting rate.

d) Revenue from contracts with customers

The Group is in the business of production and trading with veterinary pharmaceuticals, feed additives and human health products. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

2.2 Summary of significant accounting policies (Continued)

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 3.

Sale of finished goods

Revenue from sale of finished goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the finished. The normal credit term is 60 to 90 days upon delivery.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, customer loyalty points). In determining the transaction price for the sale of finished goods, the Group considers the effects of variable consideration, the existence of significant financing components and consideration payable to the customer (if any).

(i) Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of finished goods provide customers with a right of return and volume rebates. The rights of return and volume rebates give rise to variable consideration.

• Rights of return

Certain contracts provide a customer with a right to return the goods within a specified period. The Group uses the expected value method to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in IFRS 15 on constraining estimates of variable consideration are also applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, the Group recognises a refund liability. A right of return asset (and corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

• Volume rebates

The Group provides retrospective volume rebates to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the Group applies the most likely amount method for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract.

Provision of services

The Group provides services that are sold separately, namely R&D services. The Group recognizes the services as a single performance obligation and recognizes revenue from them over time as the client simultaneously receives and consumes the benefits provided by the Group. For R&D projects the Group uses the input method based on hours worked relative to the total expected inputs to the satisfaction of that performance obligation, in order to assess the progress of the satisfaction of the performance obligation.

Interest income

For all financial instruments measured at amortised cost, interest income is reported using the effective interest method (EIM) that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the statement of comprehensive income.

2.2 Summary of significant accounting policies (Continued)

Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in section k) Financial instruments—initial recognition and subsequent measurement.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Cost to obtain a contract/ Contract performance costs

The Group has no additional contract costs.

e) Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. When the grant relates to an asset, it is deducted in arriving at the carrying amount of the asset.

f) Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided using the liability method on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be

2.2 Summary of significant accounting policies (Continued)

controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised. No such are considered probable as at 31 December 2020 (31 December 2019: not considered probable).

The carrying amount of deferred income tax assets is reviewed by the Group at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred income tax assets and deferred income tax liabilities are offset by the Group only if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or in profit or loss.

Value added tax

Revenue, expenses and assets are recognised net of the amount of value added tax except:

- Where the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of value added tax included.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

g) Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major

2.2 Summary of significant accounting policies (Continued)

inspection of items of property, plant and equipment is performed, its cost is recognised in the carrying amount of the respective assets as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the income statement for the period as incurred.

Depreciation is calculated on a straight line basis over the estimated useful life of the assets, as follows:

	2020	2019
• Buildings	from 25 to 50 years	from 25 to 50 years
• Plant and equipment	from 5 to 50 years	from 5 to 25 years
• Hardware	2 years	2 years
• Motor vehicles	from 6 to 12 years	from 6 to 12 years
• Office furniture	from 6 to 20 years	from 6 to 20 years
• Installations	up to 40 years	up to 40 years

An item of property, plant and equipment and any significant part is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income when the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

h) Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group considers extension and termination options within the initial recognistion of a lease. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

	2020
• Buildings	from 1 to 10 years
• Plant and equipment	from 2 to 3 years
• Motor vehicles	from 1 to 5 years
• Other	from 2 to 5 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section (o) Impairment of non-financial assets.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments).

2.2 Summary of significant accounting policies (Continued)

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in Interest-bearing loans and borrowings (see Note 10).

i) Borrowings costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The Group capitalizes borrowing costs for all eligible assets where construction was commenced on or after 1 January 2009.

j) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any.

The useful lives of intangible assets are assessed as either finite or indefinite, as follows:

	2020	2019
• Intellectual property rights	From 2 years to indefinite	From 2 years to indefinite
• Software	from 2 to 5 years	from 2 to 5 years
• Development products	From 10 to 20 years	From 10 to 20 years
• Dossiers	indefinite	indefinite
• Goodwill	indefinite	indefinite
• Others	From 2 years to indefinite	From 2 years to indefinite

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortisation method for intangible assets with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income as cost of sales, administrative expenses and selling and distribution costs consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed at the end of each reporting period to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of comprehensive income when the asset is derecognised.

Intellectual property rights and dossiers

Intellectual property rights include market authorization, trademarks and patents. The Group obtains market authorizations, issued by the relevant regulatory agency of the country where the Group sells these products. The useful life of these market authorizations ranges from 2 to 11 years with the option of renewal at the end

2.2 Summary of significant accounting policies (Continued)

of this period. The Group also holds trademarks and patents. They are issued by the relevant regulatory agency as well. The useful life of patents is 6 years, and that of trademarks is 10 years, unless it is expected that net cash inflows are contributed indefinitely. In this case trademarks are assigned indefinite useful life. The patents, as well as the trademarks, contain the option of renewal after the end of this period. The Group has also dossiers, which are assets (comprising mainly the cost of laboratory tests and costs to evidence the efficiency, effectiveness and safety of the drug substance) used for obtaining of new market authorizations from the relevant regulatory agency or renewing of the already existing ones. Therefore, the Group assesses the dossiers are having an indefinite useful life.

Development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the Group applies the cost model, which requires the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. The intangible asset is amortised over the period of expected future benefits. Amortisation is recorded in cost of sales. During the period of development, the asset is tested by the Group for impairment annually.

k) Financial instruments—initial recognition and subsequent measurement

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in section d) Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

2.2 Summary of significant accounting policies (Continued)

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in two categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes cash, short-term deposits, trade and other receivables, and related party receivables.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the income statement.

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the income statement when the right of payment has been established.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In

2.2 Summary of significant accounting policies (Continued)

that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Disclosures for significant assumptions (Note 3)
- Trade receivables, including contract assets (Note 12)

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 90 days past due.

The Group considers a financial asset in default when contractual payments are 360 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, derivative financial instruments and payables to related parties.

2.2 Summary of significant accounting policies (Continued)

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at amortizied cost
- Financial liabilities at fair value thorugh profit and loss

Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the income statement.

This category generally applies to interest-bearing loans and borrowings. For more information, refer to Note 10.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

l) Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses a derivative financial instrument—interest rate swap. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to the statement of comprehensive income, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges that meet the strict criteria for hedge accounting are accounted for as described below:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss.

2.2 Summary of significant accounting policies (Continued)

Amounts recognised as OCI are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in OCI remains separately in equity until the hedged instrument is derecognized.

For hedge accounting the Group applies IFRS 9, 7.2.21 and chooses as its accounting policy to continue to apply the hedge accounting requirements of IAS 39.

m) Fair values of financial instruments

The Group measures financial instruments, such as, derivatives at fair value at each balance sheet date. Fair values of financial instruments measured at amortised cost are disclosed in Note 23.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1—Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2—Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3—Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group's management determines the policies and procedures for recurring fair value measurement.

External valuers are involved for valuation of significant assets. Involvement of valuation experts is decided upon annually by the management. Selection criteria for external valuers include market knowledge, reputation, independence and whether professional standards are maintained. The management decides, after discussions with the valuation experts, which valuation techniques and inputs to use for each case.

At each reporting date, the management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing the information in the

2.2 Summary of significant accounting policies (Continued)

valuation computation to contracts and other relevant documents. The management, in conjunction with the valuation experts, also compares each the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

n) Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each item of inventory to its present location and condition, are accounted for as follows:

- Goods—at specifically determined purchase cost.
- Raw materials—at purchase cost on the first-in first-out basis
- Finished goods and work in progress—at the cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion of the manufacturing cycle and the estimated costs necessary to make the sale.

o) Impairment of non-financial assets

The Group assesses at each reporting date whether there are indications that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the CGUs to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of comprehensive income.

2.2 Summary of significant accounting policies (Continued)

The following assets have specific characteristics for impairment testing:

Goodwill

Goodwill is tested for impairment annually (as at 31 December) and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGU is less than their carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets

Intangible assets with indefinite useful lives are tested for impairment annually as at 31 December either individually or at the CGU level, as appropriate and when circumstances indicate that the carrying value may be impaired.

p) Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash in bank accounts and in hand, and short-term deposits with a maturity of three months or less.

For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

q) Retirement benefits

Short-term employee benefits include salaries, interim and annual bonuses, social security contributions and paid annual leave of current employees expected to be settled wholly within twelve months after the end of the reporting period. They are recognised as an employee benefit expense in the profit or loss or included in the cost of an asset when service is rendered to the Group and measured at the undiscounted amount of the expected cost of the benefit. Information on short-term employee benefits is disclosed in Note 16.

The Group operates a defined benefit plan arising from the requirement of the Bulgarian labour legislation to pay two or six gross monthly salaries to its employees upon retirement, depending on the length of their service. If an employee has worked for the Group for 10 years, the retirement benefit amounts to six gross monthly salaries upon retirement, otherwise, two gross monthly salaries. These retirement benefits are unfunded. The cost of providing benefits under the retirement benefit plan is determined using the projected unit credit method. Re-measurements, comprising of actuarial gains and losses, are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods. Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Group recognises restructuring-related costs.

Interest expense is calculated by applying the discount rate to the defined benefit liability. The Group recognises the following changes in the defined benefit obligation in profit or loss for the period:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements within “Employee benefits expense”
- Interest expense within “Other costs”.

One of the Group’s subsidiaries has subscribed to a defined contribution plan with an insurance company for all of its employees, whereby the employees are entitled to a predefined yearly insurance contribution by the subsidiary to this contribution plan. Total contributions paid by the subsidiary for the year ended 31 December 2020 amounts to EUR 387 thousand (2019: EUR 240 thousand).

In all other countries where the Group has a subsidiary, branch or a representative office, there are no pension or other retirement benefits that fall within the scope of IAS 19.

2.2 Summary of significant accounting policies (Continued)

r) Provisions

General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Greenhouse gas emissions

The Group receives free emission rights in certain European countries as a result of the European Emission Trading Schemes. The rights are received on an annual basis and, in return, the Group is required to remit rights equal to its actual emissions. The Group has adopted the net liability approach to the emission rights granted. Therefore, a provision is recognised only when actual emissions exceed the emission rights granted and still held. The emission costs are recognised as other operating costs. When emission rights are purchased from other parties, they are recorded at cost, and treated as a reimbursement right, whereby they are matched to the emission liabilities and remeasured to fair value. The changes in the fair value are recognised in the statement of comprehensive income.

s) Issued capital

Issued capital represents the par value of shares issued and paid by the shareholders. Any proceeds in excess of par value are recorded in share premium. Associated costs are accounted for against the amounts raised.

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from the equity. No gain or loss is recognized in the statement of comprehensive income on the purchase, sale, issue or cancellation of the Group's own equity instruments.

t) Cash dividend and non-cash distribution to equity holders of the parent

The Group recognises a liability to make cash or non-cash distributions to equity holders of the parent when the distribution is authorised (i.e. approved by the shareholders) and the distribution is no longer at the discretion of the Group. A corresponding amount is recognised directly in equity.

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value re-measurement recognised directly in equity.

Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in the profit or loss.

2.3 Changes in accounting policy and disclosures

New and amended standards and interpretations

Amendments to IFRS 3: *Definition of a Business*

The amendments are effective for annual periods beginning on or after 1 January 2020 with earlier application permitted. The amendments clarify the minimum requirements for a business and narrow the definition of a business. The amendments also remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive and introduce an optional fair value concentration test. These amendments had no impact on the financial statements of the Group.

2.3 Changes in accounting policy and disclosures (Continued)

Amendments to IFRS 7, IFRS 9 and IAS 39 *Interest Rate Benchmark Reform*

The amendments are effective for annual periods beginning on or after 1 January 2020 and must be applied retrospectively. Earlier application is permitted. The amendments published, deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative interest rate and address the implications for specific hedge accounting requirements in IFRS 9 *Financial Instruments* and IAS 39 *Financial Instruments: Recognition and Measurement*, which require forward-looking analysis. The amendments provided temporary reliefs, applicable to all hedging relationships that are directly affected by the interest rate benchmark reform, which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate. There are also amendments to IFRS 7 *Financial Instruments: Disclosures regarding additional disclosures around uncertainty arising from the interest rate benchmark reform*. These amendments have no impact on the financial statements of the Group.

Amendments to IAS 1 and IAS 8 *Definition of Material*

The amendments are effective for annual periods beginning on or after 1 January 2020 with earlier application permitted. The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS Standards. The amendments also specify that materiality will depend on the nature or magnitude of information. These amendments have no impact on the financial statements of the Group.

Conceptual Framework for Financial Reporting

The IASB issued the revised Conceptual Framework for Financial Reporting on 29 March 2018, which is effective for annual periods beginning on or after 1 January 2020. The Conceptual Framework sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. The main amendments introduced in the revised Conceptual framework for financial reporting are related to measurement, including factors, which should be considered when choosing measurement basis, and to presentation and disclosure, including income and expenses which should be classified in other comprehensive income. The Conceptual framework also provides updated definitions for asset and liability and criteria for their recognition in the financial statements. These amendments had no impact on the financial statements of the Group.

3. Significant accounting judgments, estimates and assumptions

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and judgements

Estimates

In the process of applying the Group's accounting policies, management has made the following estimates, which have the most significant effect on the amounts recognised in the financial statements. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group.

Useful life of property, plant and equipment and intangible assets

The financial reporting on property, plant and equipment, and intangible assets includes the use of estimates of their expected useful lives and residual values, which are based on Group's management estimates. At year-end, management performs a review and considers any necessary adjustments of the assets' useful life, carrying

3. Significant accounting judgments, estimates and assumptions (Continued)

amount and methods for depreciation. Information about useful lives of property, plant and equipment is given in Note 2.2 g) and of intangible assets—in Note 2.2 j).

Provision for expected credit losses of trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is highly sensitive. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and is disclosed in Note 12.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or CGU unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions in arm's length transactions of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are further explained in Note 9.

Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group's domicile. As the Group assesses the probability for a litigation and subsequent cash outflow with respect to taxes as remote, no contingent liability has been recognized.

Development costs

Development costs are capitalized and reported under Intangible assets in accordance with the accounting policy in Note 2.2. Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits.

3. Significant accounting judgments, estimates and assumptions (Continued)

Significant non-controlling interest in a subsidiary

The Group evaluates if a non-controlling interest in a subsidiary is material for disclosure purposes based on quantitative and qualitative indicators which incorporate the relative share of respective non-controlling interest in the consolidating equity and results for the current period.

Intangibles assets with indefinite useful life

Assets with indefinite useful life are tested for impairment annually. Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by the Group. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in Note 9.

4. Issued standards, which have not become effective yet and are not implemented in advance

Standards issued but not yet effective and not early adopted up to the date of issuance of the Group's financial statements are listed below. This listing is of standards and interpretations issued, which the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt those standards when they become effective.

Amendments to IFRS 16 Covid-19 *Related Rent Concessions*

On 28 May 2020, the IASB issued *Covid-19-Related Rent Concessions—amendment to IFRS 16 Leases*. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. Lessees apply the practical expedient retrospectively, recognising the cumulative effect of initially applying the amendment as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the lessee first applies the amendment. In the reporting period in which a lessee first applies the amendment, the lessee is not required to disclose the amount of the adjustment for each financial statement line affected and earnings per share required by paragraph 28(f) of IAS 8. The Group has assessed the new amendments and there is no impact on the financial position or performance. In February 2021 the IASB issued a proposal to extend the relief period by another year, i.e. to apply the practical expedient on rent concessions to a change in lease payments originally due on or before 30 June 2022 from 30 June 2021.

IFRS 17 *Insurance Contracts*

In May 2017, the IASB issued IFRS 17 *Insurance Contracts* (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 *Insurance Contracts* (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4,

4. Issued standards, which have not become effective yet and are not implemented in advance (Continued)

which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. The standard has not yet been endorsed by the EU. The Group has assessed the new amendments and there is no impact on the financial position or performance.

IFRS 17: Insurance Contracts (Amendments), IFRS 4: Insurance Contracts (Amendments)

The amendments to IFRS 17 are effective, retrospectively, for annual periods beginning on or after January 1, 2023, with earlier application permitted. The amendments aim at helping companies implement the Standard. In particular, the amendments are designed to reduce costs by simplifying some requirements in the Standard, make financial performance easier to explain and ease transition by deferring the effective date of the Standard to 2023 and by providing additional relief to reduce the effort required when applying IFRS 17 for the first time. The amendments to IFRS 4 change the fixed expiry date for the temporary exemption in IFRS 4 *Insurance Contracts* from applying IFRS 9 *Financial Instruments*, so that entities would be required to apply IFRS 9 for annual periods beginning on or after January 1, 2023. The Amendments to IFRS 17 have not yet been endorsed by the EU. It is not expected that the amendments would impact the financial position or performance of the Group.

Amendments to IAS 1:*Classification of Liabilities as Current or Non-current*

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The amendments have not yet been endorsed by the EU. It is not expected that the amendments would impact the financial position or performance of the Group.

Amendments to IFRS 3 Business combinations

In May 2020, the IASB issued Amendments to IFRS 3 *Business Combinations—Reference to the Conceptual Framework*. The amendments are intended to replace a reference to the *Framework for the Preparation and Presentation of Financial Statements*, issued in 1989, with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 *Levies*, if incurred separately. At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements. The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively. The amendments have not yet been endorsed by the EU. The Group has assessed the new amendments and there is no impact on the financial position or performance.

4. Issued standards, which have not become effective yet and are not implemented in advance (Continued)

Interest Rate Benchmark Reform—Phase 2—IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Amendments)

In August 2020, the IASB published Interest Rate Benchmark Reform—Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, completing its work in response to IBOR reform. The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). In particular, the amendments provide for a practical expedient when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, to require the effective interest rate to be adjusted, equivalent to a movement in a market rate of interest. Also, the amendments introduce reliefs from discontinuing hedge relationships including a temporary relief from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component. Furthermore, the amendments to IFRS 4 are designed to allow insurers who are still applying IAS 39 to obtain the same reliefs as those provided by the amendments made to IFRS 9. There are also amendments to IFRS 7 *Financial Instruments: Disclosures* to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 with earlier application permitted. While application is retrospective, an entity is not required to restate prior periods. The Group has assessed the new amendments and there is no impact on the financial position or performance.

Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use

In May 2020, the IASB issued Property, Plant and Equipment—Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments have not yet been endorsed by the EU. The Group has assessed the new amendments and there is no impact on the financial position or performance.

***Amendments to IAS 37:* Onerous Contracts—Costs of Fulfilling a Contract**

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The amendments have not yet been endorsed by the EU. The Group has assessed the new amendments and there is no impact on the financial position or performance.

IFRS 1 *First-time Adoption of International Financial Reporting Standards*—Subsidiary as a first-time adopter

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards*. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The amendment has not yet been endorsed by the EU. The Group has assessed the new amendments and there is no impact on the financial position or performance.

4. Issued standards, which have not become effective yet and are not implemented in advance (Continued)

IFRS 9 *Financial Instruments*—Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The amendment has not yet been endorsed by the EU. The Group has assessed the new amendments and there is no impact on the financial position or performance.

IAS 41 *Agriculture*—Taxation in fair value measurements

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IAS 41 Agriculture. The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41. An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022 with earlier adoption permitted. The amendment has not yet been endorsed by the EU. The Group has assessed the new amendments and there is no impact on the financial position or performance.

IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (Amendments):

The Amendments are effective for annual periods beginning on or after January 1, 2023 with earlier application permitted. The amendments provide guidance on the application of materiality judgements to accounting policy disclosures. In particular, the amendments to IAS 1 replace the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies. Also, guidance and illustrative examples are added in the Practice Statement to assist in the application of the materiality concept when making judgements about accounting policy disclosures. The Amendments have not yet been endorsed by the EU. The Group is in process of assessing the impact of the amendments to its finanacial statement.

IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Amendments):

The amendments become effective for annual reporting periods beginning on or after January 1, 2023 with earlier application permitted and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. The amendments introduce a new definition of accounting estimates, defined as monetary amounts in financial statements that are subject to measurement uncertainty. Also, the amendments clarify what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors. The Amendments have not yet been endorsed by the EU. The Group has assessed the new amendments and there is no impact on the financial position or performance.

5. Segment information

The Group operates its business as a single operating segment, engaged in the manufacturing, marketing and sales of animal health products. The business activities are not organized on the basis of differences in the Group's products or geographies. Management structure is centralised and strategic, operational and oversight responsibilities lie with the Group's management. Functional leaders make strategic decisions and manage the respective business activities globally. Regional and country leaders are responsible for the implementation of the global strategy. Aligned with the Group's management structure, the Chief Executive officer, as the chief operating decision maker, regularly reviews consolidated financial information to make decisions about resources to be allocated to product groups and functions across the global business to maximize their revenue earning potential. Our vertically integrated manufacturing function ensures that the Group's products are manufactured in a cost-effective way and global costs are optimised. Financial performance of the business is

5. Segment information (Continued)

assessed at consolidated level and all resource allocation decisions are made in view of the optimisation of the consolidated financial results.

a) Information about products

The Group focuses on the development, manufacturing and marketing of livestock health products with a differentiated and growing product offering across veterinary products and feed additives (coccidiostats, enzymes). The Group's business model is underpinned by a well-balanced product portfolio. For the year ended 31 December 2020, and 31 December 2019, respectively, the Group's revenue split by product is as follows:

	2020	2019
	EUR'000	EUR'000
Feed additives	289,056	258,128
Veterinary products	221,569	219,796
Human health products	57,717	47,925
Active pharmaceutical ingredients and others	19,595	22,167
	587,937	**548,016**

b) Geographic information

Selected geographic area information is presented in the following tables:

	2020	2019
	EUR'000	EUR'000
Revenue		
Europe	261,931	242,483
North America	188,382	176,942
Rest of the world	137,624	128,592
	587,937	**548,016**

	2020	2019
	EUR'000	EUR'000
Non-current assets		
Europe	569,889	526,732
North America	84,147	84,782
Rest of the world	2,549	2,603
	656,585	**614,117**

Non-current assets included in this note include property, plant and equipment, intangible assets and investment in associates.

c) Information about major customers

The Group has no transactions with single customer that represented more than 10% of the Group's revenue for the years ended 31 December 2020 and 31 December 2019.

6. Income and expenses

6.1 Revenue

a) Type of finished goods or service

	2020	2019
	EUR'000	EUR'000
Revenue from sale of products	585,467	545,897
Revenue from services	1,323	827
Revenue from sale of electricity	1,147	1,292
	587,937	**548,016**

b) Timing of revenue recognition

	2020	2019
	EUR'000	EUR'000
Goods transferred at a point in time	586,614	547,189
Services transferred over time	1,323	827
	587,937	**548,016**

6.2 Other operating income

	2020	2019
	EUR'000	EUR'000
Insurance indemnifications	2,428	162
Net gains on sale of non-current assets	1,726	60
Income from dispute settlement	627	—
R&D tax refund	464	521
Written off payables	421	153
Royalties	329	—
Custom duties refund	154	89
Profit on inventory counting	188	203
Government grants (Note 15)	66	11
Foreign currency gains	—	189
Other income	1,035	517
Total other operating income	**7,438**	**1,905**

6.3 Other operating expenses

	2020	2019
	EUR'000	EUR'000
Net Foreign exchange rate losses*	(15,056)	—
Written off insurance claims	(3,964)	—
Financial discounts (for early payment)	(1,498)	(1,450)
Inventory impairment	(1,107)	(1,665)
Intangible assets impairment	(1,081)	—
Written off receivables	(1,075)	—
Other expense	(1,376)	(2,420)
Total other operating expense	**(25,157)**	**(5,535)**

* In 2020, 76% of the net foreign exchange losses resulted from the revaluation of the short-term and long-term intragroup monetary assets and liabilities at the closing exchange rate, as of 31 December 2020, which cannot be set off against the corresponding foreign exchange gains on the respective intragroup liabilities and assets already reflected in the exchange rate differences on translation of foreign operations.

6. Income and expenses (Continued)

6.4 Finance costs

	2020 EUR'000	2019 EUR'000
Interest on loans and borrowings	(8,440)	(8,386)
Interest on lease liabilities	(290)	(244)
Interest on swap (interest rate)	(420)	(445)
Interest for increase of present value	(407)	(361)
Other interest	(608)	(46)
Total finance costs	**(10,165)**	**(9,482)**

6.5 Depreciation, amortization and cost of inventories included in the consolidated statement of comprehensive income

	2020 EUR'000	2019 EUR'000
Included in cost of sales:		
Depreciation of property, plant and equipment	(11,525)	(8,927)
Amortization of intangible assets	(1,260)	(1,304)
Cost of inventories recognized as an expense	(276,847)	(256,838)
Included in administrative expenses:		
Depreciation of property, plant and equipment	(2,611)	(2,077)
Amortization of intangible assets	(3,313)	(3,286)
Included in selling and distribution costs:		
Depreciation of property, plant and equipment	(1,282)	(1,185)
Amortization of intangible assets	(2,649)	(2,693)
Included in cost for administration of intellectual property:		
Depreciation of property, plant and equipment	(299)	(511)
Amortization of intangible assets	(154)	(98)

6.6 Employee benefits expenses

	2020 EUR'000	2019 EUR'000
Included in cost of sales:		
Salaries and wages	(32,156)	(30,974)
Social security costs	(10,318)	(10,252)
Retirement benefits (Note 16)	(433)	(168)
Other	(594)	(480)
Included in administrative expenses:		
Salaries and wages	(9,338)	(8,623)
Social security costs	(1,479)	(1,604)
Retirement benefits (Note 16)	(179)	(106)
Other	(253)	(222)
Included in selling and distribution costs:		
Salaries and wages	(26,444)	(24,064)
Social security costs	(5,381)	(5,286)
Retirement benefits (Note 16)	(21)	(10)
Other	(432)	(203)
Included in cost for administration of intellectual property:		
Salaries and wages	(4,089)	(3,898)
Social security costs	(1,225)	(1,219)
Retirement benefits (Note 16)	(38)	—
Other	(84)	(45)
Total employee benefits	**(92,464)**	**(87,154)**

6. Income and expenses (Continued)

6.7 Administrative expenses

	2020 EUR'000	2019 EUR'000
Cost of materials	(618)	(714)
Hired services	(15,467)	(15,143)
Depreciation and amortization	(5,924)	(5,363)
Expenses on salaries and wages	(9,770)	(8,952)
Social security costs	(1,479)	(1,604)
Other expenses	(2,962)	(4,161)
Total administrative expenses	**(36,220)**	**(35,937)**

6.8 Selling and distribution costs

	2020 EUR'000	2019 EUR'000
Cost of materials	(2,135)	(3,207)
Hired services	(36,390)	(35,943)
Depreciation and amortization	(3,931)	(3,878)
Expenses on salaries and wages	(26,897)	(24,447)
Social security costs	(5,381)	(5,286)
Other expenses	(3,378)	(6,002)
Total selling and distribution costs	**(78,112)**	**(78,763)**

6.9. Audit fees

The fees (VAT excluded) charged by audit organizations and auditors as defined in Article 382a, Part 9 of the Netherlands Civil Code, Book 2, can be specified as follows:

	2020 EUR'000	2019 EUR'000
Audit of financial statements Ernst & Young Accountants LLP	(90)	(59)
Audit of financial statements EY other	(257)	(152)
Audit related services EY other	(7)	(7)
Total audit fees	**(354)**	**(218)**

This summary only reflects costs charged by Ernst & Young member firms and does not include fees charged by other audit organizations or auditors.

7. Income tax

The major components of income tax expense for the years ended 31 December 2020 and 2019 include:

Statement of comprehensive income

	2020 EUR'000	2019 EUR'000
Current income tax charge	(15,184)	(11,249)
Adjustments in respect of current income tax charge of previous years	27	(19)
Deferred tax relating to the origination and reversal of temporary differences	2,183	1,182
Income tax expense reported in the statement of comprehensive income	**(12,974)**	**(10,086)**

7. Income tax (Continued)

Other comprehensive income

	2020	2019
	EUR'000	EUR'000
Deferred tax relating to items credited directly to other comprehensive income during the year:		
Net gain on actuarial gains and losses	5	14
Net gain on Cash flow hedges	(39)	33
Income tax credited directly to other comprehensive income	**(34)**	**47**

The reconciliation of income tax expenses and accounting profit before income tax at the statutory income tax rate to income tax expense at the Group's effective income tax rate for the years ended 31 December 2020 and 31 December 2019 is as follows:

	2020	2019
	EUR'000	EUR'000
Accounting profit before income tax	**113,808**	**90,932**
At parent's corporate income tax rate of 25% (2019: 25%)	(28,452)	(22,733)
Effect of lower tax rates in other countries	15,820	12,594
Income not subject to tax	8	190
Non-deductible expenses for tax purposes	282	168
Non-deductible income for tax purposes	(495)	(249)
Adjustments in respect of current income tax charge of previous years	(137)	(56)
Income tax expense at the effective income tax rate	**(12,974)**	**(10,086)**

Deferred income taxes

Deferred income taxes relates to the following:

	Statement of financial position		Income statement	
	2020	2019	2020	2019
	EUR'000	EUR'000	EUR'000	EUR'000
Accelerated depreciation for accounting purposes	(7,252)	(7,169)	(83)	(1,764)
Accrual for employees unused paid leaves	255	250	5	60
Retirement benefit liability	119	105	14	18
Impaired receivables	84	123	(39)	32
Inventories	453	562	(109)	789
Tax losses carried forward	2,287	1,637	650	1,304
Unrealized profit	4,341	3,207	1,134	187
Interest	454	84	370	84
Maintenance costs	355	242	113	(52)
Associates	362	396	(34)	396
Other	327	165	162	128
Deferred tax expense			**2,183**	**1,182**
Other comprehensive income	85	120		
Deferred tax assets, net	**1,870**	**(278)**		
Reflected in the statement of financial position as follows:				
Deferred tax assets	6,858	4,442		
Deferred tax liabilities	(4,988)	(4,720)		
Deferred tax assets net	**1,870**	**(278)**		

7. Income tax (Continued)

Reconciliation of deferred tax assets, net

	2020	2019
	EUR'000	EUR'000
Opening balance as of 1 January	**(278)**	**(1,507)**
Tax expense during the year recognized in profit or loss	2,183	1,182
Tax income during the year recognized in other comprehensive income	(35)	47
Closing balance as at 31 December	**1,870**	**(278)**

8. Property, plant and equipment

	Land	Land improvements	Buildings	Plant and equipment	Equipment	Motor vehicles	Office furniture	Construction in progress	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Cost:									
As at 1 January 2019	**6,970**	**1,332**	**55,329**	**96,940**	**22,832**	**5,972**	**7,464**	**135,291**	**332,130**
Additions	16	—	598	5,580	67	2,888	986	80,165	**90,300**
Disposals	(68)	—	(363)	(2,820)	(166)	(551)	(413)	(645)	**(5,026)**
Transfers	—	—	6,828	13,426	583	15	281	(21,133)	**0**
Foreign currency differences	70	5	322	188	(5)	1	31	146	**758**
As at 31 December 2019	**6,988**	**1,337**	**62,714**	**113,314**	**23,311**	**8,325**	**8,349**	**193,824**	**418,162**
Additions	56	—	2,050	1,305	118	2,172	666	33,933	**40,300**
Disposals	—	—	(354)	(586)	(41)	(661)	(58)	(218)	**(1,918)**
Transfers	2	2,559	27,663	60,980	18,448	70	415	(110,137)	—
Foreign currency differences	(343)	(5)	(2,204)	(1,723)	(2)	(408)	(145)	(947)	**(5,777)**
As at 31 December 2020	**6,703**	**3,891**	**89,869**	**173,290**	**41,834**	**9,498**	**9,227**	**116,455**	**450,767**
Depreciation and impairment:									
As at 1 January 2019	**(11)**	**(133)**	**(12,286)**	**(46,299)**	**(6,087)**	**(2,324)**	**(4,169)**	—	**(71,309)**
Depreciation charge for the year	(3)	(46)	(3,685)	(5,679)	(776)	(1,631)	(879)	—	**(12,699)**
Disposals	—	—	159	1,964	4	414	372	—	**2,913**
Foreign currency differences	—	(5)	(72)	(116)	(1)	(7)	(16)	—	**(217)**
As at 31 December 2019	**(14)**	**(184)**	**(15,884)**	**(50,130)**	**(6,860)**	**(3,548)**	**(4,692)**	—	**(81,312)**
Depreciation charge for the year	(2)	(87)	(4,119)	(7,596)	(1,110))	(1,859)	(944)	—	**(15,717)**
Disposals	—	—	349	36	41	495	40	—	**961**
Foreign currency differences	2	5	604	927	2	175	94	—	**1,809**
As at 31 December 2020	**(14)**	**(266)**	**(19,050)**	**(56,763)**	**(7,927)**	**(4,737)**	**(5,502)**	—	**(94,259)**
Net book value:									
As at 31 December 2020	**6,689**	**3,625**	**70,819**	**116,527**	**33,907**	**4,761**	**3,725**	**116,455**	**356,508**
As at 31 December 2019	**6,974**	**1,153**	**46,830**	**63,184**	**16,451**	**4,777**	**3,657**	**193,824**	**336,850**
As at 1 January 2019	**6,959**	**1,199**	**43,043**	**50,641**	**16,745**	**3,648**	**3,295**	**135,291**	**260,821**

Capitalized borrowing costs

Borrowing costs amounting to EUR 369 thousand have been capitalized in the financial year ended 31 December 2020 (2019: EUR 1,077 thousands). The interest rate used for capitalization of borrowing costs is 1.5% (until 31 December 2019: 1.5%).

Leases and assets in progress

Right-of -use assets are presented within Property, plant and equipment in the statement of financial position. Additional information is disclosed in Note 18.

Land, buildings and plant and equipment with carrying amount of EUR 223,689 thousand (2019: EUR 93,011 thousand) have been mortgaged (first, second, third, fourth and fifth ranking security) as collateral on bank loans.

Fixed tangible assets in progress relate to the construction of an extension of the production facility.

As of 31 December 2020 the Group has payables for acquired property, plant and equipment amounting to EUR 6,021 thousand (2019: EUR 12,787 thousand).

9. Intangible assets

	Intellectual property rights	Software	Development products	Dossiers	Goodwill	Others	Intangible assets in progress	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Cost:								
As at 1 January 2019	**73,285**	**7,610**	**22,022**	**56,920**	**13,150**	**27,683**	**43,352**	**244,022**
Additions	36,495	1,672	1	3,216	—	2,657	29,834	**73,875**
Acquisition through business combination	—	—	—	—	—	—	—	-
Disposals	(2)	—	—	—	—	(36)	(4,409)	**(4,447)**
Transfers	4,953	1,510	—	18	—	(61)	(6,478)	**(58)**
Foreign currency differences	345	9	—	—	153	(6)	67	**568**
As at 31 December 2019	**115,076**	**10,801**	**22,023**	**60,154**	**13,303**	**30,237**	**62,366**	**313,960**
Additions	1,214	1,107	1	2,973	—	2,578	26,899	**34,772**
Acquisition through business combination	—	—	—	—	—	—	—	-
Disposals	(114)	(58)	—	—	—	—	(551)	**(723)**
Transfers	3,929	224	1,685	8,330	—	49	(14,217)	-
Impairment	—	—	—	—	—	—	(1,080)	**(1,080)**
Foreign currency differences	(1,807)	(105)	—	(9)	(548)	(2)	(1,268)	**(3,739)**
As at 31 December 2020	**118,298**	**11,969**	**23,709**	**71,448**	**12,755**	**32,862**	**72,149**	**343,190**
Accumulated amortization and impairment:								
As at 1 January 2019	**(31,573)**	**(3,239)**	**(2,947)**	**—**	**—**	**(313)**	**—**	**(38,072)**
Amortization charge for the year	(3,954)	(2,485)	(629)	—	—	(314)	—	**(7,382)**
Disposals	1	—	—	—	—	36	—	**37**
Foreign currency differences	(65)	(12)	—	—	—	2	—	**(75)**
As at 31 December 2019	**(35,591)**	**(5,736)**	**(3,576)**	**—**	**—**	**(589)**	**—**	**(45,492)**
Amortization charge for the year	(4,225)	(2,070)	(620)	—	—	(461)	—	**(7,376)**
Disposals	—	51	—	—	—	—	—	**51**
Foreign currency differences	494	58	—	—	—	1	—	**553**
As at 31 December 2020	**(39,322)**	**(7,697)**	**(4,196)**	-	-	**(1,049)**	-	**(52,264)**
Net book value:								
As at 31 December 2020	**78,976**	**4,272**	**19,513**	**71,448**	**12,755**	**31,813**	**72,149**	**290,926**
As at 31 December 2019	**79,485**	**5,065**	**18,447**	**60,154**	**13,303**	**29,648**	**62,366**	**268,468**
As at 1 January 2019	**41,712**	**4,371**	**19,075**	**56,920**	**13,150**	**27,370**	**43,352**	**205,950**

In 2019, the Group obtained approval from the U.S. Food and Drug Administration for commercial sale in the United States of its Type A ionophore containing product, the first generic product of this type for use in cattle and goats for certain indications, together with certain related combinations. The cost of the related intangible assets includes an amount of EUR 36 million, relating to a re-acquired right to distribute the product directly in the United states, previously granted to a third party.

Intangible assets with carrying amount of EUR 176,055 thousand (2019: EUR 120,565) have been pledged (first, second, third, fourth and fifth ranking security) as collateral on bank loans.

Cost for administration of intellectual property not eligible for capitalization is stated as cost for administration of intellectual property in the profit and loss.

Non-current intangible assets in progress relate to the development and acquisition of technologies and registration for the production and sale of pharmaceutical products.

Development products are internally developed.

Impairment testing of intangible assets with indefinite useful lives

For the purposes of impairment testing, intangible assets with indefinite useful lives amounting to EUR 116,745 thousand (2019: EUR 103,834 thousand) as well as intangible assets in progress amounting to EUR 72,149 thousand (2019: EUR 62,366 thousand) were tested as a part of a single cash-generating unit—Huvepharma International B.V., the Group. The Group performed its annual impairment test as at 31 December 2020.

9. Intangible assets (Continued)

The recoverable amount of the cash-generating unit has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The projected cash flows have been updated to reflect the increased demand for products. The discount rate applied to cash flow projections is 10.1% (2019: 9%). As a result of this analysis, management did not identify any impairment for intangible assets with indefinite useful lives.

Key assumptions used in value in use calculations

The calculation of value in use for the cash-generating unit is most sensitive to the following assumptions:

- Gross margin
- Discount rate
- Introduction of new products

Gross margins—Gross margins are based on average values achieved in the five years preceding the start of the budget period. The slight increase reflects the expected sales of product mix.

Discount rates—Discount rates represent the current market assessment of the risks specific to the CGU, taking into consideration the time value of money. The discount rate calculation is based on the specific circumstances of the Group and is derived from its weighted average cost of capital (WACC). The WACC takes in to account both debt and equity. The cost of debt is based on the interest bearing borrowings that the Group is obliged to service. The equity price is calculated based on the investor's return on investments expectations.

Introduction of new products from existing APIs—These assumptions are important because management assesses how the unit's position, relative to its competitors, might change over the budget period when introducing new products. Management expects the Group's share of the feed additives market and pharmaceutical products to increase over the budgeted period mainly in the field of proteins demand and improving methods for livestock growing.

Sensitivity to changes in assumptions

With regard to the assessment of value in use of the cash-generating unit, management believes that no reasonably possible significant change in any of the above key assumptions would cause a drop of the recoverable amount of the unit above, below its respective carrying value.

10. Interest-bearing loans and borrowings

	Maturity	2020	2019
		EUR'000	EUR'000
Current interest-bearing loans and borrowings			
Lease liabilities (Note 19)	2021	2,480	2,204
Current portion of loans			
Revolving credit lines	2021	11,779	13,217
Bank loan of EUR 268,680 thousand	2021	13,805	13,101
Bank loan of EUR 51,320 thousand	2021	2,581	2,249
Soft loan SAL1	2021	284	—
Italian State Fund Loan of EUR 197 thousand	2021	39	—
CAPEX Facility of EUR 50,000 thousand	2021	4,166	4,168
EIB Finance Contract EUR 125,000 thousand	2021	4,760	3,869
Total current interest-bearing loans and borrowings		**39,894**	**38,808**

10. Interest-bearing loans and borrowings (Continued)

	Maturity	2020	2019
		EUR'000	EUR'000
Non-current interest-bearing loans and borrowings			
Lease liabilities (Note 19)	2022–2026	4,969	4,657
Non-current portion of loans			
Revolving credit facilities of EUR 170,000 thousand	2027	71,195	38,362
Bank loan of EUR 268,680 thousand	2027	207,160	221,076
Bank loan of EUR 51,320 thousand	2027	39,289	41,870
Soft loan SAL1	2028	2,395	1,528
Italian State Fund Loan EUR 197 thousand	2022	18	97
CAPEX Facility of EUR 50,000 thousand	2027	39,584	43,750
EIB Finance Contract EUR 125,000 thousand	2026	91,313	96,073
Total current interest-bearing loans and borrowings		**455,923**	**447,413**

Senior Facilities Agreement dated 15 August 2014 (as amended and restated on 4 February 2016, 2 March 2016, 18 August 2017, 25 July 2017, 5 October 2020 and as further amended and restated on 23 December 2020)

The term loan facilities in the aggregate amount of EUR 540,000 thousand is granted for the purpose of new capital expenditure financing, additional revolving financing, and refinancing of all existing loans and borrowings of all the companies in the Huvepharma Group. The loan is secured as follows:

- First, second, third, fourth and fifth ranking Dutch law share pledge over the shares in Huvepharma International B.V.
- First, second, third, fourth and fifth ranking Dutch law bank account pledge agreement of Huvepharma International B.V.
- First, second, third, fourth and fifth ranking Dutch law share pledge over the shares in Huvepharma Holdings B.V.
- Pledge over all receivables of Huvepharma International B.V. under English law hedging security agreement;
- First, second, third, fourth and fifth ranking Dutch law receivable pledge agreement of Huvepharma Holdings B.V.
- First ranking Bulgarian law share pledge over all shares in Huveproject EAD
- First ranking Bulgarian law special and financial collateral share pledges over the shares in Huveproject EAD
- First ranking Bulgarian law going concern pledges on bank accounts, machinery and equipment, intangible assets, real estate and intra-group receivables of Huveproject EAD
- First ranking Bulgarian law participatory share pledges over the shares in Huvepharma EOOD owned by Huveproject EAD
- First ranking Bulgarian law going concern pledges on bank accounts, machinery and equipment, intangible assets, real estate and intra-group receivables of Huvepharma EOOD
- Pledge over all receivables of Huvepharma EOOD under English law hedging security agreement;
- First ranking Bulgarian law share pledge over all shares in Biovet AD
- First ranking Bulgarian law special and financial collateral share pledges over the shares in Biovet AD
- First ranking Bulgarian law going concern pledges on bank accounts, machinery and equipment, intangible assets, real estate and intra-group receivables of Biovet AD
- First, second and third ranking Belgian law share pledges over the shares in Huvepharma N.V.

