Half-yearly financial report

As of June 30, 2023

Virbac: NYSE Euronext - compartment A – ISIN code: FR0000031577/SYMBOL: VIRP
Financial Affairs department: tel. +33 4 92 08 71 32 - email: finances@virbac.com - Website: corporate.virbac.com

Half-yearly management report

KEY EVENTS OF THE FIRST HALF OF 2023

Cyberattack

Virbac was the subject of a cyberattack on the night of June 19 to 20, 2023, on several of its sites around the world. Exceptional measures were immediately taken as soon as we became aware of this attack, and a crisis unit, including experts dedicated to cyber security, was set up in order to assess the impacts on our systems and quickly organize the corrective measures necessary to ensure business continuity.
This attack resulted in a slowdown or temporary interruption of some of our services, which was however contained thanks to the responsiveness and mobilization of our teams. Remediation continued throughout the summer, and we are now operating almost normally again across all our functions. We have also recovered all critical and priority IT data and applications while further strengthening our IT infrastructures.
The impact of the cyberattack on the interim financial statements is limited, given the date it occurred, close to the closing date. Indeed, we have been able to rely on our systems and data (not corrupted) till June 19, and on reinforced measures of internal control implemented from June 20, on.
Lastly, the Group will provide an overall view of the impacts of this attack on the financial year at the next close.

Vaccines

The first half of 2023 has been impacted by temporary limitations in the production capacity of dog and cat vaccines, which were more significant than expected.
This has weighed on our absorption of fixed costs as well as on our sales, given the low level of our vaccine inventories.

Acquisition of GS Partners on May 2, 2023

On May 2, 2023, we completed the acquisition of 100% of the shares of GS Partners, our long-standing distributor in the Czech Republic and Slovakia and also one of our oldest distributors in Central Europe.

This acquisition, which represents several years of successful partnership between our teams and GS Partners, fully aligns with our external growth strategy. It will enable us to become more autonomous in fast-growing markets and to secure and further develop our business in these two countries while strengthening our presence in Central Europe, where our products for animal health are already accessible through our presence in Hungary and Poland.
About twelve GS Partners employees joined Virbac's teams as part of the acquisition.

The acquisition was treated for accounting purposes as a business combination as of June 30, 2023, in accordance with IFRS 3. Information relating to IFRS 3 is presented in note 1 to the consolidated accounts.

Inflation

Europe and the United States were heavily impacted by inflation in 2022, which had led to a significant increase in certain cost bases (*e.g.*, energy, transportation, salaries, raw materials or components, *etc.*).
These cost increases continued, as expected, in the first part of the 2023 fiscal year. However, their impacts have been limited by price increases in some of our products as well as the negotiation over several years of certain supply contracts.

EVENTS SUBSEQUENT TO JUNE 30, 2023

Virbac launches a share buyback program

Following the decision of the board of directors on June 19, 2023 and its approval by the shareholder's meeting, the Group is going to buy back 100,000 of its own shares (less than 1.25% of the capital). The main objective is to decrease the company's share capital by canceling treasury shares purchased.
The limits of the program as set by the shareholder's meeting are the following:

- nature of shares: ordinary shares;

- maximum of the company’s share capital: 10%;
- maximum number of shares: 845,800. It should be noted that in the event of a capital increase through incorporation of reserves and allocation of performance-related stock grants, a share split or reverse shares split, this amount will be adjusted by a multiplier equal to the ratio between the number of shares in the share capital prior to the transaction and the number after the transaction;
- maximum purchase price per share: €1,000;
- the maximum amount allocated to the implementation of the buyback program is set at €829,587,000.

The duration of the program is set at eighteen months from the date of the shareholder's meeting. The liquidity agreement entered into with Exane on February 26, 2019 is currently suspended until the end of December 2023.

To implement this program with a view to reducing capital by canceling shares, Virbac's board of directors has appointed an investment services provider, with a mandate expiry date on September 30, 2024. The terms of the mandate will relate to a maximum volume of 100,000 Virbac shares (representing less than 1.25% of the company's capital as of December 31, 2022) for a unit purchase price not exceeding €270 and a total volume of buyback therefore not exceeding €27,000,000. Shares redeemed under this mandate will be fully canceled by our company.

ANALYSIS OF CONSOLIDATED FINANCIAL STATEMENTS

Performance of revenue

Over the first half of the year, our revenues amounted to €610.5 million, compared with €616.4 million, representing an overall decrease of -1.0% compared with the same period in 2022. Excluding the unfavorable impact of exchange rates, revenues rose by +0.4%, with a favourable impact of price increases (estimated to be about +5%) offsetting the decrease in volumes already observed, which reflects the trend of animal health's market seen in the last twelve months.