10. Interest-bearing loans and borrowings (Continued)

- First, second and third ranking Belgian law pledges on bank accounts and receivables of Huvepharma N.V.
- New York law share pledge over the shares in Huvepharma Inc.
- New York law pledge over all personal property of Huvepharma Inc.
- Brazilian Law Fiduciary Assignment of Receivables of Huvepharma Do Brasil Ltda.
- Italian law deed of pledge over the bank accounts opened in Italy in the name of Huvepharma Italia S.r.l
- Italian law assignment by way of security of the receivables owed to Huvepharma Italia S.r.l. under insurance policies, intercompany loans and commercial agreements

As a part of the loan agreement the Group has at its disposal a credit line for the amount of EUR 170,000 thousands. Credit line maturity date is in 2027.

The agreement contains covenants, which require the Group to maintain ratios of senior leverage, senior interest cover.

- Senior leverage is a ratio of the total debt minus the cash and cash equivalents to EBITDA as defined in the agreement. Total debt is the nominal amount of the outstanding indebtedness of the Group as defined in the agreement.
- Senior interest cover is a ratio of EBITDA to finance charges as defined in the agreement.
- EBITDA is calculated as the operating profit before taxation is adjusted with all items described in the agreement.

The agreement contains also non-financial covenants, which require the entity to provide certain financial and non-financial information as well as to inform the creditors for events if occurred.

Finance Contract dated 22 December 2017 ***(as amended and restated on 3 April 2018, 17 July 2018, on 12 April 2019, 25 July 2019 as further amended on 4 December 2020)***

The Finance Contract for EUR 125,000 thousands was entered into between Biovet AD and the European Investment Bank on 22 December 2017. The purpose of the facility is to finance capital expenditures of Biovet AD concerning the ongoing industrial construction projects in Razgrad and Peshtera as well as certain R&D activities. The contract is secured with security package, which includes Group Guarantee Agreement by Huvepharma International B.V., Huvepharma Holdings B.V., Huveproject EAD, Huvepharma EOOD, Huvepharma NV, Huvepharma, Inc., Huvepharma Italia S.r.l. and Huvepharma Do Brasil Ltda., and other market standard security documents. The Finance Contract contains covenants, which require the Group to maintain ratios of EBITDA, senior leverage, and senior interest cover. Certain non-financial covenants requiring Biovet AD to provide financial and non-financial information as well as to inform the creditors for events upon occurrence are also provided in the contract. The Finance Contract becomes effective upon the satisfaction of all provided conditions precedent, all of which as of the date of this financial statement have been satisfied. The termination date of the Finance Contract is March 2026. The loan is secured as follows:

- Fourth and Fifth ranking Dutch law share pledge over the shares in Huvepharma International B.V.
- Fourth and Fifth ranking Dutch law bank account pledge agreement of Huvepharma International B.V.
- Fourth and Fifth ranking Dutch law share pledge over the shares in Huvepharma Holdings B.V.
- Pledge over all receivables of Huvepharma International B.V. under English law hedging security agreement;
- Fourth and fifth ranking Dutch law receivable pledge agreement of Huvepharma Holdings B.V.
- Second ranking Bulgarian law share pledge over all shares in Huveproject EAD

10. Interest-bearing loans and borrowings (Continued)

- Second ranking Bulgarian law special and financial collateral share pledges over the shares in Huveproject EAD
- Second ranking Bulgarian law going concern pledges on bank accounts, machinery and equipment, intangible assets, real estate and intra-group receivables of Huveproject EAD
- Second ranking Bulgarian law participatory share pledges over the shares in Huvepharma EOOD owned by Huveproject EAD
- Second ranking Bulgarian law going concern pledges on bank accounts, machinery and equipment, intangible assets, real estate and intra-group receivables of Huvepharma EOOD
- Pledge over all receivables of Huvepharma EOOD under English law hedging security agreement;
- Second ranking Bulgarian law share pledge over all shares in Biovet AD
- Second ranking Bulgarian law special and financial collateral share pledges over the shares in Biovet AD
- Second ranking Bulgarian law going concern pledges on bank accounts, machinery and equipment, intangible assets, real estate and intra-group receivables of Biovet AD
- Fourth ranking Belgian law share pledges over the shares in Huvepharma N.V.
- Fourth ranking Belgian law pledges on bank accounts and receivables of Huvepharma N.V.
- New York law share pledge over the shares in Huvepharma Inc.
- New York law pledge over all personal property of Huvepharma Inc.
- Brazilian Law Fiduciary Assignment of Receivables of Huvepharma Do Brasil Ltda.
- Italian law deed of pledge over the bank accounts opened in Italy in the name of Huvepharma Italia S.r.l
- Italian law assignment by way of security of the receivables owed to Huvepharma Italia S.r.l. under insurance policies, intercompany loans and commercial agreements

According to the agreements signed with the banks if some of the financial conditions is not satisfied for two consecutive Financial Quarters the event shall be considered as breach of covenants and will lead to an Event of Default, whereas the Bank may make immediate demand. In this case the balance of loans and borrowings would be presented as short term in the consolidated financial statements. As of 31 December 2020 the Group is in compliance with all covenants. Total net debt to EBITDA ratio in respect of any 12 months period shall not exceed 4.00:1. As of 31 December 2020 the net debt to EBITDA is 2.87:1, ensuring enough headroom.

11. Inventories

	2020	2019
	EUR'000	EUR'000
Raw materials (at cost)	57,588	50,082
Work in progress (at cost)	15,713	11,118
Finished products (at net realizable value)	114,567	101,216
Total inventories at cost	**187,868**	**162,416**

The total amount of write-down inventories is 1,106 thousand for 2020 (2019: 1,665 thousand)

12. Trade and other receivables

	2020	2019
	EUR'000	EUR'000
Trade receivables	84,010	98,365
Allowance for expected credit loss	(1,371)	(1,496)
Receivables from related parties	135	58
Advances to suppliers	1,544	2,348
VAT receivable	6,008	5,229
Other taxes receivables	2,382	1,073
Other receivables	2,990	7,458
	95,698	**113,035**

Trade receivables are non-interest bearing and are generally on a 60 to 90-day term.

As at 31 December 2020 ageing analysis of trade receivables and contract assets is presented in the table below using a provisional matrix.

	Trade receivables							
		Days past due						
	Contract assets	Current	< 30 days	30–60 days	61–90 days	91–120 days	>120 days	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Expected credit loss rate	0%	0%	0%	0%	0%	0%	60%	
Estimated total gross carrying amount at default	—	73,256	5,990	1,320	758	408	2,278	84,010
Expected credit loss	—	—	—	—	—	—	(1,371)	(1,371)
Total receivables	—	73,256	5,990	1,320	758	408	907	82,639

As at 31 December 2019 ageing analysis of trade receivables and contract assets is presented in the table below using a provisional matrix.

	Trade receivables							
		Days past due						
	Contract assets	Current	<30 days	30–60 days	61–90 days	90–120 days	>120 days	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Expected credit loss rate	0%	0%	0%	0%	0%	0%	54%	
Estimated total gross carrying amount at default	—	83,464	8,324	2,713	597	506	2,761	98,365
Expected credit loss	—	—	—	—	—	—	(1, 496)	(1,496)
Total receivables	—	83,464	8,324	2,713	597	506	1,265	96,869

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customers. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about GDP and corporate default and recovery rates. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity.

12. Trade and other receivables (Continued)

At 31 December 2020 trade receivables with nominal value of EUR 1,371 thousand (31 December 2019: EUR 1,496 thousand) are partially uncollectable and partially provided. The movement in the provision for impairment of receivables (netted off in the above analysis) is presented below:

	2020	2019
	EUR'000	EUR'000
At 1 January	**1,496**	**1,064**
Increase/decrease in expected credit losses	139	481
FX change	(264)	(49)
At 31 December	**1,371**	**1,496**

As at 31 December 2020 and 31 December 2019 the Group has not written off trade receivables.

As at 31 December 2020 trade receivables (including receivables from related parties) with carrying amount of (before eliminations) EUR 185,293 thousand have been pledged (first, second, third, fourth and fifth ranking security) as collateral on bank loans (31 December 2019: EUR 180,447 thousand). The amounts pledged as collateral on bank loans relate to individual subsidiaries and therefore the amount pledged (before eliminations) exceeds the consolidated trade receivables (after eliminations).

As at 31 December, the ageing analysis of trade receivables is as follows:

			Days past due				
	Total	Regular	0–30	31–60	61–90	91–120	over 120
	EUR'000	EUR'000	EUR'000	EUR'0000	EUR'000	EUR'000	EUR'000
2020	82,639	73,256	5,990	1,320	758	408	907
2019	96,869	83,464	8,324	2,713	597	506	1,265

13. Cash and short-term deposits

Cash in bank accounts and in hand at 31 December 2020 amounted to EUR 21,638 thousand (2019: EUR 14,892 thousand). Cash in bank accounts bear floating interest rates based on daily bank interest rates on deposits. Shortterm deposits are made for varying periods of between one day and one month, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

As at 31 December 2020 bank accounts amounting to EUR 13,695 thousand have been charged (first, second, third, fourth and fifth ranking security) as collateral on bank loans (31 December 2019: EUR 6,539 thousand).

14. Issued capital and reserves

14.1 Share capital

	Number of ordinary shares	EUR'000
Ordinary shares of EUR 1 each, issued and fully paid		
At 31 December 2020	**137,029,066**	**137,029**

14.2 Share premium

	EUR'000
At 31 December 2020	**16,813**
At 31 December 2019	**16,813**

The share premium reserve of EUR 16,813 thousand represents the premium paid over the nominal amount of the shares of Huvepharma EOOD (formerly Huvepharma AD).

14. Issued capital and reserves (Continued)

14.3 Dividend distribution

Pursuant to the Group's strategic development plans, the generated earnings are taken to retained earnings in order to be reinvested for financing current operating projects and generating growth in a long term perspective.

14.4 Other capital reserves

The Legal and other restricted reserves are formed from retained earnings of the net profit of the year of some consolidated subsidiaries, registered in countries with respective legal requirement as well as share premium of consolidated entities

	Legal and other restricted reserves	Foreign currency translation reserve	Cash flow hedge	Actuarial gains/ losses reserve	Other unresticted reserves	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
At 1 January 2019	**45,048**	**(1,563)**	**(584)**	**(305)**	**4,678**	**47,274**
Allocation to legal and other restricted reserves	1,366	—	—		—	**1,366**
Cash flow hedge	—	—	(309)	—	—	**(309)**
Actuarial gains and losses	—	—	—	(352)	—	**(352)**
Transfer to reserves	—	—	—	—	13,887	**13,887**
FX revaluation	—	815	—	—	—	**815**
At 31 December 2019	**46,414**	**(748)**	**(893)**	**(657)**	**18,565**	**62,681**
At 1 January 2020	46,414	(748)	(893)	(657)	18,565	**62,681**
Allocation to legal and other restricted reserves	2,101	—	—	—	—	**2,101**
Cash flow hedge	—	—	393	—	—	**393**
Actuarial gains and losses	—	—	—	148	—	**148**
Transfer to reserves	—	—	—	—	14,017	**14,017**
FX revaluation	—	(1,712)	—	—	—	**(1,712)**
At 31 December 2020	**48,515**	**(2,460)**	**(500)**	**(509)**	**32,582**	**77,628**

14.5 Acquisition of non-controlling interest

In 2020 the Group acquired 0.03% non-controlling interest in one of its subsidiaries.

In 2019, the Group made no new acquisitions of non-controlling interest.

14.6 Earnings per share (EPS)

Basic EPS is calculated by dividing the profit for the year attributable to the ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

	2020	2019
	EUR'000	EUR'000
Profit attributable to ordinary equity holders of the parent	**98,979**	**79,642**

	2020	2019
	Thousands	Thousands
Weighted average number of ordinary shares for basic EPS	**137,029**	**137,029**

	2020	2019
	EUR	EUR
Earnings per share	**0.72**	**0.58**

As at 31 December 2020 and 31 December 2019, there are no dilutive instruments issued and respectively no dilutive EPS are presented in the financial statements.

15. Government grants

	2020 EUR'000	2019 EUR'000
At 1 January	**120**	**130**
Received during the year	1,153	2,663
Released in the statement of comprehensive income-other operating income (Note 6.2)	(66)	(11)
Released in the statement of comprehensive income-deduction of cost of sales	(638)	(1,896)
Recognized in the statement of financial position as deduction of the carrying amount of the asset	(528)	(766)
At 31 December	**41**	**120**
Non-current	**41**	**120**

Government grants have been received for the purchase of certain items of property, plant and equipment and for current operating scientific activity as well as a grant aiming at reducing the burden imposed by the costs of energy from renewable sources. There are no unsettled commitments or contingencies relating to these grants.

16. Retirement benefit liability

The retirement benefit liability of the Group is unfunded. The following tables summarize the components of the net benefits expense recognized in the consolidated statement of comprehensive income and the amounts recognized in the consolidated statement of financial position for the retirement benefit liability:

Retirement benefit expenses

	2020 EUR'000	2019 EUR'000
Current service costs	660	275
Interest costs on retirement benefit liabilities	11	9
Net retirement benefit expenses recognized in profit & loss	**671**	**284**

Changes in the present value of the retirement benefit obligation are as follows:

	EUR'000
Retirement benefit liability at 1 January 2019—non current	**2,685**
Interest cost	9
Current service costs	275
Acquired through business combination	—
Benefits paid	(212)
Actuarial losses	371
FX Differences—previous period	(13)
Retirement benefit liability at 31 December 2019—non current	**3,115**
Interest cost	11
Current service costs	660
Acquired through business combination	—
Benefits paid	(629)
Actuarial losses	(148)
FX Differences—current period	173
Retirement benefit liability at 31 December 2020—non current	**3,182**

16. Retirement benefit liability (Continued)

The principal assumptions used in determining retirement benefit obligations and benefits for the Group's schemes are shown below:

	2020	2019
Discount rate	1%	1%
Future salary increase in the first 3 years	2%	2%
Future salary increase after the first 3 years	2%	2%
Staff turnover rate	8%	8%
Mortality rate	0%	0%

A quantitative sensitivity analysis for significant assumption as at 31 December 2020 is as shown below:

Assumptions	Discount rate		Future salary increases		Staff turnover	
Sensitivity Level	1% increase	1% decrease	1% increase	1% decrease	1% increase	1% decrease
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Impact on the defined benefit obligation	(50)	54	65	(62)	(97)	97

A quantitative sensitivity analysis for significant assumption as at 31 December 2019 is as shown below:

Assumptions	Discount rate		Future salary increases		Staff turnover	
Sensitivity Level	1% increase	1% decrease	1% increase	1% decrease	1% increase	1% decrease
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Impact on the defined benefit obligation	(43)	47	56	(54)	(89)	89

The sensitivity analysis above have been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

17. Trade and other payables

	2020	2019
	EUR'000	**EUR'000**
Trade payables	76,742	115,320
Advances from customers	456	995
Payables to related parties	8	29
Salary payables	12,427	10,858
Social security payables	1,939	1,828
Deferred consideration as a result of a business combination*	2,092	1,901
Tax payables	3,783	2,861
Other payables	15,713	27,199
	113,160	**160,991**
Current	110,768	158,745
Non-current	2,392	2,246

* The deferred consideration as a result of business combination represents the present value of the liability related to an acquisition in Japan. The present value of the remaining deferred consideration as at 31 December 2020 amounts to EUR 2,092 thousand (2019: EUR 1,901 thousand) which are presented as long-term liability.

Terms and conditions of the financial liabilities, set out in the tables above, are as follows:

- Trade payables are non-interest bearing and are generally on 90 days terms
- Tax payables are non-interest bearing and are settled within the legally established deadlines

18. Leases

Group as a lessee

The Group has lease contracts for various items of buildings, machinery, vehicles and other assets used in its operations. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets and some contracts require the Group to maintain certain financial ratios.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	Buildings	Machinery	Vehicles	Other	Total
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
As at 1 January 2019	**3,548**	**—**	**2,551**	**21**	**6,120**
Additions, net	500	252	2,477	-	3,229
Depreciation expense	(882)	(106)	(1562)	(8)	(2,558)
As at 31 December 2019	**3,166**	**146**	**3,466**	**13**	**6,791**
Additions, net	1,662	40	1,568	29	3,299
Depreciation expense	(1,030)	(104)	(1,605)	(8)	(2,747)
As at 31 December 2020	**3,798**	**82**	**3,429**	**34**	**7,343**

Set out below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the period:

	2020	2019
	EUR '000	EUR '000
As at 1 January	**6,861**	**6,120**
Additions	3,299	3,228
Accretion of interest	171	133
Payments	(2,882)	(2,620)
As at 31 December	**7,449**	**6,861**
Current	2,480	2,204
Non-current	4,969	4,657

The Group had total cash outflows for leases of EUR 2,882 thousand in 2020 (2019: 2,620 thousand)

The following are the amounts recognised in profit or loss:

	2020	2019
	EUR '000	EUR '000
Depreciation expense of right-of-use assets (Note 8)	(2,747)	(2,558)
Interest expense on lease liabilities (Note 6.4)	(290)	(244)
Total amount recognised in profit or loss	**(3,037)**	**(2,802)**

The Group has lease contracts for equipment, motor vehicles and machinery. There are no significant extension or termination options within the Group's contracts. Set out below are undiscounted potential future rental payments:

	2020	2019
	EUR '000	EUR '000
Within one year	2,580	2,286
After one year but not more than five years	5,273	4,989
Total minimum lease payments	**7,853**	**7,275**

19. Commitments and contingent liabilities

Legal claims

There were no significant pending material legal claims to which the Group is a party as a defendant.

Guarantees

The Group provided guarantees in the amount of EUR 376 thousand (2019: EUR 302 thousand) associated with the purchase/sale of electrical and heating power.

The Group has entered into a contract with United Bulgarian Bank AD for issuing bank guarantees expiring on 30 June 2022. The contract provides that the bank shall issue bank guarantees up to a total limit for all outstanding bank guarantees of EUR 4,000 thousand. As of 31 December 2020, the Group has outstanding bank guarantees in the amount of EUR 457 thousand (2019: EUR 374 thousand).

20. Financial risk management objectives and policies

The Group's financial liabilities, comprise interest-bearing loans and borrowings, trade payables and financial derivatives. The main purpose of the financial instruments is to raise finance for the Group's operations. The Group also has cash and short-term deposits, and trade receivables, which arise directly from its operations. The derivative interest rate swap is serving the purpose to hedge the cash flow risk arising from TLA.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to its long-term debt obligations with floating interest rates.

The Group manages its interest rate risk by having a balanced portfolio of both floating and fixed rate loans and borrowings, with the decrease of EURIBOR below zero is fixed via zero floor in the original facility agreement. Additionally, the Group has entered into interest rate swaps to 'fix' the interest rate of the debt issued on 23 October 2017. With all other variables held constant, the Group believes there is no reasonable change in the intrest rate due to the terms of the bank loans. The Group's exposure to floating rate changes of EURIBOR is not not material, considering the negative EURIBOR rates and the zero floor as per loan agreement

	Increase/decrease in percentage	Effect on the profit before tax
		EUR '000
2020	+0,102	—
	-0,102	—
2019	+0,056	—
	–0,056	—

Hedging relationship

The Group applied hedge accounting in a form of cash flow hedge. Hedge of interest rate risk arising on variable interest payable on 50% of bank debt EUR 307 million. It has contracts for interest rate swap transactions with four counterparties to receive variable interest rate and pay fixed interest rate.

Identification of hedging item and instruments

The hedged item is a loan with a notional amount of EUR 307 million at inception of hedging relationship, an interest rate of EURIBOR + margin and a maturity date of 25 July 2022. Interest and principal are settled quarterly following a repayment schedule.

20. Financial risk management objectives and policies (Continued)

The hedging instruments are interest rate swaps, they are four separate contracts. Each is hedging 12,5% of the notional amount of the loan with fixed rates that are between 0,29%-0,31%. The maturity date and settlement dates are matched to those of the loan.

Economic relationship

The hedged item creates an exposure to pay three-month EURIBOR interest on EUR 307 million notional, settled quarterly. The interest rate swaps on 50% of the notional creates an equal and opposite interest receipt and a fixed interest payment, therefore creating an exact offset to 50% of the cashflows from EURIBOR for this transaction resulting in a net fixed interest payable.

Hedge ratio

To comply with the risk management policy, the hedge ratio is based on debt with a notional of EUR 307,366 thousand with a three-month interest settlement date and maturity date of 25 July 2022, offset by four interest rate swaps with the same critical terms, except notional amount (which is 12.5% of the notional amount of the debt per swap). This results in a hedge ratio of 1:0.5 or 50%.

Sources of ineffectiveness

As of current assessments no material sources of ineffectiveness were identified. This will be re-assessed on each reporting date or in cases where there is a significant change.

Frequency of assessing hedge effectiveness

Assessment of hedge effectiveness is done at inception of the hedge, at each reporting date and upon a significant change in the circumstances affecting the hedge effectiveness requirements.

Hedge effectiveness assessment

As described in the hedge documentation, critical terms of the hedging instrument and the hedged items perfectly match. Therefore, management can qualitatively assess that the hedging instrument and the hedged items will move in the opposite direction and will be perfectly offset.

As the credit rating of the counterparty to the derivative is high and Huvepharma's credit risk is considered to be low, the effect of credit risk is considered as neither material nor dominant in the economic relationship.

Conclusion: the hedge is expected to be highly effective.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the Parent's functional currency).

The following tables demonstrate the sensitivity of the pre-tax profit of the Group to a reasonably possible change in the US dollar exchange rate, with all other variables held constant. The Group's exposure to foreign currency changes for all other currencies is not material.

	Change in the USD exchange rate	Effect on the profit before tax
		EUR '000
2020	+6,85	5,020
	-6,85%	(5,020)
2019	+2,88%	1,843
	-2,88%	(1,843)

20. Financial risk management objectives and policies (Continued)

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Trade receivables

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed individually. Outstanding customer receivables are regularly monitored and any deliveries to major customers are generally covered by letters of credit or other forms of credit insurance.

The requirement for impairment is analysed at each reporting date on an individual basis for each client. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 12. The Group evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in more than 100 jurisdictions and operate in largely independent markets.

Bank balances and deposits with banks and financial institutions

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Group's Senior Management on an annual basis and may be updated throughout the year subject to approval of the Senior Management. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments. The Group pleaces its deposits only with banks with very good credit ratings.

The Group's exposure to credit risk arises from default of the counterparty, with the maximum credit exposure equalling the carrying amount of these instruments.

Liquidity risk

Liquidity risk is the risk that the Group might face difficulties in meeting its financial liabilities when they are settled in cash or in other financial assets. The Group applies a conservative liquidity management policy through which it constantly maintains an optimum liquid stock of cash and a good ability to finance its operations. The Group uses borrowings as well. The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders.

The Group monitors and controls the actual and forecast cash flows by periods ahead and maintains the balance between the maturities of Group's assets and liabilities. The maturities and timely payments are monitored currently by the Financial and Accounting Department, and day-to-day information about the available cash and forthcoming payments is maintained. Additional information is disclosed in Note 10.

The table below summarises the maturity profile of the Group's financial liabilities, liabilities to the personnel, tax and other liabilities based on contractual undiscounted payments:

Year ended 31 December 2020	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Interest-bearing loans and borrowings	13	7,955	34,346	256,089	238,194	536,597
Trade and other liabilities	27	60,925	49,837	2,071	300	113,160
	40	**68,880**	**84,183**	**258,160**	**238,494**	**649,757**

20. Financial risk management objectives and policies (Continued)

Year ended 31 December 2019	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Interest-bearing loans and borrowings	19	10,115	34,032	463,742	7,501	515,409
Trade and other liabilities	150	109,768	48,827	1,946	300	160,991
	169	**119,883**	**82,859**	**465,688**	**7,801**	**676,400**

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios to support its business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, increase or decrease its share capital, at a decision of shareholders. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2020 and 31 December 2019.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, interest bearing loans and borrowings less cash and cash equivalents.

Capital management	2020	2019
	EUR'000	EUR'000
Interest-bearing loans and borrowings	495,817	486,221
Less: cash and short-term deposits	(21,638)	(14,892)
Net debt	**474,179**	**471,329**
Equity	356,500	258,070
Equity and net debt	**830,679**	**729,399**
Gearing ratio	57%	65%

21. Related party disclosures

Ultimate parent

As of 31 December 2020 Advance Properties holds 100.00% of Huvepharma International B.V. and is its ultimate parent owned by Mr. Kiril Domuschiev and Mr. Georgi Domuschiev who are the ultimate controlling parties.

Other related parties (under common control)

The Group has related parties under the common control of Kiril Domuschiev and Georgi Domuschiev, but there are no transactions between them.

21. Related party disclosures (Continued)

The consolidated financial statements include the financial statements of Huvepharma International B.V. and the subsidiaries listed in the following table:

	Country of incorporation	% of equity interest 2020	% of equity interest 2019
Huvepharma Holdings B.V.	Netherlands	100%	100%
Huveproject EAD	Bulgaria	100%	100%
Huvepharma EOOD	Bulgaria	100%	100%
Biovet AD	Bulgaria	95,54%	95,54%
Huvepharma NV	Belgium	99,93%	99,93%
Huvepharma Inc	USA	100%	100%
Huvepharma LLC	USA	100%	100%
Huvepharma Polska Sp.z.o.o.	Poland	100%	100%
Huvephrma (Thailand) Ltd.	Thailand	99,99%	99,99%
Huvepharma do Brasil Comercio e Importacao Ltda	Brazil	99%	99%
Huvepharma Sea Pune Private Limited	India	51%	51%
Huvepharma South Africa (Pty) Ltd.	South Africa	100%	100%
ANC Hayvan Beslenmesi ve Sagligi Hizmetleri. A.S.	Turkey	100%	100%
Huvepharma Italia S.R.L.	Italy	100%	100%
Huvepharma de Mexico S.A.	Mexico	100%	100%
Abio EOOD (subsidiary of Biovet AD)	Bulgaria	95,54%	95,54%
Bio TechIno OOD (subsidiary of Biovet AD)*	Bulgaria	48,53%	48,53%
Huvepharma Japan, Inc	Japan	100%	100%
Huvepharma Canada Corporation Inc	Canada	100%	100%
Huvepharma Netherlands BV	The Netherlands	99,93%	99,93%
Stock Energy EOOD	Bulgaria	95,54%	95,54%
Huvepharma S.A.	France	99,93%	99,9%
Laboratoire Meriel S.A.S	France	100%	100%
Qalian Portugal Unipessoal	Portugal	100%	100%
Qalian Italia S.r.l. (liquidated in 2020)	Italy	—	100%
Huvepharma Limited	United Kingdom	100%	—

* The Group excercises controls over Bio TechIno OOD by having effectively more than half of the voting rights. Bio Technino OOD is a 51% direct investment of Biovet AD, which is controlled and owned at 95,54% by the Group.

21. Related party disclosures (Continued)

The following table provides the total amount of transactions, which have been entered into and the outstanding balances for the relevant financial year (information for the outstanding balances at 31 December 2020 and 2019 for all related parties not consolidated within the Group financial statements):

		Other related parties (under common control)
		EUR'000
Sales to / purchases from related parties		
Purchases of services	2020	5,184
	2019	6,074
Sales of services	2020	739
	2019	174
Amounts due from related parties	**2020**	**135**
	2019	**66**
Total non-current receivables	2020	—
Total non-current receivables	2019	8
Total current receivables	2020	135
Total current receivables	2019	58
Amounts due to related parties	**2020**	**8**
	2019	**29**
Total current liabilities	2020	8
Total current liabilities	2019	29

The Group has EUR 0 thousand as payable to Advance properties as at 31 December 2020 (2019: EUR 25 thousand).

Compensation of key management personnel

Key management personnel includes Board members and Directors of key subsidiaries of the group with Group-wide managerial responsibilities. The compensation of key management personnel paid in 2020 amounted to EUR 6,314 thousand (2019: EUR 6,072 thousand). The retirement benefit provision related to the management personal is EUR 42 thousand (2019: EUR 42 thousand).

Terms and conditions of related party transactions

The sales to and purchases from related parties are made at contractual prices. Outstanding balances at the year-end are unsecured, interest-free and the settlement is made in cash. There have been no guarantees provided to or received for any related party receivables or payables. At 31 December 2020 the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2019: Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

22. Fair value measurement

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities.

Quantitative disclosures of fair value measurement hierarchy as of 31 December 2020

		Fair value measurement using			
	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		EUR'000	EUR'000	EUR'000	EUR'000
Assets for which fair values are disclosed					
Cash and short-term deposits (Note 13)	**31.12.2020**	21,638	—	21,638	—
Liabilities for which fair values are disclosed:					
Interest-bearing loans and borrowings (Note 10)	**31.12.2020**	495,817	—	495,817	—
Interest rate swap	**31.12.2020**	600	—	600	—
Deferred consideration as a result of business combination (Note 17)	**31.12.2020**	2,092	—	2,092	—

Quantitative disclosures of fair value measurement hierarchy as of 31 December 2019

		Fair value measurement using			
	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		EUR'000	EUR'000	EUR'000	EUR'000
Assets for which fair values are disclosed					
Cash and short-term deposits (Note 13)	**31.12.2019**	14,892	—	14,892	—
Liabilities for which fair values are disclosed:					
Interest-bearing loans and borrowings (Note 10)	**31.12.2019**	486,221	—	486,221	—
Interest rate swap	**31.12.2019**	993	—	993	—
Deferred consideration as a result of business combination (Note 17)	**31.12.2019**	1,901	—	1,901	—

23. Fair value of financial instruments

Set out below is a comparison by class of carrying amounts and fair values of all of the Group's financial instruments that are carried in the financial statements:

	Carrying amount	
	2020	2019
	EUR'000	EUR'000
Financial assets		
Trade receivables (Note 12)	82,639	96,869
Receivables from related parties (Note 21)	135	66
Cash and cash equivalents	21,638	14,892
Financial liabilities		
Interest bearing loans and borrowings (Note 10)	495,817	486,221
Trade payables (Note 17)	76,742	115,320
Payables to related parties (Note 21)	8	29
Deferred consideration as a result of a business combination (Note 17)	2,092	1,901

23. Fair value of financial instruments (Continued)

The fair value of the financial assets and liabilities is equal to the carrying amount.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- Long-term fixed-rate and variable-rate receivables are evaluated by the Group based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer and the risk characteristics of the financed transaction/project. Based on this evaluation, allowances are taken into account for the expected losses of these receivables. As at 31 December 2020, the carrying amounts of such receivables, net of allowances, were not materially different from their calculated fair values.
- Cash and short-term deposits, trade receivables, trade payables, and other current assets and liabilities approximate their carrying amounts due to the short-term maturities of these instruments.

24. Investment in associates

Huvepharma Group and Curtiss Healthcare, Inc., originally formed to develop and commercialize certain technologies, which the Company licensed from several universities in the United States, entered a Development and Commercialization Agreement on 20 December 2017. According to this agreement Huvepharma Group has the exclusive option to acquire all of the remaining shares of the capital stock of Curtiss upon the terms and subject to the conditions set forth in the Agreement. The option can be exercised at fair value up to 5 years from the date of receipt of the Product License for the first Product, which occurred on 18 November 2020.

At 31 December 2020, the Group has 49% of the share capital of Curtiss Healthcare, Inc. The Group's interest is accounted for using the equity method in the consolidated financial statements. The following table illustrates the summarized financial information of the Group's investment in Curtiss Healthcare, Inc.

	2020	2019
	EUR'000	EUR'000
Research and product development	(1,844)	(2,351)
General and administrative	(1,102)	(830)
Total Operating Expenses	**(2,946)**	**(3,181)**
Total Income	**270**	**4**
Total comprehensive income for the year	**(2,676)**	**(3,177)**
Group's share of loss for the year	**(1,446)**	**(1,260)**

	2020	2019
	EUR'000	EUR'000
At the beginning of the period	**8,799**	**8,117**
Acquisitions	2,623	1,781
Group's share of loss for the year	(1,446)	(1,260)
Foreign currency difference	(824)	161
At the end of the period	**9,152**	**8,799**

25. Material partly-owned subsidiaries

Financial information of subsidiaries that have material non-controlling interest is provided below:

Portion of equity interest held by non-controlling interest:

Name	Country of incorporation	2020	2019
Biovet AD	Bulgaria	4,46%	4,46%
Accumulated balance of material non-controlling interest EUR '000		6,386	4,840
Profit allocated to material non-controlling interest EUR '000		1,570	687

25. Material partly-owned subsidiaries (Continued)

The summarized financial information of this subsidiaries is provided below. This information is based on amounts before inter-Group eliminations.

Summarized Statement of comprehensive income for the year ended 31 December of Biovet AD

	2020	2019
	EUR'000	EUR'000
Revenue	**199,371**	**163,013**
Cost of sales	(157,048)	(141,327)
Gross profit	**42,323**	**21,686**
Other operating income	3,373	1,444
Selling and distribution costs	(1,429)	(967)
Administrative and other expenses	(3,993)	(5,025)
Operating profit	**40,274**	**17,138**
Finance costs	(1,143)	(3)
Profit before taxes	**39,131**	**17,135**
Income tax expense	(3,936)	(1,729)
Profit for the year	**35,195**	**15,406**
Other comprehensive income for the year, net of taxes	**(45)**	**(123)**
Total comprehensive income for the year, net of taxes	**35,150**	**15,283**

25. Material partly-owned subsidiaries (Continued)

Summarized Statement of financial position of Biovet AD as at 31 December

	2020 EUR'000	2019 EUR'000
Assets		
Non-current assets		
Property, plant and equipment	287,554	266,986
Intangible assets	24,994	23,942
Investments in subsidiaries	7	7
	312,555	**290,935**
Current assets		
Inventory	58,239	44,815
Trade and other receivables	17,121	14,333
Receivables from related party	1,466	1,334
Other financial assets	138	205
Cash and short term deposits	649	1,702
	77,613	**62,389**
Total assets	**390,168**	**353,324**
Equity and liabilities		
Equity	**143,186**	**108,547**
Non-current liabilities		
Interest bearing loans and borrowings	150,949	141,688
Retirement benefit costs	1,029	892
Deferred tax liabilities	3,351	2,970
Government grants	—	73
	155,329	**145,623**
Current liabilities		
Interest bearing loans and borrowings	8,998	6,243
Trade and other liabilities	81,338	92,464
Income tax liability	1,317	447
	91,653	**99,154**
Total liabilities	**246,982**	**244,777**
Total equity and liabilities	**390,168**	**353,324**

Summarized cash flow information for the years ending 31 December 2020 and 31 December 2019

	2020 EUR'000	2019 EUR'000
Operating	23,145	(9,999)
Investing	(35,742)	(66,049)
Financing	11,544	75,895
Net decrease in cash and cash equivalents	**(1,053)**	**(153)**

26. Financial Instruments

Changes in liabilities arising from financing activities

The following table summarizes changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes by providing a reconciliation between the opening and closing

26. Financial Instruments (Continued)

balances in the statement of financial position for liabilities arising from financing activities for the year ended 31 December 2020.

	1 January 2020	Cash inflows	Cash outflows	Foreign exchange movement	Effective interest rate accruals	Other	31 December 2020
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Current interest-bearing loans and borrowings	36,604	—	(8,049)	(594)	9,685	(232)	37,414
Current lease liabilities	2,204	—	(2,893)	62	—	3,107	2,480
Non-current interest-bearing loans and borrowings	442,756	35,170	(24,947)	(2,257)	—	232	450,954
Non-current lease liabilities	4,657	—	—	18	—	294	4,969
Derivatives	993	—	—	—	—	(393)	600
Total liabilities from financing activities	**487,214**	**35,170**	**(35,889)**	**(2,771)**	**9,685**	**3,008**	**496,417**

	1 January 2019	Cash inflows	Cash outflows	Foreign exchange movement	Effective interest rate accruals	Other	31 December 2019
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Current interest-bearing loans and borrowings	28,500	—	(7,916)	832	8,386	6,802	36,604
Current obligations under lease contracts	380	—	(2,620)	—	—	4,444	2,204
Non-current interest-bearing loans and borrowings	375,101	92,233	(19,030)	56	—	(5,604)	442,756
Non-current obligations under lease contracts	511	—	—	—	—	4,146	4,657
Dividends payable	—	—	—	—	—	—	—
Derivatives	650	—	—	—	—	343	993
Total liabilities from financing activities	**405,142**	**92,233**	**(29,566)**	**888**	**8,386**	**10,131**	**487,214**

27. Events after the reporting date

Pursuant to a decision of the General Meetings of Shareholders dated 4 February 2021, dividends amounting to EUR 30,000 thousand were paid by the Group in February 2021 from 2020 profit (2020: 0).

Management declares that after the end of the reporting period and until the date of the preparation of these consolidated financial statements there are no other significant and /or material non-adjusting events which took place concerning the activities of the Group, the non-disclosure of which could influence the true and fair presentation of the consolidated financial statements.

HUVEPHARMA International B.V.

Company profit and loss

for the period ended 31 December 2020

	Notes	2020	2019
		EUR'000	EUR'000
Share in results from subsidiaries (after tax)	1.2	101,750	82,318
Other results (after tax)		(2,771)	(2,676)
Result for the period		**98,979**	**79,642**

Signed by Kiril Petrov Domuschiev Signed by Nessa Cherif Signed by Intertrust (Netherlands) B.V.

HUVEPHARMA International B.V.

Company balance sheet

as at 31 December 2020

After profit appropriation

	Notes	2020	2019
		EUR'000	EUR'000
ASSETS			
Non-current assets			
Investments in subsidiaries	1.2	490,027	402,628
Receivables from related parties	1.5	7,104	7,104
		497,131	**409,732**
Current assets			
Prepaid taxation		11	6
Cash and short-term deposits		39	75
		50	**81**
TOTAL ASSETS		**497,181**	**409,813**
EQUITY AND LIABILITIES			
Equity			
Issued capital	1.3	137,029	137,029
Other equity		(187,008)	(187,008)
Legal reserves	1.4	65,068	63,217
Accumulated profit		332,813	237,813
Total equity		**347,902**	**251,051**
Non-current liabilities			
Interest-bearing loans and borrowings	1.6	139,730	149,206
		139,730	**149,206**
Current liabilities			
Interest-bearing loans and borrowings	1.6	9,475	9,475
Interest liabilities	1.6	—	7
Trade payables		74	74
		9,549	**9,556**
Total liabilities		**149,279**	**158,762**
TOTAL EQUITY AND LIABILITIES		**497,181**	**409,813**

Signed by Kiril Petrov Domuschiev Signed by Nessa Cherif Signed by Intertrust (Netherlands) B.V.

HUVEPHARMA International B.V.

Equity movement schedule

for the year ended 31 December 2020

	Issued capital Note 1.3	Other equity	Legal reserves Note 1.4	Accumulated profit	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
At 1 January 2019	**137,029**	**(187,008)**	**61,974**	**159,037**	**171,032**
Profit for the year	—	—	1,366	78,276	**79,642**
Cash flow hedge	—	—	(309)	—	**(309)**
Change development costs	—	—	(629)	629	**—**
Other movement resulting from consolidated subsidiaries	—	—	—	(129)	**(129)**
FX revaluation	—	—	815	—	**815**
At 31 December 2019	**137,029**	**(187,008)**	**63,217**	**237,813**	**251,051**
At 1 January 2020	137,029	(187,008)	63,217	237,813	**251,051**
Profit for the year	—	—	2,101	96,878	**98,979**
Cash flow hedge	—	—	393	—	**393**
Change development costs	—	—	1,069	(1,069)	**—**
Other movement resulting from consolidated subsidiaries	—	—	—	(809)	**(809)**
FX revaluation	—	—	(1,712)	—	**(1,712)**
At 31 December 2020	**137,029**	**(187,008)**	**65,068**	**332,813**	**347,902**

Signed by Kiril Petrov Domuschiev Signed by Nessa Cherif Signed by Intertrust (Netherlands) B.V.

1.1. General Information

The Company financial statements have been prepared in accordance with the provisions of Part 9 of Book 2 of the Dutch Civil Code. As the income statement of the Company for the financial year is included in the consolidated financial statements, a summary income statement is sufficient in accordance with Section 402 of Book 2 of the Dutch Civil Code.

The option described in Section 362 of Book 2 of the Dutch Civil Code of applying the same principles in the Group financial statements as in the consolidated financial statements has been used. The principles in the Group financial statements are therefore the same as those stated for the consolidated financial statements, with the exception of the measurement of investments in subsidiaries which are measured at net assets value of the respective subsidiaries. Net asset value is based on measurement of assets, provisions and liabilities and determination of profit based on the principles applied in the consolidated financial statements.

The financial statements are presented in EUR and all values are rounded to the nearest thousand (EUR thousand), unless otherwise indicated.

Huvepharma International B.V. is registered with the Dutch Commercial Register under number 61186228.

1.2. Investments in subsidiaries

Name	Country of incorporation	% of equity interest
Huvepharma Holdings B.V.	Netherlands	100%

	Huvepharma Holdings B.V.	Total
	EUR'000	EUR'000
Opening net asset value at 1 January 2019	**332,102**	**332,102**
Profit for the year	82,318	82,318
Capital distribution	(12,180)	(12,180)
Acquisition of NCI	388	388
Closing net book value at 31 December 2019	**402,628**	**402,628**

	Huvepharma Holdings B.V.	Total
	EUR'000	EUR'000
Opening net asset value at 1 January 2020	**402,628**	**402,628**
Profit for the year	101,750	101,750
Capital distribution	(12,220)	(12,220)
Other changes	(2,131)	(2,131)
Closing net book value at 31 December 2020	**490,027**	**490,027**

1.3. Share capital

	Number of ordinary shares	EUR'000
Ordinary shares of 1 EUR each, issued and fully paid		
At 31 December 2020	**137,029,066**	**137,029**
At 31 December 2019	**137,029,066**	**137,029**

Proposed results appropriation for the financial year 2020

Pursuant to the Group's strategic development plans, the generated earnings are taken to retained earnings in order to be reinvested for financing current operating projects and for generating growth in a long term perspective.

1.4. Legal reserves

	Legal reserve participating interests	Foreign currency translation reserve	Cash flow hedge	Legal reserve for capitalized development costs	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
At 1 January 2019	**45,048**	**(1,563)**	**(584)**	**19,073**	**61,974**
Allocation participating interests	1,366	—		—	**1,366**
Cash flow hedge	—	—	(309)	—	**(309)**
Change development costs	—	—	—	(629)	**(629)**
FX revaluation	—	815	—	—	**815**
At 31 December 2019	**46,414**	**(748)**	**(893)**	**18,444**	**63,217**
At 1 January 2020	46,414	(748)	(893)	18,444	**63,217**
Allocation participaticipating interests	2,101	—	—	—	**2,101**
Cash flow hedge	—	—	393	—	**393**
Change development costs	—	—	—	1,069	**1,069**
FX revaluation	—	(1,712)	—	—	**(1,712)**
At 31 December 2020	**48,515**	**(2,460)**	**(500)**	**19,513**	**65,068**

1.5. Related party disclosure

The following table provides the total amount of transactions, which have been entered into and the outstanding balances for the relevant financial year (information for the outstanding balances at 31 December):

		Ultimate parent Group	Other related parties (under common control)
		EUR'000	EUR'000
Non-current receivables from			
Huvepharma Holdings B.V	2020	—	7,104
	2019	—	7,104
Current payables to			
Huvepharma Holdings B.V	2020	—	—
	2019	—	—

1.6. Interest-bearing loans and borrowings

	Maturity	2020	2019
		EUR'000	EUR'000
Non-current loans			
Bank loan of EUR 180,000 thousand	2027	139,730	149,206
Current loans			
Bank loan of EUR 180,000 thousand	2021	9,475	9,475
Interest payable	2021	—	7
Total interest-bearing loans and borrowings		**149,205**	**158,688**

The following table summarizes changes in interest-bearing loans and borrowings, including both changes arising from cash flows and non-cash changes by providing a reconciliation between the opening and closing

balances in the statement of financial position for interest-bearing loans and borrowings for the years ended 31 December 2020 and 31 December 2019:

	1 January 2020	Cash outflows	Interest accruals	31 December 2020
Current interest-bearing loans and borrowings	9,482	(2,602)	2,595	9,475
Non-current interest-bearing loans and borrowings	149,206	(9,476)	—	139,730
Total interest-bearing loans and borrowings	**158,688**	**(12,078)**	**2,595**	**149,205**

	1 January 2019	Cash outflows	Interest accruals	31 December 2019
Current interest-bearing loans and borrowings	9,496	(2,517)	2,503	9,482
Non-current interest-bearing loans and borrowings	158,681	(9,475)	—	149,206
Total interest-bearing loans and borrowings	**168,177**	**(11,992)**	**2,503**	**158,688**

The contractual interest rate on the above loans and borrowings is the 3-month EURIBOR/ LIBOR plus margin. The margin is variable and depends on the Group leverage.

Senior Facilities Agreement dated 15 August 2014 (as amended and restated on 4 February 2016, 2 March 2016, 18 August 2017, 25 July 2017, 5 October 2020 and as further amended and restated on 23 December 2020)

The term loan facilities in the aggregate amount of EUR 540,000 thousand is granted for the purpose of new capital expenditure financing, additional revolving financing, and refinancing of all existing loans and borrowings of all the companies in the Huvepharma Group. From this amount EUR 180,000 is granted to Huvepharma International B.V. The loan is secured as follows:

- First, second, third, fourth and fifth ranking Dutch law share pledge over the shares in HuvepharmaInternational B.V.
- First, second, third, fourth and fifth ranking Dutch law bank account pledge agreement of HuvepharmaInternational B.V.
- First second, third, fourth and fifth ranking Dutch law receivable pledge agreement and share pledge over the shares in Huvepharma Holdings B.V.
- Pledge over all receivables of Huvepharma International B.V. under English law hedging securityagreement;
- First, second, third, fourth and fifth ranking Dutch law receivable pledge agreement of Huvepharma Holdings B.V.
- First ranking Bulgarian law share pledge over all shares in Huveproject EAD.
- First ranking Bulgarian law special and financial collateral share pledges over the shares in Huveproject EAD
- First ranking Bulgarian law going concern pledges on bank accounts, machinery and equipment, intangible assets, real estate and intra-group receivables of Huveproject EAD
- First ranking Bulgarian law participatory share pledges over the shares in Huvepharma EOOD owned by Huveproject EAD
- First ranking Bulgarian law going concern pledges on bank accounts, machinery and equipment, intangible assets, real estate and intra-group receivables of Huvepharma EOOD
- Pledge over all receivables of Huvepharma EOOD under English law hedging security agreement;
- First ranking Bulgarian law share pledge over all shares in Biovet AD.
- First ranking Bulgarian law special and financial collateral share pledges over the shares in Biovet AD

- First ranking Bulgarian law going concern pledges on bank accounts, machinery and equipment, intangible assets, real estate and intra-group receivables of Biovet AD
- First, second, third and fourth ranking Belgian law share pledges over the shares in Huvepharma N.V.
- First, second, third and fourth ranking Belgian law pledges on bank accounts and receivables of Huvepharma N.V.
- New York law share pledge over the shares in Huvepharma Inc.
- New York law pledge over all personal property of Huvepharma Inc.
- Brazilian Law Fiduciary Assignment of Receivables of Huvepharma Do Brasil Ltda.
- Italian law deed of pledge over the bank accounts opened in Italy in the name of Huvepharma Italia S.r.l
- Italian law assignment by way of security of the receivables owed to Huvepharma Italia S.r.l. under insurance policies, intercompany loans and commercial agreements

As a part of the loan agreement the Group has at its disposal a credit line for the amount of EUR 170,000 thousands.

The agreement contains covenants, which require the Group to maintain ratios of EBITDA, senior leverage, senior interest cover and cash flow cover.

- EBITDA is calculated as the operating profit before taxation is adjusted with all items described in the agreement.
- Senior leverage is a ratio of the total debt minus the cash and cash equivalents to EBITDA as defined in the agreement. Total debt is the nominal amount of the outstanding indebtedness of the Group as defined in the agreement.
- Senior interest cover is a ratio of EBITDA to finance charges as defined in the agreement.

The agreement contains also non-financial covenants, which require the entity to provide certain financial and non-financial information as well as to inform the creditors for events if occurred.

According to the agreements signed with the banks if some of the financial conditions is not satisfied for two consecutive Financial Quarters the event shall be considered as breach of covenants and will lead to an Event of Default, whereas the Bank may make immediate demand. In this case the balance of loans and borrowings would be presented as short term in the consolidated financial statements. As of 31 December 2020 the Group is in compliance with all covenants. Total net debt to EBITDA ratio in respect of any 12 months period shall not exceed 4.00:1. As of 31 December 2020 the net debt to EBITDA is 2.87:1, ensuring enough headroom.

1.7 Deferred tax assets

Huvepharma International B.V. and Huvepharma Holdings B.V. are part of the same fiscal unity for the purpose of corporate income tax. Huvepharma International B.V. is the head of this fiscal unity and all entities within the fiscal unity are jointly and severally liable for the tax liabilities of this fiscal unity. The losses recognized at the level of Huvepharma International B.V. will be offset with the profits of Huvepharma Holdings B.V. in the tax declarations of the fiscal unity and as such no deferred tax asset has been recognized. The taxable result for the fiscal unity for 2020 was EUR 0 (2019: EUR 0 thousand).

Management Board remuneration

In financial year 2020 the Management Board had received remuneration amounting EUR 858 thousand (2019: 631 thousand). The 2019 amount has changed compared to the 2019 financial statements, as amounts charged to subsidiaries were inadvertently not included in the total amount.

Average number of employees

The average number of employees for 2020 is nil (2019: nil).

OTHER INFORMATION

Articles of Association provisions governing profit appropriation

Profit is appropriated in accordance with Article 18 of the Articles of Association, which states that the General Meeting shall determine the allocation of the profits. No resolution of the General Meeting to distribute shall have effect without consent of the Management Board. The Management Board may withhold such consent only if it knows or reasonably should expect that after the distribution, the Company will be unable to continue the payment of its due debts. If the General Meeting does not adopt a resolution regarding the allocation of the profits, these profits will be reserved.

Independent auditor's report

The independent auditor's report on both consolidated and company financial statements 2020 of Huvepharma International B.V. is enclosed on the next pages.

Building a better working world

Independent auditor's report

To: the shareholder and management of Huvepharma International B.V.

Report on the audit of the financial statements 2020 included in the annual report

Our opinion

We have audited the financial statements 2020 of Huvepharma International B.V., based in Amsterdam. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:

- The accompanying consolidated financial statements give a true and fair view of the financial position of Huvepharma International B.V. as at 31 December 2020, and of its result and its cash flows for 2020 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code
- The accompanying company financial statements give a true and fair view of the financial position of Huvepharma International B.V. as at 31 December 2020, and of its result for 2020 in accordance with Part 9 of Book 2 of the Dutch Civil Code

The consolidated financial statements comprise:

- The consolidated statement of financial position as at 31 December 2020
- The following statements for 2020: the consolidated statement of comprehensive income, changes in equity and cash flows
- The notes comprising a summary of the significant accounting policies and other explanatory information

The company financial statements comprise:

- The company balance sheet as at 31 December 2020
- The company profit and loss account for 2020
- The notes comprising a summary of the accounting policies and other explanatory information

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing.

Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of Huvepharma International B.V. in accordance with the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

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

Report on other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- The management board's report
- Other information pursuant to Part 9 of Book 2 of the Dutch Civil Code

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the management board's report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Description of responsibilities for the financial statements

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud.

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 these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining 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
- Obtaining 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
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- Concluding on the appropriateness of management's use of the going concern basis of accounting, 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 a company to cease to continue as a going concern
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

Amsterdam, 30 April 2021

Ernst & Young Accountants LLP

signed by D.K. Noort

HUVEPHARMA International B.V.

FINANCIAL STATEMENTS

For the year ended 31 December 2019

HUVEPHARMA International B.V.

CONTENTS

GENERAL INFORMATION

Management Board

Kiril Petrov Domuschiev
S.V.C. Hoogstrate-Röell
Intertrust (Netherlands) B.V.

Registered address and address of management

Prins Bernhardplein 200, 1097 JB Amsterdam, the Netherlands

Banks

Citibank N.A.—Sofia Branch
Eurobank Bulgaria
KBC Bank
Bank of Georgia
MKB Unionbank
UniCredit Bulbank
CosmosBank
Bank VTB 24
Credit Agricole Bulgaria
Raiffeisenbank
Bank of India
DEXIA Bank
Deutsche Bank
E SUN commercial bank
Bank of China
Komercijalna banka AD
Banco Do Brasil S.A.
Standart Chartered Bank MUMB
Eurobank Bulgaria AD
BNP Paribas
Allianz Bank Bulgaria
United Bulgarian Bank
Rabobank
ABN Amro
DSK Bank EAD
The European Investment Bank
International Investment Bank

Auditors

Ernst & Young Accountants LLP
Cross Towers
Antonio Vivaldistraat 150
1083 HP Amsterdam

MANAGEMENT BOARD REPORT

Management presents the report and the consolidated financial statements of Huvepharma International B.V. and its subsidiaries ("the Group") as at 31 December 2019 and for the year then ended, prepared in accordance with the International Financial Reporting Standards as adopted for use in the European Union.

Huvepharma International B.V. is a private limited liability company incorporated on 31 July 2014 under the laws of the Netherlands, having its official seat in Amsterdam, the Netherlands and its principal place of business at Prins Bernhardplein 200, 1097 JB Amsterdam, the Netherlands.

At 31 December 2019 the sole owner of the Company's capital is "Advance Properties OOD", Bulgaria which holds 100% of the ordinary registered share capital of the Company.

In compliance with Dutch legislation on board diversity, at least 30% of the seats on the Huvepharma International B.V. Management Board is held by men and at least 30% of these seats is held by women.

Review of activity

Description of the principal activity

Huvepharma Group is a fast growing global pharmaceutical group with a focus on manufacturing of veterinary generic drug pharmaceuticals and marketing human nutraceutical and animal health products. Huvepharma means HUman and VEterinary PHARMAceuticals. The Group manufactures a wide range of veterinary pharmaceuticals and human health products (antibacterial, analgetics, inflammatory and other medicines) in different medicinal forms, such as medicated premixes and powders and granules for the preparation of oral solutions, concentrates for oral solutions, tablets and boluses. It also manufactures various types of fodder additives, such as coccidiostats, enzymes, vitamin-mineral premixes. It is also a manufacturer of a large number of active pharmaceutical substances used for the formulation of readily available pharmaceuticals for veterinary and human medicine.

Huvepharma Group companies have manufacturing facilities in three locations in Bulgaria (Peshtera, Botevgrad and Razgrad), five manufacturing facilities in USA (St. Louis, Missouri; Lincoln, Nebraska; Laurinburg, North Carolina; Longmont, Colorado and Van Buren, Arkansas), two manufacturing plants in Italy—located in Garessio and Carpi and two in France—located in Segré and St Etienne. These manufacturing facilities include fermentation, plant for packaged pharmaceuticals, feed additives, incoming materials warehouses, finished goods warehouses, quality control laboratories for quality assurance throughout the production process and the aftersale process and R&D laboratories for new product development. The facilities are certified to follow GMP and HAACP principles. Also, for the needs of the manufacturing processes, there are on-site service units, including electricity, air, steam, and natural gas distribution facilities and wastewater treatment plants.

The Group's subsidiaries are based in Bulgaria, Turkey, Thailand, USA, Belgium, Taiwan (being a branch of the Belgium subsidiary), Poland, India, Russia (representative office of Bulgarian subsidiary), Brazil, Republic of South Africa, Canada, Mexico, Italy, Thailand, France, the Netherlands, Japan and China (representative office of Huvepharma NV). Huvepharma Group is present in every major market through local representatives and holds important product registrations in the USA (FDA approved) and in the European Union. The Group offers an enlarged product portfolio with registrations in over 100 countries. It also partners with all major export-oriented integrators in Latin America and Asia that value products with a Brand Specific Approval (BSA) in the EU.

Current period results

For the financial year of 2019, the Group reports profit before tax of EUR 91 million (2018: EUR 96 million).

During the financial year of 2019 the quantities of veterinary—medical products manufactured and sold have increased. The Group has further invested in technologies for production of various medicinal forms.

In 2019, Huvepharma Group continued its strong financial performance and recorded revenue growth of 12.8% compared to 2018. Total sales increased from EUR 486 million in 2018 to EUR 548 million in 2019. Highly profitable growth was realized mostly through organic initiatives by increasing sales of the existing product portfolio and by launching new products developed in-house.

2019 was the year of integration of newly acquired businesses., which strengthening our position in US and Europe and rolling out new product ranges globally. New businesses are focused on higher-margin products. External API purchase price limited impact was eliminated today by the increased in-house manufacturing

capacity. Huvepharma temporary sacrificed some margins to keep its market share and continued to serve customers where many generic companies stepped out.

Operating expenses are in-line with management expectations at 22.6% of revenue in 2019 compare to 21.5% of revenue in 2018. One-off restructuring charges in 2019 resulting in an optimized cost structure in the future.

During financial year 2019 the net cash flow from operating activities has decreased to EUR 69 million (2018: EUR 121 million), due to higher level of trade receivables at the year end. The higher amount of trade receivables reflects the increased revenue and strong sales in December 2019.

Working capital is closely monitored by the Management of the Group. The working capital decreases from EUR 89 million in 2018 to EUR 79 million in 2019 mainly due to initiatives performed to optimise the working capital level.

Expectations of corporate management are for a further increase in sales due to the patent protection expiration of a number of drugs and due to the limited competition among generic drug manufacturers. Further and given the fact that the Group is in the "food chain" business, it is expected that the overall increase of the global population and the changes in the nutrition habits of people in countries with high population will further increase the sales of the Group.

Loyal to the principle of fully integrated EU and US based producer, in a record time of 18 months Huvepharma completed the 3,300 m^3 fermentation plant, which represents 100% increase of the manufacturing capacity in Peshtera and 50% increase of Huvepharma total manufacturing capacity. Huvepharma was able to sustain adequate leverage levels in 2018 and 2019, despite both years being underpinned by elevated CAPEX. The strategic long-term accretive nature of the capital investment is critical for the future growth and positioning of Huvepharma versus its peers.

Expected future development and business goals

The future manufacturing and trade activities of the Group will be directed towards the following objectives:

- growth in revenue though organic initiatives
- strengthening the EU veterinary portfolio
- expanding into Cattle Market
- increase in production volumes due to the new facilities built
- diversifying product portfolio
- further expanding geographic footprint

Research and development activities

The Group has its own Research and Development Institute (RDI). The operations of RDI are developed in a way that corresponds to the organisational structure of the Group in four sections: micro-biological, chemical, ready veterinary forms and analytical. The work in these sections is divided into projects and developments included in the innovation programme, tasks assigned to facilitate the production process, manufacturing of products that meet specific client's needs and activities ensuring specific product analyses.

In 2019, Huvepharma EOOD obtained approval from the U.S. Food and Drug Administration for commercial sale in the United States of its Type A ionophore containing product, the first generic product of this type for use in cattle and goats for certain indications, together with certain related combinations. The cost of the related intangible assets includes an amount of EUR 36 million, relating to a re-acquired right to distribute the product directly in the United states, previously granted to a third party.

Key risk and uncertainties

Overall risk management of the Group

The Group's activities expose it to a variety of financial risks like interest rate risk, foreign currency risk, credit risk and liquidity risk. Management reviews and agrees business policies and procedures to mitigate and address these risks. Further reference is made Note 20 for the financial risk management objectives and

policies. Along with financial risks the Group is exposed to strategic risks, operational risks and compliance risks:

Strategic risk

Strategic risk is defined as the risk to current and future earnings that arise from adverse business decisions, change in customer demand, legislation or the industry. Strategic risk includes the risk of missing targets because the business units do not respond, or do not respond adequately enough, to changes in their business environment. The Group defines a risk as a potential future development in an event which could lead to a negative deviation from projected business objectives. Taking this into consideration, the Group has installed instruments and processes which risks can be recognized at an early stage.

The strategy is mainly focused on growth in the veterinary pharmaceuticals and feed additives markets. The growth strategy is linked to the risk that we might encounter difficulties in connection with certain operational and/or financial requirements, which cannot, or not to a sufficient extent, operatively be met. This strategic risk is assessed to be low. The Group has a backup for the Group facilities, human resources, internal structures, management tools and financial resources if needed.

The Group is active in the focus on manufacturing of veterinary generic drug pharmaceuticals and marketing human nutraceutical and animal health products which business is characterized among other things, by high price sensitivity, continued margin pressure, intense competition and continuously changing regulatory framework conditions. This industry risk is considered low. The Group operates active risk minimization by comprehensively monitoring the market activity of all market participants and on the basis of the observations indicating courses of action.

The Group is prepared to take moderate risks to realise its strategy and goals. Management of the Group considers the control of the Group's risks as one of the key elements of its responsibilities. The vision is an integrated part of the Group's policies.

Interest risk

The Group is not exposed to significant interest risk due to the terms of the bank loans. However, the Group has entered into a cash flow hedge contract in order to hedge the variable interest payable on 50% of its bank debt.

Foreign currency risk

The currency risk arises for the Group in regard to the currency sale and purchase transactions, different from the functional currency euro. Foreign currency risk is well managed by the Group. Its operations are subject to a natural hedge as proceeds from sales in the US are used for the purchasing of USD denominated raw materials.

Credit risk

The credit risk arises mainly from receivables from clients and investments in financial instruments. The credit risk exposure is a result from the individual characteristics of the separate clients. This exposure might also depend on risk of default for the industry or the internal market in which the Group operates. The credit risk of the Group is insignificant as all receivables are under insurance coverage.

The book value of the financial assets represents the maximum credit exposure. The maximum credit exposure as at the balance sheet date is:

	2019	2018
	EUR'000	EUR'000
Trade receivables (Note 12)	96,893	49,118
Receivables from related parties (Note 21)	8	34
Investement in associates	8,799	8,117
Cash and cash equivalents	14,892	18,066
	120,592	**75,335**

Liquidity risk

The Group's liquidity management is performed in order to meet the payments for a period of 60 days, including the financial liabilities; this planning excludes the potential effect of extraordinary circumstances, which cannot be predicted in the normal conditions.

Operational risk

Operational risk is the risk of losses that may occur due to inadequate or malfunctioning internal processes or systems, human error, criminal behaviour, etc. The Group's management is aware of these risks and take measure to mitigate these risks.

Capital management

For the purpose of the Group's capital management, capital includes issued capital, share premium and all other equity reserves attributable to the equity holders of the parent.

The primary objective of the Group's capital management is to maximise the shareholder value.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio below 80%. Net debt includes interest bearing loans and borrowings, trade and other payables, less cash and short-term deposits, excluding discontinued operations.

	2019	2018
	EUR'000	EUR'000
Interest-bearing loans and borrowings	486,221	404,492
Trade and other payables	158,745	125,579
Less: cash and short-term deposits	(14,892)	(18,066)
Net debt	**630,074**	**512,005**
Equity	258,070	176,849
Equity and net debt	**888,144**	**688,854**
Gearing ratio	71%	74%

Principal risks and uncertainties

The main risks that could have significant impact on the financial performance of the Group and related mitigating actions can be outlined as follows:

- **Global financial and economic developments**. Economic conditions and geopolitical environment could have a material impact on our ability to achieve objectives. Some of our customers and suppliers could be affected directly by an economic downturns and political crisis and could face cash flow problems and increased credit risk. We have procedures put place to monitor and limit exposure to collectability risk. In line with major economic forecasts for the global economy, we have not assumed any global economic downturn over the following year and we assess this risk as low. However, significant geopolitical uncertainties exist in a number of markets where we operate.
- **Ability to compete effectively**. Animal health industry is very competitive industry with moderate compound annual growth over the last few years and lower margins compared to human health. There is increased risk of facing increased competition. The Group is well positioned to further increase its market share on its main markets by streamlining it product portfolio. It is broadening its offering in terms of products and customer base while improving its marketing and pricing management programs. The Group is prepared to take moderate risks in order to be competitive.
- **Increased regulatory risk.** Group operates mainly in the livestock segment and is subject to extensive and increasing regulations. More stringent regulations might have an impact on the group performance. The Group monitors closely the developments in each country it operates and takes measures to comply with all the regulations, including Good manufacturing Practices. The Group has zero tolerance to breaches of regulations.
- **Risks related to products' quality and safety.** Any issues arising due to quality and/or safety failures of the Group's products could impact the Group's reputation and business results. All

reported issues in this respect are reviewed and assessed following all relevant industry and regulatory guidelines. The Group is regularly audited by various regulatory bodies on the management of these issues. The Group has zero tolerance for failures related to the quality and safety of its products.

- **Foreign exchange rate fluctuations.** Due to extensive international operations, the business results might be impacted significantly by the movements of foreign currency against the Group's functional currency and the Group's management accepts this risk. Further details in this respect can be found in the Group's financial statements.
- **Management of acquisitions.** The Group's growth aspirations include a strategy of further expansion by acquisition of appropriate businesses which fit with the Group's long term objectives. Unforeseen factors might prevent us from realising the expected benefits. We may be unable to integrate the acquired businesses into our existing business or to achieve the expected synergies. The Group continues to invest in change management and ongoing monitoring which includes corrective actions where needed. The Group is ready to take moderate to low risks when acquiring new businesses.
- **Compliance with laws and regulations in general** Compliance risk is the risk of not complying with laws and regulations, for example risks related to litigation, tax compliance, erroneous financial reporting. The Group is aware of these risks and is constantly monitoring these risks in order to make sure all laws and regulations are complied with. The Group has zero tolerance to breaches of laws and regulations in all jurisdictions where it operates.

Monitoring and reporting

Various means of monitoring and reporting are in place. These provide a robust and continuous overview of the functioning of the common controls and the mitigation of common risks. The Group's management take the lead in instigating internal audits to check the effectiveness of the internal controls and risk and incident mitigations. Independent audits, including unannounced audits, were executed by the Group Internal Auditor in a program that was agreed with the Group's management.

Internal audit activities

Control activities are carried out by the internal appointed auditor who regularly reviews:

- compliance aspects such as the implementation of training on values, segregation of duties, and followup of audits from various stakeholders;
- the execution, follow up and quality of the relevant set of risk assessments; and
- best practices from internal and external sources to further strengthen Group's risk management cycle as well as to ensure appropriate risk management training for all employees at the Group.

Current and planned improvements in the risk management system

Current risk management practices meet the requirements of the management of the Group. However, management is considering the implementation of an Enterprise Risk Management framework to improve the risk management and reporting process.

Environment

Huvepharma Group understands the importance of complying with the legal regulations and covering variety of environmental issues. Based on that principles the group is proved as responsible corporation on a long-term global perspective of harmony with the global environment.

Use of financial instruments

The Group's principal financial liabilities, other than derivatives, comprise interest-bearing loans and borrowings and trade payables. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group also has cash and short-term deposits, and trade receivables, which arise directly from its operations. The derivative interest rate swap is serving the purpose to hedge the cash flow risk arising from TLA.

More dateils about the financial instruments held by the Group and the financial risk arising from them is disclosed in notes 20 and 23.

Management's responsibilities

Management prepares consolidated financial statements each financial year that give a true and fair view of the state of affairs of the Group as at the year-end and of the profit or loss and cash-flows for the year then ended.

Management confirms that suitable accounting policies have been used and applied consistently and, reasonable and prudent judgments and estimates have been made in the preparation of the consolidated financial statements for the year ended 31 December 2019.

Management also confirms that applicable accounting standards have been followed and that the consolidated financial statements have been prepared on a going concern basis.

Management is responsible for keeping proper accounting records, for safeguarding the assets and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Events after the reporting date

After the reporting date, a virus outbreak with a recent recognition of pandemic, affected many countries all over the world. Many of those countries applied measurements for damage control by restricting certain traveling and social activities, encouraging social distance and work remotely, and others.

Management considers those events as non-adjusting events. It has taken all necessary measures to ensure employees, customers and supply chain to continue to operate without adverse effect from the pandemic outbreak. Management has analyzed and assessed possible effects due to pandemic and related measurements over the Group's business. The Group is a major global supplier in the animal nutraceutical and health products market. As such, the Group is currently experiencing increased demand for its products after the reporting date. The Group has started to use a new production plant in 2020, which significantly increased the production capacity and the ability to convert the increased demand into sales. The new production plant reduces reliance on third party APIs and protects from unpredictable disruptions from third party API manufacturers for global animal health API supplies. Fully operational new production plant and logistic center is now accommodating the extra sales related to the supply shortage of the most impacted by COVID-19 outbreak producers. Management does not expect food market to have a significant adverse impact globally, including its supply chain, despite the virus outbreak and related measurements applied by governments. Management hasn't identified any risks and uncertainties relating the Group's business.

Except the point disclosed above, Management declares that after the end of the reporting period and until the date of the preparation of these consolidated financial statements there are no other significant and /or material non-adjusting events which took place concerning the activities of the Group, the non-disclosure of which could influence the true and fair presentation of the consolidated financial statements.

Kiril Petrov Domuschiev S.V.C. Hoogstrate-Röell Intertrust (Netherlands) B.V.

HUVEPHARMA International B.V.

FINANCIAL STATEMENTS

Consolidated statement of comprehensive income

for the year ended 31 December 2019

	Notes	2019	2018
		EUR'000	EUR'000
Revenue	6.1	**548,016**	**485,562**
Cost of sales		(318,874)	(274,807)
Gross profit		**229,142**	**210,755**
Other operating income	6.2	30,214	31,916
Selling and distribution costs		(78,763)	(65,405)
Administrative expenses	6.8	(35,937)	(30,689)
Cost for administration of intellectual property		(9,138)	(8,458)
Other operating expenses	6.3	(33,908)	(31,889)
Operating profit		**101,610**	**106,230**
Finance costs	6.4	(9,482)	(9,807)
Finance income	6.5	64	164
Share of profit of associates and joint venture	24	(1,260)	(599)
Profit before taxes		**90,932**	**95,988**
Income tax expense	7	(10,086)	(12,368)
Profit for the year		**80,846**	**83,620**
Profit for the year attributable to:			
Owners of the parent comapny		79,642	82,630
Non-controlling interest		1,204	990
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Exchange rate difference on translation of foreign operations		798	35
Cash flow hedges		(343)	(650)
Income tax effect	7	33	66
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		488	(549)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods			
Actuarial losses	16	(371)	(68)
Income tax effect	7	14	7
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		(357)	(61)
Income tax expense, attributable to other comprehensive income		**47**	**73**
Other comprehensive income/(loss) for the year, net of taxes		**131**	**(610)**
Total comprehensive income for the year, net of taxes		**80,977**	**83,010**
Attributable to:			
Owners of the parent company		79,796	82,074
Non-controlling interest		1,181	936

Kiril Petrov Domuschiev S.V.C. Hoogstrate-Röell Intertrust (Netherlands) B.V.

These consolidated financial statements were approved by the Board of Directors on 29 April 2020.
The accompanying notes from page F-108 to F-162 page are an integral part of these financial statements

HUVEPHARMA International B.V.

FINANCIAL STATEMENTS

Consolidated statement of financial position

As at 31 December 2019

	Notes	2019	2018
		EUR'000	EUR'000
ASSETS			
Non-current assets			
Property, plant and equipment	8	336,850	255,596
Intangible assets	9	268,468	205,950
Investment in associates	23	8,799	8,117
Deferred tax assets	7	4.442	3,020
Receivables from related parties	21	8	34
Other receivables		287	550
Prepayments		384	—
		619,238	**473,267**
Current assets			
Inventories	11	162,416	162,028
Trade and other receivables	12	113,035	59,986
Prepayments		5,881	5,139
Income tax receivable		1,986	547
Cash and short-term deposits	13	14,892	18,066
		298,210	**245,766**
TOTAL ASSETS		**917,448**	**719,033**
EQUITY AND LIABILITIES			
Equity			
Issued capital	14.1	137,029	137,029
Share premium	14.2	16,813	16,813
Other capital reserves	14.4	45,868	30,461
Retained earnings		245,583	180,971
Other components of equity		(194,242)	(194,242)
Equity attributable to the owners of the parent company		**251,051**	**171,032**
Non-controlling interests	14.5	7,019	5,817
Total equity		**258,070**	**176,849**
Non-current liabilities			
Interest-bearing loans and borrowings	10	409,051	375,612
Other non-current liabilities	17	2,246	1,913
Retirement benefit liability	16	3,115	2,685
Government grants	15	120	130
Deferred tax liabilities	7	4,720	4,527
Other financial liabilities	19, 22	993	650
		420,245	**385,517**
Current liabilities			
Trade and other payables	17	158,745	125,579
Interest-bearing loans and borrowings	10	77,170	28,880
Deferred income		79	148
Income tax liability		3,139	2,060
		239,133	**156,667**
Total liabilities		**659,378**	**542,184**
TOTAL EQUITY AND LIABILITIES		**917,448**	**719,033**

Kiril Petrov Domuschiev S.V.C. Hoogstrate-Röell Intertrust (Netherlands) B.V.

These consolidated financial statements were approved by the Board of Directors on 29 April 2020.
The accompanying notes from page F-108 to F-162 page are an integral part of these financial statements

HUVEPHARMA International B.V.

FINANCIAL STATEMENTS

Consolidated statement of changes in equity

for the year ended 31 December 2019

	Attributable to the owners of the parent company										
	Issued capital	Share premium	Statutory and other reserves	Retained earnings	Other components of equity	Foreign currency translation reserve	Actuarial gains/ losses reserve	Cash flow hedges	Total	Non-controlling interest	Total equity
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
At 1 January 2018	**137,029**	**16,813**	**33,507**	**115,689**	**(194,242)**	**(1,652)**	**(234)**	**—**	**106,910**	**8,371**	**115,281**
Profit for the year	—	—	—	82,630	—	—	—	—	82,630	990	**83,620**
Other comprehensive income	—	—	—	—	—	89	(61)	(584)	(556)	(54)	**(610)**
Total comprehensive income	—	—	—	82,630	—	89	(61)	(584)	82,074	936	**83,010**
Reserves transfer	—	—	12,688	(12,688)	—	—	—	—	—	—	**—**
Dividends, declared and paid	—	—	—	(5,000)	—	—	—	—	(5,000)	—	**(5,000)**
Bonuses, declared and paid	—	—	—	—	—	—	—	—	—	—	**—**
Loss cover	—	—	—	—	—	—	—	—	—	—	**—**
Other change	—	—	(17)	(363)	—	—	—	—	(380)	(11)	**(391)**
Acquisition of non-controlling interest	—	—	(13,265)	703	—	—	(10)	—	(12,572)	(3,479)	**(16,051)**
At 31 December 2018	**137,029**	**16,813**	**32,913**	**180,971**	**(194,242)**	**(1,563)**	**(305)**	**(584)**	**171,032**	**5,817**	**176,849**
At 1 January 2019	**137,029**	**16,813**	**32,913**	**180,971**	**(194,242)**	**(1,563)**	**(305)**	**(584)**	**171,032**	**5,817**	**176,849**
Profit for the year	—	—	—	79,642	—	—	—	—	79,642	1,204	**80,846**
Other comprehensive income	—	—	—	—	—	815	(352)	(309)	154	(23)	**131**
Total comprehensive income	—	—	—	79,642	—	815	(352)	(309)	79,796	1,181	**80,977**
Reserves transfer	—	—	15,254	(15,254)	—	—	—	—	—	—	**—**
Dividends, declared and paid	—	—	—	—	—	—	—	—	—	—	**—**
Bonuses, declared and paid	—	—	—	—	—	—	—	—	—	—	**—**
Loss cover	—	—	—	—	—	—	—	—	—	—	**—**
Other change	—	—	(1)	224	—	—	—	—	223	21	**244**
Acquisition of non-controlling Interest	—	—	—	—	—	—	—	—	—	—	**—**
At 31 December 2019	**137,029**	**16,813**	**48,166**	**245,583**	**(194,242)**	**(748)**	**(657)**	**(893)**	**251,051**	**7,019**	**258,070**

Kiril Petrov Domuschiev S.V.C. Hoogstrate-Röell Intertrust (Netherlands) B.V.

These consolidated financial statements were approved by the Board of Directors on 29 April 2020.
The accompanying notes from page F-108 to F-162 are an integral part of these financial statement

HUVEPHARMA International B.V.

FINANCIAL STATEMENTS

Consolidated statement of cash flows

for the year ended 31 December 2019

	Notes	2019 EUR'000	2018 EUR'000
Operating activities			
Proceeds from customers		568,225	524,939
Payments to suppliers		(420,283)	(345,110)
Income taxes paid and refunded		(11,186)	(12,926)
Other taxes paid and refunded		7,843	17,149
Salaries, wages and related social securities	6.7	(72,993)	(60,676)
Cash flows from foreign currency gains and losses		344	(559)
Other cash flows from operating activities		(3,185)	(1,810)
Net cash flows from operating activities		**68,765**	**121,007**
Investing activities			
Purchase of property, plant and equipment	8	(83,514)	(81,925)
Proceeds from sale of property, plant and equipment	8	4	14
Purchase of intangible assets	9	(47,291)	(21,234)
Acquisition as a result of business combination, net of cash acquired	5	—	(45,609)
Payments to acquire investments	24	(3,832)	(7,634)
Payments for NCI acquisition	25	—	(16,051)
Interest received		27	56
Net cash flows used in investing activities		**(134,606)**	**(172,383)**
Financing activities			
Dividends paid	14.3	—	(5,000)
Payment of liabilities under lease contracts		(2,620)	(564)
Proceeds from borrowings	10	92,233	70,000
Repayment of borrowings	10	(19,030)	(17,209)
Proceeds of short-term borrowings from related entities		—	488
Payment of interest		(7,916)	(7,443)
Other cash flows from financing activities		—	3
Net cash flows (used in)/ from financing activities		**62,667**	**40,275**
Net increase in cash and cash equivalents		(3,174)	(11,101)
Cash and cash equivalents at 1 January		18,066	29,167
Cash and cash equivalents at 31 December	13	**14,892**	**18,066**

Kiril Petrov Domuschiev S.V.C. Hoogstrate-Röell Intertrust (Netherlands) B.V.

These consolidated financial statements were approved by the Board of Directors on 29 April 2020
The accompanying notes from page F-108 to F-162 are an integral part of these financial statements

1. Corporate information

Huvepharma International B.V. (the "Company"), Dutch Chamber of Commerce number 61186228, is a private limited liability company, incorporated on 31 July 2014 under the laws of the Netherlands, having its official seat in Amsterdam, the Netherlands and its principal place of business at Prins Bernhardplein 200, 1097 JB Amsterdam, the Netherlands.

The Company was incorporated as a part of Group restructuring which included the incorporation of Huvepharma International B.V., Huvepharma Holdings B.V., Netherlands and Huveproject EAD, Bulgaria as intermediate parents of Huvepharma EOOD.

At 31 December 2019 the sole owner of the Company's capital is "Advance Properties" OOD which holds 100% of the ordinary registered share capital of the Company.

The consolidated financial statements of Huvepharma International B.V. and its subsidiaries (the "Group" or "Huvepharma Group") for the year ended 31 December 2019 were authorized for issue in accordance with a resolution of the Board of Directors dated 29 April 2020. These financial statements are subject to the approval of the Company's Annual Shareholder's Meeting. The separate financial statements of the Group were authorized for issue in accordance with a resolution of the Board of Directors dated 29 April 2020.

The principal activities of the Group include production and trading with veterinary pharmaceuticals, feed additives and human health products on the international markets.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted for use in the European Union ("EU").

These consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments that have been measured at fair value.

The consolidated financial statements are presented in Euro and all values are rounded to the nearest thousand ("EUR thousand"), unless otherwise indicated.

Going concern

The Group prepares it consolidated financial statements under the assumption going concern.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2019.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received

2.1 Basis of preparation (Continued)

- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

2.2 Summary of significant accounting policies

a) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the noncontrolling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

b) Common control business combinations

In the absence of an IFRS that specifically applies to common control business combinations the management has applied the requirements of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and used current sources (to the extent that these do not conflict with the Framework or any other IFRS or Interpretation) to develop its own accounting policy to account for such transactions. In choosing the appropriate accounting policy the management considers the substance of the transaction and the needs of the key users of the financial statements. Since IFRS 3 Business Combinations scopes out common control business combinations it is therefore not prescriptive as to what method must be followed in such transactions.

2.2 Summary of significant accounting policies (Continued)

Therefore, the Group can choose either acquisition method or pooling of interest method to account for common control business combinations.

In accounting for such combinations the Group elects to apply pooling of interest method as follows:

- The assets and liabilities of the combining entities are reflected at their carrying amounts reported at the level of the consolidated financial statements of the combining entities;
- No adjustments are made to reflect fair values, or recognise any new assets or liabilities, at the date of the combination that would otherwise be done under the acquisition method. The only adjustments that are made are to harmonise accounting policies;
- No "new" goodwill is recognised as a result of the combination. The only goodwill that is recognised is any existing goodwill relating to either of the combining entities. Any difference between the consideration paid/transferred and the equity "acquired" is reflected within equity;
- The income statement reflects the results of the combining entities for the full year, irrespective of when the combination took place;
- Comparatives are presented as if the entities had always been combined. However, financial information for periods prior to the combination is restated only for the period that the entities were under common control.

Application of pooling of interest method to account for Group restructuring (Inserting intermediate parent within existing Group)

As disclosed in Note 1 the Company was incorporated on 31 July 2014 by Advance Properties OOD as an intermediate parent of Huvepharma Group. The Group restructuring was accounted for using the pooling of interest method according to the developed accounting policy as described above. As a result the consolidated statement of comprehensive income and the consolidated statement of cash flows for the year ended 2014 was presented as if the Huvepharma Group always have existed as follows:

- The consolidated income statement and consolidated statement of cash flows for the financial year ended 31 December 2014 include the consolidated results of operations and consolidated cash flows of Huvepharma EAD Group before incorporation of Huvepharma International B.V.;

c) Investment in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investment in its associate and joint venture are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost.

The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its

2.2 Summary of significant accounting policies (Continued)

share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss within 'Share of profit of an associate and a joint venture' in the statement of profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

d) Foreign currency translation

The Group's consolidated financial statements are presented in Euro, which is also the parent company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group has elected to recycle the gain or loss that arises from the direct method of consolidation, which is the method the Group uses to complete its consolidation.

(i) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

All differences are taken to the profit or loss with the exception of all monetary items that provide an effective hedge for a net investment in a foreign operation. These are recognized in other comprehensive income until the disposal of the net investment, at which time they are recognized in the income statement. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in the fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognized in other comprehensive income or profit or loss is also recognized in other comprehensive income or profit or loss, respectively).

(ii) Group Companies

On consolidation level the assets and liabilities of foreign operations are translated into EUR at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on the translation are recognized in other

2.2 Summary of significant accounting policies (Continued)

comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in the income statement.

Any goodwill arising on the acquisition of a foreign operation subsequent to 1 January 2005 and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting rate.

e) Revenue from contracts with customers

The Group is in the business of production and trading with veterinary pharmaceuticals, feed additives and human health products. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 3.

Sale of finished goods

Revenue from sale of finished goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the finished. The normal credit term is 60 to 90 days upon delivery.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, customer loyalty points). In determining the transaction price for the sale of finished goods, the Group considers the effects of variable consideration, the existence of significant financing components and consideration payable to the customer (if any).

(i) Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of finished goods provide customers with a right of return and volume rebates. The rights of return and volume rebates give rise to variable consideration. The analysis performed by the management shows that their impact is insiginificant for the Group.

- **Rights of return**

Certain contracts provide a customer with a right to return the goods within a specified period. The Group uses the expected value method to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in IFRS 15 on constraining estimates of variable consideration are also applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, the Group recognises a refund liability. A right of return asset (and corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer. The analysis performed by the management shows that the impact of returns is insiginificant for the Group.

- **Volume rebates**

The Group provides retrospective volume rebates to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against

2.2 Summary of significant accounting policies (Continued)

amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the Group applies the most likely amount method for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. Since all rebated are accounted for during the current accounting period, this change has no impact on The Group.

Provision of services

The Group provides services that are sold separately, namely R&D services and sales of electricity. The Group recognizes the services as a single performance obligation and recognizes revenue from them over time as the client simultaneously receives and consumes the benefits provided by the Group. For R&D projects the Group uses the input method based on hours worked plus costs incurred relative to the total expected inputs to the satisfaction of that performance obligation, in order to assess the progress of the satisfaction of the performance obligation. Revenue from sale of electricity is recognised in the statement of comprehensive income for electricity supplies made to the National Electricity Company in Bulgaria. Sales revenue is recognised based on the indicators (as per the registered trade measurement devises) for the supplied electricity, usually in one-month intervals.