Performance by segment

in € million	2023.06 revenue at actual rates	Growth by segment at constant exchange rates and perimeter					
		> -5%	- 5% to 0%	0% to + 5%	+5% to +10%	+10% to +15%	> 15%
Parasiticides	61.7	-9.8%					
Immunology	36.1	-9.7%					
Antibiotics/dermatology	52.6		-3.9%				
Specialties	67.1			3.7%			
Equine	16.0			2.7%			
Specialized petfood	57.8						19.5%
Others	58.8		-3.4%				
Companion animals	**350.0**		**-0.7%**				
Bovine parasiticides	41.7				8.3%		
Bovine antibiotics	44.7		-0.5%				
Other ruminants products	104.8			5.0%			
Pig/poultry antibiotics	14.5	-9.4%					
Other pig/poultry products	19.8					14.3%	
Aquaculture	15.4	-40.2%					
Farm animals	**240.9**		**-0.5%**				
Other businesses	**19.6**						**44.6%**
Revenue	**610.5**			**0.4%**			

Companion animals

During the first semester, this business line represented 57% of revenue, down 0.7% at constant exchange rates and scope compared with 2022.
This slowdown is mainly linked to the parasiticide and immunology ranges, not offset by the dynamic growth of the petfood range. Over the period, sales in dog and cat vaccines are down in several countries due to the temporary limitations in our production capacity during the first semester.

Farm animals

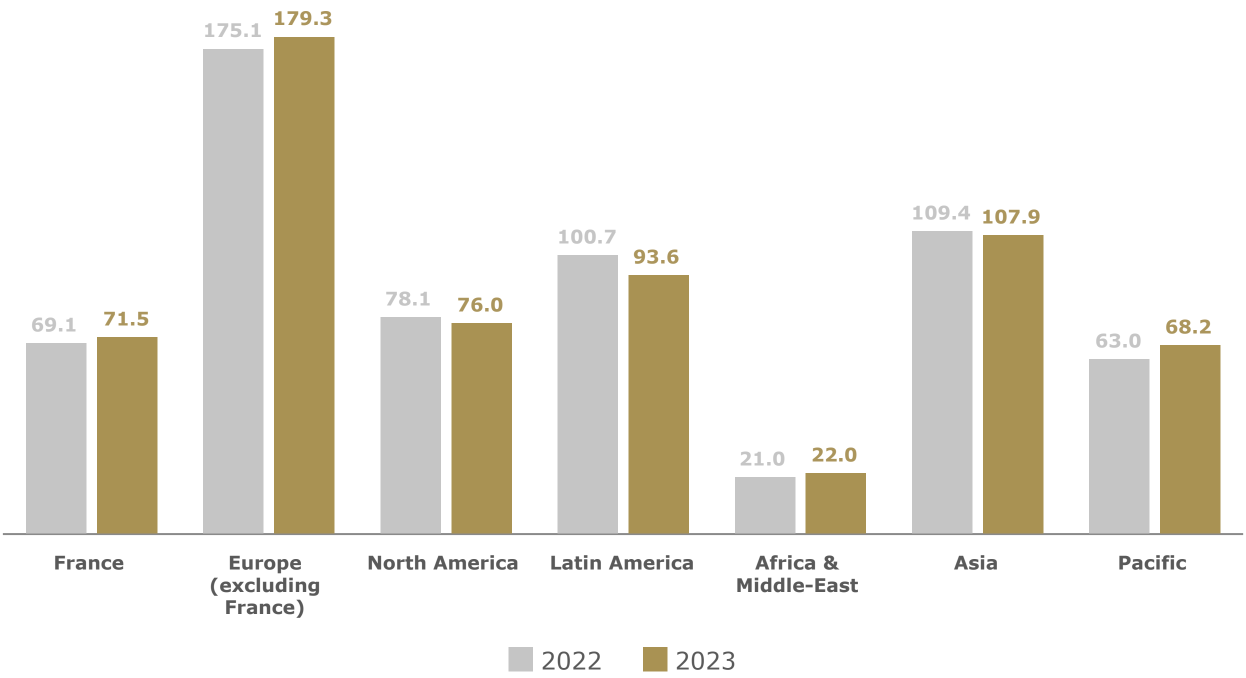
During the period, this business line represented 40% of revenue, showing a slight slowdown of -0.5% at constant exchange rates and scope, mainly due to the aquaculture results (-40.2%), penalized by the significant drop in activity of our subsidiary in Chile (-33.4% at constant rates), especially in the antibiotic and parasiticide ranges which suffer from a base effect linked to the interruption of our main parasiticide product commercialization in July 2022. The ruminant sector partially offsets this decrease (+4.4%). Australia and New Zealand mainly contributed to the growth of this segment.

Other business lines

These business lines, which represent 3% of consolidated revenue over half-year 2023, correspond to markets of lesser strategic importance and mainly include the toll manufacturing produced for third parties in the United States and Australia (mainly the sales of Sentinel® Spectrum® to MSD Animal Health).