Revenue from sale of emission reduction units

Revenue from sale of emission right is recognized upon their transfer to the buyer. Revenue from sale of emission reduction units is recognised upon their transfer to the buyer which usually happens after receiving the verification report issued by an independent organisation on the quantity of emission reduction units for the previous calendar year. Till then, there is significant uncertainty as to whether all terms and conditions of sale are met or not.

Interest income

For all financial instruments measured at amortised cost, interest income is reported using the effective interest method (EIM) that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the statement of comprehensive income.

Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in section l) Financial instruments—initial recognition and subsequent measurement.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

2.2 Summary of significant accounting policies (Continued)

Cost to obtain a contract/ Contract performance costs

The Group has no additional contract costs.

f) Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. When the grant relates to an asset, it is deducted in arriving at the carrying amount of the asset.

g) Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided using the liability method on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised. No such are considered probable as at 31 December 2019 (31 December 2018: not considered probable).

The carrying amount of deferred income tax assets is reviewed by the Group at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each

2.2 Summary of significant accounting policies (Continued)

reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred income tax assets and deferred income tax liabilities are offset by the Group only if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or in profit or loss.

Value added tax

Revenue, expenses and assets are recognised net of the amount of value added tax except:

- Where the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of value added tax included.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

h) Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection of items of property, plant and equipment is performed, its cost is recognised in the carrying amount of the respective assets as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the income statement for the period as incurred.

Depreciation is calculated on a straight line basis over the estimated useful life of the assets, as follows:

	2019	2018
• Buildings	from 25 to 50 years	from 25 to 50 years
• Plant and equipment	from 5 to 25 years	from 5 to 25 years
• Hardware	2 years	2 years
• Motor vehicles	from 6 to 12 years	from 6 to 12 years
• Office furniture	from 6 to 20 years	from 6 to 20 years
• Installations	up to 40 years	up to 40 years

An item of property, plant and equipment and any significant part is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income when the asset is derecognised.

2.2 Summary of significant accounting policies (Continued)

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

i) Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

The Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

	2019
• Buildings	from 1 to 10 years
• Plant and equipment	from 2 to 3 years
• Motor vehicles	from 1 to 5 years
• Other	from 2 to 5 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section (s) Impairment of non-financial assets.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including insubstance fixed payments).

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in Interest-bearing loans and borrowings (see Note 10).

Accounting policy for leases before 1 January 2019—Group as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

2.2 Summary of significant accounting policies (Continued)

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

j) Borrowings costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The Group capitalizes borrowing costs for all eligible assets where construction was commenced on or after 1 January 2009.

k) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any.

The useful lives of intangible assets are assessed as either finite or indefinite, as follows:

	2019	2018
• Intellectual property rights	From 2 years to indefinite	From 2 years to indefinite
• Software	from 2 to 5 years	from 2 to 5 years
• Development products	From 10 to 20 years	From 10 to 20 years
• Dossiers	indefinite	indefinite
• Goodwill	indefinite	indefinite
• Trade mark Optiphos	indefinite	indefinite
• Others	From 2 years to indefinite	From 2 years to indefinite

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortisation method for intangible assets with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income as cost of sales, administrative expenses and selling and distribution costs consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed at the end of each reporting period to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of comprehensive income when the asset is derecognised.

2.2 Summary of significant accounting policies (Continued)

Product registrations, trademarks and patents, dossiers

The Group obtains product registrations, issued by the relevant regulatory agency of the particular country where the Group sells these products. The useful life of these product registrations ranges from 2 to 11 years with the option of renewal at the end of this period. The Group also holds trademarks and patents. They are issued by the relevant regulatory agency as well. The useful life of patents is 6 years, and that of trademarks is 10 years. The patents, as well as the trademarks, contain the option of renewal after the end of this period. The Group has also dossiers, which are assets (comprising mainly the cost of laboratory tests and costs to evidence the efficiency, effectiveness and safety of the drug substance) used for obtaining of new product registrations from the relevant regulatory agency or renewing of the already existing ones. Therefore, the Group assesses the dossiers are having an indefinite useful life.

The intellectual property includes the trademark Optiphos acquired as a result of the business combination. The Group has determined that its useful life is indefinite.

Development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the Group applies the cost model, which requires the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. The intangible asset is amortised over the period of expected future benefits. Amortisation is recorded in cost of sales. During the period of development, the asset is tested by the Group for impairment annually.

l) Financial instruments—initial recognition and subsequent measurement

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in section c) Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

2.2 Summary of significant accounting policies (Continued)

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes cash, short-term deposits, trade and other receivables, and related party receivables.

Financial assets at fair value through OCI (debt instruments)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the income statement and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Group's does not hold debt instruments at fair value through OCI.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial

2.2 Summary of significant accounting policies (Continued)

Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the income statement when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its non-listed equity investments under this category.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the income statement.

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the income statement when the right of payment has been established.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.2 Summary of significant accounting policies (Continued)

Impairment of financial assets

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Disclosures for significant assumptions (Note 3)
- Trade receivables, including contract assets (Note 12)

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments at fair value through OCI, the Group applies the low credit risk simplification.

At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 90 days past due.

The Group does not hold any debt instruments at fair value through OCI.

The Group considers a financial asset in default when contractual payments are 360 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, derivative financial instruments and payables to related parties.

2.2 Summary of significant accounting policies (Continued)

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the income statement.

This category generally applies to interest-bearing loans and borrowings. For more information, refer to Note 10.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

The Group measures financial instruments, such as, derivatives at fair value at each balance sheet date. Fair values of financial instruments measured at amortised cost are disclosed in Note 23.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1—Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2—Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3—Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation

2.2 Summary of significant accounting policies (Continued)

(based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group's management determines the policies and procedures for recurring fair value measurement.

External valuers are involved for valuation of significant assets. Involvement of valuation experts is decided upon annually by the management. Selection criteria for external valuers include market knowledge, reputation, independence and whether professional standards are maintained. The management decides, after discussions with the valuation experts, which valuation techniques and inputs to use for each case.

At each reporting date, the management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The management, in conjunction with the valuation experts, also compares each the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

n) Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses a derivative financial instrument—interest rate swap. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to the statement of comprehensive income, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment
- Hedges of a net investment in a foreign operation

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges that meet the strict criteria for hedge accounting are accounted for as described below:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss.

2.2 Summary of significant accounting policies (Continued)

The Group uses forward currency contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments, as well as forward commodity contracts for its exposure to volatility in the commodity prices. The ineffective portion relating to foreign currency contracts is recognised in finance costs and the ineffective portion relating to commodity contracts is recognised in other operating income or expenses.

Amounts recognised as OCI are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as OCI are transferred to the initial carrying amount of the non-financial asset or liability.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in OCI remains separately in equity until the forecast transaction occurs or the foreign currency firm commitment is met.

For hedge accounting the Group applies IFRS 9, 7.2.21 and chooses as its accounting policy to continue to apply the hedge accounting requirements of IAS 39.

o) Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each item of inventory to its present location and condition, are accounted for as follows:

- Goods—at specifically determined purchase cost.
- Raw materials—at purchase cost on the first-in first-out basis
- Finished goods and work in progress—at the cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion of the manufacturing cycle and the estimated costs necessary to make the sale.

p) Impairment of non-financial assets

The Group assesses at each reporting date whether there are indications that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the CGUs to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

2.2 Summary of significant accounting policies (Continued)

For assets excluding goodwill, an assessment is made at each reporting date whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of comprehensive income, unless the asset is carried at a revalued amount in which case the reversal is treated as a revaluation increase.

The following assets have specific characteristics for impairment testing:

Goodwill

Goodwill is tested for impairment annually (as at 31 December) and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGU is less than their carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets

Intangible assets with indefinite useful lives are tested for impairment annually as at 31 December either individually or at the CGU level, as appropriate and when circumstances indicate that the carrying value may be impaired.

q) Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash in bank accounts and in hand, and short-term deposits with a maturity of three months or less.

For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

r) Retirement benefits

Short-term employee benefits include salaries, interim and annual bonuses, social security contributions and paid annual leave of current employees expected to be settled wholly within twelve months after the end of the reporting period. They are recognised as an employee benefit expense in the profit or loss or included in the cost of an asset when service is rendered to the Group and measured at the undiscounted amount of the expected cost of the benefit. Information on short-term employee benefits is disclosed in Note 16.

The Group operates a defined benefit plan arising from the requirement of the Bulgarian labour legislation to pay two or six gross monthly salaries to its employees upon retirement, depending on the length of their service. If an employee has worked for the Group for 10 years, the retirement benefit amounts to six gross monthly salaries upon retirement, otherwise, two gross monthly salaries. These retirement benefits are unfunded. The cost of providing benefits under the retirement benefit plan is determined using the projected unit credit method. Remeasurements, comprising of actuarial gains and losses, are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods. Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Group recognises restructuring-related costs.

2.2 Summary of significant accounting policies (Continued)

Interest expense is calculated by applying the discount rate to the defined benefit liability. The Group recognises the following changes in the defined benefit obligation in profit or loss for the period:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements within "Employee benefits expense"
- Interest expense within "Other costs".

One of the Group's subsidiaries has subscribed to a defined contribution plan with an insurance comapny for all of its employees, whereby the employees are entitled to a predefined yearly insurance contribution by the subsidiary to this contribution plan. Total contributions paid by the subsidiary for the year ended 31 December 2019 amounts to EUR 240 thousand (2018: EUR 566).

In all other countries where the Group has a subsidiary, branch or a representative office, there are no pension or other retirement benefits that fall within the scope of IAS 19.

s) Provisions

General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Greenhouse gas emissions

The Group receives free emission rights in certain European countries as a result of the European Emission Trading Schemes. The rights are received on an annual basis and, in return, the Group is required to remit rights equal to its actual emissions. The Group has adopted the net liability approach to the emission rights granted. Therefore, a provision is recognised only when actual emissions exceed the emission rights granted and still held. The emission costs are recognised as other operating costs. When emission rights are purchased from other parties, they are recorded at cost, and treated as a reimbursement right, whereby they are matched to the emission liabilities and remeasured to fair value. The changes in the fair value are recognised in the statement of comprehensive income.

t) Issued capital

Issued capital represents the par value of shares issued and paid by the shareholders. Any proceeds in excess of par value are recorded in share premium. Associated costs are accounted for against the amounts raised.

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from the equity. No gain or loss is recognized in the statement of comprehensive income on the purchase, sale, issue or cancellation of the Group's own equity instruments.

u) Cash dividend and non-cash distribution to equity holders of the parent

The Group recognises a liability to make cash or non-cash distributions to equity holders of the parent when the distribution is authorised (i.e. approved by the shareholders) and the distribution is no longer at the discretion of the Group. A corresponding amount is recognised directly in equity.

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value remeasurement recognised directly in equity.

2.2 Summary of significant accounting policies (Continued)

Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in the profit or loss.

2.3 Changes in accounting policy and disclosures

New and amended standards and interpretations

The Group applies IFRS 16 for the first time. The nature and effect of the changes resulting from the adoption of these new accounting standards are described below.

For the first time in 2019 some other amendments and clarifications are applied, but they have no impact on the financial statements of the Group. The Group has not adopted standards, clarifications or amendments that have been published but have not yet entered into force.

IFRS 16 *Leases*

IFRS 16 was published in January 2016 and replaces IAS 17 *Leases,* IFRIC 4 *Determining Whether an Arrangement Contains a Lease,* SIC-15 *Operating Leases—Incentives,* SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.*

IFRS 16 sets out the principles for recognition, measurement, presentation and disclosures of leases and requires lessees to account all lease contracts based on uniform balance method, that is similar to the accounting treatment of finance lease in accordance with IAS 17.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively and the cumulative effect of its adoption is recognized on the date of initial application. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains, a lease at 1 January 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

The effect of adopting IFRS 16 (increase/(decrease) is, as follows:

	EUR'000
Assets	
Property, plant and equipment	5,225
Total assets	**5,225**
Liabilities	
Interests bearing borrowing	5,225
Total liabilities	**5,225**
Net effect on the equity	
Retained earnings	—

The Group has lease contracts for various items of buildings, machinery, vehicles and other equipment. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in the statement of profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under Prepayments and Trade and other payables, respectively.

2.3 Changes in accounting policy and disclosures (Continued)

Upon adoption of IFRS 16, the Copany applied a single recognition and measurement approach for all leases for which it is the lessee, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which have been applied by the Company.

Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under IAS 17). The requirements of IFRS 16 were applied to these leases from 1 January 2019.

Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application. The Company also applied the available practical expedients wherein it used a single discount rate to a portfolio of leases with reasonably similar characteristics.

Based on the above, as at 1 January 2019:

- Right-of -use assets of EUR 5,225 thousand were recognised and presented within Property, plant and equipment in the statement of financial position.
- Additional lease liabilities of EUR 5,225 thousand (included in Interest bearing loans and borrowings) were recognised.

IFRIC 23 *Uncertainty over Income Tax Treatments*

The Interpretation is effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The Interpretation specifically addresses:

- Whether an entity considers uncertain tax treatments separately;
- The assumptions an entity makes about the examination of tax treatments by taxation authorities;
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- How an entity considers changes in facts and circumstances.

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. Uncertain tax treatments generally relate to the estimate of the entity's liability for current tax. Any amount recognised for an uncertain current tax treatment should therefore normally be classified as current tax, and presented (or disclosed) as current or non-current in accordance with the general requirements of IAS 1. The amendments have no effect on the financial position or performance of the Group.

2.3 Changes in accounting policy and disclosures (Continued)

IFRS 9 ***Financial Instruments: Classification and Measurement (Amendments): Prepayment Features with Negative Compensation***

The amendments address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the (6 months/annual) reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event, and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income. The amendments have no effect on the financial position or performance of the Group.

IAS 28 ***Investments in associates (Amendments): Long-term Interests in Associates and Joint Ventures***

The amendments are effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. The amendments clarify that a company applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures. The amendments have no effect on the financial position or performance of the Group.

IAS 19 ***Employee Benefits (Amendments): Plan Amendment, Curtailment or Settlement***

The amendments are effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. The amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement has occurred. The amendments also clarify how the accounting for a plan amendment, curtailment or settlement affects applying the asset ceiling requirements The amendments have no effect on the financial position or performance of the Group.

Annual Improvements to IFRSs 2015-2017 Cycle

The IASB issued the 2015-2017 cycle improvements to its standards and interpretations, primarily with a view to removing inconsistencies and clarifying wording. These improvements include:

IFRS 3 Business Combinations—Previously held interest in a joint operation: The amendments clarify that when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation. An entity applies the amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019.

IFRS 11 Joint Arrangements—Previously held interest in a joint operation: The amendments clarify that when a party that participates in, but does not have joint control of, a joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3, obtains joint control of the joint operation, the previously

2.3 Changes in accounting policy and disclosures (Continued)

held interests in that joint operation are not remeasured. An entity applies the amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019.

IAS 12 Income Taxes—Income tax consequences of payments on financial instruments classified as equity: The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognised those past transactions or events. An entity applies the amendments for annual reporting periods beginning on or after 1 January 2019. When an entity first applies the amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period.

IAS 23 Borrowing Costs—Borrowing costs eligible for capitalisation: The amendments clarify that an entity treats as part of general borrowings any borrowings originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. The entity applies the amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019.

The amendments have no effect on the financial position or performance of the Group.

3. Significant accounting judgments, estimates and assumptions

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and judgements

In the process of applying the Group's accounting policies, management has made the following estimates, which have the most significant effect on the amounts recognised in the financial statements:

Determining the lease term of contracts with renewal and termination options—Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

Leases—Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using

3. Significant accounting judgments, estimates and assumptions (Continued)

observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Revenue from contracts with customers

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

- **Determining method to estimate variable consideration and assessing the the constraint**

Certain contracts for the sale of production/finished goods/equipment include a right of return and volume rebates that give rise to variable consideration. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled.

The Group determined that the expected value method is the appropriate method to use in estimating the variable consideration for the sale of production/finished goods/equipment with rights of return, given the large number of customer contracts that have similar characteristics. In estimating the variable consideration for the sale of production/finished goods/equipment with volume rebates, the Group determined that using a combination of the most likely amount method and expected value method is appropriate. The selected method that better predicts the amount of variable consideration was primarily driven by the number of volume thresholds contained in the contract. The most likely amount method is used for those contracts with a single volume threshold, while the expected value method is used for contracts with more than one volume threshold.

Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group determined that the estimates of variable consideration are not constrained based on its historical experience, business forecast and the current economic conditions. In addition, the uncertainty on the variable consideration will be resolved within a short time frame.

- **Estimating variable consideration for returns of production/finished goods/equipment and volume rebates**

The Group estimates variable considerations to be included in the transaction price for the sale of electronics production/finished goods/equipment with rights of return and volume rebates.

The Group developed a statistical model for forecasting sales returns. The model used the historical return data of each product to come up with expected return percentages. These percentages are applied to determine the expected value of the variable consideration. Any significant changes in experience as compared to historical return pattern will impact the expected return percentages estimated by the Group.

The Group's expected volume rebates are analysed on a per customer basis for contracts that are subject to a single volume threshold. Determining whether a customer will be likely entitled to rebate will depend on the customer's historical rebates entitlement and accumulated purchases to date. The Group applied a statistical model for estimating expected volume rebates for contracts with more than one volume threshold. The model uses the historical purchasing patterns and rebates entitlement of customers to determine the expected rebate percentages and the expected value of the variable consideration. Any significant changes in experience as compared to historical purchasing patterns and rebate entitlements of customers will impact the expected rebate percentages estimated by the Group.

The Group updates its assessment of expected returns of finished goods and volume rebates quarterly and the refund liabilities are adjusted accordingly. Estimates of expected returns and volume rebates are sensitive to changes in circumstances and the Group's past experience regarding returns and rebate entitlements may not be representative of customers' actual returns and rebate entitlements in the future. As at 31 December 2019 the Group considers the effect of this assessment for rebates as insiginificant, since all rebates are given at the same accounting period. The analysis of expected returns also shows little impact on the Group financial statements.

3. Significant accounting judgments, estimates and assumptions (Continued)

Useful life of property, plant and equipment and intangible assets

The financial reporting on property, plant and equipment, and intangible assets includes the use of estimates of their expected useful lives and residual values, which are based on Group's management estimates. At year-end, management performs a review and considers any necessary adjustments of the assets' useful life, carrying amount and methods for depreciation. Information about useful lives of property, plant and equipment is given in Note 2.2 g) and of intangible assets—in Note 2.2 j).

Provision for expected credit losses of trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is highly sensitive. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and is disclosed in Note 12.

In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognised in the financial statements:

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or CGU unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in arm's length transactions of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are further explained in Note 9.

Provisions

The Group recognizes provisions for the liability in excess over the greenhouse emission rights quotas. The determination of the provisions requires management to make an estimate of the costs that would be necessary to cover the respective liabilities of the Group and of the time period.

Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The

3. Significant accounting judgments, estimates and assumptions (Continued)

amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group's domicile. As the Group assesses the probability for a litigation and subsequent cash outflow with respect to taxes as remote, no contingent liability has been recognized. Further details on taxes are disclosed in Note 7.

Development costs

Development costs are capitalized and reported under Intangible assets in accordance with the accounting policy in Note 2.2. Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits.

Assumption on PPA of business

In preparing the PPA for the business acquired the management makes judgement on the key assumptions for the forecasted cash flows. The management has considered 5 year cashflow period due to the significant uncertainty after that period related to specific conditions in the agreement.

Significant non-controlling interest in a subsidiary

The Group evaluates if a non-controlling interest in a subsidiary is material for disclosure purposes based on quantitative and qualitative indicators which incorporates the relative share of respective non-controlling interest in the consolidating equity and results for the current period.

Intangibles assets with indefinite useful life

Assets with indefinite useful life are tested for impairment annually. Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by the Group. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in Note 9.

4. Issued standards, which have not become effective yet and are not implemented in advance

Standards issued but not yet effective and not early adopted up to the date of issuance of the Group's financial statements are listed below. This listing is of standards and interpretations issued, which the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt those standards when they become effective.

IFRS 17: Insurance Contracts

The standard is effective for annual periods beginning on or after 1 January 2021 with earlier application permitted if both IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have also been applied. IFRS 17 Insurance Contracts establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to

4. Issued standards, which have not become effective yet and are not implemented in advance (Continued)

ensure that entities provide relevant information in a way that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that contracts within the scope of IFRS 17 have on the financial position, financial performance and cash flows of an entity. The standard has not been yet endorsed by the EU. It is not applicable for the Group.

IFRS 3 Business combinations (Amendments): Definition of a business

The amendments are effective for annual periods beginning on or after 1 January 2020 with earlier application permitted. The amendments clarify the minimum requirements for a business and narrow the definition of a business. The amendments also remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive and introduce an optional fair value concentration test. These amendments have not yet been endorsed by the EU. The Group is in the process of assessing the impact of these amendments on its financial position or performance.

Amendments to* IAS 1 *Presentation of Financial Statements and* IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors: Definition of 'material'

The amendments are effective for annual periods beginning on or after 1 January 2020 with earlier application permitted. The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS Standards. The amendments also specify that materiality will depend on the nature or magnitude of information. The Group is in the process of assessing the impact of these amendments on its financial position or performance.

The Conceptual Framework for Financial Reporting

The IASB issued the revised Conceptual Framework for Financial Reporting on 29 March 2018, which is effective for annual periods beginning on or after 1 January 2020. The Conceptual Framework sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. The main amendments introduced in the revised Conceptual framework for financial reporting are related to measurement, including factors, which should be considered when choosing measurement basis, and to presentation and disclosure, including income and expenses which should be classified in other comprehensive income. The Conceptual framework also provides updated definitions for asset and liability and criteria for their recognition in the financial statements. The Group is in the process of assessing the impact of these amendments on its financial position or performance.

Interest Rate Benchmark Reform—IFRS 9, IAS 39 and IFRS 7 (Amendments)

The amendments are effective for annual periods beginning on or after 1 January 2020 and must be applied retrospectively. Earlier application is permitted. In September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7, which concludes phase one of its work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting. Phase two will focus on issues that could affect financial reporting when an existing interest rate benchmark is replaced with a risk-free interest rate (an RFR).

The amendments published, deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative interest rate and address the implications for specific hedge accounting requirements in IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement, which require forward-looking analysis. The amendments provided temporary reliefs, applicable to all hedging relationships that are directly affected by the interest rate benchmark reform, which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate. There are also amendments to IFRS 7 Financial Instruments: Disclosures regarding additional disclosures around uncertainty arising from the interest rate benchmark reform. The Group is in the process of assessing the impact of these amendments on its financial position or performance.

5. Business combination

Acquisition 2019

The Group did not make any acqistions in 2019.

Acquisition 2018

In 2018 Huvepharma Group made strategic acquisitions in North America and Europe.

Management of the Group has performed detailed analysis of the materiality of the acquired subsidiaries. The result of this analysis shows that the newly acquired subsidiaries are not individually material compared to total Group assets and to Group revenue, so Management considers it appropriate to present them aggregated. This is why disclosure of the amounts of revenue and profit or loss of the acquired entities since the acquisition date in the consolidated statement of comprehensive income for the reporting period is also impracticable

The aggregated fair values of the identifiable assets and liabilities as of the acquisition date are as follows:

	Fair value recognized on acquisition
	EUR'000
Property, plant and equipment (Note 8)	10,292
Intangible assets (Note 9)	13,025
Inventory	15,671
Trade and other receivables	14,264
Cash and cash equivalents	843
Other assets	473
Deferred tax liability, net	(657)
Trade and other payables	(10,020)
Provisions and other liabilities	(2,849)
Total identifiable net assets at fair value	**41,042**
Goodwill arising on acquisition	**4,769**
Purchase consideration	**45,811**

The amount of goodwill recognized as part of the acquisitions manly comprises of the expected synergies from strengthening Group presence and facilitating the marketing of new products in North America as well as adding an R&D centre and a vaccine plant in the region as well as strengthening EU veterinary presence by adding a complementary product portfolio to be distributed globally through Group's sales channels.

The gross contractual amount of receivables does not differ materially from their fair value. There are no contractual cashflows that are not expected to be collected.

There are no contingent considerations recognized on acquisition.

6. Income and expenses

6.1 Revenue

Segments

a) Type of finished goods or service

	2019	2018
	EUR'000	EUR'000
Revenue from sale of products	545,897	483,768
Revenue from services	827	950
Revenue from sale of electricity and emission reduction units	1,292	844
	548,016	**485,562**

6. Income and expenses (Continued)

b) Timing of revenue recognition

	2019	2018
	EUR'000	EUR'000
Goods transferred at a point in time	545,897	483,768
Services transferred over time	2,119	1,794
	548,016	**485,562**

6.2 Other operating income

	2019	2018
	EUR'000	EUR'000
Materials	11	—
Net gains on sale of property, plant and equipment	60	(101)
Government grants* (Note 15)	11	794
Foreign currency gains	27,101	28,171
Other income	3,031	3,052
	30,214	**31,916**

* Government grants have been received for the development of technologies for medicines. There are no unsettled commitments or contingencies thereon.

6.3 Other operating expenses

	2019	2018
	EUR'000	EUR'000
Foreign exchange rate losses	(26,912)	(26,236)
Other	(6,996)	(5,653)
	(33,908)	**(31,889)**

6.4 Finance costs

	2019	2018
	EUR'000	EUR'000
Interest on loans and borrowings	(8,386)	(9,081)
Finance costs under finance leases	(111)	(82)
Other interest	(852)	(644)
Right of use assets	(133)	—
Total finance costs	**(9,482)**	**(9,807)**

6.5 Finance income

	2019	2018
	EUR'000	EUR'000
Interest income	64	164
	64	**164**

6. Income and expenses (Continued)

6.6 Depreciation, amortization and cost of inventories included in the consolidated statement of comprehensive income

	2019 EUR'000	2018 EUR'000
Included in cost of sales:		
Depreciation of property, plant and equipment	(8,927)	(7,418)
Amortization of intangible assets	(1,304)	(1,265)
Cost of inventories recognized as an expense	(256 838)	(222 899)
Included in administrative expenses:		
Depreciation of property, plant and equipment	(2,077)	(793)
Amortization of intangible assets	(3,286)	(1,834)
Included in selling and distribution costs:		
Depreciation of property, plant and equipment	(1,185)	(409)
Amortization of intangible assets	(2,693)	(2,685)
Included in cost for administration of intellectual property:		
Depreciation of property, plant and equipment	(511)	(420)
Amortization of intangible assets	(98)	(35)

6.7 Employee benefits expenses

	2019 EUR'000	2018 EUR'000
Included in cost of sales:		
Salaries and wages	(30,974)	(26,834)
Social security costs	(10,252)	(7,948)
Retirement benefits (Note 16)	(168)	(163)
Other	(480)	(722)
Included in administrative expenses:		
Salaries and wages	(8,623)	(7,689)
Social security costs	(1,604)	(1,723)
Retirement benefits (Note 16)	(106)	(338)
Other	(222)	(309)
Included in selling and distribution costs:		
Salaries and wages	(24,064)	(19,407)
Social security costs	(5,286)	(3,910)
Retirement benefits (Note 16)	(10)	(45)
Other	(203)	(56)
Included in cost for administration of intellectual property:		
Salaries and wages	(3,898)	(2,534)
Social security costs	(1,219)	(828)
Retirement benefits (Note 16)	—	(1)
Other	(45)	(40)
Total employee benefits	**(87,154)**	**(72,547)**

6. Income and expenses (Continued)

6.8 Administrative expenses

	2019 EUR'000	2018 EUR'000
Cost of materials	(714)	(549)
Hired services	(15,143)	(14,398)
Depreciation and amortization	(5,363)	(2,627)
Expenses on salaries and wages	(8,952)	(8,336)
Social security costs	(1,604)	(1,723)
Other expenses	(4,161)	(3,056)
Total administrative expenses	**(35,937)**	**(30,689)**

6.9. Audit fees

The fees (VAT excluded) charged by audit organizations and auditors as defined in Article 382a, Part 9 of the Netherlands Civil Code, Book 2, can be specified as follows:

	2019 EUR'000	2018 EUR'000
Audit of financial statements	(218)	(218)
Other assurance services	—	—
Total audit fees	**(218)**	**(218)**

This summary only reflects costs charged by Ernst & Young and does not include fees charged by other audit organizations or auditors.

7. Income tax

The major components of income tax expense for the years ended 31 December 2019 and 2018 include:

Statement of comprehensive income

	2019 EUR'000	2018 EUR'000
Current income tax charge	(11,249)	(11,880)
Adjustments in respect of current income tax charge of previous years	(19)	(300)
Deferred tax relating to the origination and reversal of temporary differences	1,182	(188)
Income tax expense reported in the statement of comprehensive Income	**(10,086)**	**(12,368)**

Other comprehensive income

	2019 EUR'000	2018 EUR'000
Deferred tax relating to items credited directly to other comprehensive income during the year:		
Net gain on actuarial gains and losses	14	7
Net gain on Cash flow hedges	33	66
Income tax credited directly to other comprehensive income	**47**	**73**

7. Income tax (Continued)

The reconciliation of income tax expenses and accounting profit before income tax at the statutory income tax rate to income tax expense at the Group's effective income tax rate for the years ended 31 December 2019 and 31 December 2018 is as follows:

	2019	2018
	EUR'000	EUR'000
Accounting profit before income tax	**90,932**	**95,988**
At parent's corporate income tax rate of 25% (2018: 25%)	(22,733)	(23,997)
Effect of lower tax rates in other countries	12,594	11,120
Income not subject to tax	190	273
Non-deductible expenses for tax purposes	168	544
Non-deductible income for tax purposes	(249)	(66)
Adjustments in respect of current income tax charge of previous years	(56)	(242)
Income tax expense at the effective income tax rate	**(10,086)**	**(12,368)**

Deferred income taxes

Deferred income taxes relates to the following:

	Statement of financial position		Income statement	
	2019	2018	2019	2018
	EUR'000	EUR'000	EUR'000	EUR'000
Accelerated depreciation for accounting purposes	(7,169)	(5,405)	(1,764)	(1,480)
Accrual for employees unused paid leaves	250	190	60	23
Retirement benefit liability	105	87	18	7
Impaired receivables	123	91	32	53
Inventories	562	(227)	789	569
Tax losses carried forward	1,425	333	1,092	(148)
Unrealized profit	3,207	3,020	187	412
Other	1,099	331	768	376
Deferred tax expense			**1,182**	**(188)**
Other comprehensive income	120	73		
Deferred tax assets, net	**(278)**	**(1,507)**		
Reflected in the statement of financial position as follows:				
Deferred tax assets	4,442	3,020		
Deferred tax liabilities	(4,720)	(4,527)		
Deferred tax assets net	**(278)**	**(1,507)**		

Reconciliation of deferred tax assets, net

	2019	2018
	EUR'000	EUR'000
Opening balance as of 1 January	**(1,507)**	**(735)**
Tax expense during the year recognized in profit or loss	1,182	(188)
Tax income during the year recognized in other comprehensive income	47	73
Deferred taxes acquired in business combinations	—	(657)
Closing balance as at 31 December	**(278)**	**(1,507)**

8. Property, plant and equipment

	Land	Land improvements	Buildings	Plant and equipment	Equipment	Motor vehicles	Office furniture	Construction in progress	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Cost:									
As at 1 January 2018	**6,102**	**58**	**38,082**	**76,376**	**19,777**	**3,606**	**5,781**	**73,277**	**223,059**
Additions	8	—	76	2,692	128	970	710	90,814	**95,398**
Acquisition through business combination	627	—	5,478	3,518	—	8	684	50	**10,365**
Disposals	(38)	—	(1,533)	(1,029)	(59)	(278)	(159)	(233)	**(3,329)**
Transfers	121	1,271	9,058	14,989	3,043	13	388	(28,883)	—
Foreign currency differences	150	3	620	394	(57)	(3)	39	266	**1,412**
As at 31 December 2018	**6,970**	**1,332**	**51,781**	**96,940**	**22,832**	**4,316**	**7,443**	**135,291**	**326,905**
Effect from adoption of IFRS 16	—	—	**3,548**	—	—	**1,656**	**21**	—	**5,225**
As at 1 January 2019	**6,970**	**1,332**	**55,329**	**96,940**	**22,832**	**5,972**	**7,464**	**135,291**	**332,130**
Additions	16	—	598	5,580	67	2,888	986	80,165	**90,300**
Acquisition through business combination	—	—	—	—	—	—	—	—	—
Disposals	(68)	—	(363)	(2,820)	(166)	(551)	(413)	(645)	**(5,026)**
Transfers	—	—	6,828	13,426	583	15	281	(21,072)	**61**
Foreign currency differences	70	5	322	188	(5)	1	31	85	**697**
As at 31 December 2019	**6,988**	**1,337**	**62,714**	**113,314**	**23,311**	**8,325**	**8,349**	**193,824**	**418,162**
Depreciation and impairment:									
As at 1 January 2018	**(9)**	**(51)**	**(10,222)**	**(42,258)**	**(5,317)**	**(2,066)**	**(3,463)**	**—**	**(63,386)**
Depreciation charge for the year	(2)	(79)	(2,147)	(4,680)	(760)	(530)	(842)	—	**(9,040)**
Disposals	—	—	239	875	12	275	157	—	**1,558**
Foreign currency differences	—	(3)	(156)	(236)	(22)	(3)	(21)	—	**(441)**
As at 31 December 2018	**(11)**	**(133)**	**(12,286)**	**(46,299)**	**(6,087)**	**(2,324)**	**(4,169)**	**—**	**(71,309)**
Depreciation charge for the year	(3)	(46)	(3,685)	(5,679)	(776)	(1,631)	(879)	—	**(12,699)**
Disposals	—	—	159	1,964	4	414	372	—	**2,913**
Foreign currency differences	—	(5)	(72)	(116)	(1)	(7)	(16)	—	**(217)**
As at 31 December 2019	**(14)**	**(184)**	**(15,884)**	**(50,130)**	**(6,860)**	**(3,548)**	**(4,692)**	**—**	**(81,312)**
Net book value:									
As at 31 December 2019	**6,974**	**1,153**	**46,830**	**63,184**	**16,451**	**4,777**	**3,657**	**193,824**	**336,850**
As at 31 December 2018	**6,959**	**1,199**	**39,495**	**50,641**	**16,745**	**1,992**	**3,274**	**135,291**	**255,596**
As at 1 January 2018	**6,093**	**7**	**27,860**	**34,118**	**14,460**	**1,540**	**2,318**	**73,277**	**159,673**

Capitalized borrowing costs

Borrowing costs amounting to EUR 1,077 thousand have been capitalized in the financial year ended 31 December 2019 (2018: EUR 845 thousands). The interest rate used for capitalization of borrowing costs is 1.5% (until 1 December 2018: 1.25%).

Leases and assets in progress

Right-of -use assets are presented within Property, plant and equipment in the statement of financial position. Additional information is disclosed in Note 18.

As at 31 December 2019 the net book value of plant, equipment and motor vehicles acquired under finance leases amounts to EUR 1,207 thousand (31 December 2018: EUR 191 thousand).

Land, buildings and plant and equipment with carrying amount of EUR 93,011 thousand (2018: EUR 164,351 thousand) have been mortgaged (first, second, third and fourth ranking mortgage) as collateral on bank loans.

Fixed tangible assets in progress relate to the construction of an extension of the production facility.

9. Intangible assets

	Intellectual property rights	Software	Development products	Dossiers	Goodwill	Others	Trade mark Optiphos	Intangible assets in progress	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Cost:									
As at 1 January 2018	**60,335**	**5,475**	**21,781**	**49,974**	**8,040**	**24,222**	**729**	**31,728**	**202,284**
Additions	1,594	1,148	6	6,939	—	3,254	—	15,670	**28,611**
Acquisition through business combination	12,906	6	—	—	4,798	174	—	—	**17,884**
Disposals	(3,956)	(6)	—	—	—	—	—	(1,982)	**(5,944)**
Transfers	968	1,034	235	7	—	—	—	(2,244)	**—**
Foreign currency differences	709	(47)	—	—	312	33	—	180	1,187
As at 31 December 2018	**72,556**	**7,610**	**22,022**	**56,920**	**13,150**	**27,683**	**729**	**43,352**	**244,022**
Additions	36,495	1,672	1	3,216	—	2,657	—	29,834	**73,875**
Acquisition through business combination	—	—	—	—	—	—	—	—	—
Disposals	(2)	—	—	—	—	(36)	—	(4,409)	**(4,447)**
Transfers	4,953	1,510	—	18	—	(61)	—	(6,478)	**(58)**
Foreign currency differences	345	9	—	—	153	(6)	—	67	**568**
As at 31 December 2019	**77,852**	**10,801**	**22,023**	**60,154**	**13,303**	**30,237**	**729**	**62,366**	**313,960**
Accumulated amortization and impairment:									
As at 1 January 2018	**(27,727)**	**(1,962)**	**(2,298)**	**—**	**—**	**(138)**	**—**	**—**	**(32,125)**
Amortization charge for the year	(3,720)	(1,285)	(649)	—	—	(165)	—	—	**(5,819)**
Disposals	2	7	—	—	—	—	—	—	**9**
Foreign currency differences	(128)	1	—	—	—	(10)	—	—	**(137)**
As at 31 December 2018	**(31,573)**	**(3,239)**	**(2,947)**	**—**	**—**	**(313)**	**—**	**—**	**(38,072)**
Amortization charge for the year	(3,954)	(2,485)	(629)	—	—	(314)	—	—	**(7,382)**
Disposals	1	—	—	—	—	36	—	—	**37**
Foreign currency differences	(65)	(12)	—	—	—	2	—	—	**(75)**
As at 31 December 2019	**(35,591)**	**(5,736)**	**(3,576)**	**—**	**—**	**(589)**	**—**	**—**	**(45,492)**
Net book value:									
As at 31 December 2019	**78,756**	**5,065**	**18,447**	**60,154**	**13,303**	**29,648**	**729**	**62,366**	**268,468**
As at 31 December 2018	**40,983**	**4,371**	**19,075**	**56,920**	**13,150**	**27,370**	**729**	**43,352**	**205,950**
As at 1 January 2018	**32,608**	**3,513**	**19,483**	**49,974**	**8,040**	**24,084**	**729**	**31,728**	**170,159**

In 2019, Huvepharma EOOD obtained approval from the U.S. Food and Drug Administration for commercial sale in the United States of its Type A ionophore containing product, the first generic product of this type for use in cattle and goats for certain indications, together with certain related combinations. The cost of the related intangible assets includes an amount of EUR 36 million, relating to a re-acquired right to distribute the product directly in the United states, previously granted to a third party.

Intangible assets with carrying amount of EUR 120,565 thousand (2018: EUR 157,213) have been charged (first, second, third and fourth ranking security) as collateral on bank loans.

Cost for administration of intellectual property not eligible for capitalization is stated as cost for administration of intellectual property in the profit and loss.

Non-current intangible assets in progress relate to the development and acquisition of technologies and registration for the production and sale of pharmaceutical products.

9. Intangible assets (Continued)

Impairment testing of intangible assets with indefinite useful lives

For the purposes of impairment testing, intangible assets with indefinite useful lives amounting to EUR 103,834 thousands (2018: EUR 98,169 thousands) as well as intangible assets in progress amounting to EUR 62,366 thousand (2018: EUR 43,352 thousand) were tested as a part of a cash-generating unit—Huvepharma International B.V., the Group. The Group performed its annual impairment test as at 31 December 2019.

The recoverable amount of cash-generating unit has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The projected cash flows have been updated to reflect the increased demand for products. The discount rate applied to cash flow projections is 9% (2018: 9%). As a result of this analysis, management did not identify any impairment for intangible assets with indefinite useful lives.

Key assumptions used in value in use calculations

The calculation of value in use for the cash-generating unit is most sensitive to the following assumptions:

- EBITDA margin
- Discount rate
- Introduction of new products

Gross margins—Gross margins are based on average values achieved in the five years preceding the start of the budget period. The slight increase reflects the expected sales of product mix.

Discount rates—Discount rates represent the current market assessment of the risks specific to the CGU, taking into consideration the time value of money. The discount rate calculation is based on the specific circumstances of the Group and is derived from its weighted average cost of debt. The cost of debt is based on the interest bearing borrowings that the Group is obliged to service. The equity price is calculated based on the investor's return on investments expectations.

Introduction of new products from existing APIs—These assumptions are important because management assesses how the unit's position, relative to its competitors, might change over the budget period when introducing new products. Management expects the Group's share of the feed additives market and pharmaceutical products to increase over the budgeted period mainly in the field of proteins demand and improving methods for livestock growing.

Sensitivity to changes in assumptions

With regard to the assessment of value in use of the cash-generating unit, management believes that no reasonably possible significant change in any of the above key assumptions would cause a drop of the recoverable amount of the unit above, below its respective carrying value.

There is no additional impact as a result of COVID-19 outbreak, as described in *Events after the reporting date* paragraph.

10. Interest-bearing loans and borrowings

	Maturity	2019 EUR'000	2018 EUR'000
Current interest-bearing loans and borrowings			
Lease liabilities (Note 19)	2020	2,204	380
Current portion of loans			
Revolving credit lines until	2020	51,579	11,893
Bank loan of EUR 268,680 thousand	2020	13,101	13,082
Bank loan of USD 51,320 thousand	2020	2,249	2,240
Italian State Fund Loan of EUR 197 thousand	2020	—	42
CAPEX Facility of EUR 50,000 thousand	2020	4,168	1,167
EIB Finance Contract EUR 100,000 thousand	2020	3,869	76
Total current interest-bearing loans and borrowings		**77,170**	**28,880**

	Maturity	2019 EUR'000	2018 EUR'000
Non-current interest-bearing loans and borrowings			
Lease liabilities (Note 19)	2021–2025	4,657	511
Non-current portion of loans			
Bank loan of EUR 268,680 thousand	2022	221,076	234,125
Bank loan of USD 51,320 thousand	2022	41,870	44,120
Soft loan SAL1	2028	1,528	—
Italian State Fund Loan EUR 197 thousand	2022	97	95
CAPEX Facility of EUR 50,000 thousand	2022	43,750	26,837
EIB Finance Contract EUR 100,000 thousand	2026	96,073	69,924
Total current interest-bearing loans and borrowings		**409,051**	**375,612**

Senior Facilities Agreement dated 15 August 2014 (as amended and restated on 4 February 2016, 2 March 2016, 18 August 2017, and as further amended and restated on 25 July 2017, and as further amended and restated on 25 July 2017)

The term loan facilities in the aggregate amount of EUR 450,000 thousand is granted for the purpose of new capital expenditure financing, additional revolving financing, and refinancing of all existing loans and borrowings of all the companies in the Huvepharma Group. The loan is secured as follows:

- First, second, third and fourth ranking Dutch law share pledge over the shares in Huvepharma International B.V.
- First, second, third and fourth ranking Dutch law bank account pledge agreement of Huvepharma International B.V.
- First, second, third and fourth ranking Dutch law share pledge over the shares in Huvepharma Holdings B.V.
- Pledge over all receivables of Huvepharma International B.V. under English law hedging security agreement;
- First, second and third ranking Dutch law receivable pledge agreement of Huvepharma Holdings B.V.
- First ranking Bulgarian law share pledge over all shares in Huveproject EAD
- First ranking Bulgarian law special and financial collateral share pledges over the shares in Huveproject EAD
- First ranking Bulgarian law going concern pledges on bank accounts, machinery and equipment, intangible assets, real estate and intra-group receivables of Huveproject EAD

10. Interest-bearing loans and borrowings (Continued)

- First ranking Bulgarian law participatory share pledges over the shares in Huvepharma EOOD owned by Huveproject EAD
- First ranking Bulgarian law going concern pledges on bank accounts, machinery and equipment, intangible assets, real estate and intra-group receivables of Huvepharma EOOD
- Pledge over all receivables of Huvepharma EOOD under English law hedging security agreement;
- First ranking Bulgarian law share pledge over all shares in Biovet AD
- First ranking Bulgarian law special and financial collateral share pledges over the shares in Biovet AD
- First ranking Bulgarian law going concern pledges on bank accounts, machinery and equipment, intangible assets, real estate and intra-group receivables of Biovet AD
- First, second and third ranking Belgian law share pledges over the shares in Huvepharma N.V.
- First, second and third ranking Belgian law pledges on bank accounts and receivables of Huvepharma N.V.
- New York law share pledge over the shares in Huvepharma Inc.
- New York law pledge over all personal property of Huvepharma Inc.
- Brazilian Law Fiduciary Assignment of Receivables of Huvepharma Do Brasil Ltda.
- Italian law deed of pledge over the bank accounts opened in Italy in the name of Huvepharma Italia S.r.l
- Italian law assignment by way of security of the receivables owed to Huvepharma Italia S.r.l. under insurance policies, intercompany loans and commercial agreements

As a part of the loan agreement the Group has at its disposal a credit line for the amount of EUR 80,000 thousands. Credit line maturity date is in 2022.

The agreement contains covenants, which require the Group to maintain ratios of senior leverage, senior interest cover.

- Senior leverage is a ratio of the total debt minus the cash and cash equivalents to EBITDA as defined in the agreement. Total debt is the nominal amount of the outstanding indebtedness of the Group as defined in the agreement.
- Senior interest cover is a ratio of EBITDA to finance charges as defined in the agreement.
- EBITDA is calculated as the operating profit before taxation is adjusted with all items described in the agreement.

The agreement contains also non-financial covenants, which require the entity to provide certain financial and non-financial information as well as to inform the creditors for events if occurred.

As of 31 December 2019 the Group is in compliance with all covenants.

Finance Contract dated 22 December 2017

The Finance Contract for EUR 100,000 thousands was entered into between Biovet AD and the European Investment Bank on 22 December 2017. The purpose of the facility is to finance capital expenditures of Biovet AD concerning the ongoing industrial construction projects in Razgrad and Peshtera as well as certain R&D activities. The contract is secured with security package, which includes Group Guarantee Agreement by Huvepharma International B.V., Huvepharma Holdings B.V., Huveproject EAD, Huvepharma EOOD, Huvepharma NV, Huvepharma, Inc., Huvepharma Italia S.r.l. and Huvepharma Do Brasil Ltda., and other market standard security documents. The Finance Contract contains covenants, which require the Group to maintain ratios of EBITDA, senior leverage, and senior interest cover. Certain non-financial covenants

10. Interest-bearing loans and borrowings (Continued)

requiring Biovet AD to provide financial and non-financial information as well as to inform the creditors for events upon occurrence are also provided in the contract. The Finance Contract becomes effective upon the satisfaction of all provided conditions precedent, all of which as of the date of this financial statement have been satisfied. The termination date of the Finance Contract is March 2026. The loan is secured as follows:

- Fourth ranking Dutch law share pledge over the shares in Huvepharma International B.V.
- Fourth ranking Dutch law bank account pledge agreement of Huvepharma International B.V.
- Fourth ranking Dutch law share pledge over the shares in Huvepharma Holdings B.V.
- Pledge over all receivables of Huvepharma International B.V. under English law hedging security agreement;
- Fourth ranking Dutch law receivable pledge agreement of Huvepharma Holdings B.V.
- Second ranking Bulgarian law share pledge over all shares in Huveproject EAD
- Second ranking Bulgarian law special and financial collateral share pledges over the shares in Huveproject EAD
- Second ranking Bulgarian law going concern pledges on bank accounts, machinery and equipment, intangible assets, real estate and intra-group receivables of Huveproject EAD
- Second ranking Bulgarian law participatory share pledges over the shares in Huvepharma EOOD owned by Huveproject EAD
- Second ranking Bulgarian law going concern pledges on bank accounts, machinery and equipment, intangible assets, real estate and intra-group receivables of Huvepharma EOOD
- Pledge over all receivables of Huvepharma EOOD under English law hedging security agreement;
- Second ranking Bulgarian law share pledge over all shares in Biovet AD
- Second ranking Bulgarian law special and financial collateral share pledges over the shares in Biovet AD
- Second ranking Bulgarian law going concern pledges on bank accounts, machinery and equipment, intangible assets, real estate and intra-group receivables of Biovet AD
- Fourth ranking Belgian law share pledges over the shares in Huvepharma N.V.
- Fourth ranking Belgian law pledges on bank accounts and receivables of Huvepharma N.V.
- New York law share pledge over the shares in Huvepharma Inc.
- New York law pledge over all personal property of Huvepharma Inc.
- Brazilian Law Fiduciary Assignment of Receivables of Huvepharma Do Brasil Ltda.
- Italian law deed of pledge over the bank accounts opened in Italy in the name of Huvepharma Italia S.r.l
- Italian law assignment by way of security of the receivables owed to Huvepharma Italia S.r.l. under insurance policies, intercompany loans and commercial agreements

11. Inventories

	2019	2018
	EUR'000	EUR'000
Raw materials (at cost)	50,082	60,283
Work in progress (at cost)	11,118	12,270
Finished products (at net realizable value)	101,216	89,475
Total inventories at cost	**162,416**	**162,028**

11. Inventories (Continued)

No write-down of inventories to net realizable value has been made by the Group during 2019 (2018: Nil).

12. Trade and other receivables

	2019	2018
	EUR'000	EUR'000
Trade receivables	98,365	50,182
Receivables from related parties	58	—
Allowance for expected credit loss	(1,496)	(1,064)
Advances to suppliers	2,348	774
VAT receivable	5,229	7,444
Other taxes receivables	1,073	1,621
Other receivables	7,458	1,029
	113,035	**59,986**

Trade receivables are non-interest bearing and are generally on a 60 to 90-day term.

As at 31 December 2019 ageing analysis of trade receivables and contract assets is presented in the table below using a provisional matrix.

		Trade receivables						
		Days past due						
	Contract assets	Current	< 30 days	30–60 days	61–90 days	90–120 days	>120 days	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Expected credit loss rate	0%	0%	0%	0%	0%	0%	54%	
Estimated total gross carrying amount at default	—	83,464	8,324	2,713	597	506	2,761	98,365
Expected credit loss	—	—	—	—	—	—	(1, 496)	(1,496)
Total receivables	—	83,464	8,324	2,713	597	506	1,265	96,869

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer . The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about GDP and corporate default and recovery rates. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity.

At 31 December 2019 trade receivables with nominal value of EUR 1,496 thousand (31 December 2018: EUR 1,064 thousand) are partially uncollectable and partially provided. The movement in the provision for impairment of receivables (netted off in the above analysis) is presented below:

	2019	2018
	EUR'000	EUR'000
At 1 January	**1,064**	**898**
Increase in expected credit losses	432	166
At 31 December	**1,496**	**1,064**

As at 31 December 2019 and 31 December 2018 the Group have not written off trade receivables.

As at 31 December 2019 trade receivables (including receivables from related parties) with carrying amount of (before eliminations) EUR 180,447 thousand have been charged (first, second, third and fourth ranking security) as collateral on bank loans (31 December 2018: EUR 213,356 thousand).

12. Trade and other receivables (Continued)

As at 31 December, the ageing analysis of trade receivables is as follows:

			Past due but not impaired				
	Total	Regular not impaired	0–30	31–60	61–90	91–120	over 120
	EUR'000	EUR'000	EUR'000	EUR'0000	EUR'000	EUR'000	EUR'000
2019	96,869	83,464	8,324	2,713	597	506	1,265
2018	49,118	36,450	6,238	3,066	1,584	925	855

13. Cash and short-term deposits

Cash in bank accounts and in hand at 31 December 2019 amounted to EUR 14,892 thousand (2018: EUR 18,066 thousand). Cash in bank accounts bear floating interest rates based on daily bank interest rates on deposits. Short-term deposits are made for varying periods of between one day and one month, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

As at 31 December 2019 bank accounts amounting to EUR 6,539 thousand have been charged (first, second, third and fourth ranking security) as collateral on bank loans (31 December 2018: EUR 10,952 thousand).

14. Issued capital and reserves

14.1 Share capital

	Number of ordinary shares	EUR'000
Ordinary shares of EUR 1 each, issued and fully paid		
At 31 December 2019	**137,029**	**137,029**

14.2 Share premium

	EUR'000
At 31 December 2019	**16,813**
At 31 December 2018	**16,813**

The share premium reserve of EUR 16,813 thousand represents the premium paid over the nominal amount of the shares of Huvepharma EAD.

14.3 Dividend distribution

Pursuant to the Group's strategic development plans the generated earnings are taken to retained earnings in order to be reinvested for financing current operating projects and generating growth in a long term perspective. Following the conservative financial policies of the Group, in 2019 dividend distributions are at moderate level.

14.4 Statutory and other reserves

The additional reserve is formed from retained earnings. The source of forming the additional reserve is the net profit of the year.

14.5 Acquisition of non-controlling interest

In 2018, the Group acquired additional 4,61% non-controlling interest in its subsidiary Biovet AD. As at 31 December 2019, the Group holds 95,54% of shares of "Biovet" AD. There is no contingent consideration related to this transaction. There are no additional acquisition-related costs.

In 2019 the Group made no new acqisitions of non-controlling interest.

15. Government grants

	2019 EUR'000	2018 EUR'000
At 1 January	**130**	**—**
Received during the year	2,663	924
Released in the statement of comprehensive income—other operating income (Note 6.2)	(11)	(794)
Released in the statement of comprehensive income—deduction of cost of sales	(1,896)	—
Recognized in the statement of financial position as deduction the carrying amount of the asset	(766)	—
At 31 December	**120**	**130**
Non-current	**120**	**130**

Government grants have been received for the purchase of certain items of property, plant and equipment and for current operating scientific activity as well as a grant aiming at reducing the burden imposed by the costs of energy from renewable sources. There are no unsettled commitments or contingencies relating to these grants.

16. Retirement benefit liability

The retirement benefit liability of the Group is unfunded. The following tables summarize the components of the net benefits expense recognized in the consolidated statement of comprehensive income and the amounts recognized in the consolidated statement of financial position for the retirement benefit liability:

Retirement benefit expenses

	2019 EUR'000	2018 EUR'000
Current service costs	275	547
Interest costs on retirement benefit liabilities	9	11
Net retirement benefit expenses recognized in profit & loss	**284**	**558**

Changes in the present value of the retirement benefit obligation are as follows:

	EUR'000
Retirement benefit liability at 1 January 2018—non current	**2,126**
Interest cost	11
Current service costs	547
Acquired through business combination	—
Benefits paid	(51)
Actuarial losses	68
FX Differences—previous period	(16)
Retirement benefit liability at 31 December 2018—non current	**2,685**
Interest cost	9
Current service costs	275
Acquired through business combination	—
Benefits paid	(212)
Actuarial losses	371
FX Differences—current period	(13)
Retirement benefit liability at 31 December 2019—non current	**3,115**

16. Retirement benefit liability (Continued)

The principal assumptions used in determining retirement benefit obligations and benefits for the Group's schemes are shown below:

	2019	2018
Discount rate	1%	2%
Future salary increase in the first 3 years	2%	4%
Future salary increase after the first 3 years	2%	4%
Staff turnover rate	8%	8%
Mortality rate	0%	0%

A quantitative sensitivity analysis for significant assumption as at 31 December 2019 is as shown below:

	Discount rate		Future salary increases		Staff turnover	
Assumptions Sensitivity Level	**1% increase**	**1% decrease**	**1% increase**	**1% decrease**	**1% increase**	**1% decrease**
	EUR'000	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**
Impact on the defined benefit obligation	(43)	47	56	(54)	(89)	89

A quantitative sensitivity analysis for significant assumption as at 31 December 2018 is as shown below:

	Discount rate		Future salary increases		Staff turnover	
Assumptions Sensitivity Level	**1% increase**	**1% decrease**	**1% increase**	**1% decrease**	**1% increase**	**1% decrease**
	EUR'000	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**
Impact on the defined benefit obligation	(33)	36	44	(42)	(66)	66

The sensitivity analyses above have been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

17. Trade and other payables

	2019	2018
	EUR'000	**EUR'000**
Trade payables	115,320	100,461
Advances from customers	995	673
Payables to related parties	29	76
Salary payables	10,858	10,073
Social security payables	1,828	1,847
Deferred consideration as a result of a business combination*	1,901	2,775
Tax payables	2,861	2,348
Other payables	27,199	9,239
	160,991	**127,492**
Current	158,745	125,579
Non-current	2,246	1,913

* The deferred consideration as a result of business combination represents the present value of the liability related to the acquisition in Japan. The present value of the remaining deferred consideration as at 31 December 2019 amounts to EUR 1,901 thousand (2018: EUR 2,775 thousand) which are presented as long-term. Additional information is disclosed in Note 5.

Terms and conditions of the financial liabilities, set out in the tables above, are as follows:

- Trade payables are non-interest bearing and are generally on 90 days terms;
- Tax payables are non-interest bearing and are settled within the legally established deadlines;

18. Leases

Group as a lessee

The Group has lease contracts for various items of buildings, machinery, vehicles and other assets used in its operations. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets and some contracts require the Group to maintain certain financial ratios.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	Buildings	Machinery	Vehicles	Other	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
As at 1 January 2019	**3,548**	**—**	**2,551**	**21**	**6,120**
Additions, net	500	252	2,477	—	3,229
Depreciation expense	(882)	(106)	(1562)	(8)	(2,558)
As at 31 December 2019	3,166	146	3,466	13	6,791

Set out below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the period:

	2019
	EUR'000
As at 1 January	6,120
Additions	3,228
Accretion of interest	133
Payments	(2,620)
As at 31 December	**6,861**
Current	2,204
Non-current	4,657

The following are the amounts recognised in profit or loss:

	2019
	EUR'000
Depreciation expense of right-of-use assets (Note 8)	(2,558)
Interest expense on lease liabilities (Note 6.4)	(133)
Total amount recognised in profit or loss	**(2,691)**

The Group had total cash outflows for leases of EUR 2,620 thousand in 2019.

19. Commitments and contingent liabilities

Lease commitments

The Group concluded lease contracts for equipment, motor vehicles and machinery. Finance leases have a purchase option. Future minimum lease payments under lease agreements together with the present value of the net minimum lease payments are as follow:

	2019 Minimum payments	Present value of payments	2018 Minimum payments	Present value of payments
	EUR'000	EUR'000	EUR'000	EUR'000
Within one year	2,286	2,204	436	380
After one year but not more than five years	4,989	4,657	542	511
Total minimum lease payments	7,275	6,861	978	891
Less amounts representing finance charges	(414)	—	(87)	—
Present value of minimum lease payments	**6,861**	**6,861**	**891**	**891**
Total Current		**2,204**		**380**
Total Non-current		**4,657**		**511**

Legal claims

There were no significant pending material legal claims to which the Group is a party as a defendant.

Guarantees

The Group provided guarantees in the amount of EUR 302 thousand (2018: EUR 955 thousand) associated with the purchase/sale of electrical and heating power; and guarantees in the amount of EUR 73 thousand (2018: EUR 73 thousand) related to received grant from the Bulgarian Small and Medium Enterprise Promotion Agency.

The Group has entered into a contract with United Bulgarian Bank AD for issuing bank guarantees expiring on 30 June 2022. The contract provides that the bank shall issue bank guarantees up to a total limit for all outstanding bank guarantees of EUR 4,000 thousand. As of 31 December 2019, the Group has outstanding bank guarantees in the amount of EUR 374 thousand (2018: EUR 1,027 thousand).

20. Financial risk management objectives and policies

The Group's financial liabilities, comprise interest-bearing loans and borrowings, trade payables and financial derivatives. The main purpose of the financial instruments is to raise finance for the Group's operations. The Group also has cash and short-term deposits, and trade receivables, which arise directly from its operations. The derivative interest rate swap is serving the purpose to hedge the cash flow risk arising from TLA.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to its long-term debt obligations with floating interest rates.

The Group manages its interest rate risk by having a balanced portfolio of both floating and fixed rate loans and borrowings, with the decrease of EURIBOR below zero is fixed via zero floor in the original facility agreement. Additionally, the Group has entered into interest rate swaps to 'fix' the interest rate of the debt issued on 23 October 2017. With all other variables held constant, the Group believes there is no reasonable change in the intrest rate due to the terms of the bank loans.

20. Financial risk management objectives and policies (Continued)

Hedging relationship

The Group applied hedge accounting in a form of cash flow hedge. Hedge of interest rate risk arising on variable interest payable on 50% of bank debt EUR 307 million. It has contracts for interest rate swap transactions with four counterparties to receive variable interest rate and pay fixed interest rate.

Identification of hedging item and instruments

The hedged item is a loan with a notional amount of EUR 307 million at inception of hedging relationship, an interest rate of EURIBOR + margin and a maturity date of 25 July 2022. Interest and principal are settled quarterly following a repayment schedule.

The hedging instruments are interest rate swaps, they are four separate contracts. Each is hedging 12,5% of the notional amount of the loan with fixed rates that are between 0,29%-0,31%. The maturity date and settlement dates are matched to those of the loan.

Economic relationship

The hedged item creates an exposure to pay three-month EURIBOR interest on EUR 307 million notional, settled quarterly. The interest rate swaps on 50% of the notional creates an equal and opposite interest receipt and a fixed interest payment, therefore creating an exact offset to 50% of the cashflows from EURIBOR for this transaction resulting in a net fixed interest payable.

Effect of credit risk

As credit risk is not part of the hedged risk, the credit risk of Huvepharma only impacts value changes of the hedging instrument.

Credit risk arises from the credit rating of Huvepharma and the counterparty to the interest rate swap, the bank. The Group monitors the Group and the bank's credit risk for adverse changes. The risk associated with Huvepharma and the bank is considered minimal and will be re-assessed on each reporting date or in cases where there is a significant change in either party's circumstances.

Hedge ratio

To comply with the risk management policy, the hedge ratio is based on debt with a notional of EUR 307,366 thousand with a three-month interest settlement date and maturity date of 25 July 2022, offset by four interest rate swaps with the same critical terms, except notional amount (which is 12.5% of the notional amount of the debt per swap). This results in a hedge ratio of 1:0.5 or 50%.

Sources of ineffectiveness

As of current assessments no material sources of ineffectiveness were identified. This will be re-assessed on each reporting date or in cases where there is a significant change.

Frequency of assessing hedge effectiveness

Assessment of hedge effectiveness is done at inception of the hedge, at each reporting date and upon a significant change in the circumstances affecting the hedge effectiveness requirements.

Hedge effectiveness assessment

As described in the hedge documentation, critical terms of the hedging instrument and the hedged items perfectly match. Therefore, management can qualitatively assess that the hedging instrument and the hedged items will move in the opposite direction and will be perfectly offset.

As the credit rating of the counterparty to the derivative is high and Huvepharma's credit risk is considered to be low, the effect of credit risk is considered as neither material nor dominant in the economic relationship.

Conclusion: the hedge is expected to be highly effective.

20. Financial risk management objectives and policies (Continued)

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the Parent's functional currency).

The following tables demonstrate the sensitivity of the pre-tax profit of the Group to a reasonably possible change in the US dollar exchange rate, with all other variables held constant. The Group's exposure to foreign currency changes for all other currencies is not material.

	Change in the USD exchange rate	Effect on the profit before tax
		EUR'000
2019	+2,88%	1,843
	-2,88%	(1,843)
2018	+5,19%	796
	-5,19%	(796)

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Trade receivables

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed individually. Outstanding customer receivables are regularly monitored and any deliveries to major customers are generally covered by letters of credit or other forms of credit insurance.

The requirement for impairment is analysed at each reporting date on an individual basis for each client. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 12. The Group evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in more than 75 jurisdictions and operate in largely independent markets.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, and other financial assets (non-current), the Group's exposure to credit risk arises from default of the counterparty, with the maximum credit exposure equalling the carrying amount of these instruments.

Liquidity risk

Liquidity risk is the risk that the Group might face difficulties in meeting its financial liabilities when they are settled in cash or in other financial assets. The Group applies a conservative liquidity management policy through which it constantly maintains an optimum liquid stock of cash and a good ability to finance its operations. The Group uses borrowings as well. The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders.

The Group monitors and controls the actual and forecast cash flows by periods ahead and maintains the balance between the maturities of Group's assets and liabilities. The maturities and timely payments are monitored currently by the Financial and Accounting Department, and day-to-day information about the available cash and forthcoming payments is maintained.

20. Financial risk management objectives and policies (Continued)

The table below summarises the maturity profile of the Group's financial liabilities, liabilities to the personnel, tax and other liabilities based on contractual undiscounted payments:

Year ended 31 December 2019	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Interest-bearing loans and borrowings	19	48,889	34,032	424,968	7,501	515,409
Trade and other liabilities	150	109,768	48,827	1,946	300	160,991
	169	**158,657**	**82,859**	**426,914**	**7,801**	**676,400**

Year ended 31 December 2018	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Interest-bearing loans and borrowings	1	5,685	28,313	387,434	—	421,433
Trade and other liabilities	167	117,872	6,706	2,447	300	127,492
	168	**123,557**	**35,019**	**389,881**	**300**	**548,925**

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios to support its business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, increase or decrease its share capital, at a decision of shareholders. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2019 and 31 December 2018.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and cash equivalents.

Capital management

	2019	2018
	EUR'000	EUR'000
Interest-bearing loans and borrowings	486,221	404,492
Trade and other payables	158,745	125,579
Less: cash and short-term deposits	(14,892)	(18,066)
Net debt	**630,074**	**512,005**
Equity	258,070	176,849
Equity and net debt	**888,144**	**688,854**
Gearing ratio	71%	74%

21. Related party disclosures

Ultimate parent Group

As of 31 December 2019 Advance Properties holds 100.00% of Huvepharma International B.V. and is its ultimate parent Group owned by Mr. Kiril Domuschiev and Mr. Georgi Domuschiev who are the ultimate controlling parties.

Other related parties (under common control)

Este Properties EOOD

21. Related party disclosures (Continued)

The Group has and another related parties under the common control of Kiril Domuschiev and Georgi Domuschiev, but there are no transactions between them.

The consolidated financial statements include the financial statements of Huvepharma International BV and the subsidiaries listed in the following table:

	Country of incorporation	% of equity interest	
		2019	2018
Huvepharma Holdings B.V.	Netherlands	100%	100%
Huveproject EAD	Bulgaria	100%	100%
Huvepharma EOOD	Bulgaria	100%	100%
Biovet AD	Bulgaria	95,54%	95,54%
Huvepharma NV	Belgium	99,93%	99,93%
Huvepharma Inc	USA	100%	100%
Huvepharma LLC	USA	100%	—
Huvepharma Polska Sp.z.o.o.	Poland	100%	100%
Huvephrma Thailand Ltd.	Thailand	99,99%	99,99%
Huvepharma do Brazil	Brazil	99%	99%
Huvepharma Sea Pune Private Limited	India	51%	51%
Huvepharma South Africa	South Africa	100%	100%
ANC Hayvan Beslenmesi ve Sagligi Hizmetleri. A.S.	Turkey	100%	100%
Huvepharma Italia S.R.L.	Italy	100%	100%
Huvepharma de Mexico S.A. de C.V.	Mexico	99,998%	99,998%
Abio EOOD (subsidiary of Biovet AD)	Bulgaria	95,54%	95,54%
Bio TechIno OOD (subsidiary of Biovet AD)	Bulgaria	48.53%	48.53%
Huvepharma Japan	Japan	100%	100%
Huvepharma Canada	Canada	100%	100%
Huvepharma Netherlands	The Netherlands	99,93%	99,93%
Stock Energy EOOD	Bulgaria	95,54%	95,54%
Huvepharma S.A.	France	99,9%	99,9%
Laboratoire Meriel	France	100%	100%
Qalian Italia S.r.l.	Italy	100%	100%
Qalian Portugal Unipessoal	Portugal	100%	100%

21. Related party disclosures (Continued)

The following table provides the total amount of transactions, which have been entered into and the outstanding balances for the relevant financial year (information for the outstanding balances at 31 December 2019 and 2018 for all related parties not consolidated within the Group financial statements):

		Other related parties (under common control)
		EUR'000
Sales to / purchases from related parties		
Purchases of services	2019	607
	2018	545
Sales of services	2019	174
	2018	750
Amounts due from related parties	**2019**	**66**
	2018	**34**
Total non-current receivables	2019	8
Total non-current receivables	2018	34
Total current receivables	2019	58
Total current receivables	2018	—
Amounts due to related parties	**2019**	**29**
	2018	**76**
	2019	607
	2018	545
Total current liabilities	2019	174
Total current liabilities	2018	750

The Group has EUR 25 thousand as payable to Advance properties as at 31 December 2019(2018: EUR 25 thousand).

Compensation of key management personnel

The compensation of key management personnel paid in 2019 amounted to EUR 6,072 thousand (2018: EUR 6,586 thousand). The retirement benefit provision related to the management personal is EUR 42 thousand (2018: EUR 42 thousand).

Terms and conditions of related party transactions

The sales to and purchases from related parties are made at contractual prices. Outstanding balances at the year-end are unsecured, interest-free and the settlement is made in cash. There have been no guarantees provided to or received for any related party receivables or payables. At 31 December 2019 the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2018: Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

22. Fair value measurement

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities.

Quantitative disclosures of fair value measurement hierarchy as of 31 December 2019

			Fair value measurement using		
	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		EUR'000	EUR'000	EUR'000	EUR'000
Assets for which fair values are disclosed					
Cash and short-term deposits (Note 13)	**31.12.2019**	14,892	—	14,892	—
Liabilities for which fair values are disclosed:					
Interest-bearing loans and borrowings (Note 10)	**31.12.2019**	486,221	—	486,221	—
Interest rate swap	**31.12.2019**	993	—	993	—
Deferred consideration as a result of business combination (Note 17)	**31.12.2019**	1,901	—	1,901	—

Quantitative disclosures of fair value measurement hierarchy as of 31 December 2018

			Fair value measurement using		
	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		EUR'000	EUR'000	EUR'000	EUR'000
Assets for which fair values are disclosed					
Cash and short-term deposits (Note 13)	**31.12.2018**	18,066	—	18,066	—
Liabilities for which fair values are disclosed:					
Interest-bearing loans and borrowings (Note 10)	**31.12.2018**	404,492	—	404,492	—
Interest rate swap	**31.12.2018**	650	—	650	—
Deferred consideration as a result of business combination (Note 17)	**31.12.2018**	2,775	—	2,775	—

23. Fair value of financial instruments

Set out below is a comparison by class of carrying amounts and fair values of all of the Group's financial instruments that are carried in the financial statements:

	Carrying amount		Fair value	
	2019	2018	2019	2018
	EUR'000	EUR'000	EUR'000	EUR'000
Financial assets				
Trade receivables (Note 12)	96,869	49,118	96,893	49,118
Receivables from related parties (Note 21)	8	34	8	34
Cash and cash equivalents	14,892	18,066	14,892	18,066
Financial liabilities				
Interest bearing loans and borrowings (Note 10)	486,221	404,492	486,221	404,492
Trade payables (Note 17)	115,320	100,461	115,320	100,461
Borrowings from related parties	—	—	—	—
Payables to related parties (Note 21)	29	76	29	76
Deferred consideration as a result of a business combination (Note 17)	1,901	2,775	1,901	2,775

23. Fair value of financial instruments (Continued)

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- Long-term fixed-rate and variable-rate receivables are evaluated by the Group based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer and the risk characteristics of the financed transaction/project. Based on this evaluation, allowances are taken into account for the expected losses of these receivables. As at 31 December 2019, the carrying amounts of such receivables, net of allowances, were not materially different from their calculated fair values.
- Cash and short-term deposits, trade receivables, trade payables, and other current assets and liabilities approximate their carrying amounts due to the short-term maturities of these instruments.

24. Investment in associates

At 31 December 2019 the Group holds 43.46% of the share capital of US Group equal to USD 12 million (EUR 10,864 mln). The first tranche of the shares of this US Group was acquired on 20 December 2017 for the amount of USD 5 million. Subsequent purchase of shares were executed on 1 July 2018 for the amount of USD 5 million and on 20 November 2019 for the total amount of USD 2 million. The subscription of the shares is related to Development and Commercialization Agreement, whereby Huvepharma provides funding for certain product development activities against the acquisition of share participation in the US Group by several separate share subscriptions throughout certain period of time. The funding is subject to satisfactory progress of the development activities.

From the date of the acquisition the US Group contributed with EUR 1,859 loss after tax to the Group result, comprises of 2019: EUR 1,260 thousand and 2018: EUR 599 thousand.

25. Material partly-owned subsidiaries

Financial information of subsidiaries that have material non-controlling interest is provided below:

Portion of equity interest held by non-controlling interest:

Name	Country of incorporation	2019	2018
Biovet AD	Bulgaria	4,46%	4,46%
Accumulated balance of material non-controlling interest EUR '000		4,840	4,135
Profit allocated to material non-controlling interest EUR '000		687	632

The summarized financial information of these subsidiaries is provided below. This information is based on amounts before inter-Group eliminations.

25. Material partly-owned subsidiaries (Continued)

Summarized Statement of comprehensive income of Biovet AD for the year ended 31 December

	2019	2018
	EUR'000	EUR'000
Revenue	**163,013**	**145,979**
Cost of sales	(141,327)	(125,466)
Gross profit	**21,686**	**20,513**
Other operating income	1,306	1,795
Selling and distribution costs	(967)	(967)
Administrative and other expenses	(5,025)	(5,036)
Operating profit	**17,000**	**16,305**
Finance costs	(3)	(8)
Finance income	138	128
Profit before taxes	**17,135**	**16,425**
Income tax expense	(1,729)	(1,671)
Profit for the year	**15,406**	**14,754**
Other comprehensive income for the year, net of taxes	**(123)**	**(61)**
Total comprehensive income for the year, net of taxes	**15,283**	**14,693**

25. Material partly-owned subsidiaries (Continued)

Summarized Statement of financial position of Biovet AD as at 31 December

	2019 EUR'000	2018 EUR'000
Assets		
Non-current assets		
Property, plant and equipment	266,986	206,357
Intangible assets	23,942	23,083
Investments in subsidiaries	7	7
	290,935	**229,447**
Current assets		
Inventory	44,815	49,331
Trade and other receivables	14,333	14,309
Receivables from related party	1,334	4,665
Other financial assets	205	27,129
Cash and short term deposits	1,702	1,856
	62,389	**97,290**
Total assets	**353,324**	**326,737**
Equity and liabilities		
Equity	**108,547**	**93,519**
Non-current liabilities		
Interest bearing loans and borrowings	120,606	96,834
Payables to related party	21,082	—
Retirement benefit costs	892	631
Deferred tax liabilities	2,970	2,623
Government grants	73	73
	145,623	**100,161**
Current liabilities		
Interest bearing loans and borrowings	6,243	1,289
Trade and other liabilities	92,464	130,798
Income tax liability	447	970
Total liabilities	**99,154**	**233,218**
Total equity and liabilities	**353,324**	**326,737**

Summarized cash flow information for the years ending 31 December 2019 and 31 December 2018

	2019 EUR'000	2018 EUR'000
Operating	(9,999)	29,175
Investing	(66,049)	(71,771)
Financing	75,895	41,807
Net decrease in cash and cash equivalents	**(153)**	**(789)**

26. Financial Instruments

Changes in liabilities arising from financing activities

The following table summarizes changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes by providing a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities for the year ended 31 December 2019.

26. Financial Instruments (Continued)

	1 January 2019	Cash inflows	Cash outflows	Foreign exchange movement	Effective interest rate accruals	Other	31 December 2019
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Current interest-bearing loans and borrowings	28,500	38,683	(26,940)	832	85	33,806	74,966
Current obligations under finance leases	380	—	(2,620)	—	—	4,444	2,204
Non-current interest-bearing loans and borrowings	375,101	53,527	—	73	1,494	(25,801)	404,394
Non-current obligations under finance leases	511	—	—	—	—	4,146	4,657
Dividends payable	—	—	—	—	—	—	—
Derivatives	650	—	—	—	—	343	993
Total liabilities from financing activities	**405,142**	**92,210**	**(29,560)**	**905**	**1,579**	**16,938**	**487,214**

	1 January 2018	Cash inflows	Cash outflows	Foreign exchange movement	Effective interest rate accruals	Other	31 December 2018
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Current interest-bearing loans and borrowings	26,371	—	(22,919)	607	1,922	22,519	28,500
Current obligations under finance leases	401	—	(497)	(27)	—	503	380
Non-current interest-bearing loans and borrowings	321,576	70,000	—	369	—	(16,844)	375,101
Non-current obligations under finance leases	498	—	—	—	—	13	511
Dividends payable	—	—	(5,000)	—	—	5,000	—
Derivatives	—	—	—	—	—	650	650
Total liabilities from financing activities	**348,846**	**70,000**	**(28,416)**	**949**	**1,922**	**11,841**	**405,142**

27. Events after the reporting date

After the reporting date, a virus outbreak with a recent recognition of pandemic, affected many countries all over the world. Many of those countries applied measurements for damage control by restricting certain traveling and social activities, encouraging social distance and work remotely, and others.

Management considers those events as non-adjusting events. It has taken all necessary measures to ensure employees, customers and supply chain to continue to operate without adverse effect from the pandemic outbreak. Management has analyzed and assessed possible effects due to pandemic and related measurements over the Group's business. The Group is a major global supplier in the animal nutraceutical and health products market. As such, the Group is currently experiencing increased demand for its products after the reporting date. The Group has started to use a new production plant in 2020, which significantly increased the production capacity and the ability to convert the increased demand into sales. The new production plant reduces reliance on third party APIs and protects from unpredictable disruptions from third party API manufacturers for global animal health API supplies. Fully operational new production plant and logistic center is now accommodating the extra sales related to the supply shortage of the most impacted by COVID-19 outbreak producers. Management does not expect food market to have a significant adverse impact globally, including its supply chain, despite the virus outbreak and related measurements applied by governments. Management hasn't identified any risks and uncertainties relating the Group's business.

27. Events after the reporting date (Continued)

Except the point disclosed above, Management declares that after the end of the reporting period and until the date of the preparation of these consolidated financial statements there are no other significant and /or material non-adjusting events which took place concerning the activities of the Group, the non-disclosure of which could influence the true and fair presentation of the consolidated financial statements.

HUVEPHARMA International B.V.

Company profit and loss

for the period ended 31 December 2019

	Notes	2019	2018
		EUR'000	EUR'000
Share in results from subsidiaries (after tax)	1.2	82,318	85,246
Other results (after tax)		(2,676)	(2,616)
Result for the period		**79,642**	**82,630**

Kiril Petrov Domuschiev S.V.C. Hoogstrate-Röell Intertrust (Netherlands) B.V.

HUVEPHARMA International B.V.

Company balance sheet

as at 31 December 2019

After profit appropriation

	Notes	2019 EUR'000	2018 EUR'000
ASSETS			
Non-current assets			
Investments in subsidiaries	1.2	402,628	332,102
Receivables from related parties	1.4	7,104	7,104
		409,732	**339,206**
Current assets			
Cash and short-term deposits		75	83
Prepaid taxation		6	—
		81	**83**
TOTAL ASSETS		**409,813**	**339,289**
EQUITY AND LIABILITIES			
Equity			
Issued capital	1.3	137,029	137,029
Other equity		(187,008)	(187,008)
Foreign currency translation reserve		(748)	(1,563)
Cash flow hedge		(893)	(584)
Accumulated profit		302,671	223,158
Total equity		**251,051**	**171,032**
Non-current liabilities			
Interest-bearing loans and borrowings	1.5	149,206	158,681
		149,206	**158,681**
Current liabilities			
Interest-bearing loans and borrowings	1.5	9,475	9,475
Interest liabilities	1.5	7	21
Trade payables		74	80
		9,556	**9,576**
Total liabilities		**158,762**	**168,257**
TOTAL EQUITY AND LIABILITIES		**409,813**	**339,289**

Kiril Petrov Domuschiev S.V.C. Hoogstrate-Röell Intertrust (Netherlands) B.V.

HUVEPHARMA International B.V.

Equity movement schedule

for the year ended 31 December 2019

	Issued capital Note 1.3	Other equity	Foreign currency translation reserve	Cash flow hedge	Accumulated results	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
At 1 January 2018	**137,029**	**(187,008)**	**(1,652)**	**—**	**158,541**	**106,910**
Profit for the year	—	—	—	—	82,630	**82,630**
Dividends, declared and paid	—	—	—	—	(5,000)	**(5,000)**
Acquisition of non-controlling interest	—	—	—	—	(12,572)	**(12,572)**
Cash flow hedge				(584)	—	**(584)**
Other changes	—	—	—	—	(441)	**(441)**
FX revaluation	—	—	89	—	—	**89**
At 31 December 2018	**137,029**	**(187,008)**	**(1,563)**	**(584)**	**223,158**	**171,032**
At 1 January 2019	**137,029**	**(187,008)**	**(1,563)**	**(584)**	**223,158**	**171,032**
Profit for the year	—	—	—	—	79,642	**79,642**
Cash flow hedge				(309)	—	**(309)**
Other changes	—	—	—	—	(129)	**(129)**
FX revaluation	—	—	815	—	—	**815**
At 31 December 2019	**137,029**	**(187,008)**	**(748)**	**(893)**	**302,671**	**251,051**

Kiril Petrov Domuschiev S.V.C. Hoogstrate-Röell Intertrust (Netherlands) B.V.

OTHER INFORMATION

1.1. General Information

The Company financial statements have been prepared in accordance with the provisions of Part 9 of Book 2 of the Dutch Civil Code. As the income statement of the Company for the financial year is included in the consolidated financial statements, a summary income statement is sufficient in accordance with Section 402 of Book 2 of the Dutch Civil Code.

The option described in Section 362 of Book 2 of the Dutch Civil Code of applying the same principles in the Group financial statements as in the consolidated financial statements has been used. The principles in the Group financial statements are therefore the same as those stated for the consolidated financial statements, with the exception of the measurement of investments in subsidiaries which are measured at net assets value of the respective subsidiaries. Net asset value is based on measurement of assets, provisions and liabilities and determination of profit based on the principles applied in the consolidated financial statements.

The financial statements are presented in EUR and all values are rounded to the nearest thousand (EUR thousand), unless otherwise indicated.

Huvepharma International B.V. is registered with the Dutch Commercial Register under number 61186228.

1.2. Investments in subsidiaries

Name	Country of incorporation	% of equity interest
Huvepharma Holdings B.V.	Netherlands	100%

	Huvepharma Holdings B.V.	Total
	EUR'000	EUR'000
Opening net asset value at 1 January 2018	**277,639**	**277,639**
Profit for the year	84,716	84,716
Capital distribution	(17,275)	(17,275)
Acquisition of NCI	(12,978)	(12,978)
Closing net book value at 31 December 2018	**332,102**	**332,102**

	Huvepharma Holdings B.V.	Total
	EUR'000	EUR'000
Opening net asset value at 1 January 2019	**332,102**	**332,102**
Profit for the year	82,318	82,318
Capital distribution	(12,180)	(12,180)
Other changes	388	388
Closing net book value at 31 December 2019	**402,628**	**402,628**

1.3. Share capital

	Number of ordinary shares	EUR'000
Ordinary shares of 1 EUR each, issued and fully paid		
At 31 December 2019	**137,029**	**137,029**
At 31 December 2018	**137,029**	**137,029**

Proposed Results Appropriation for the Financial Year 2019

Pursuant to the Group's strategic development plans, the generated earnings are taken to retained earnings in order to be reinvested for financing current operating projects and for generating growth in a long term perspective.

Legal reserve regarding capitalized developments costs

As per the requirement of Section 365-2 of Book 2 of the Dutch Civil Code the Company has formed a legal reserve for capitalized development costs in it's subsidiaries for the amount of EUR 18,444 (2018: EUR 19,073).

1.4. Related party disclosure

The following table provides the total amount of transactions, which have been entered into and the outstanding balances for the relevant financial year (information for the outstanding balances at 31 December):

		Ultimate parent Group	Other related parties (under common control)
		EUR'000	EUR'000
Non-current receivables from			
Huvepharma Holdings B.V.	2019	—	7,104
	2018	—	7,104
Current payables to			
Huvepharma Holdings B.V.	2019	—	—
	2018	—	—

1.5. Interest-bearing loans and borrowings

	Maturity	2019	2018
		EUR'000	EUR'000
Opening		180,000	180,000
Loan utilization		—	—
As of 31 December		**180,000**	**180,000**
Non-current loans			
Bank loan of EUR 180,000 thousand	2022	149,206	158,681
Current loans			
Bank loan of EUR 180,000 thousand	2020	9,475	9,475
Interest payable		7	21
Total interest-bearing loans and borrowings		**158,688**	**168,177**

The contractual interest rate on the above loans and borrowings is the 3-month EURIBOR/ LIBOR plus margin. The margin is variable and depends on the Group leverage.