Performance by geographic regions (at constant rates and perimeter)

in € million



Analysis of the results

Changes in results

in € million	2023.06	%	2022.06 restated[1-2]	%	Variation
Revenue from ordinary activities	**610.5**	**100.0**	**616.4**	**100.0**	***-1.0%***
Margin on purchasing costs[1]	**403.0**	**66.0**	**400.2**	**64.9**	**0.7%**
Current operating expenses	273.0	44.7	263.2	42.7	3.7%
Depreciations and provisions	20.2	3.3	19.6	3.2	2.8%
Current operating profit before depreciation of intangible assets arising from acquisitions	**109.9**	**18.0**	**117.4**	**19.0**	**-6.4%**
Depreciations of intangible assets arising from acquisitions	1.9	0.3	1.9	0.3	-2.2%
Operating profit from ordinary activities	**108.0**	**17.7**	**115.5**	**18.7**	**-6.5%**
Other non-current income and expenses	-0.5		—		0.0%
Operating profit	**108.5**	**17.8**	**115.5**	**18.7**	**-6.0%**
Financial income and expenses	-0.9	-0.1	8.1	1.3	-110.8%
Profit before tax	**109.4**	**17.9**	**107.4**	**17.4**	**1.9%**
Income tax[2]	35.1		30.4		15.4%
Share from companies' result accounted for by the equity method	-0.4		-0.6		-27.5%
Result for the period	**74.8**	**12.2**	**77.5**	**12.6**	**-3.6%**
Net result attributable to the non-controlling interests	-0.3		—		-1771.0%
Net result attributable to the owners of the parent company	**75.0**	**12.3**	**77.5**	**12.6**	**-3.2%**

[1]in order to disclose a more meaningful information, we have reclassified production subcontracting expenses from the “External costs” line to the “Margin on purchasing costs” line in the income statement. The reclassification between these two components of profit amounts to €4,597 thousand for the first semester of 2022

[2]restatement following the IAS 12 amendment related to deferred tax assets and liabilities arising from the same transaction, applicable as at January 1, 2023 (see Accounting principles and methods applied)

For the first half of the year, our revenues amounted to €610.5 million, compared to €616.4 million in 2022, representing an overall change of -1.0% (+0.4% at constant rates). Activity in Europe continues to grow, driven by some countries such as France and countries in the Southern Europe area. In North America, there was a slight decline, mainly due to a baseline effect as well as an impact of inventory reductions on the distribution over the first half of the year. The Asia-Pacific area is growing at constant rates, driven by Australia and New Zealand, despite the decline in sales in China over the period. Finally, the Latin America area is penalized by the decline in our activity in Chile, not offset by sales from countries such as Mexico, Brazil or the Central American countries.
The margin increase is partly due to the price increases implemented in the first half but partially offset by a less favorable product mix effect.

The €9.8 million increase in net charges is mainly due to an increase in payroll costs in connection with the salary increases and the strengthening of our workforce in both industrial and commercial functions, as well as the increase of our R&D expenses (+ €6.4 million or +1 point of the R&D expenses to revenue ratio), in connection with our strategy to accelerate our investments in this area. These increases are partly offset by an overall decrease in external costs. We will mainly note a decrease in our transport costs, which had drastically increased since the start of the Covid-19 pandemic but have returned to lower levels; a reduction in temporary personnel costs, partly offset by the increase in personnel costs; and a decrease in marketing expenses, which is explained among other things by the launches of several products in the first half of 2022 in the United States in particular (dental range and petfood), not recurring this year. Travel costs increased slightly over the period but remained relatively stable in proportion to revenue, as did maintenance costs.

The current operating income before depreciation of assets arising from acquisitions amounts to €109.9 million, compared to €117.4 million as of June 30, 2022, representing a decrease of -6.4%, mainly due to the increase of our R&D expenses as explained above.
At constant exchange rates, the current operating income before depreciation of assets arising from acquisitions and before R&D is improving by +0.4 point over the period, despite animal health market declining volumes, a one-off unfavorable effect on our companion animal vaccines' production capacities, as well as the consequences of the cyberattack of June 2023.

Operating profit amounted to €108.5 million, compared to €115.5 million as of June 30, 2022, a decrease of 6%, linked to the decline in revenue at real rates.

As of June 30, 2023, the other non-current income and expenses represent a net gain amounting to €0.5 million and are composed of a reversal of debt on securities for 0.9 million, offset in the amount of -0.4 million by the impact of the revaluation of the stocks of our new subsidiary in the Czech Republic (in connection with IFRS 3, see note 1) for the portion of stocks sold over the period.
The financial result improved to +€0.9 million compared to -€8.1 million as of June 30, 2022, a change that is mainly explained by the appreciation of the Chilean peso against the euro and the US dollar, a favourable situation in our selling position. This seller position halved in June 2023 compared to June 30, 2022 as a consequence of the capital increase over the last semester 2022 and the local financing set up over the first semester 2023.