Senior Facilities Agreement dated 15 August 2014 (as amended and restated on 4 February 2016, 2 March 2016, 18 August 2017, and as further amended and restated on 25 July 2017)

The term loan facilities in the aggregate amount of EUR 450,000 thousand is granted for the purpose of new capital expenditure financing, additional revolving financing, and refinancing of all existing loans and borrowings of all the companies in the Huvepharma Group. From this amount EUR 180,000 is granted to Huvepharma International B.V. The loan is secured as follows:

- First, second, third and fourth ranking Dutch law share pledge over the shares in Huvepharma International B.V.
- First, second, third and fourth ranking Dutch law bank account pledge agreement of Huvepharma International B.V.
- First second, third and fourth ranking Dutch law receivable pledge agreement and share pledge over the shares in Huvepharma Holdings B.V.
- Pledge over all receivables of Huvepharma International B.V. under English law hedging security agreement;
- First, second, third and fourth ranking Dutch law receivable pledge agreement of Huvepharma Holdings B.V.

- First ranking Bulgarian law share pledge over all shares in Huveproject EAD.
- First ranking Bulgarian law special and financial collateral share pledges over the shares in Huveproject EAD
- First ranking Bulgarian law going concern pledges on bank accounts, machinery and equipment, intangible assets, real estate and intra-group receivables of Huveproject EAD
- First ranking Bulgarian law participatory share pledges over the shares in Huvepharma EOOD owned by Huveproject EAD
- First ranking Bulgarian law going concern pledges on bank accounts, machinery and equipment, intangible assets, real estate and intra-group receivables of Huvepharma EOOD
- Pledge over all receivables of Huvepharma EOOD under English law hedging security agreement;
- ` First ranking Bulgarian law share pledge over all shares in Biovet AD.
- First ranking Bulgarian law special and financial collateral share pledges over the shares in Biovet AD
- First ranking Bulgarian law going concern pledges on bank accounts, machinery and equipment, intangible assets, real estate and intra-group receivables of Biovet AD
- First, second, third and fourth ranking Belgian law share pledges over the shares in Huvepharma N.V.
- First, second, third and fourth ranking Belgian law pledges on bank accounts and receivables of Huvepharma N.V.
- New York law share pledge over the shares in Huvepharma Inc.
- New York law pledge over all personal property of Huvepharma Inc.
- Brazilian Law Fiduciary Assignment of Receivables of Huvepharma Do Brasil Ltda.
- Italian law deed of pledge over the bank accounts opened in Italy in the name of Huvepharma Italia S.r.l
- Italian law assignment by way of security of the receivables owed to Huvepharma Italia S.r.l. under insurance policies, intercompany loans and commercial agreements

As a part of the loan agreement the Group has at its disposal a credit line for the amount of EUR 80,000 thousands.

The agreement contains covenants, which require the Group to maintain ratios of EBITDA, senior leverage, senior interest cover and cash flow cover.

- EBITDA is calculated as the operating profit before taxation is adjusted with all items described in the agreement.
- Senior leverage is a ratio of the total debt minus the cash and cash equivalents to EBITDA as defined in the agreement. Total debt is the nominal amount of the outstanding indebtedness of the Group as defined in the agreement.
- Senior interest cover is a ratio of EBITDA to finance charges as defined in the agreement.

The agreement contains also non-financial covenants, which require the entity to provide certain financial and non-financial information as well as to inform the creditors for events if occurred.

As of 31 December 2019 the Group is in compliance with all covenants.

1.6 Deferred tax assets

Huvepharma International B.V. and Huvepharma Holdings B.V. are part of the same fiscal unity for the purpose of corporate income tax. Huvepharma International B.V. is the head of this fiscal unity and all entities within the fiscal unity are jointly and severally liable for the tax liabilities of this fiscal unity. The losses recognized at the level of Huvepharma International B.V. will be offset with the profits of Huvepharma Holdings B.V. in the

tax declarations of the fiscal unity and as such no deferred tax asset has been recognized. The taxable result for the fiscal unity for 2019 was EUR 0 (2018: EUR 21 thousand).

Management Board remuneration

In financial year 2019 the Management Board had received remuneration amounting EUR 7 thousand.

Average number of employees

The average number of employees for 2019 is nil. (2018: Nil).

Articles of Association provisions governing profit appropriation

Profit is appropriated in accordance with Article 18 of the Articles of Association, which states that the General Meeting shall determine the allocation of the profits. No resolution of the General Meeting to distribute shall have effect without consent of the Management Board. The Management Board may withhold such consent only if it knows or reasonably should expect that after the distribution, the Company will be unable to continue the payment of its due debts. If the General Meeting does not adopt a resolution regarding the allocation of the profits, these profits will be reserved.

Independent auditor's report

The independent auditor's report on both consolidated and company financial statements 2019 of Huvepharma International B.V. is enclosed on the next pages.

Building a better working world

Independent auditor's report

To: the shareholder and management of Huvepharma International B.V.

Report on the audit of the financial statements 2019 included in the annual report

Our opinion

We have audited the financial statements 2019 of Huvepharma International B.V., based in Amsterdam. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:

- The accompanying consolidated financial statements give a true and fair view of the financial position of Huvepharma International B.V. as at 31 December 2019, and of its result and its cash flows for 2019 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code
- The accompanying company financial statements give a true and fair view of the financial position of Huvepharma International B.V. as at 31 December 2019, and of its result for 2019 in accordance with Part 9 of Book 2 of the Dutch Civil Code

The consolidated financial statements comprise:

- The consolidated statement of financial position as at 31 December 2019
- The following statements for 2019: the consolidated statement of comprehensive income, changes in equity and cash flows
- The notes comprising a summary of the significant accounting policies and other explanatory information

The company financial statements comprise:

- The company balance sheet as at 31 December 2019
- The company profit and loss account for 2019
- The notes comprising a summary of the accounting policies and other explanatory information

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing.

Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of Huvepharma International B.V. in accordance with the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

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

Emphasis of matter relating to Corona developments

The developments surrounding the Corona (Covid-19) virus have a profound impact on people's health and on our society as a whole, as well as on the operational and financial performance of organizations and the assessment of the ability to continue as a going concern. The financial statements and our auditor's report thereon reflect the conditions at the time of preparation. The situation changes on a daily basis giving rise to inherent uncertainty. The impact of these developments on Huvepharma International B.V. are disclosed in the

Events after the reporting date section in the Management board report (page 7) and Events after the reporting date (note 27) in the financial statements. We draw attention to these disclosures. Our opinion is not modified in respect of this matter.

Report on other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- The management board's report
- Other information pursuant to Part 9 of Book 2 of the Dutch Civil Code

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the management board's report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Description of responsibilities for the financial statements

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud.

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 these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining 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

- Obtaining 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
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- Concluding on the appropriateness of management's use of the going concern basis of accounting, 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 a company to cease to continue as a going concern
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

Amsterdam, 29 April 2020

Ernst & Young Accountants LLP

signed by D.K. Noort

HUVEPHARMA International B.V.

FINANCIAL STATEMENTS

For the year ended 31 December 2018

HUVEPHARMA International B.V.

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ANNUAL REPORT

GENERAL INFORMATION

Management Board

Kiril Petrov Domuschiev
S.V.C. Hoogstrate-Röell
Intertrust (Netherlands) B.V.

Registered address and address of management

Prins Bernhardplein 200, 1097 JB Amsterdam, the Netherlands

Banks

Citibank N.A.—Sofia Branch
Piraeusbank Bulgaria
KBC Bank
Bank of Georgia
MKB Unionbank
UniCredit Bulbank
CosmosBank
Bank VTB 24
Credit Agricole Bulgaria
Raiffeisenbank
Bank of India
DEXIA Bank
Deutsche Bank
E SUN commercial bank
Bank of China
Komercijalna banka AD
Banco Do Brasil S.A.
Standart Chartered Bank MUMB
Eurobank Bulgaria AD
BNP Paribas
Allianz Bank Bulgaria
United Bulgarian Bank
Rabobank
ABN Amro
DSK Bank EAD
The European Investment Bank
International Investment Bank

Auditors

Ernst & Young Accountants LLP
Cross Towers
Antonio Vivaldistraat 150
1083 HP Amsterdam

MANAGEMENT BOARD REPORT

Management board report

Management presents the report and the consolidated financial statements of Huvepharma International B.V. (the "Company" and its subsidiaries together "the "Group" or "Huvepharma Group") as of 31 December 2018 and for the year then ended, prepared in accordance with the International Financial Reporting Standards as adopted for use in the European Union.

Huvepharma International B.V. is a private limited liability company incorporated on 31 July 2014 under the laws of the Netherlands, having its official seat in Amsterdam, the Netherlands and its principal place of business at Prins Bernhardplein 200, 1097 JB Amsterdam, the Netherlands.

At 31 December 2018 the sole owner of the Company's capital is "Advance Properties OOD", Bulgaria which holds 100% of the ordinary registered share capital of the Company.

In compliance with Dutch legislation on board diversity, at least 30% of the seats on the Huvepharma International B.V. Management Board is held by men and at least 30% of these seats is held by women.

Review of activity

Description of the principal activity

Huvepharma Group is a fast growing global pharmaceutical group with a focus on manufacturing of veterinary generic drug pharmaceuticals and marketing human nutraceutical and animal health products. Huvepharma means HUman and VEterinary PHARMAceuticals. The Group manufactures a wide range of veterinary pharmaceuticals and human health products (antibacterial, analgetics, inflammatory and other medicines) in different medicinal forms, such as medicated premixes and powders and granules for the preparation of oral solutions, concentrates for oral solutions, tablets and boluses. It also manufactures various types of fodder additives, such as coccidiostats, enzymes, vitamin-mineral premixes. It is also a manufacturer of a large number of active pharmaceutical substances used for the formulation of readily available pharmaceuticals for veterinary and human medicine.

Huvepharma Group companies have manufacturing facilities in three locations in Bulgaria (Peshtera, Botevgrad and Razgrad), five manufacturing facilities in USA (St. Louis, Missouri; Lincoln, Nebraska; Laurinburg, North Carolina; Longmont, Colorado and Van Buren, Arkansas), two manufacturing plants in Italy—located in Garessio and Carpi and two in France—located in Segré and St Etienne. These manufacturing facilities include fermentation, plant for packaged pharmaceuticals, feed additives, incoming materials warehouses, finished goods warehouses, quality control laboratories for quality assurance throughout the production process and the aftersale process and R&D laboratories for new product development. The facilities are certified to follow GMP and HAACP principles. Also, for the needs of the manufacturing processes, there are on-site service units, including electricity, air, steam, and natural gas distribution facilities and wastewater treatment plants.

The Group's subsidiaries are based in Bulgaria, Turkey, Thailand, USA, Belgium, Taiwan (being a branch of the Belgium subsidiary), Poland, India, Russia (representative office of Bulgarian subsidiary), Brazil, Republic of South Africa, Canada, Mexico, Italy, Thailand, France, the Netherlands, Japan and China (representative office of Huvepharma NV). Huvepharma Group is present in every major market through local representatives and holds important product registrations in the USA (FDA approved) and in the European Union. The Group offers an enlarged product portfolio with registrations in over 100 countries. It also partners with all major export-oriented integrators in Latin America and Asia that value products with a Brand Specific Approval (BSA) in the EU.

Current period results

For the financial year of 2018, the Group reports profit before tax of EUR 96 million (2017: EUR 91,7 million).

During the financial year of 2018 the quantities of veterinary—medical products manufactured and sold have increased. The Group has further invested in technologies for production of various medicinal forms.

In 2018, Huvepharma Group continued its strong financial performance and recorded revenue growth of 16.7% compared to 2017. Total sales increased from EUR 416 million in 2017 to EUR 486 million in 2018. Highly profitable growth was realized mostly through organic initiatives by increasing sales of the existing product portfolio and by launching new products developed in-house.

Operating expenses are also in-line with management expectations and remain stable at 21.5% of revenue for both 2018 and 2017.

During financial year 2018 the net cash flow from operating activities has increased to EUR 121 million (2017: EUR 83,9 million) due to positive impact of increased revenue and proceeds from customers collection optimisation. The improved cash flow from operating activities leads to better financial position and liquidity.

Working capital is closely monitored by the Management of the Group. In 2018 the working capital decreases from EUR 109 million in 2017 to EUR 89 million in 2018 mainly due to initiatives performed to optimise the working capital level.

In 2018, Huvepharma Group made strategic acquisition in North America and Europe.

Expectations of corporate management are for a further increase in sales due to the patent protection expiration of a number of drugs and due to the limited competition among generic drug manufacturers. Further and given the fact that the Group is in the "food chain" business, it is expected that the overall increase of the global population and the changes in the nutrition habits of people in countries with high population will further increase the sales of the Group.

Expected future development and business goals

The future manufacturing and trade activities of the Group will be directed towards the following objectives:

- growth in revenue though organic initiatives
- strengthening the EU veterinary portfolio
- expanding into Cattle Market
- increase in production volumes due to the new facilities acquired
- diversifying product portfolio
- further expanding geographic footprint

Research and development activities

The Group has its own Research and Development Institute (RDI). The operations of RDI are developed in a way that corresponds to the organisational structure of the Group in four sections: micro-biological, chemical, ready veterinary forms and analytical. The work in these sections is divided into projects and developments included in the innovation programme, tasks assigned to facilitate the production process, manufacturing of products that meet specific client's needs and activities ensuring specific product analyses.

Key risk and uncertainties

Overall risk management of the Group

The Group's activities expose it to a variety of financial risks like interest rate risk, foreign currency risk, credit risk and liquidity risk. Management reviews and agrees business policies and procedures to mitigate and address these risks. Further reference is made Note 19 for the financial risk management objectives and policies. Along with financial risks the Group is exposed to strategic risks, operational risks and compliance risks:

Strategic risk

Strategic risk is defined as the risk to current and future earnings that arise from adverse business decisions, change in customer demand, legislation or the industry. Strategic risk includes the risk of missing targets because the business units do not respond, or do not respond adequately enough, to changes in their business environment. The Group defines a risk as a potential future development in an event which could lead to a negative deviation from projected business objectives. Taking this into consideration, the Group has installed instruments and processes which risks can be recognized at an early stage.

The strategy is mainly focused on growth in the veterinary pharmaceuticals and feed additives markets. The growth strategy is linked to the risk that we might encounter difficulties in connection with certain operational and/or financial requirements, which cannot, or not to a sufficient extent, operatively be met. This strategic risk is assessed to be low. The Group has a backup for the Group facilities, human resources, internal structures, management tools and financial resources if needed.

The Group is active in the focus on manufacturing of veterinary generic drug pharmaceuticals and marketing human nutraceutical and animal health products which business is characterized among other things, by high price sensitivity, continued margin pressure, intense competition and continuously changing regulatory framework conditions. This industry risk is considered low. The Group operates active risk minimization by comprehensively monitoring the market activity of all market participants and on the basis of the observations indicating courses of action.

The Group is prepared to take moderate risks to realise its strategy and goals. Management of the Group considers the control of the Group's risks as one of the key elements of its responsibilities. The vision is an integrated part of the Group's policies.

Interest risk

The Group is not exposed to significant interest risk due to the terms of the bank loans. However, the Group has entered into a cash flow hedge contract in order to hedge the variable interest payable on 50% of its bank debt.

Foreign currency risk

The currency risk arises for the Group in regard to the currency sale and purchase transactions, different from the functional currency euro. Foreign currency risk is well managed by the Group. Its operations are subject to a natural hedge as proceeds from sales in the US are used for the purchasing of USD denominated raw materials.

Credit risk

The credit risk arises mainly from receivables from clients and investments in financial instruments. The credit risk exposure is a result from the individual characteristics of the separate clients. This exposure might also depend on risk of default for the industry or the internal market in which the Group operates. The credit risk of the Group is insignificant as all receivables are under insurance coverage.

The book value of the financial assets represents the maximum credit exposure. The maximum credit exposure as at the balance sheet date is:

	2018	2017
	EUR'000	EUR'000
Trade receivables (Note 12)	49,118	71,734
Receivables from related parties (Note 20)	34	33
Investement in associates	8,117	—
Cash and cash equivalents	18,066	29,167
	75,335	**100,934**

Liquidity risk

The Group's liquidity management is performed in order to meet the payments for a period of 60 days, including the financial liabilities; this planning excludes the potential effect of extraordinary circumstances, which cannot be predicted in the normal conditions.

Operational risk

Operational risk is the risk of losses that may occur due to inadequate or malfunctioning internal processes or systems, human error, criminal behaviour etc. The Group's management is aware of these risks and take measure to mitigate these risks.

Capital management

For the purpose of the Group's capital management, capital includes issued capital, share premium and all other equity reserves attributable to the equity holders of the parent.

The primary objective of the Group's capital management is to maximise the shareholder value.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group monitors

capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio below 80%. Net debt includes interest bearing loans and borrowings, trade and other payables, less cash and short-term deposits, excluding discontinued operations.

	2018	2017
	EUR'000	EUR'000
Interest-bearing loans and borrowings	404,492	348,846
Trade and other payables	125,579	91,957
Less: cash and short-term deposits	(18,066)	(29,167)
Net debt	**512,005**	**411,636**
Equity	176,849	115,281
Equity and net debt	**688,854**	**526,917**
Gearing ratio	74%	78%

Principal risks and uncertainties

The main risks that could have significant impact on the financial performance of the Group and related mitigating actions can be outlined as follows:

- **Global financial and economic developments**. Economic conditions and geopolitical environment could have a material impact on our ability to achieve objectives. Some of our customers and suppliers could be affected directly by an economic downturns and political crisis and could face cash flow problems and increased credit risk. We have procedures put place to monitor and limit exposure to collectability risk. In line with major economic forecasts for the global economy, we have not assumed any global economic downturn over the following year and we assess this risk as low. However, significant geopolitical uncertainties exist in a number of markets where we operate.
- **Ability to compete effectively**. Animal health industry is very competitive industry with moderate compound annual growth over the last few years and lower margins compared to human health. There is increased risk of facing increased competition. The Group is well positioned to further increase its market share on its main markets by streamlining it product portfolio. It is broadening its offering in terms of products and customer base while improving its marketing and pricing management programs. The Group is prepared to take moderate risks in order to be competitive.
- **Increased regulatory risk.** Group operates mainly in the livestock segment and is subject to extensive and increasing regulations. More stringent regulations might have an impact on the group performance. The Group monitors closely the developments in each country it operates and takes measures to comply with all the regulations, including Good manufacturing Practices. The Group has zero tolerance to breaches of regulations.
- **Risks related to products' quality and safety.** Any issues arising due to quality and/or safety failures of the Group's products could impact the Group's reputation and business results. All reported issues in this respect are reviewed and assessed following all relevant industry and regulatory guidelines. The Group is regularly audited by various regulatory bodies on the management of these issues. The Group has zero tolerance for failures related to the quality and safety of its products.
- **Foreign exchange rate fluctuations.** Due to extensive international operations, the business results might be impacted significantly by the movements of foreign currency against the Group's functional currency and the Group's management accepts this risk. Further details in this respect can be found in the Group's financial statements.
- **Management of acquisitions.** The Group's growth aspirations include a strategy of further expansion by acquisition of appropriate businesses which fit with the Group's long term objectives. Unforeseen factors might prevent us from realising the expected benefits. We may be unable to integrate the acquired businesses into our existing business or to achieve the expected synergies. The Group continues to invest in change management and ongoing monitoring which includes corrective actions where needed. The Group is ready to take moderate to low risks when acquiring new businesses.
- **Compliance with laws and regulations in general** Compliance risk is the risk of not complying with laws and regulations, for example risks related to litigation, tax compliance, erroneous financial reporting. The Group is aware of these risks and is constantly monitoring these risks in order to make

sure all laws and regulations are complied with. The Group has zero tolerance to breaches of laws and regulations in all jurisdictions where it operates.

Monitoring and reporting

Various means of monitoring and reporting are in place. These provide a robust and continuous overview of the functioning of the common controls and the mitigation of common risks. The Group's management take the lead in instigating internal audits to check the effectiveness of the internal controls and risk and incident mitigations. Independent audits, including unannounced audits, were executed by the Group Internal Auditor in a program that was agreed with the Group's management.

Internal audit activities

Control activities are carried out by the internal appointed auditor who regularly reviews:

- compliance aspects such as the implementation of training on values, segregation of duties, and follow-up of audits from various stakeholders;
- the execution, follow up and quality of the relevant set of risk assessments; and
- best practices from internal and external sources to further strengthen Group's risk management cycle as well as to ensure appropriate risk management training for all employees at the Group.

Current and planned improvements in the risk management system

Current risk management practices meet the requirements of the management of the Group. However, management is considering the implementation of an Enterprise Risk Management framework to improve the risk management and reporting process.

Environment

Huvepharma Group understands the importance of complying with the legal regulations and covering variety of environmental issues. Based on that principles the group is proved as responsible corporation on a long-term global perspective of harmony with the global environment.

Use of financial instruments

The Group's principal financial liabilities, other than derivatives, comprise interest-bearing loans and borrowings and trade payables. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group also has cash and short-term deposits, and trade receivables, which arise directly from its operations. The derivative interest rate swap is serving the purpose to hedge the cash flow risk arising from TLA.

More dateils about the financial instruments held by the Group and the financial risk arising from them is disclosed in notes 19 and 22.

Management's responsibilities

Management prepares consolidated financial statements each financial year that give a true and fair view of the state of affairs of the Group as at the year-end and of the profit or loss and cash-flows for the year then ended.

Management confirms that suitable accounting policies have been used and applied consistently and, reasonable and prudent judgments and estimates have been made in the preparation of the consolidated financial statements for the year ended 31 December 2018.

Management also confirms that applicable accounting standards have been followed and that the consolidated financial statements have been prepared on a going concern basis.

Management is responsible for keeping proper accounting records, for safeguarding the assets and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Events after the reporting date

Management declares that after the end of the reporting period and until the date of the preparation of these consolidated financial statements there are no significant and /or material non-adjusting events which took

place concerning the activities of the Group, the non-disclosure of which could influence the true and fair presentation of the consolidated financial statements.

Kiril Petrov Domuschiev S.V.C. Hoogstrate-Röell Intertrust (Netherlands) B.V.

HUVEPHARMA International B.V.

FINANCIAL STATEMENTS

Consolidated statement of comprehensive income

for the year ended 31 December 2018

	Notes	2018	2017
		EUR'000	EUR'000
Revenue	6,1	**485,562**	**416,068**
Cost of sales		(274,807)	(228,127)
Gross profit		**210,755**	**187,941**
Other operating income	6,2	31,916	18,717
Selling and distribution costs		(65,405)	(55,666)
Administrative expenses	6,9	(30,689)	(26,401)
Cost for administration of intellectual property		(8,458)	(6,045)
Other operating expenses	6,3	(31,889)	(15,137)
Operating profit		**106,230**	**103,409**
Finance costs	6,4	(9,807)	(11,762)
Finance income	6,5	164	54
Share of profit of associates and joint venture	23	(599)	—
Profit before taxes		**95,988**	**91,701**
Income tax expense	7	(12,368)	(12,338)
Profit for the year		**83,620**	**79,363**
Profit for the year attributable to:			
Owners of the parent comapny		82,630	78,148
Non-controlling interest		990	1,215
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Exchange rate difference on translation of foreign operations		35	(2,121)
Cash flow hedges		(650)	—
Income tax effect	7	66	—
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		(549)	(2,121)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods			
Actuarial losses	16	(68)	(56)
Income tax effect	7	7	6
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		(61)	(50)
Income tax expense, attributable to other comprehensive income		**73**	**6**
Other comprehensive profit / (loss) for the year, net of taxes		**(610)**	**(2,171)**
Total comprehensive income for the year, net of taxes		**83,010**	**77,192**
Attributable to:			
Owners of the parent company		82,074	76,072
Non-controlling interest		936	1,120

Kiril Petrov Domuschiev S.V.C. Hoogstrate-Röell Intertrust (Netherlands) B.V.

These consolidated financial statements were approved by the Board of Directors on 25 April 2019.The accompanying notes are an integral part of these financial statements

HUVEPHARMA International B.V.

FINANCIAL STATEMENTS

Consolidated statement of financial position

As at 31 December 2018

	Notes	2018	2017
		EUR'000	EUR'000
ASSETS			
Non-current assets			
Property, plant and equipment	8	255,596	159,673
Intangible assets	9	205,950	170,159
Investment in associates	23	8,117	—
Deferred tax assets	7	3,020	2,608
Receivables from related parties	20	34	33
Other financial assets	23	—	4,303
Other receivables		550	102
		473,267	**336,878**
Current assets			
Inventories	11	162,028	116,793
Trade and other receivables	12	59,986	81,055
Prepayments		5,139	4,218
Income tax receivable		547	255
Cash and short-term deposits	13	18,066	29,167
		245,766	**231,488**
TOTAL ASSETS		**719,033**	**568,366**
EQUITY AND LIABILITIES			
Equity			
Issued capital	14,1	137,029	137,029
Share premium	14,2	16,813	16,813
Other capital reserves	14,4	30,461	31,621
Retained earnings		180,971	115,689
Other components of equity		(194,242)	(194,242)
Equity attributable to the owners of the parent company		**171,032**	**106,910**
Non-controlling interests	14,5	5,817	8,371
Total equity		**176,849**	**115,281**
Non-current liabilities			
Interest-bearing loans and borrowings	10	375,612	322,074
Other non-current liabilities	17	1,913	3,478
Retirement benefit liability	16	2,685	2,126
Government grants	15	130	—
Deferred tax liabilities	7	4,527	3,343
Other financial liabilities	19, 21	650	—
		385,517	**331,021**
Current liabilities			
Trade and other payables	17	125,579	91,814
Interest-bearing loans and borrowings	10	28,880	26,772
Deferred income		148	138
Income tax liability		2,060	3,340
		156,667	**122,064**
Total liabilities		**542,184**	**453,085**
TOTAL EQUITY AND LIABILITIES		**719,033**	**568,366**

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HUVEPHARMA International B.V.

FINANCIAL STATEMENTS

Consolidated statement of changes in equity

for the year ended 31 December 2018

	Attributable to the owners of the parent company										
	Issued capital	Share premium	Statutory and other reserves	Retained earnings	Other components of equity	Foreign currency translation reserve	Actuarial gains/ losses reserve	Cash flow hedges	Total	Non-controlling interest	Total equity
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
At 1 January 2017	**137,029**	**16,813**	**35,149**	**89,886**	**(194,242)**	**428**	**(201)**		**84,862**	**8,215**	**93,077**
Profit for the year	—	—	—	78,148	—	—	—	—	78,148	1,215	79,363
Other comprehensive income	—	—	—	—	—	(2,043)	(33)	—	(2,076)	(95)	(2,171)
Total comprehensive income	—	—	—	78,148	—	(2,043)	(33)	—	76,072	1,120	77,192
Reserves transfer	—	—	7,861	(7,861)	—	—	—	—	—	—	—
Dividends, declared and paid	—	—	—	(50,000)	—	—	—	—	(50,000)	—	(50,000)
Bonuses, declared and paid	—	—	(5,800)	5,800	—	—	—	—	—	—	—
Other change	—	—	42	(392)	—	—	—	—	(350)	(79)	(429)
Acquisition of non-controlling interest	—	—	(3,745)	108	—	—	(37)	—	(3,674)	(885)	(4,559)
At 31 December 2017	**137,029**	**16,813**	**33,507**	**115,689**	**(194,242)**	**(1,652)**	**(234)**	**—**	**106,910**	**8,371**	**115,281**
At 1 January 2018	**137,029**	**16,813**	**33,507**	**115,689**	**(194,242)**	**(1,652)**	**(234)**	**—**	**106,910**	**8,371**	**115,281**
Profit for the year	—	—	—	82,630	—	—	—	—	82,630	990	83,620
Other comprehensive income	—	—	—	—	—	89	(61)	(584)	(556)	(54)	(610)
Total comprehensive income	—	—	—	82,630	—	89	(61)	(584)	82,074	936	83,010
Reserves transfer	—	—	12,688	(12,688)	—	—	—	—	—	—	—
Dividends, declared and paid	—	—	—	(5,000)	—	—	—	—	(5,000)	—	(5,000)
Bonuses, declared and paid	—	—	—	—	—	—	—	—	—	—	—
Loss cover	—	—	—	—	—	—	—	—	—	—	—
Other change	—	—	(17)	(363)	—	—	—	—	(380)	(11)	(391)
Acquisition of non-controlling interest	—	—	(13,265)	703	—	—	(10)	—	(12,572)	(3,479)	(16,051)
At 31 December 2018	**137,029**	**16,813**	**32,913**	**180,971**	**(194,242)**	**(1,563)**	**(305)**	**(584)**	**171,032**	**5,817**	**176,849**

Kiril Petrov Domuschiev S.V.C. Hoogstrate-Röell Intertrust (Netherlands) B.V.

These consolidated financial statements were approved by the Board of Directors on 25 April 2019.
The acGrouping notes are an integral part of these financial statements

HUVEPHARMA International B.V.

FINANCIAL STATEMENTS

Consolidated statement of cash flows

for the year ended 31 December 2018

	Notes	2018	2017
		EUR'000	EUR'000
Operating activities			
Proceeds from customers		524,939	423,282
Payments to suppliers		(345,110)	(293,456)
Income taxes paid and refunded		(12,926)	(14,553)
Other taxes paid and refunded		17,149	16,099
Salaries, wages and related social securities	6.7	(60,676)	(47,713)
Cash flows from foreign currency gains and losses		(559)	(2,881)
Other cash flows from operating activities		(1,810)	3,164
Net cash flows from operating activities		**121,007**	**83,942**
Investing activities			
Purchase of property, plant and equipment	8	(81,925)	(43,637)
Proceeds from sale of property, plant and equipment	8	14	—
Purchase of intangible assets	9	(21,234)	(17,118)
Acquisition as a result of business combination, net of cash acquired	5	(45,609)	(4,187)
Payments to acquire investments	23	(7,634)	(4,213)
Payments for NCI acquisition	24	(16,051)	(4,559)
Interest received		56	—
Net cash flows used in investing activities		**(172,383)**	**(73,714)**
Financing activities			
Dividends paid	14.3, 26	(5,000)	(50,000)
Payment of liabilities under lease contracts		(564)	(480)
Proceeds from borrowings	10	70,000	76,524
Repayment of borrowings	10	(17,209)	(13,635)
Proceeds of short-term borrowings from related entities		488	—
Repayment of short-term borrowings from related entities		—	(126)
Payment of interest		(7,443)	(11,132)
Other cash flows from financing activities		3	—
Net cash flows (used in)/ from financing activities		**40,275**	**1,151**
Net increase in cash and cash equivalents		(11,101)	11,379
Cash and cash equivalents at 1 January		29,167	17,788
Cash and cash equivalents at 31 December	13	**18,066**	**29,167**

Kiril Petrov Domuschiev S.V.C. Hoogstrate-Röell Intertrust (Netherlands) B.V.

These consolidated financial statements were approved by the Board of Directors on 25 April 2019.
The acGrouping notes are an integral part of these financial statements

1. Corporate information

Huvepharma International B.V. (the "Company"), Dutch Chamber of Commerce number 61186228, is a private limited liability company, incorporated on 31 July 2014 under the laws of the Netherlands, having its official seat in Amsterdam, the Netherlands and its principal place of business at Prins Bernhardplein 200, 1097 JB Amsterdam, the Netherlands.

The Company was incorporated as a part of Group restructuring which included the incorporation of Huvepharma International B.V., Huvepharma Holdings B.V., Netherlands and Huveproject EAD, Bulgaria as intermediate parents of Huvepharma EOOD.

At 31 December 2018 the sole owner of the Company's capital is "Advance Properties" OOD which holds 100% of the ordinary registered share capital of the Company

The financial statements of Huvepharma International B.V. and its subsidiaries (the "Group" or "Huvepharma Group") for the year ended 31 December 2018 were authorized for issue in accordance with a resolution of the Board of Directors dated 25 April 2019. These financial statements are subject to the approval of the Company 's Annual Shareholder's Meeting. The separate financial statements of the Group were authorized for issue in accordance with a resolution of the Board of Directors dated 25 April 2019.

The principal activities of the Group include production and trading with veterinary pharmaceuticals, feed additives and human health products on the international markets.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted for use in the European Union ("EU").

These consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments that have been measured at fair value.

The consolidated financial statements are presented in Euro and all values are rounded to the nearest thousand ("EUR thousand"), unless otherwise indicated.

Going concern

The Group prepares it consolidated financial statements under the assumption going concern.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2018.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received

2.1 Basis of preparation (Continued)

- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

2.2 Summary of significant accounting policies

a) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the noncontrolling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

b) Common control business combinations

In the absence of an IFRS that specifically applies to common control business combinations the management has applied the requirements of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and used current sources (to the extent that these do not conflict with the Framework or any other IFRS or Interpretation) to develop its own accounting policy to account for such transactions. In choosing the appropriate accounting policy the management considers the substance of the transaction and the needs of the key users of the financial statements. Since IFRS 3 Business Combinations scopes out common control

2.2 Summary of significant accounting policies (Continued)

business combinations it is therefore not prescriptive as to what method must be followed in such transactions. Therefore, the Group can choose either acquisition method or pooling of interest method to account for common control business combinations.

In accounting for such combinations the Group elects to apply pooling of interest method as follows:

- The assets and liabilities of the combining entities are reflected at their carrying amounts reported at the level of the consolidated financial statements of the combining entities;
- No adjustments are made to reflect fair values, or recognise any new assets or liabilities, at the date of the combination that would otherwise be done under the acquisition method. The only adjustments that are made are to harmonise accounting policies;
- No "new" goodwill is recognised as a result of the combination. The only goodwill that is recognised is any existing goodwill relating to either of the combining entities. Any difference between the consideration paid/transferred and the equity "acquired" is reflected within equity;
- The income statement reflects the results of the combining entities for the full year, irrespective of when the combination took place;
- Comparatives are presented as if the entities had always been combined. However, financial information for periods prior to the combination is restated only for the period that the entities were under common control.

Application of pooling of interest method to account for Group restructuring (Inserting intermediate parent within existing Group)

As disclosed in Note 1 the Company was incorporated on 31 July 2014 by Advance Properties OOD as an intermediate parent of Huvepharma Group. The Group restructuring was accounted for using the pooling of interest method according to the developed accounting policy as described above. As a result the consolidated statement of comprehensive income and the consolidated statement of cash flows for the year ended 2014 was presented as if the Huvepharma Group always have existed as follows:

- The consolidated income statement and consolidated statement of cash flows for the financial year ended 31 December 2014 include the consolidated results of operations and consolidated cash flows of Huvepharma EAD Group before incorporation of Huvepharma International B.V.;

c) Investment in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investment in its associate and joint venture are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost.

The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

2.2 Summary of significant accounting policies (Continued)

The statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss within 'Share of profit of an associate and a joint venture' in the statement of profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

d) Foreign currency translation

The Group's consolidated financial statements are presented in Euro, which is also the parent company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group has elected to recycle the gain or loss that arises from the direct method of consolidation, which is the method the Group uses to complete its consolidation.

i) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

All differences are taken to the profit or loss with the exception of all monetary items that provide an effective hedge for a net investment in a foreign operation. These are recognized in other comprehensive income until the disposal of the net investment, at which time they are recognized in the income statement. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in the fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognized in other comprehensive income or profit or loss is also recognized in other comprehensive income or profit or loss, respectively).

2.2 Summary of significant accounting policies (Continued)

i) Group

On consolidation level the assets and liabilities of foreign operations are translated into EUR at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on the translation are recognized in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in the income statement.

Any goodwill arising on the acquisition of a foreign operation subsequent to 1 January 2005 and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting rate.

e) Revenue from contracts with customers

The Group is in the business of production and trading with veterinary pharmaceuticals, feed additives and human health products. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 3.

Sale of finished goods

Revenue from sale of finished goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the finished. The normal credit term is 60 to 90 days upon delivery.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, customer loyalty points). In determining the transaction price for the sale of finished goods, the Group considers the effects of variable consideration, the existence of significant financing components and consideration payable to the customer (if any).

(i) Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of finished goods provide customers with a right of return and volume rebates. The rights of return and volume rebates give rise to variable consideration. The analysis performed by the management shows that their impact is insiginificant for the Group.

- **Rights of return**

Certain contracts provide a customer with a right to return the goods within a specified period. The Group uses the expected value method to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in IFRS 15 on constraining estimates of variable consideration are also applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, the Group recognises a refund liability. A right of return asset (and corresponding adjustment to cost of sales) is also recognised for the right to recover products from a

2.2 Summary of significant accounting policies (Continued)

customer. The analysis performed by the management shows that the impact of returns is insiginificant for the Group.

- **Volume rebates**

The Group provides retrospective volume rebates to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the Group applies the most likely amount method for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. Since all rebated are accounted for during the current accounting period, this change has no impact on The Group.

Provision of services

The Group provides services that are sold separately, namely R&D services and sales of electricity. The Group recognizes the services as a single performance obligation and recognizes revenue from them over time as the client simultaneously receives and consumes the benefits provided by the Group. For R&D projects the Group uses the input method based on hours worked plus costs incurred relative to the total expected inputs to the satisfaction of that performance obligation, in order to assess the progress of the satisfaction of the performance obligation. Revenue from sale of electricity is recognised in the statement of comprehensive income for electricity supplies made to the National Electricity Company in Bulgaria. Sales revenue is recognised based on the indicators (as per the registered trade measurement devises) for the supplied electricity, usually in one-month intervals.

Revenue from sale of emission reduction units

Revenue from sale of emission right is recognized upon their transfer to the buyer. Revenue from sale of emission reduction units is recognised upon their transfer to the buyer which usually happens after receiving the verification report issued by an independent organisation on the quantity of emission reduction units for the previous calendar year. Till then, there is significant uncertainty as to whether all terms and conditions of sale are met or not.

Interest income

For all financial instruments measured at amortised cost, interest income is reported using the effective interest method (EIM) that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the statement of comprehensive income.

Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in section l) Financial instruments—initial recognition and subsequent measurement.

2.2 Summary of significant accounting policies (Continued)

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Cost to obtain a contract/ Contract performance costs

The Group has no additional contract costs.

For periods until 31.12.2017 the Group applied accounting policy for Revenue reporting as disclosed in the Group financial statamets as of 31.12.2017.

f) Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. When the grant relates to an asset, it is deducted in arriving at the carrying amount of the asset.

g) Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided using the liability method on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the

2.2 Summary of significant accounting policies (Continued)

deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised. No such are considered probable as at 31 December 2018 (31 December 2017: not considered probable).

The carrying amount of deferred income tax assets is reviewed by the Group at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred income tax assets and deferred income tax liabilities are offset by the Group only if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or in profit or loss.

Value added tax

Revenue, expenses and assets are recognised net of the amount of value added tax except:

- Where the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of value added tax included.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

h) Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection of items of property, plant and equipment is performed, its cost is recognised in the carrying amount

2.2 Summary of significant accounting policies (Continued)

of the respective assets as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the income statement for the period as incurred.

Depreciation is calculated on a straight line basis over the estimated useful life of the assets, as follows:

	2018	2017
• Buildings	from 25 to 50 years	from 25 to 50 years
• Plant and equipment	from 5 to 25 years	from 5 to 25 years
• Hardware	2 years	2 years
• Motor vehicles	from 6 to 12 years	from 6 to 12 years
• Office furniture	from 6 to 20 years	from 6 to 20 years
• Installations	up to 40 years	up to 40 years

An item of property, plant and equipment and any significant part is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income when the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

i) Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

The Group as a lessee

Finance leases which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of comprehensive income.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an operating expense in the statement of comprehensive income on a straight-line basis over the lease term.

j) Borrowings costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The Group capitalizes borrowing costs for all eligible assets where construction was commenced on or after 1 January 2009.

k) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition,

2.2 Summary of significant accounting policies (Continued)

intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any.

The useful lives of intangible assets are assessed as either finite or indefinite, as follows:

	2018	2017
• Intelectual property rights	From 2 years to indefinite	From 2 years to indefinite
• Software	from 2 to 5 years	from 2 to 5 years
• Development products	From 10 to 20 years	From 10 to 20 years
• Dossiers	indefinite	indefinite
• Goodwill	indefinite	indefinite
• Trade mark Optiphos	indefinite	indefinite
• Others	From 2 years to indefinite	From 2 years to indefinite

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortisation method for intangible assets with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income as cost of sales, administrative expenses and selling and distribution costs consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed at the end of each reporting period to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of comprehensive income when the asset is derecognised.

Product registrations, trademarks and patents, dossiers

The Group obtains product registrations, issued by the relevant regulatory agency of the particular country where the Group sells these products. The useful life of these product registrations ranges from 2 to 11 years with the option of renewal at the end of this period. The Group also holds trademarks and patents. They are issued by the relevant regulatory agency as well. The useful life of patents is 6 years, and that of trademarks is 10 years. The patents, as well as the trademarks, contain the option of renewal after the end of this period. The Group has also dossiers, which are assets (comprising mainly the cost of laboratory tests and costs to evidence the efficiency, effectiveness and safety of the drug substance) used for obtaining of new product registrations from the relevant regulatory agency or renewing of the already existing ones. Therefore, the Group assesses the dossiers are having an indefinite useful life.

The intellectual property includes the trademark Optiphos acquired as a result of the business combination. The Group has determined that its useful life is indefinite.

Development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset

2.2 Summary of significant accounting policies (Continued)

- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the Group applies the cost model, which requires the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. The intangible asset is amortised over the period of expected future benefits. Amortisation is recorded in cost of sales. During the period of development, the asset is tested by the Group for impairment annually.

l) Financial instruments—initial recognition and subsequent measurement

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in section e) Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

2.2 Summary of significant accounting policies (Continued)

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes cash, short-term deposits, trade and other receivables, and related party receivables.

Financial assets at fair value through OCI (debt instruments)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the income statement and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Group's does not hold debt instruments at fair value through OCI.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the income statement when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its non-listed equity investments under this category.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to

2.2 Summary of significant accounting policies (Continued)

be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the income statement.

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the income statement when the right of payment has been established.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Disclosures for significant assumptions (Note 3)
- Trade receivables, including contract assets (Note 12)

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its

2.2 Summary of significant accounting policies (Continued)

historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments at fair value through OCI, the Group applies the low credit risk simplification.

At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 90 days past due.

The Group does not hold any debt instruments at fair value through OCI.

The Group considers a financial asset in default when contractual payments are 360 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, derivative financial instruments and payables to related parties.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the income statement.

This category generally applies to interest-bearing loans and borrowings. For more information, refer to Note 10.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

2.2 Summary of significant accounting policies (Continued)

m) Fair values of financial instruments

The Group measures financial instruments, such as, derivatives at fair value at each balance sheet date. Fair values of financial instruments measured at amortised cost are disclosed in Note 22.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1—Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2—Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3—Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group's management determines the policies and procedures for recurring fair value measurement.

External valuers are involved for valuation of significant assets. Involvement of valuation experts is decided upon annually by the management. Selection criteria for external valuers include market knowledge, reputation, independence and whether professional standards are maintained. The management decides, after discussions with the valuation experts, which valuation techniques and inputs to use for each case.

At each reporting date, the management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The management, in conjunction with the valuation experts, also compares each the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.2 Summary of significant accounting policies (Continued)

n) Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses a derivative financial instrument—interest rate swap. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to the statement of comprehensive income, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment
- Hedges of a net investment in a foreign operation

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges that meet the strict criteria for hedge accounting are accounted for as described below:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss.

The Group uses forward currency contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments, as well as forward commodity contracts for its exposure to volatility in the commodity prices. The ineffective portion relating to foreign currency contracts is recognised in finance costs and the ineffective portion relating to commodity contracts is recognised in other operating income or expenses.

Amounts recognised as OCI are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as OCI are transferred to the initial carrying amount of the non-financial asset or liability.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in OCI remains separately in equity until the forecast transaction occurs or the foreign currency firm commitment is met.

For hedge accounting the Group applies IFRS 9, 7.2.21 and chooses as its accounting policy to continue to apply the hedge accounting requirements of IAS 39.

2.2 Summary of significant accounting policies (Continued)

o) Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each item of inventory to its present location and condition, are accounted for as follows:

- Goods—at specifically determined purchase cost.
- Raw materials—at purchase cost on the first-in first-out basis
- Finished goods and work in progress—at the cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion of the manufacturing cycle and the estimated costs necessary to make the sale.

p) Impairment of non-financial assets

The Group assesses at each reporting date whether there are indications that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the CGUs to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of comprehensive income, unless the asset is carried at a revalued amount in which case the reversal is treated as a revaluation increase.

Intangible assets

Intangible assets with indefinite useful lives and such not yet available for use are tested for impairment annually as at 31 December either individually or at the CGU level, as appropriate and when circumstances indicate that the carrying value may be impaired.

2.2 Summary of significant accounting policies (Continued)

q) Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash in bank accounts and in hand, and short-term deposits with a maturity of three months or less.

For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

r) Retirement benefits

Short-term employee benefits include salaries, interim and annual bonuses, social security contributions and paid annual leave of current employees expected to be settled wholly within twelve months after the end of the reporting period. They are recognised as an employee benefit expense in the profit or loss or included in the cost of an asset when service is rendered to the Group and measured at the undiscounted amount of the expected cost of the benefit. Information on short-term employee benefits is disclosed in Note 6.7.

One of the group subsidiaries operates with defined benefit plan arising from the requirement of the Bulgarian labour legislation to pay two or six gross monthly salaries to its employees upon retirement, depending on the length of their service. If an employee has worked for the Group for 10 years, the retirement benefit amounts to six gross monthly salaries upon retirement, otherwise, two gross monthly salaries. These retirement benefits are unfunded. The cost of providing benefits under the retirement benefit plan is determined using the projected unit credit method. Re-measurements, comprising of actuarial gains and losses, are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods. Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Group recognises restructuring-related costs.

Interest expense is calculated by applying the discount rate to the defined benefit liability. The Group recognises the following changes in the defined benefit obligation in profit or loss for the period:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements within "Employee benefits expense" depends on function.
- Interest expense within "Other costs".

One of the Group's subsidiaries has subscribed to a defined contribution plan with an insurance company for all of its employees, whereby the employees are entitled to a predefined yearly insurance contribution by the subsidiary to this contribution plan. Total contributions paid by the subsidiary for the year ended 31 December 2018 amounts to EUR 566 thousand (2017: EUR 494 thousand).

In all other countries where the Group has a subsidiary, branch or a representative office, there are no pension or other retirement benefits that fall within the scope of IAS 19.

s) Provisions

General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

2.2 Summary of significant accounting policies (Continued)

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Greenhouse gas emissions

The Group receives free emission rights in certain European countries as a result of the European Emission Trading Schemes. The rights are received on an annual basis and, in return, the Group is required to remit rights equal to its actual emissions. The Group has adopted the net liability approach to the emission rights granted. Therefore, a provision is recognised only when actual emissions exceed the emission rights granted and still held. The emission costs are recognised as other operating costs. When emission rights are purchased from other parties, they are recorded at cost, and treated as a reimbursement right, whereby they are matched to the emission liabilities and remeasured to fair value. The changes in the fair value are recognised in the statement of comprehensive income.

t) Issued capital

Issued capital represents the par value of shares issued and paid/ contributed by the shareholders. Associated costs are accounted for against the amounts raised.

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from the equity. No gain or loss is recognized in the statement of comprehensive income on the purchase, sale, issue or cancellation of the Group's own equity instruments.

u) Cash dividend and non-cash distribution to equity holders of the parent

The Group recognises a liability to make cash or non-cash distributions to equity holders of the parent when the distribution is authorised (i.e. approved by the shareholders) and the distribution is no longer at the discretion of the Group. A corresponding amount is recognised directly in equity.

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value remeasurement recognised directly in equity.

Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in the profit or loss.

2.3 Changes in accounting policies and disclosures

New and amended standards and interpretations

The Group applies IFRS 15 and IFRS 9 for the first time. The nature and effect of the changes resulting from the adoption of these new accounting standards are described below.

For the first time in 2018 some other amendments and clarifications are applied, but they have no impact on the financial statements of the Group. The Group has not adopted standards, clarifications or amendments that have been published but have not yet entered into force.

IFRS 9 *Financial Instruments: Classification and Measurement*

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group applied IFRS 9 prospectively, with an initial application date of 1 January 2018. The Group has not restated the comparative information, which continues to be reported under IAS 39. Differences arising from the adoption of IFRS 9 have been recognised directly in retained earnings and other components of equity.

2.3 Changes in accounting policies and disclosures (Continued)

The analysis made by the Group shows that there is no significant impact on its statement of financial position and equity as a result of the initial application of IFRS 9.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Group adopted IFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 January 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group elected to apply the standard only to contracts that are not completed as at 1 January 2018.

There is nof effect on equity from initianil application of IFRS 15 for the Group financial statements. The Group made no adjustments to the opening balance of retained earnings.

Set out below, are the amounts by which each financial statement line item is affected as at and for the year ended 31 December 2018 as a result of the adoption of IFRS 15. The adoption of IFRS 15 did not have a material impact on OCI or the Group's operating, investing and financing cash flows. The first column shows

2.3 Changes in accounting policies and disclosures (Continued)

amounts prepared under IFRS 15 and the second column shows what the amounts would have been had IFRS 15 not been adopted:

Consolidated statement of comprehensive income for the year ended 31 December 2018

	Reference	Amounts prepared under IFRS 15	Previous IFRS	Increase / (decrease)
		EUR'000	EUR'000	EUR'000
Revenue from contracts with customers	*b)*	*485,562*		*485,562*
Sale of goods	*b)*	*—*	*484,768*	*(484,768)*
Sale of services	*b)*	*—*	*1,794*	*(1,794)*
Revenue		485,562	485,562	—
Cost of sales		(274,807)	(274,807)	—
Gross profit		**210,755**	**210,755**	**—**
Other operating income		31,916	31,916	—
Selling and distribution costs		(65,405)	(65,405)	—
Administration expenses		(30,689)	(30,689)	—
Cost of administration of intellectual property		(8,458)	(8,458)	—
Other operating expenses		(31,889)	(31,889)	—
Profit from operations		**106,230**	**106,230**	**—**
Finance costs		(9,807)	(9,807)	—
Finance income		164	164	—
Share of profit of associate		(599)	(599)	—
Profit before tax		**95,988**	**95,988**	**—**
Income tax expense		(12,368)	(12,368)	—
Profit for the year		**83,620**	**83,620**	**—**
Attributable to:				
Owners of parent company		82,630	82,630	—
Owners Non-controlling interest		990	990	—

Besides the changes shown above that there is no significant impact on its statement of financial position and equity as a result of the initial application of IFRS 15.

a) Principal versus agent consideration

Based on the analysis performed by the Management, the Group has not entered into such agreements.

b) Other adjustments

Based on the analysis perfomed by the Group, the only adjustment that reflects the transition to IFRS 15 is related to the presentation of Revenue. According to IFRS 15 revenue should be presented as Revenue from contracts with customers.

IFRIC 22 *Foreign Currency Transactions and Advance Consideration*

This interpretation addresses how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency. The amendments have no effect on the financial position or performance of the Group.

2.3 Changes in accounting policies and disclosures (Continued)

IFRS 2 ***Share-based Payment (Amendments): Classification and Measurement of Share based Payment Transactions***

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, for share-based payment transactions with a net settlement feature for withholding tax obligations and for modifications to the terms and conditions of a sharebased payment that changes the classification of the transaction from cash-settled to equity-settled. The amendments have no effect on the financial position or performance of the Group.

IFRS 4 ***Insurance Contracts (Amendments): Applying*** **IFRS 9** ***Financial Instruments with*** **IFRS 4** ***Insurance Contracts***

The objective of these amendments is to address issues arising from the different effective dates of IFRS 9 Financial Instruments and the upcoming new insurance contracts standard IFRS 17 Insurance Contract. Entities issuing insurance contracts will still be able to adopt IFRS 9 on 1 January 2018. The amendments introduce two alternative options for entities issuing contracts within the scope of IFRS 4, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9. The overlay approach allows an entity applying IFRS 9 from 2018 onwards to remove from profit or loss the effects of some of the accounting mismatches that may occur from applying IFRS 9 before IFRS 17 is applied. They are not relevant for the Group.

IAS 40 ***Investment Property (Amendments): Transfers of Investment Property***

The amendments clarify transfers of property to, or from, investment property when there is a change in the use of such property which is supported by evidence. The amendments have no effect on the financial position or performance of the Group.

Annual Improvements to IFRSs 2014–2016 Cycle

Summary of amendments and related standards are provided below:

- IAS 28 Investments in Associates and Joint Ventures—measuring an associate or joint venture at fair value.

The amendments have no effect on the financial position or performance of the Group, since 2018 is the first year the Group has investments in associates.

3. Significant accounting judgments, estimates and assumptions

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgments and estimates

In the process of applying the Group's accounting policies, management has made the following estimates, which have the most significant effect on the amounts recognised in the financial statements:

3. Significant accounting judgments, estimates and assumptions (Continued)

Revenue from contracts with customers

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

- **Determining method to estimate variable consideration and assessing the constraint**

Certain contracts for the sale of finished goods include a right of return and volume rebates that give rise to variable consideration. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled.

The Group determined that the expected value method is the appropriate method to use in estimating the variable consideration for the sale of finished goods with rights of return, given the large number of customer contracts that have similar characteristics. In estimating the variable consideration for the sale of finished goods with volume rebates, the Group determined that using a combination of the most likely amount method and expected value method is appropriate. The selected method that better predicts the amount of variable consideration was primarily driven by the number of volume thresholds contained in the contract. The most likely amount method is used for those contracts with a single volume threshold, while the expected value method is used for contracts with more than one volume threshold.

Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group determined that the estimates of variable consideration are not constrained based on its historical experience, business forecast and the current economic conditions. In addition, the uncertainty on the variable consideration will be resolved within a short time frame.

- **Estimating variable consideration for returns of finished goods and volume rebates**

The Group estimates variable considerations to be included in the transaction price for the sale of finished goods with rights of return and volume rebates.

The Group developed a statistical model for forecasting sales returns. The model used the historical return data of each product to come up with expected return percentages. These percentages are applied to determine the expected value of the variable consideration. Any significant changes in experience as compared to historical return pattern will impact the expected return percentages estimated by the Group.

The Group's expected volume rebates are analysed on a per customer basis for contracts that are subject to a single volume threshold. Determining whether a customer will be likely entitled to rebate will depend on the customer's historical rebates entitlement and accumulated purchases to date. The Group applied a statistical model for estimating expected volume rebates for contracts with more than one volume threshold. The model uses the historical purchasing patterns and rebates entitlement of customers to determine the expected rebate percentages and the expected value of the variable consideration. Any significant changes in experience as compared to historical purchasing patterns and rebate entitlements of customers will impact the expected rebate percentages estimated by the Group.

The Group updates its assessment of expected returns of finished goods and volume rebates quarterly and the refund liabilities are adjusted accordingly. Estimates of expected returns and volume rebates are sensitive to changes in circumstances and the Group's past experience regarding returns and rebate entitlements may not be representative of customers' actual returns and rebate entitlements in the future. As at 31 December 2018 the Group considers the effect of this assessment for rebates as insiginificant, since all rebates are given at the same accounting period. The analysis of exected returns also show little impact on the Group financial statements.

Useful life of property, plant and equipment and intangible assets

The financial reporting on property, plant and equipment, and intangible assets includes the use of estimates of their expected useful lives and residual values, which are based on Group's management estimates. At year-

3. Significant accounting judgments, estimates and assumptions (Continued)

end, management performs a review and considers any necessary adjustments of the assets' useful life, carrying amount and methods for depreciation. Information about useful lives of property, plant and equipment is given in Note 2.2 f) and of intangible assets—in Note 2.2 i).

Provision for expected credit losses of trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is highly sensitive. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in Note 12.

In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognised in the financial statements:

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or CGU unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in arm's length transactions of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are further explained in Note 9.

Provisions

The Group recognizes provisions for the liability in excess over the greenhouse emission rights quotas. The determination of the provisions requires management to make an estimate of the costs that would be necessary to cover the respective liabilities of the Group and of the time period

Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective

3. Significant accounting judgments, estimates and assumptions (Continued)

Group's domicile. As the Group assesses the probability for a litigation and subsequent cash outflow with respect to taxes as remote, no contingent liability has been recognized. Further details on taxes are disclosed in Note 7.

Development costs

Development costs are capitalized and reported under Intangible assets in accordance with the accounting policy in Note 2.2. Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits.

Assumption on PPA of business

In preparing the PPA for the business acquired from the management makes judgement on the key assumptions for the forecasted cash flows. The management has considered 5 year cashflow period due to the significant uncertainty after that period related to specific conditions in the agreement.

Significant non-controlling interest in a subsidiary

The Group evaluates if a non-controlling interest in a subsidiary is material for disclosure purposes based on quantitative and qualitative indicators which incorporates the relative share of respective non-controlling interest in the consolidating equity and results for the current period.

Intangibles assets with indefinite useful life

Assets with indefinite useful life are tested for impairment annually. Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by the Group. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in Note 9.

4. Standards issued but not yet effective and not early adopted

Standards issued but not yet effective and not early adopted up to the date of issuance of the Group's financial statements are listed below. This listing is of standards and interpretations issued, which the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt those standards when they become effective.

IFRS 16 *Leases*

IFRS 16 was published in January 2016 and replaces IAS 17 *Leases,* IFRIC 4 *Determining Whether an Arrangement Contains a Lease,* SIC-15 *Operating Leases—Incentives,* SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.*

IFRS 16 sets out the principles for recognition, measurement, presentation and disclosures of leases and requires lessees to account all lease contracts based on uniform balance method, that is similar to the accounting treatment of finance lease in accordance with IAS 17. The Standard provides two exemptions from

4. Standards issued but not yet effective and not early adopted (Continued)

recognition of lease contracts—leases of low value assets (e.g. laptop computers) and short-term leases (e.g. lease with a lease term of 12 months or less). At the commencement date of the lease the lessee recognizes a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset (i.e. the right-of-use asset). The lessees will be required to recognize separately interest expenses on the lease liability and depreciation expense on the right-of-use asset.

The lessees will be also required to remeasure the lease liability when there is a lease modification (e.g. change in lease term, change in future lease payments resulting from a change in an index or a rate used to determine those payments). In general, the lessee will recognize the amount of remeasurement of the lease liability as correction in the right-of-use asset.

According to IFRS 16 the lessor accounting remains substantially unchanged from current accounting in accordance with IAS 17. Lessors will classify all leases using the same classification principle as in IAS 17 and distinguish between operating and finance leases.

IFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to provide more extensive disclosures from the ones required by IAS 17.

Transition to IFRS 16

The Group plans to apply IFRS 16 by electing the modified retrospective approach. The Group will apply the Standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4. Hence, the Group won't apply the Standard to contracts that were not previously identified as leases applying IAS 17 and IFRIC 4.

The Group will not use the practical expedients included in the Standard for lease contracts, for which the lease term expire in 12 months from the date of initial application and lease contracts of low value assets. The Group has lease contracts for office equipment (i.e. laptop computers, printing machines), which are considered for low value assets.

IFRS 17*: Insurance Contracts*

The standard is effective for annual periods beginning on or after 1 January 2021 with earlier application permitted if both IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have also been applied. The standard has not been yet endorsed by the EU. It is not applicable for the Group.

Amendments to* IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments have not yet been endorsed by the EU. It is not expected that these amendments would impact the financial position or performance of the Group.

IFRIC 23 *Uncertainty over Income Tax Treatments*

The Interpretation is effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances. The Group is in the process of assessing the impact of the new interpretation on its financial position or performance.

4. Standards issued but not yet effective and not early adopted (Continued)

IFRS 9 ***Financial Instruments: Classification and Measurement (Amendments): Prepayment Features with Negative Compensation***

The Amendments are effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. It is not expected that these amendments would impact the financial position or performance of the Group.

IAS 28 ***Investments in associates (Amendments): Long-term Interests in Associates and Joint Ventures***

The amendments are effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. It is not expected that these amendments would impact the financial position or performance of the Group.

IAS 19 ***Employee Benefits (Amendments): Plan Amendment, Curtailment or Settlement***

The amendments are effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. These amendments have not yet been endorsed by the EU. The Group is in the process of assessing the impact of these amendments on its financial position or performance.

IFRS 3 ***Business combinations (Amendments): Definition of a business***

The amendments are effective for annual periods beginning on or after 1 January 2020 with earlier application permitted. The amendments clarify the minimum requirements for a business and narrow the definition of a business. The amendments also remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive and introduce an optional fair value concentration test. These amendments have not yet been endorsed by the EU. The Group is in the process of assessing the impact of these amendments on its financial position or performance.

Amendments to **IAS 1** ***Presentation of Financial Statements and*** **IAS 8** ***Accounting Policies, Changes in Accounting Estimates and Errors: Definition of 'material'***

The amendments are effective for annual periods beginning on or after 1 January 2020 with earlier application permitted. The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS Standards. The amendments also specify that materiality will depend on the nature or magnitude of information. These amendments have not yet been endorsed by the EU. The Group is in the process of assessing the impact of these amendments on its financial position or performance.

The Conceptual Framework for Financial Reporting

The IASB issued the revised Conceptual Framework for Financial Reporting on 29 March 2018, which is effective for annual periods beginning on or after 1 January 2020. The Conceptual Framework sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. The main amendments introduced in the revised Conceptual framework for financial reporting are related to measurement, including factors, which should be considered when choosing measurement basis, and to presentation and disclosure, including income and expenses which should be classified in other comprehensive income. The Conceptual framework also provides updated definitions for asset and liability and criteria for their recognition in the financial statements. The Conceptual framework for financial reporting has not yet been endorsed by the EU. The Group is in the process of assessing the impact of these amendments on its financial position or performance.

4. Standards issued but not yet effective and not early adopted (Continued)

Annual Improvements to IFRSs 2015–2017 Cycle

In the 2015-2017 annual improvements cycle, the IASB issued amendments to standards which are effective for annual periods beginning on or after 1 January 2019. Summary of amendments and related standards are provided below:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangements—clarifying previously held interest in a joint operation;
- IAS 12 Income taxes—clarifying income tax consequences of payments on financial instruments classified as equity;
- IAS 23 Borrowing costs—clarifying borrowing costs eligible for capitalization.

The improvements to IFRSs 2015—2017 Cycle have not yet been endorsed by EU. The Group is in the process of assessing the impact of the amendments on its financial statements.

5. Business combination

Acquisition 2018

In 2018 Huvepharma Group made strategic acquisitions in North America and Europe.

Management of the Group has performed detailed analysis of the materiality of the acquired subsidiaries. The result of this analysis shows that the newly acquired subsidiaries are not individually material compared to total Group assets and to Group revenue, so Management considers it appropriate to present them aggregated. This is why disclosure of the amounts of revenue and profit or loss of the acquired entities since the acquisition date in the consolidated statement of comprehensive income for the reporting period is also impracticable

The aggregated fair values of the identifiable assets and liabilities as of the acquisition date are as follows:

	Fair value recognized on acquisition
	EUR'000
Property, plant and equipment (Note 8)	10,292
Intangible assets (Note 9)	13,025
Inventory	15,671
Trade and other receivables	14,264
Cash and cash equivalents	843
Other assets	473
Deferred tax liability, net	(657)
Trade and other payables	(10,020)
Provisions and other liabilities	(2,849)
Total identifiable net assets at fair value	**41,042**
Goodwill arising on acquisition	**4,769**
Purchase consideration	**45,811**

The amount of goodwill recognized as part of the acquisitions manly comprises of the expected synergies from strengthening Group presence and facilitating the marketing of new products in North America as well as adding an R&D centre and a vaccine plant in the region as well as strengthening EU veterinary presence by adding a complementary product portfolio to be distributed globally through Group's sales channels.

The gross contractual amount of receivables does not differ materially from their fair value. There are no contractual cashflows that are not expected to be collected.

There are no contingent considerations recognized on acquisition.

5. Business combination (Continued)

Acquisition 2017

In 2017 Huvepharma Group has acquired 100% of the shares of a Japanese company. The acquired company has developed, distributed and successfully marketed its products in Japan, as well as in the USA where they have been distributed by Huvepharma Group companies.

The fair values of the identifiable assets and liabilities as of the acquisition date are as follows:

	Fair value recognized on acquisition	Fair value recognized on acquisition
	EUR'000	USD'000
Intangible assets (Note 9)	5,359	5,636
Other receivables	59	62
Inventory	275	289
Trade receivables	295	301
Cash and cash equivalents	2,000	2,113
Deferred tax liability, net	(81)	(85)
Trade and other payables	(549)	(578)
Total identifiable net assets at fair value	**7,358**	**7,738**
Goodwill arising on acquisition	**1,800**	**1,893**
Purchase consideration	**9,158**	**9,631**

6. Income and expenses

6.1 Revenue

Segments

a) Type of finished goods or service

	2018	2017
	EUR'000	EUR'000
Revenue from sale of products	483,768	412,894
Revenue from services	950	1,324
Revenue from sale of electricity and emission reduction units	844	1,850
	485,562	**416,068**

b) Timing of revenue recognition

	2018	2017
	EUR'000	EUR'000
Goods transferred at a point in time	483,768	412,894
Services transferred over time	1,794	3,174
	485,562	**416,068**

6. Income and expenses (Continued)

6.2 Other operating income

	2018 EUR'000	2017 EUR'000
Net gains on sale of property, plant and equipment	(101)	108
Government grants* (Note 15)	794	17
Foreign currency gains	28,171	9,237
Other income	3,052	9,355
	31,916	**18,717**

* Government grants have been received for the development of technologies for medicines. There are no unsettled commitments or contingencies thereon.

6.3 Other operating expenses

	2018 EUR'000	2017 EUR'000
Foreign exchange rate losses	(26,236)	(12,924)
Other	(5,653)	(2,213)
	(31,889)	**(15,137)**

6.4 Finance costs

	2018 EUR'000	2017 EUR'000
Interest on loans and borrowings	(9,081)	(10,700)
Finance costs under finance leases	(82)	(100)
Other interest	(644)	(962)
Total finance costs	**(9,807)**	**(11,762)**

6.5 Finance income

	2018 EUR'000	2017 EUR'000
Interest income	164	54
	164	**54**

6. Income and expenses (Continued)

6.6 Depreciation, amortization and cost of inventories included in the consolidated statement of comprehensive income

	2018 EUR'000	2017 EUR'000
Included in cost of sales:		
Depreciation of property, plant and equipment	(7,418)	(6,266)
Amortization of intangible assets	(1,265)	(1,100)
Cost of inventories recognized as an expense	(222,899)	(180,192)
Included in administrative expenses:		
Depreciation of property, plant and equipment	(793)	(713)
Amortization of intangible assets	(1,834)	(1,003)
Minimum lease payments recognized as an operating lease expense	(94)	(106)
Included in selling and distribution costs:		
Depreciation of property, plant and equipment	(409)	(350)
Amortization of intangible assets	(2,685)	(2,750)
Minimum lease payments recognized as an operating lease expense	(103)	(63)
Included in cost for administration of intellectual property:		
Depreciation of property, plant and equipment	(420)	(145)
Amortization of intangible assets	(35)	—
Minimum lease payments recognized as an operating lease expense	(4)	(5)

6.7 Employee benefits expenses

	2018 EUR'000	2017 EUR'000
Included in cost of sales:		
Salaries and wages	(26,834)	(22,668)
Social security costs	(7,948)	(7,428)
Retirement benefits (Note 16)	(163)	18
Other	(722)	(282)
Included in administrative expenses:		
Salaries and wages	(7,689)	(6,759)
Social security costs	(1,723)	(925)
Retirement benefits (Note 16)	(338)	(57)
Compensations of key management personnel	—	—
Other	(309)	(230)
Included in selling and distribution costs:		
Salaries and wages	(19,407)	(15,709)
Social security costs	(3,910)	(3,004)
Retirement benefits (Note 16)	(45)	15
Other	(56)	(36)
Included in cost for administration of intellectual property:		
Salaries and wages	(2,534)	(1,757)
Social security costs	(828)	(553)
Retirement benefits (Note 16)	(1)	(9)
Other	(40)	(2)
Total employee benefits	**(72,547)**	**(59,386)**

6. Income and expenses (Continued)

6.8. Audit fees

The fees (VAT excluded) charged by audit organizations and auditors as defined in Article 382a, Part 9 of the Netherlands Civil Code, Book 2, can be specified as follows:

	2018 EUR'000	2017 EUR'000
Audit of financial statements	(218)	(176)
Other assurance services	—	—
Total audit fees	**(218)**	**(176)**

This summary only reflects costs charged by Ernst & Young and does not include fees charged by other audit organizations or auditors.

6.9 Administrative expenses

	2018 EUR'000	2017 EUR'000
Cost of materials	(549)	(448)
Hired services	(14,398)	(12,901)
Depreciation and amortization	(2,627)	(1,716)
Expenses on salaries and wages	(8,336)	(7,046)
Social security costs	(1,723)	(925)
Other expenses	(3,056)	(3,365)
Total administrative expenses	**(30,689)**	**(26,401)**

7. Income tax

The major components of income tax expense for the years ended 31 December 2018 and 2017 include:

Statement of comprehensive income

	2018 EUR'000	2017 EUR'000
Current income tax charge	(11,880)	(14,025)
Adjustments in respect of current income tax charge of previous years	(300)	—
Deferred tax relating to the origination and reversal of temporary differences	(188)	1,687
Income tax expense reported in the statement of comprehensive income	**(12,368)**	**(12,338)**

Other comprehensive income

	2018 EUR'000	2017 EUR'000
Deferred tax relating to items credited directly to other comprehensive income during the year:		—
Net gain/ (loss) on actuarial gains and losses	7	6
Net gain/ (loss) on Cash flow hedges	66	—
Income tax credited directly to other comprehensive income	**73**	**6**

7. Income tax (Continued)

The reconciliation of income tax expenses and accounting profit before income tax at the statutory income tax rate to income tax expense at the Group's effective income tax rate for the years ended 31 December 2018 and 31 December 2017 is as follows:

	2018	2017
	EUR'000	EUR'000
Accounting profit before income tax	**95,988**	**91,701**
At parent's corporate income tax rate of 25% (2017: 25%)	(23,997)	(22,925)
Effect of lower tax rates in other countries	11,120	10,291
Income not subject to tax	273	—
Non-deductible expenses for tax purposes	544	208
Non-deductible income for tax purposes	(66)	—
Adjustments in respect of current income tax charge of previous years	(242)	88
Income tax expense at the effective income tax rate	**(12,368)**	**(12,338)**

Deferred income taxes

Deferred income taxes relates to the following:

	Statement of financial position		Income statement	
	2018	2017	2018	2017
	EUR'000	EUR'000	EUR'000	EUR'000
Accelerated depreciation for accounting purposes	(5,405)	(3,925)	(1,480)	(402)
Accrual for employees unused paid leaves	190	167	23	93
Retirement benefit liability	87	80	7	46
Impaired receivables	91	38	53	(9)
Inventories	(227)	(796)	569	1,004
Tax losses carried forward	333	481	(148)	67
Unrealized profit	3,020	2,608	412	407
Other	988	612	376	481
Deferred tax expense			**(188)**	**1,687**
Actuarial losses	—	—		
Other comprehensive income	73	—		
Deferred taxes acquired in business combinations	(657)	—		
Deferred tax assets, net	**(1,507)**	**(735)**		
Reflected in the statement of financial position as follows:				
Deferred tax assets	3,020	2,608		
Deferred tax liabilities	(4,527)	(3,343)		
Deferred tax assets net	**(1,507)**	**(735)**		

Reconciliation of deferred tax assets, net

	2018	2017
	EUR'000	EUR'000
Opening balance as of 1 January	**(735)**	**(2,428)**
Tax expense during the year recognized in profit or loss	(188	1,687
Tax income during the year recognized in other comprehensive income	73	6
Deferred taxes acquired in business combinations	(657)	—
Closing balance as at 31 December	**(1,507)**	**(735)**

8. Property, plant and equipment

	Land	Land improvements	Buildings	Plant and equipment	Equipment	Motor vehicles	Office furniture	Construction in progress	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Cost:									
As at 1 January 2017	5,681	59	35,894	74,658	18,188	3,782	5,190	39,049	182,501
Additions	730	1	1,237	2,313	304	555	477	42,066	47,683
Acquisition through business combination	—	—	—	—	—	(6)	—	—	(6)
Disposals	(36)	—	(15)	(1,901)	—	(569)	(104)	(1,016)	(3,641)
Transfers	111	—	2,005	2,537	1,313	14	304	(6,401)	(117)
Foreign currency differences	(384)	(2)	(1,039)	(1,231)	(28)	(170)	(86)	(421)	(3,361)
As at 31 December 2017	6,102	58	38,082	76,376	19,777	3,606	5,781	73,277	223,059
Additions	8	—	76	2,692	128	970	710	90,814	95,398
Acquisition through business combination	627	—	5,478	3,518	—	8	684	50	10,365
Disposals	(38)	—	(1,533)	(1,029)	(59)	(278)	(159)	(233)	(3,329)
Transfers	121	1,271	9,058	14,989	3,043	13	388	(28,883)	—
Foreign currency differences	150	3	620	394	(57)	(3)	39	266	1,412
As at 31 December 2018	6,970	1,332	51,781	96,940	22,832	4,316	7,443	135,291	326,905
Depreciation and impairment:									
As at 1 January 2017	(7)	(49)	(9,122)	(39,466)	(4,673)	(2,022)	(2,859)	—	(58,198)
Depreciation charge for the year	(3)	(4)	(1,439)	(4,112)	(647)	(517)	(751)	—	(7,473)
Disposals	—	—	15	639	—	382	93	—	1,129
Foreign currency differences	1	2	324	681	3	91	54	—	1,156
As at 31 December 2017	(9)	(51)	(10,222)	(42,258)	(5,317)	(2,066)	(3,463)	—	(63,386)
Depreciation charge for the year	(2)	(79)	(2,147)	(4,680)	(760)	(530)	(842)	—	(9,040)
Disposals	—	—	239	875	12	275	157	—	1,558
Foreign currency differences	—	(3)	(156)	(236)	(22)	(3)	(21)	—	(441)
As at 31 December 2018	(11)	(133)	(12,286)	(46,299)	(6,087)	(2,324)	(4,169)	—	(71,309)
Net book value:									
As at 31 December 2018	6,959	1,199	39,495	50,641	16,745	1,992	3,274	135,291	255,596
As at 31 December 2017	6,093	7	27,860	34,118	14,460	1,540	2,318	73,277	159,673
As at 1 January 2017	5,674	10	26,772	35,192	13,515	1,760	2,331	39,049	124,303

Capitalized borrowing costs

Borrowing costs amounting to EUR 845 thousand have been capitalized in the financial year ended 31 December 2018 (2017: EUR 199 thousands). The interest rate used for capitalization of borrowing costs is 1.25% (until 1 December 2017: 1.5%).

Finance leases and assets in progress

As at 31 December 2018 the net book value of plant, equipment and motor vehicles acquired under finance leases amounts to EUR 191 thousand (31 December 2017: EUR 107 thousand).

As as 31 December 2018 land, real estate properties, buildings and plant, equipment and motor vehicles with carrying amount of EUR 164,351 thousand (2017: EUR 81,946 thousand) have been mortgaged or charged (first, second, third and fourth ranking security) as collateral for bank loans.

Fixed tangible assets in progress relate to the construction of an extension of the production facility.

9. Intangible assets

	Intellectual property rights	Software	Development products	Dossiers	Goodwill	Trade mark Optiphos	Others	Intangible assets in progress	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Cost:									
As at 1 January 2017	60,277	2,644	13,856	45,432	6,547	729	15,920	32,752	178,157
Additions	5,119	1,044	—	1,396	—	—	2,936	9,714	20,209
Acquisition through business combination	—	—	—	—	1,991	—	5,289	—	7,280
Disposals	(1,020)	(62)	—	—	—	—	—	(133)	(1,215)
Transfers	(2,600)	1,933	7,925	3 146	—	—	—	(10,349)	55
Foreign currency differences	(1,441)	(84)	—	—	(498)	—	77	(256)	(2,202)
As at 31 December 2017	60,335	5,475	21,781	49 974	8,040	729	24 222	31,728	202,284
Additions	1,594	1,148	6	6 939	—	—	3 254	15,670	28,611
Acquisition through business combination	12,906	6	—	—	4,798	—	174	—	17,884
Disposals	(3,956)	(6)	—	—	—	—	—	(1,982)	(5,944)
Transfers	968	1,034	235	7	—	—	—	(2,244)	—
Foreign currency differences	709	(47)	—	—	312	—	33	180	1,187
As at 31 December 2018	72,556	7,610	22,022	56,920	13,150	729	27,683	43,352	244,022
Accumulated amortization and impairment:									
As at 1 January 2017	(25,716)	(1,169)	(1,849)	—	—	—	(33)	—	(28,767)
Amortization charge for the year	(3,411)	(889)	(449)	—	—	—	(105)	—	(4,854)
Disposals	1,002	57	—	—	—	—	—	—	1,059
Foreign currency differences	398	39	—	—	—	—	—	—	437
As at 31 December 2017	(27,727)	(1,962)	(2,298)	—	—	—	(138)	—	(32,125)
Amortization charge for the year	(3,720)	(1,285)	(649)	—	—	—	(165)	—	(5,819)
Disposals	2	7	—	—	—	—	—	—	9
Foreign currency differences	(128)	1	—	—	—	—	(10)	—	(137)
As at 31 December 2018	(31,573)	(3,239)	(2,947)	—	—	—	(313)	—	(38,072)
Net book value:									
As at 31 December 2018	40,983	4,371	19,075	56,920	13,150	729	27,370	43,352	205,950
As at 31 December 2017	32,608	3,513	19,483	49,974	8,040	729	24,084	31,728	170,159
As at 1 January 2017	34,561	1,475	12 ,007	45,432	6,547	729	15,887	32,752	149,390

Intangible assets with carrying amount of EUR 157,213 thousand (2017: EUR 131,759) have been charged (first, second, third and fourth ranking security) as collateral on bank loans.

Cost for administration of intellectual property not eligible for capitalization is stated as cost for administration of intellectual property in the profit and loss.

Non-current intangible assets in progress relate to the development and acquisition of technologies and registration for the production and sale of pharmaceutical products.

Impairment testing of intangible assets with indefinite useful lives

For the purposes of impairment testing, intangible assets with indefinite useful lives amounting to EUR 98,169 thousands (2017: EUR 113,815 thousands) as well as intangible assets in progress amounting to EUR 43,352 thousand (2017: EUR 31,716 thousand) were tested as a part of a cash-generating unit: the consolidated financial statements of Huvepharma Group.

The Group performed its annual impairment test as at 31 December 2018.

The recoverable amount of cash-generating unit has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The projected cash flows have been updated to reflect the increased demand for products. The discount rate applied to cash flow projections is 9% (2017: 9.40%). As a result of this analysis, management did not identify any impairment for intangible assets with indefinite useful lives.

9. Intangible assets (Continued)

Key assumptions used in value in use calculations

The calculation of value in use for the cash-generating unit is most sensitive to the following assumptions:

- Gross margin
- Discount rate
- Introduction of new products

Gross margins—Gross margins are based on average values achieved in the five years preceding the start of the budget period. The slight increase reflects the expected sales of product mix.

Discount rates—Discount rates represent the current market assessment of the risks specific to the CGU, taking into consideration the time value of money. The discount rate calculation is based on the specific circumstances of the Group and is derived from its weighted average cost of debt. The cost of debt is based on the interest bearing borrowings that the Group is obliged to service. The equity price is calculated based on the investor's return on investments expectations.

Introduction of new products from existing APIs—These assumptions are important because management assesses how the unit's position, relative to its competitors, might change over the budget period when introducing new products. Management expects the Group's share of the feed additives market and pharmaceutical products to increase over the budgeted period mainly in the field of proteins demand and improving methods for livestock growing.

Sensitivity to changes in assumptions

With regard to the assessment of value in use of the cash-generating unit, management believes that no reasonably possible change in any of the above key assumptions would cause a drop of the recoverable amount of the unit above, below its respective carrying value.

10. Interest-bearing loans and borrowings

	Maturity	2018	2017
		EUR'000	EUR'000
Current interest-bearing loans and borrowings			
Obligations under finance leases (Note 18)		380	401
Current portion of loans			
Revolving credit lines	2022	11,893	10,652
Bank loan of EUR 268,680 thousand	2022	13,082	13,258
Bank loan of USD 51,320 thousand	2022	2,240	2,297
Car loan of EUR 63 thousand	2018	—	9
Italian State Fund Loan of EUR 197 thousand	2022	42	—
CAPEX Facility of EUR 50,000 thousand	2022	1,167	155
EIB Finance Contract EUR 100,000 thousand	2026	76	—
Total current interest-bearing loans and borrowings		**28,880**	**26,772**

10. Interest-bearing loans and borrowings (Continued)

	Maturity	2018 EUR'000	2017 EUR'000
Non-current interest-bearing loans and borrowings			
Obligations under finance leases (Note 18)		511	498
Non-current portion of loans			
Bank loan of EUR 268,680 thousand	2022	234,125	247,102
Bank loan of USD 51,320 thousand	2022	44,120	46,335
Car loan of EUR 63 thousand	2018	—	—
Italian State Fund Loan EUR 197 thousand	2022	95	139
CAPEX Facility of EUR 50,000 thousand	2022	26,837	28,000
EIB Finance Contract EUR 100,000 thousand	2026	69,924	—
Total current interest-bearing loans and borrowings		**375,612**	**322,074**

The contractual interest rate on the above loans and borrowings is the 3-month EURIBOR/ LIBOR plus fixed margin. The average nominal effective interest rate on the above loans and borrowings is approximately 1.35% (2017: 1.29%).

Senior Facilities Agreement dated 15 August 2014 (as amended and restated on 4 February 2016, 2 March 2016, 18 August 2017, and as further amended and restated on 25 July 2017, and as further amended and restated on 25 July 2017)

The term loan facilities in the aggregate amount of EUR 450,000 thousand is granted for the purpose of new capital expenditure financing, additional revolving financing, and refinancing of all existing loans and borrowings of all the companies in the Huvepharma Group. The loan is secured as follows::

- First, second, third and fourth ranking Dutch law share pledge over the shares in Huvepharma International B.V.
- First second, third fourth ranking Dutch law bank account pledge agreement of Huvepharma International B.V.
- First, second, third fourth ranking Dutch law share pledge over the shares in Huvepharma Holdings B.V.
- Pledge over all receivables of Huvepharma International B.V. under English law hedging security agreement;
- First, second, third fourth ranking Dutch law receivable pledge agreement of Huvepharma Holdings B.V.
- First ranking Bulgarian law share pledge over all shares in Huveproject EAD
- First ranking Bulgarian law special and financial collateral share pledges over the shares in Huveproject EAD
- First ranking Bulgarian law going concern pledges on bank accounts, machinery and equipment, intangible assets, real estate and intra-group receivables of Huveproject EAD
- First ranking Bulgarian law participatory share pledges over the shares in Huvepharma EOOD owned by Huveproject EAD
- First ranking Bulgarian law going concern pledges on bank accounts, machinery and equipment, intangible assets, real estate and intra-group receivables of Huvepharma EOOD
- Pledge over all receivables of Huvepharma EOOD under English law hedging security agreement;
- First ranking Bulgarian law share pledge over all shares in Biovet AD

10. Interest-bearing loans and borrowings (Continued)

- First ranking Bulgarian law special and financial collateral share pledges over the shares in Biovet AD
- First ranking Bulgarian law going concern pledges on bank accounts, machinery and equipment, intangible assets, real estate and intra-group receivables of Biovet AD
- First, second and third ranking Belgian law share pledges over the shares in Huvepharma N.V.
- First, second and third ranking Belgian law pledges on bank accounts and receivables of Huvepharma N.V.
- New York law share pledge over the shares in Huvepharma Inc.
- New York law pledge over all personal property of Huvepharma Inc.
- Brazilian Law Fiduciary Assignment of Receivables of Huvepharma Do Brasil Ltda.
- Italian law deed of pledge over the bank accounts opened in Italy in the name of Huvepharma Italia S.r.l
- Italian law assignment by way of security of the receivables owed to Huvepharma Italia S.r.l. under insurance policies, intercompany loans and commercial agreements

As a part of the loan agreement the Group has at its disposal a credit line for the amount of EUR 80,000 thousands.

The agreement contains covenants, which require the Group to maintain ratios of senior leverage, senior interest cover.

- Senior leverage is a ratio of the total debt minus the cash and cash equivalents to EBITDA as defined in the agreement. Total debt is the nominal amount of the outstanding indebtedness of the Group as defined in the agreement.
- Senior interest cover is a ratio of EBITDA to finance charges as defined in the agreement.
- EBITDA is calculated as the operating profit before taxation is adjusted with all items described in the agreement.

The agreement contains also non-financial covenants, which require the entity to provide certain financial and non-financial information as well as to inform the creditors for events if occurred.

As of 31 December 2018 the Group is in compliance with all covenants.

Finance Contract dated 22 December 2017

The Finance Contract for EUR 100,000 thousands was entered into between Biovet AD and the European Investment Bank on 22 December 2017. The purpose of the facility is to finance capital expenditures of Biovet AD concerning the ongoing industrial construction projects in Razgrad and Peshtera as well as certain R&D activities. The contract is secured with security package, which includes Group Guarantee Agreement by Huvepharma International B.V., Huvepharma Holdings B.V., Huveproject EAD, Huvepharma EOOD, Huvepharma NV, Huvepharma, Inc., Huvepharma Italia S.r.l. and Huvepharma Do Brasil Ltda., and other market standard security documents. The Finance Contract contains covenants, which require the Group to maintain ratios of EBITDA, senior leverage, and senior interest cover. Certain non-financial covenants requiring Biovet AD to provide financial and non-financial information as well as to inform the creditors for events upon occurrence are also provided in the contract. The Finance Contract becomes effective upon the satisfaction of all provided conditions precedent, all of which as of the date of this financial statement have been satisfied. The termination date of the Finance Contract is March 2026. The loan is secured as follows:

- Fourth ranking Dutch law share pledge over the shares in Huvepharma International B.V.
- Fourth ranking Dutch law bank account pledge agreement of Huvepharma International B.V.

10. Interest-bearing loans and borrowings (Continued)

- Fourth ranking Dutch law share pledge over the shares in Huvepharma Holdings B.V.
- Pledge over all receivables of Huvepharma International B.V. under English law hedging security agreement;
- Fourth ranking Dutch law receivable pledge agreement of Huvepharma Holdings B.V.
- Second ranking Bulgarian law share pledge over all shares in Huveproject EAD
- Second ranking Bulgarian law special and financial collateral share pledges over the shares in Huveproject EAD
- Second ranking Bulgarian law going concern pledges on bank accounts, machinery and equipment, intangible assets, real estate and intra-group receivables of Huveproject EAD
- Second ranking Bulgarian law participatory share pledges over the shares in Huvepharma EOOD owned by Huveproject EAD
- Second ranking Bulgarian law going concern pledges on bank accounts, machinery and equipment, intangible assets, real estate and intra-group receivables of Huvepharma EOOD
- Pledge over all receivables of Huvepharma EOOD under English law hedging security agreement;
- Second ranking Bulgarian law share pledge over all shares in Biovet AD
- Second ranking Bulgarian law special and financial collateral share pledges over the shares in Biovet AD
- Second ranking Bulgarian law going concern pledges on bank accounts, machinery and equipment, intangible assets, real estate and intra-group receivables of Biovet AD
- Fourth ranking Belgian law share pledges over the shares in Huvepharma N.V.
- Fourth ranking Belgian law pledges on bank accounts and receivables of Huvepharma N.V.
- New York law share pledge over the shares in Huvepharma Inc.
- New York law pledge over all personal property of Huvepharma Inc.
- Brazilian Law Fiduciary Assignment of Receivables of Huvepharma Do Brasil Ltda.
- Italian law deed of pledge over the bank accounts opened in Italy in the name of Huvepharma Italia S.r.l
- Italian law assignment by way of security of the receivables owed to Huvepharma Italia S.r.l. under insurance policies, intercompany loans and commercial agreements

11. Inventories

	2018	2017
	EUR'000	EUR'000
Raw materials (at cost)	139,221	86,582
Work in progress (at cost)	12,270	12,377
Finished products (at net realizable value)	10,537	17,834
Total inventories at cost	**162,028**	**116,793**

No write-down of inventories to net realizable value has been made by the Group during 2018 (2017: Nil).

12. Trade and other receivables

	2018	2017
	EUR'000	EUR'000
Trade receivables	49,118	71,734
Advances to suppliers	774	339
VAT receivable	7,444	7,532
Other taxes receivables	1,621	810
Other receivables	1,029	639
Receivables from related parties	—	1
	59,986	**81,055**

Trade receivables are non-interest bearing and are generally on a 60 to 90-day term.

As at 31 December 2018 ageing analysis of trade receivables and contract assets is presented in the table below using a provisional matrix.

		Trade receivables						
		Days past due						
	Contract assets	Current	< 30 days	30–60 days	61–90 days	90–120 days	>120 days	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Expected credit loss rate	0%	0%	0%	0%	0%	0%	0%	0%
Estimated total gross carrying amount at default	—	36,450	6,328	3,066	1,584	925	855	49,118
Expected credit loss	—	—	—	—	—	—	—	—
Total receivables	—	36,450	6,328	3,066	1,584	925	855	49,118

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer . The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about GDP and corporate default and recovery rates. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity.

At 31 December 2018 trade receivables with nominal value of EUR 1,064 thousand (31 December 2017: EUR 898 thousand) are partially uncollectable and partially provided. The movement in the provision for impairment of receivables (netted off in the above analysis) is presented below:

	2018	2017
	EUR'000	EUR'000
At 1 January	**898**	**898**
Impairment for the year	166	—
At 31 December	**1,064**	**898**

As at 31 December 2018 and 31 December 2017 the Group have not written off trade receivables.

As at 31 December 2018 trade receivables (including receivables from related parties) with carrying amount of (before eliminations) EUR 213,356 thousand have been charged (first, second, third and fourth ranking security) as collateral on bank loans (31 December 2017: EUR 165,274 thousand).

12. Trade and other receivables (Continued)

As at 31 December, the ageing analysis of trade receivables is as follows:

		Past due but not impaired					
	Total	Regular not impaired	0–30	31–60	61–90	91–120	over 120
	EUR'000	EUR'000	EUR'000	EUR'0000	EUR'000	EUR'000	EUR'000
2018	49,118	36,450	6,238	3,066	1,584	925	855
2017	71,734	66,652	3,626	499	585	71	301

13. Cash and short-term deposits

Cash in bank accounts and in hand at 31 December 2018 amounted to EUR 18,066 thousand (2017: EUR 29,167 thousand). Cash in bank accounts bear floating interest rates based on daily bank interest rates on deposits. Shortterm deposits are made for varying periods of between one day and one month, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

As at 31 December 2018 bank accounts amounting to EUR 10,952 thousand have been charged (first, second, third and fourth ranking security) as collateral on bank loans (31 December 2017: EUR 27,090 thousand).

14. Issued capital and reserves

14.1 Share capital

	Number of ordinary shares	EUR'000
Ordinary shares of EUR 1 each, issued and fully paid		
At 31 December 2018	**137,029**	**137,029**

14.2 Share premium

	EUR'000
At 31 December 2018	**16,813**
At 31 December 2017	**16,813**

The share premium reserve of EUR 16,813 thousand represents the premium paid over the nominal amount of the shares of Huvepharma EAD.

14.3 Dividend distribution

Pursuant to the Group's strategic development plans the generated earnings are taken to retained earnings in order to be reinvested for financing current operating projects and generating growth in a long term perspective. Following the conservative financial policies of the Group, in 2018 dividend distributions are back to moderate level.

14.4 Statutory and other reserves

The additional reserve is formed from retained earnings. The source of forming the additional reserve is the net profit of the year.

14. Issued capital and reserves (Continued)

14.5 Acquisition of non-controlling interest

In 2018, the Group acquired additional 4,61% non-controlling interest in its subsidiary Biovet AD. As at 31 December 2018, the Group holds 95,54% of shares of "Biovet" AD (2017: 91,13%). There is no contingent consideration related to this transaction. There are no additional acquisition-related costs.

15. Government grants

	2018 EUR'000	2017 EUR'000
At 1 January	**—**	**17**
Received during the year	924	(17)
Received in the statement of comprehensive income (Note 6.2)	(794)	—
At 31 December	**130**	**—**
Non-current	**130**	**—**

Government grants have been received for the purchase of certain items of property, plant and equipment and for current operating scientific activity as well as a grant aiming at reducing the burden imposed by the costs of energy from renewable sources. There are no unsettled commitments or contingencies relating to these grants.

16. Retirement benefit liability

The retirement benefit liability of the Group is unfunded. The following tables summarize the components of the net benefits expense recognized in the consolidated statement of comprehensive income and the amounts recognized in the consolidated statement of financial position for the retirement benefit liability:

Retirement benefit expenses

	2018 EUR'000	2017 EUR'000
Current service costs	547	33
Interest costs on retirement benefit liabilities	11	13
Net retirement benefit expenses recognized in the statement of comprehensive income (Note 6.7)	**558**	**46**

16. Retirement benefit liability (Continued)

Changes in the present value of the retirement benefit obligation are as follows:

	EUR'000
Retirement benefit liability at 1 January 2017—non current	**2,049**
Interest cost	13
Current service costs	33
Acquired through business combination	(37)
Benefits paid	56
Actuarial losses	12
FX Differences—previous period	—
Retirement benefit liability at 31 December 2017—non current	**2,126**
Interest cost	11
Current service costs	547
Acquired through business combination	—
Benefits paid	(51)
Actuarial losses	68
FX Differences—current period	(16)
Retirement benefit liability at 31 December 2018—non current	**2,685**

The principal assumptions used in determining retirement benefit obligations and benefits for the Group's schemes are shown below:

	2018	2017
Discount rate	2%	2%
Future salary increase in the first 3 years	4%	4%
Future salary increase after the first 3 years	4%	4%
Staff turnover rate	8%	8%
Mortality rate	0%	0%

A quantitative sensitivity analysis for significant assumption as at 31 December 2018 is as shown below:

	Discount rate		Future salary increases		Staff turnover	
Assumptions Sensitivity Level	**1% increase**	**1% decrease**	**1% increase**	**1% decrease**	**1% increase**	**1% decrease**
	EUR'000	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**
Impact on the defined benefit obligation	(33)	36	44	(42)	(66)	66

A quantitative sensitivity analysis for significant assumption as at 31 December 2017 is as shown below:

	Discount rate		Future salary increases		Staff turnover	
Assumptions Sensitivity Level	**1% increase**	**1% decrease**	**1% increase**	**1% decrease**	**1% increase**	**1% decrease**
	EUR'000	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**
Impact on the defined benefit obligation	(40)	44	35	(33)	(54)	54

The sensitivity analyses above have been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

17. Trade and other payables

	2018	2017
	EUR'000	EUR'000
Trade payables	100,461	70,712
Advances from customers	673	193
Payables to related parties	76	40
Salary payables	10,073	7,289
Social security payables	1,847	1,215
Deferred consideration as a result of a business combination*	2,775	3,437
Tax payables	2,348	1,924
Other payables	9,239	10,482
	127,492	**95,292**
Current	125,579	91,814
Non-current	1,913	3,478

* The deferred consideration as a result of business combination represents the present value of the liability related to the acquisition of Huvepharma Japan and ANC Turkey. As at 31 December 2018 the liability amounts to EUR 2,775 thousand (2017: EUR 3,437), EUR 1,567 thousand of which are presented as long-term. Additional information is disclosed in Note 5.

Terms and conditions of the financial liabilities, set out in the tables above, are as follows:

- Trade payables are non-interest bearing and are generally on 90 days terms;
- Tax payables are non-interest bearing and are settled within the legally established deadlines;

18. Commitments and contingent liabilities

Operating lease commitments

The Group has entered into non-cancellable lease contracts for motor vehicles, machinery and office equipment. The term of these leases ranges from 3 to 5 years, without an option of renewal of the contracts. There are no restrictions imposed on the Group as a result of these contracts.

	2018	2017
	EUR'000	EUR'000
Within one year	731	797
From one to five years	976	1,119
	1,707	**1,916**

18. Commitments and contingent liabilities (Continued)

Finance lease commitments

The Group concluded finance lease contracts for equipment, motor vehicles and machinery. These leases have a purchase option. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follow:

	2018 Minimum payments	Present value of payments	2017 Minimum payments	Present value of payments
	EUR'000	EUR'000	EUR'000	EUR'000
Within one year	436	380	405	401
After one year but not more than five years	542	511	503	498
Total minimum lease payments	978	891	908	899
Less amounts representing finance charges	(87)	—	(9)	—
Present value of minimum lease payments	**891**	**891**	**899**	**899**
Total Current		**380**		**401**
Total Non-current		**511**		**498**

Legal claims

There were no pending material legal claims to which the Group is a party either as a defendant or as a plaintiff.

Guarantees

The Group provided guarantees in the amount of EUR 955 thousand (2017: EUR 1,210 thousand) associated with the purchase/sale of electrical and heating power; guarantee of EUR 6,582 thousand (2017: EUR 4,328 thousand) with the support of a grant received from the Bulgarian Small and Medium Enterprise Promotion Agency in the amount of EUR 73 thousand (2017: Nil).

The Group has entered into a contract with CIBank EAD (now United Bulgarian Bank AD) for issuing bank guarantees expiring on 30 June 2019. The contract provides that the bank shall issue bank guarantees up to a total limit for all outstanding bank guarantees of EUR 1,023 thousand. As of 31 December 2018, the Group has outstanding bank guarantees in the amount of EUR 1,027 thousand (2017: EUR 943 thousand).

19. Financial risk management objectives and policies

The Group's financial liabilities, comprise interest-bearing loans and borrowings, trade payables and financial derivatives. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group also has cash and short-term deposits, and trade receivables, which arise directly from its operations. The derivative interest rate swap is serving the purpose to hedge the cash flow risk arising from TLA.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to its long-term debt obligations with floating interest rates.

The Group manages its interest rate risk by having a balanced portfolio of both floating and fixed rate loans and borrowings, with the decrease of EURIBOR below zero is fixed via zero floor in the original facility agreement. Additionally, the Group has entered into interest rate swaps to 'fix' the interest rate of the debt

19. Financial risk management objectives and policies (Continued)

issued on 23 October 2017. With all other variables held constant, the Company believes there is no reasonable change in the intrest rate due to the terms of the bank loans.

Hedging relationship

The Group applied hedge accounting in a form of cash flow hedge. Hedge of interest rate risk arising on variable interest payable on 50% of bank debt EUR 307 million. It has contracts for interest rate swap transactions with four counterparties to receive variable interest rate and pay fixed interest rate.

Identification of hedging item and instruments

The hedged item is a loan with a notional amount of EUR 307 million at inception of hedging relationship, an interest rate of EURIBOR + margin and a maturity date of 25 July 2022. Interest and principal are settled quarterly following a repayment schedule.

The hedging instruments are interest rate swaps, they are four separate contracts. Each is hedging 12,5% of the notional amount of the loan with fixed rates that are between 0,29%-0,31%. The maturity date and settlement dates are matched to those of the loan.

Economic relationship

The hedged item creates an exposure to pay three-month EURIBOR interest on EUR 307 million notional, settled quarterly. The interest rate swaps on 50% of the notional creates an equal and opposite interest receipt and a fixed interest payment, therefore creating an exact offset to 50% of the cashflows from EURIBOR for this transaction resulting in a net fixed interest payable.

Effect of credit risk

As credit risk is not part of the hedged risk, the credit risk of Huvepharma only impacts value changes of the hedging instrument.

Credit risk arises from the credit rating of Huvepharma and the counterparty to the interest rate swap, the bank. The Group monitors the Group and the bank's credit risk for adverse changes. The risk associated with Huvepharma and the bank is considered minimal and will be re-assessed on each reporting date or in cases where there is a significant change in either party's circumstances.

Hedge ratio

To comply with the risk management policy, the hedge ratio is based on debt with a notional of EUR 307,366 thousand with a three-month interest settlement date and maturity date of 25 July 2022, offset by four interest rate swaps with the same critical terms, except notional amount (which is 12.5% of the notional amount of the debt per swap). This results in a hedge ratio of 1:0.5 or 50%.

Sources of ineffectiveness

As of current assessments no material sources of ineffectiveness were identified. This will be re-assessed on each reporting date or in cases where there is a significant change.

Frequency of assessing hedge effectiveness

Assessment of hedge effectiveness is done at inception of the hedge, at each reporting date and upon a significant change in the circumstances affecting the hedge effectiveness requirements.

Hedge effectiveness assessment

As described in the hedge documentation, critical terms of the hedging instrument and the hedged items perfectly match. Therefore, management can qualitatively assess that the hedging instrument and the hedged items will move in the opposite direction and will be perfectly offset.

19. Financial risk management objectives and policies (Continued)

As the credit rating of the counterparty to the derivative is high and Huvepharma's credit risk is considered to be low, the effect of credit risk is considered as neither material nor dominant in the economic relationship.

Conclusion: the hedge is expected to be highly effective.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the Parent's functional currency).

The following tables demonstrate the sensitivity of the pre-tax profit of the Group to a reasonably possible change in the US dollar exchange rate, with all other variables held constant. The Group's exposure to foreign currency changes for all other currencies is not material.

	Change in the USD exchange rate	Effect on the profit before tax
		EUR'000
2018	+5,19%	796
	–5,19%	(796)
2017	+7,57%	(512)
	–7,57%	512

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Trade receivables

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed individually. Outstanding customer receivables are regularly monitored and any deliveries to major customers are generally covered by letters of credit or other forms of credit insurance.

The requirement for impairment is analysed at each reporting date on an individual basis for each client. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 12. The Group evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in more than 75 jurisdictions and operate in largely independent markets.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, and other financial assets (non-current), the Group's exposure to credit risk arises from default of the counterparty, with the maximum credit exposure equalling the carrying amount of these instruments.

Liquidity risk

Liquidity risk is the risk that the Group might face difficulties in meeting its financial liabilities when they are settled in cash or in other financial assets. The Group applies a conservative liquidity management policy through which it constantly maintains an optimum liquid stock of cash and a good ability to finance its operations. The Group uses borrowings as well. The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders.

The Group monitors and controls the actual and forecast cash flows by periods ahead and maintains the balance between the maturities of Group's assets and liabilities. The maturities and timely payments are monitored

19. Financial risk management objectives and policies (Continued)

currently by the Financial and Accounting Department, and day-to-day information about the available cash and forthcoming payments is maintained.

The table below summarises the maturity profile of the Group's financial liabilities, liabilities to the personnel, tax and other liabilities based on contractual undiscounted payments:

Year ended 31 December 2018

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Interest-bearing loans and borrowings	1	5,685	28,313	387,434	—	421,433
Trade and other liabilities	167	117,872	6,706	2,447	300	127,492
	168	**123,557**	**35,019**	**389,881**	**300**	**548,925**

Year ended 31 December 2017

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Interest-bearing loans and borrowings	12	15,937	15,850	341,643	—	373,442
Trade and other liabilities	240	89,393	2,339	3,320	—	95,292
	252	**105,330**	**18,189**	**344,963**	**—**	**468,734**

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios to support its business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, increase or decrease its share capital, at a decision of shareholders. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2018 and 31 December 2017.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and cash equivalents.

Capital management

	2018	2017
	EUR'000	EUR'000
Interest-bearing loans and borrowings	404,492	348,846
Trade and other payables	125,579	91,957
Less: cash and short-term deposits	(18,066)	(29,167)
Net debt	**512,005**	**411,636**
Equity	176,849	115,281
Equity and net debt	**688,854**	**526,917**
Gearing ratio	74%	78%

20. Related party disclosures

Ultimate parent company

As of 31 December 2018 Advance Properties holds 100.00% of Huvepharma International B.V. and is its ultimate parent company owned by Mr. Kiril Domuschiev and Mr. Georgi Domuschiev who are the ultimate controlling parties.

Other related parties (under common control)

Este Properties EOOD

The Group has and another related parties under the common control of Kiril Domuschiev and Georgi Domuschiev, but there are no transactions between them.

The consolidated financial statements include the financial statements of Huvepharma EOOD and the subsidiaries listed in the following table:

	Country of incorporation	% of equity interest	
		2018	2017
Huvepharma Holdings B.V.	Netherlands	100%	100%
Huveproject EAD	Bulgaria	100%	100%
Huvepharma EOOD	Bulgaria	100%	100%
Biovet AD	Bulgaria	95,54%	91,13%
Biovet DOOEL (subsidiary of Biovet AD)	Macedonia	95,54%	91,13%
Huvepharma NV	Belgium	99,93%	99,93%
Huvepharma Inc	USA	100%	100%
Huvepharma Polska Sp.z.o.o.	Poland	100%	100%
Huvephrma Thailand Ltd.	Thailand	99,99%	99,99%
Huvepharma do Brazil	Brazil	99%	99%
Huvepharma Sea Pune Private Limited	India	51%	51%
Huvepharma South Africa	South Africa	100%	100%
ANC Hayvan Beslenmesi ve Sagligi Hizmetleri. A.S.	Turkey	100%	100%
Huvepharma Italia S.R.L.	Italy	100%	100%
Huvepharma de Mexico S.A. de C.V.	Mexico	99,998%	99,998%
Abio EOOD (subsidiary of Biovet AD)	Bulgaria	95,54%	91,13%
Bio TechIno OOD (subsidiary of Biovet AD)	Bulgaria	48.53%	48.53%
Huvepharma Japan	Japan	100%	100%
Huvepharma Canada	Canada	100%	100%
Huvepharma Netherlands	The Netherlands	99,93%	99,93%
Stock Energy EOOD	Bulgaria	95,54%	—
LLC “EUROLINE-2018”	Ukraine	57,32%	—
Huvepharma S.A.	France	99,9%	—
Laboratoire Meriel	France	100%	—
Qalian Italia S.r.l.	Italy	100%	—
Qalian Portugal Unipessoal	Portugal	100%	—

20. Related party disclosures (Continued)

The following table provides the total amount of transactions, which have been entered into and the outstanding balances for the relevant financial year (information for the outstanding balances at 31 December 2018 and 2017:

		Other related parties (under common control)
		EUR'000
Sales to / purchases from related parties		
Purchases of services	2018	545
	2017	1,083
Sales of services	2018	750
	2017	—
Amounts due from related parties	**2018**	**34**
	2017	**34**
Total non-current receivables	2018	34
Total non-current receivables	2017	33
Total current receivables	2018	—
Total current receivables	2017	1
Amounts due to related parties	**2018**	**76**
	2017	**—**
Total current liabilities	2018	76
Total current liabilities	2017	—

The Group has EUR 25 thousand as payable to Advance properties as at 31 December 2018 (2017: Nil).

Compensation of key management personnel

The compensation of key management personnel paid in 2018 amounted to EUR 6,586 thousand (2017: EUR 5,111 thousand). The retirement benefit provision related to the management personal is EUR 42 thousand (2017: EUR 42 thousand).

Terms and conditions of related party transactions

The sales to and purchases from related parties are made at contractual prices. Outstanding balances at the year-end are unsecured, interest-free and the settlement is made in cash. There have been no guarantees provided to or received for any related party receivables or payables. At 31 December 2018 the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2017: Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

21. Fair value measurement

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities.

21. Fair value measurement (Continued)

Quantitative disclosures of fair value measurement hierarchy as of 31 December 2018

	Date of valuation	Total	Fair value measurement using: Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		EUR'000	EUR'000	EUR'000	EUR'000
Assets for which fair values are disclosed					
Cash and short-term deposits (Note 13)	**31.12.2018**	18,066	—	18,066	—
Liabilities for which fair values are disclosed:					
Interest-bearing loans and borrowings (Note 10)	**31.12.2018**	404,492	—	404,492	—
Interest rate swap	**31.12.2018**	650	—	650	—
Deferred consideration as a result of business combination (Note 17)	**31.12.2018**	2,775	—	2,775	—

Quantitative disclosures of fair value measurement hierarchy as of 31 December 2017

	Date of valuation	Total	Fair value measurement using: Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		EUR'000	EUR'000	EUR'000	EUR'000
Assets for which fair values are disclosed					
Cash and short-term deposits (Note 13)	**31.12.2017**	29,167	—	29,167	—
Liabilities for which fair values are disclosed:					
Interest-bearing loans and borrowings (Note 10)	**31.12.2017**	348,846	—	348,846	—
Deferred consideration as a result of business combination (Note 17)	**31.12.2017**	3,437	—	3,437	—

22. Fair value of financial instruments

Set out below is a comparison by class of carrying amounts and fair values of all of the Group's financial instruments that are carried in the financial statements:

	Carrying amount 2018	2017	Fair value 2018	2017
	EUR'000	EUR'000	EUR'000	EUR'000
Financial assets				
Trade receivables (Note 12)	49,118	71,734	49,118	71 734
Receivables from related parties (Note 20)	34	33	34	33
Cash and cash equivalents	18,066	29,167	18,066	29 167
Financial liabilities				
Interest bearing loans and borrowings (Note 10)	404,492	348,846	404,492	348 846
Trade payables (Note 17)	100,461	70,712	100,461	70 712
Borrowings from related parties	—	—	—	—
Payables to related parties (Note 20)	76	40	76	40
Deferred consideration as a result of a business combination (Note 17)	2,775	3,437	2,775	3,437

22. Fair value of financial instruments (Continued)

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- Long-term fixed-rate and variable-rate receivables are evaluated by the Group based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer and the risk characteristics of the financed transaction/project. Based on this evaluation, allowances are taken into account for the expected losses of these receivables. As at 31 December 2018, the carrying amounts of such receivables, net of allowances, were not materially different from their calculated fair values.
- Cash and short-term deposits, trade receivables, trade payables, and other current assets and liabilities approximate their carrying amounts due to the short-term maturities of these instruments.

23. Investment in associates

At 31 December 2018 the Group holds 32.6% of the share capital of US Company equal to USD 10 million (EUR 8.734 mln). The first tranche of the shares of this US Company was acquired on 20 December 2017 for the amount of USD 5 million. Subsequent purchase of shares was executed on 1 July 2018 for the amount of USD 5 million. The subscription of the shares is related to Development and Commercialization Agreement, whereby Huvepharma provides funding for certain product development activities against the acquisition of share participation in the US Company by several separate share subscriptions throughout certain period of time. The funding is subject to satisfactory progress of the development activities.

From the date of the acquisition the US Company contributed with EUR 599 loss after tax to the Group result.

24. Material partly-owned subsidiaries

Financial information of subsidiaries that have material non-controlling interest is provided below:

Portion of equity interest held by non-controlling interest:

Name	Country of incorporation	2018	2017
Biovet AD	Bulgaria	4,46%	8,87%
Accumulated balance of material non-controlling interest		4,135	7,015
Profit allocated to material non-controlling interest		632	1,042

The summarized financial information of these subsidiaries is provided below. This information is based on amounts before inter-Group eliminations.

24. Material partly-owned subsidiaries (Continued)

Summarized Statement of comprehensive income of Biovet AD for the year ended 31 December

	2018	2017
	EUR'000	EUR'000
Revenue	**145,979**	**125,563**
Cost of sales	(125,466)	(110,610)
Gross profit	**20,513**	**14,953**
Other operating income	1,795	2,517
Selling and distribution costs	(967)	(1,008)
Administrative and other expenses	(5,036)	(3,148)
Operating profit	**16,305**	13,314
Finance costs	(8)	(277)
Finance income	128	29
Profit before taxes	**16,425**	**13,066**
Income tax expense	(1,671)	(1,321)
Profit for the year	**14,754**	**11,745**
Other comprehensive income for the year, net of taxes	**(61)**	**(36)**
Total comprehensive income for the year, net of taxes	**14,693**	**11,709**

24. Material partly-owned subsidiaries (Continued)

Summarized Statement of financial position of Biovet AD as at 31 December

	2018 EUR'000	2017 EUR'000
Assets		
Non-current assets		
Property, plant and equipment	206,357	128,145
Intangible assets	23,083	23,363
Investments in subsidiaries	7	160
	229,447	**151,669**
Current assets		
Inventory	49,331	39,696
Trade and other receivables	14,309	11,039
Receivables from related party	4,665	1,616
Other financial assets	27,129	10,473
Cash and short term deposits	1,856	2,645
	97,290	**65,468**
Total assets	**326,737**	**217,137**
Equity and liabilities		
Equity	**93,519**	**79,082**
Non-current liabilities		
Interest bearing loans and borrowings	96,834	28,018
Retirement benefit costs	631	468
Deferred tax liabilities	2,623	2,305
Government grants	73	—
	100,161	**30,791**
Current liabilities		
Interest bearing loans and borrowings	1,289	198
Trade and other liabilities	130,798	106,298
Income tax liability	970	767
Total liabilities	**233,218**	**138,055**
Total equity and liabilities	**326,737**	**217,137**

Summarized cash flow information for the years ending 31 December 2018 and 31 December 2017

	2018 EUR'000	2017 EUR'000
Operating	29,175	26,799
Investing	(71,771)	(34,539)
Financing	41,807	9,231
Net decrease in cash and cash equivalents	**(789)**	**1,491**

25. Changes in liabilities arising from financing activities

The following table summarizes changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes by providing a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities for the year ended 31 December 2018.

25. Changes in liabilities arising from financing activities (Continued)

	1 January 2018	Cash inflows	Cash outflows	Foreign exchange movement	Effective interest rate accruals	Other	31 December 2018
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Current interest-bearing loans and borrowings	26,371	—	(22,919)	607	1,922	22,519	28,500
Current obligations under finance leases	401	—	(497)	(27)	—	503	380
Non-current interest-bearing loans and borrowings	321,576	70,000	—	369	—	(16,844)	375,101
Non-current obligations under finance leases	498	—	—	—	—	13	511
Dividends payable	—	—	(5,000)	—	—	5,000	—
Derivatives	—	—	—	—	—	650	650
Total liabilities from financing activities	**348,846**	**70,000**	**(28,416)**	**949**	**1,922**	**11,841**	**405,142**

	1 January 2017	Cash inflows	Cash outflows	Foreign exchange movement	Effective interest rate accruals	Other	31 December 2017
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Current interest-bearing loans and borrowings	15,493	10,834	(12,259)	852	11,762	943	26,371
Current obligations under finance leases	368	—	(480)	(24)	—	537	401
Non-current interest-bearing loans and borrowings	278,151	65,690	(12,635)	(3,200)	—	(6,430)	321,576
Non-current obligations under finance leases	548	—	—	(43)	—	(7)	498
Dividends payable	—	—	(50,000)	—	—	5,000	—
Derivatives	—	—	—	—	—	—	—
Total liabilities from financing activities	**295,010**	**76,524**	**(75,374)**	**(4,119)**	**11,762**	**45,043**	**348,846**

26. Events after the reporting date

Management declares that after the end of the reporting period and until the date of the preparation of these consolidated financial statements there are no significant and /or material non-adjusting events which took place concerning the activities of the Group, the non-disclosure of which could influence the true and fair presentation of the consolidated financial statements.

HUVEPHARMA International B.V.

Company profit and loss

for the period ended 31 December 2018

	Notes	2018	2017
		EUR'000	EUR'000
Share in results from subsidiaries (after tax)	1,2	84,716	82,104
Other results (after tax)		(2,086)	(3,956)
Result for the period		**82,630**	**78,148**

Kiril Petrov Domuschiev S.V.C. Hoogstrate-Röell Intertrust (Netherlands) B.V.

HUVEPHARMA International B.V.

Company balance sheet

as at 31 December 2018

	Notes	2018	2017
		EUR'000	EUR'000
ASSETS			
Non-current assets			
Investments in subsidiaries	1.2	332,102	277,639
Receivables from related parties	1.4	7,104	7,104
		339,206	**284,743**
Current assets			
Cash and short-term deposits		83	67
		83	**67**
TOTAL ASSETS		**339,289**	**284,810**
EQUITY AND LIABILITIES			
Equity			
Issued capital	1.3	137,029	137,029
Other equity		(187,008)	(187,008)
Foregin currency translation reserve		(1,563)	(1,652)
Cash flow hedge		(584)	—
Accumulated profit		223,158	158,541
Total equity		**171,032**	**106,910**
Non-current liabilities			
Interest-bearing loans and borrowings	1.5	158,681	168,156
		158,681	**168,156**
Current liabilities			
Interest-bearing loans and borrowings	1.5	9,475	9,475
Interest liabilities	1.5	21	191
Trade payables		80	78
		9,576	**9,744**
Total liabilities		**168,257**	**177,900**
TOTAL EQUITY AND LIABILITIES		**339,289**	**284,810**

Kiril Petrov Domuschiev S.V.C. Hoogstrate-Röell Intertrust (Netherlands) B.V.

HUVEPHARMA International B.V.

Equity movement schedule

for the year ended 31 December 2018

	Issued capital Note 1.3	Other equity	Foreign currency translation reserve	Cash flow hedge	Accumulated results	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
At 1 January 2017	**137,029**	**(187,008)**	**428**	**—**	**134,413**	**84,862**
Profit for the year	—	—	—	—	78,148	78,148
Dividends, declared and paid	—	—	—	—	(50,000)	(50,000)
Acquisition of non-controlling interest	—	—	(37)	—	(3,637)	(3,674)
Other changes	—	—	—	—	(383)	(383)
FX revaluation	—	—	(2,043)	—	—	(2,043)
At 31 December 2017	**137,029**	**(187,008)**	**(1,652)**	**—**	**158,541**	**106,910**
At 1 January 2018	**137,029**	**(187,008)**	**(1,652)**	**—**	**158,541**	**106,910**
Profit for the year	—	—	—	—	82,630	**82,630**
Dividends, declared and paid	—	—	—	—	(5,000)	**(5,000)**
Acquisition of non-controlling interest	—	—	—	—	(12,572)	**(12,572)**
Cash flow hedge				(584)	—	**(584)**
Other changes	—	—	—	—	(441)	**(441)**
FX revaluation	—	—	89	—	—	**89**
At 31 December 2018	**137,029**	**(187,008)**	**(1,563)**	**(584)**	**223,158**	**171,032**

Kiril Petrov Domuschiev S.V.C. Hoogstrate-Röell Intertrust (Netherlands) B.V.

1.1. General Information

The Company financial statements have been prepared in accordance with the provisions of Part 9 of Book 2 of the Dutch Civil Code. As the income statement of the Company for the financial year is included in the consolidated financial statements, a summary income statement is sufficient in accordance with Section 402 of Book 2 of the Dutch Civil Code.

The option described in Section 362 of Book 2 of the Dutch Civil Code of applying the same principles in the Group financial statements as in the consolidated financial statements has been used. The principles in the Group financial statements are therefore the same as those stated for the consolidated financial statements, with the exception of the measurement of investments in subsidiaries which are measured at net assets value of the respective subsidiaries. Net asset value is based on measurement of assets, provisions and liabilities and determination of profit based on the principles applied in the consolidated financial statements.

The financial statements are presented in EUR and all values are rounded to the nearest thousand (EUR thousand), unless otherwise indicated.

Huvepharma International B.V. is registered with the Dutch Commercial Register under number 61186228.

1.2. Investments in subsidiaries

Name	Country of incorporation	% of equity interest
Huvepharma Holdings B.V.	Netherlands	100%

	Huvepharma Holdings B.V.	Total
	EUR'000	EUR'000
Opening net asset value at 1 January 2017	**259,153**	**259,153**
Profit for the year	82,104	82,104
Capital distribution	(57,518)	(57,518)
Other changes	(6,100)	(6,100)
Closing net book value at 31 December 2017	**277,639**	**277,639**

	Huvepharma, Holdings, B.V.	Total
	EUR'000	EUR'000
Opening net asset value at 1 January 2018	**277,639**	**277,639**
Profit for the year	84,716	84,716
Capital distribution	(17,275)	(17,275)
Acquisition of NCI	(12,978)	(12,978)
Closing net book value at 31 December 2018	**332,102**	**332,102**

	Number of ordinary shares	EUR'000
Ordinary shares of 1 EUR each, issued and fully paid		
At 31 December 2018	**137,029**	**137,029**
At 31 December 2017	**137,029**	**137,029**

Proposed Results Appropriation for the Financial Year 2018

Pursuant to the Group's strategic development plans, the generated earnings are taken to retained earnings in order to be reinvested for financing current operating projects and for generating growth in a long term perspective. One-off significant dividend payout of the amount of EUR 5 million in 2018 was distributed resulting from liquidity position of the Group. Limited dividend payments are expected outside of 2018 following the conservative financial policies of the Group.

1.4. Related party disclosure

The following table provides the total amount of transactions, which have been entered into and the outstanding balances for the relevant financial year (information for the outstanding balances at 31 December):

		Ultimate parent Group	Other related parties (under common control)
		EUR'000	EUR'000
Non-current receivables from			
Huvepharma Holdings B.V.	2018	—	7 104
	2017	—	7 104
Current payables to			
Huvepharma Holdings B.V.	2018	—	—
	2017	—	—

1.5. Interest-bearing loans and borrowings

	Maturity	2018	2017
		EUR'000	EUR'000
Opening		180,000	180,000
Loan utilisation		—	—
As of 31 December		**180,000**	**180,000**
Non-current loans			
Bank loan of EUR 180,000 thousand	2022	158,681	168,156
Current loans			
Bank loan of EUR 180,000 thousand	2019	9,475	9,475
Interest payable		21	191
Total interest-bearing loans and borrowings		**168,177**	**177,822**

The contractual interest rate on the above loans and borrowings is the 3-month EURIBOR/ LIBOR plus margin. The margin is variable and depends on the Group leverage.

Senior Facilities Agreement dated 15 August 2014 (as amended and restated on 4 February 2016, 2 March 2016, 18 August 2017, and as further amended and restated on 25 July 2017)

The term loan facilities in the aggregate amount of EUR 450,000 thousand is granted for the purpose of new capital expenditure financing, additional revolving financing, and refinancing of all existing loans and borrowings of all the companies in the Huvepharma Group. From this amount EUR 180 000 is granted to Huvepharma International B.V. The loan is secured as follows:

- First, second, third and fourth ranking Dutch law share pledge over the shares in Huvepharma International B.V.
- First second, third fourth ranking Dutch law bank account pledge agreement of Huvepharma International B.V.
- First second, third and fourth ranking Dutch law receivable pledge agreement and share pledge over the shares in Huvepharma Holdings B.V.
- Pledge over all receivables of Huvepharma International B.V. under English law hedging security agreement;
- First, second, third and fourth ranking Dutch law receivable pledge agreement of Huvepharma Holdings B.V.
- First ranking Bulgarian law share pledge over all shares in Huveproject EAD
- First ranking Bulgarian law special and financial collateral share pledges over the shares in Huveproject EAD

- First ranking Bulgarian law going concern pledges on bank accounts, machinery and equipment, intangible assets, real estate and intra-group receivables of Huveproject EAD
- First ranking Bulgarian law participatory share pledges over the shares in Huvepharma EOOD owned by Huveproject EAD
- First ranking Bulgarian law going concern pledges on bank accounts, machinery and equipment, intangible assets, real estate and intra-group receivables of Huvepharma EOOD
- Pledge over all receivables of Huvepharma EOOD under English law hedging security agreement;
- First ranking Bulgarian law share pledge over all shares in Biovet AD
- First ranking Bulgarian law special and financial collateral share pledges over the shares in Biovet AD
- `First ranking Bulgarian law going concern pledges on bank accounts, machinery and equipment, intangible assets, real estate and intra-group receivables of Biovet AD
- First, second, third and fourth ranking Belgian law share pledges over the shares in Huvepharma N.V.
- First, second, third and fourth ranking Belgian law pledges on bank accounts and receivables of Huvepharma N.V.
- New York law share pledge over the shares in Huvepharma Inc.
- New York law pledge over all personal property of Huvepharma Inc.
- Brazilian Law Fiduciary Assignment of Receivables of Huvepharma Do Brasil Ltda.
- Italian law deed of pledge over the bank accounts opened in Italy in the name of Huvepharma Italia S.r.l
- Italian law assignment by way of security of the receivables owed to Huvepharma Italia S.r.l. under insurance policies, intercompany loans and commercial agreements

As a part of the loan agreement the Group has at its disposal a credit line for the amount of EUR 80,000 thousands.

The agreement contains covenants, which require the Group to maintain ratios of EBITDA, senior leverage, senior interest cover and cash flow cover.

- EBITDA is calculated as the operating profit before taxation is adjusted with all items described in the agreement.
- Senior leverage is a ratio of the total debt minus the cash and cash equivalents to EBITDA as defined in the agreement. Total debt is the nominal amount of the outstanding indebtedness of the Group as defined in the agreement.
- Senior interest cover is a ratio of EBITDA to finance charges as defined in the agreement.

The agreement contains also non-financial covenants, which require the entity to provide certain financial and non-financial information as well as to inform the creditors for events if occurred.

As of 31 December 2018 the Group is in compliance with all covenants.

1.6 Deferred tax assets

Huvepharma International B.V. and Huvepharma Holdings B.V. are part of the same fiscal unity for the purpose of corporate income tax. Huvepharma International B.V. is the head of this fiscal unity and all entities within the fiscal unity are jointly and severally liable for the tax liabilities of this fiscal unity. The losses recognized at the level of Huvepharma International B.V. will be offset with the profits of Huvepharma Holdings B.V. in the tax declarations of the fiscal unity and as such no deferred tax asset has been recognized. The taxable result for the fiscal unity for 2018 was EUR 21 thousand (2017: EUR 46 thousand).

Management Board remuneration

In financial year 2018 the Management Board had not received any remuneration (2017: no remuneration).

Average number of employees

The average number of employees for 2018 is nil. (2017: Nil).

OTHER INFORMATION

Articles of Association provisions governing profit appropriation

Profit is appropriated in accordance with Article 18 of the Articles of Association, which states that the General Meeting shall determine the allocation of the profits. No resolution of the General Meeting to distribute shall have effect without consent of the Management Board. The Management Board may withhold such consent only if it knows or reasonably should expect that after the distribution, the Company will be unable to continue the payment of its due debts. If the General Meeting does not adopt a resolution regarding the allocation of the profits, these profits will be reserved.

Independent auditor's report

The independent auditor's report on both consolidated and company financial statements 2018 of Huvepharma International B.V. is enclosed on the next pages.

Building a better working world

Independent auditor's report

To: the shareholder and management of Huvepharma International B.V.

Report on the audit of the financial statements 2018 included in the annual report

Our opinion

We have audited the financial statements 2018 of Huvepharma International B.V., based in Amsterdam. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:

- The accompanying consolidated financial statements give a true and fair view of the financial position of Huvepharma International B.V. as at 31 December 2018, and of its result and its cash flows for 2018 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code
- The accompanying company financial statements give a true and fair view of the financial position of Huvepharma International B.V. as at 31 December 2018, and of its result for 2018 in accordance with Part 9 of Book 2 of the Dutch Civil Code

The consolidated financial statements comprise:

- The consolidated statement of financial position as at 31 December 2018
- The following statements for 2018: the consolidated statement of comprehensive income, changes in equity and cash flows
- The notes comprising a summary of the significant accounting policies and other explanatory information

The company financial statements comprise:

- The company balance sheet as at 31 December 2018
- The company profit and loss account for 2018
- The notes comprising a summary of the accounting policies and other explanatory information

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of Huvepharma International B.V. in accordance with the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

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

Report on other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- The management board's report
- Other information pursuant to Part 9 of Book 2 of the Dutch Civil Code

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the management board's report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Description of responsibilities for the financial statements

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud.

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 these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining 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.
- Obtaining 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.

- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting, 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 a company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

Amsterdam, 25 April 2019

Ernst & Young Accountants LLP

signed by D.K. Noort

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