The profit attributable to the owners of the parent company amounts to €75.0 million, compared to €77.5 million over the same period in 2022.

Analysis of the financial situation

Consolidated balance sheet

in € million	2023.06	2022.12 restated[1]
Net assets	588.5	589.0
Operating WCR, including deferred tax assets[1]	309.3	223.2
Assets classified as held for sale	—	—
Invested capital	**897.8**	**812.2**
Equity attributable to the owners of the parent company[1]	898.5	839.6
Non-controlling interests and other equity, including provisions and deferred tax liabilities[1]	50.9	51.9
Net debt	-51.6	-79.4
Liabilities related to assets held for sale	—	—
Financing	**897.8**	**812.2**

[1]restatement following the IAS 12 amendment related to deferred tax assets and liabilities arising from the same transaction, applicable as at January 1, 2023 (see Accounting principles and methods applied)

Financing

As of June 30, 2023, our net debt amounts to -€51.6 million, up €27.8 million compared to December 31, 2022. This increase is mainly explained by the seasonal increase in our working capital requirements (related, among other things, to the payment of the annual lump sum discounts over the first half of the year and to the payment of social debts accrued on December 31 (bonuses, incentive and profit-sharing bonuses, *etc*.)). This seasonality is accentuated in 2023 by the payment of dividends as well as by the acquisition of our distributor in Czech Republic.
A significant decrease in debt level is expected, as every year, during the second half of the year.

In March 2023, we set up a new financing contract for CLP24 billion *(i.e.* approximately €27.5 million) at variable rates and repayable *in fine* in three years, which enabled us to repay inter-company loans and the invoices of interests related to these loans, that is nearly CLP22 billion.

In September 2023, our bank pool responded favorably and unanimously to our second request for an extension of the maturity of our syndicated loan by one year, with a new maturity date of October 18, 2028.

Thus, in order to ensure our liquidity, in terms of bank and disintermediated funding, our status is as follows:
- a syndicated loan of €200 million, at variable rate, repayable *in fine* in October 2028 after having been extended by two years, accompanied by a so-called "accordion" clause allowing the financing to be increased by €150 million and which includes commitments in connection with our CSR policy;
- a market-based contract (*Schuldschein*) for a total of €6 million, with maturity April 2025, at a fixed rate;
- financing contracts with Bpifrance, for €13.3 million, depreciable and maturing in November 2023, September 2024 and June 2032;
- factoring contracts with recourse US $46 million (*i.e.* approximately €42.3 million) in Chile;
- loans for CLP24 billion *(i.e.* approximately €27.5 million) in Chile too;
- uncommitted credit lines in the United States for US $37 million *(i.e.* approximately €34 million).

As of June 30, 2023, the funding position, which amounts to €113 million, is broken down as follows:
- the syndicated loan was drawn for €17 million;
- market-based contract amounted to €6 million;
- the Bpifrance financing amounted to €13.3 million;
- the equivalent of CLP46 billion (*i.e.* approximately €52.8 million) on the various financing lines in Chile;
- US $22 million (*i.e.* approximately €20.2 million) in drawdowns on our credit lines in the United States.

At half-year closing date, the marked-based contract includes a financial covenant compliance clause that requires us to adhere to the following financial ratios based on the consolidated accounts and reflecting consolidated net debt[1] for the period in question on the consolidated Ebitda[2] for the same test period.

As at June 30, 2023, we are in compliance with the financial ratio covenants, which is -0.25, thus placing it below the contractual financial covenant limit of 4.25.

[1]for the purpose of calculating the covenant, consolidated net debt refers to the sum of other current and non-current financial liabilities, namely the following items: loans, bank loans, accrued interest liabilities, liabilities related to finance leases, profit sharing, interest rate and foreign exchange derivatives, and others; minus the amount of the following items: cash and cash equivalents, term deposits, and foreign exchange and interest rate assets derivatives as shown in the consolidated accounts

[2]the consolidated Ebitda refers to operating profit for the last twelve months (that of the last six months of 2022 added to that of the first half-year 2023), plus the allowances for depreciation and provisions net of reversals and dividends received from non-consolidated subsidiaries

DESCRIPTION OF KEY RISKS AND UNCERTAINTIES FOR THE REMAINING SIX MONTHS OF THE YEAR

The main risk factors to which Virbac is exposed are detailed in the 2022 annual report, available on the web site corporate.virbac.com.

During the semester, we were the subject of a cyberattack which occurred June, 19, the consequences of which were limited due to the date of the event, close to the closing date. It is to be noted that we have been able to rely on our systems and data (not corrupted) till June 19, and on reinforced measures of internal control implemented from June 20, on.
The Group will provide an overall view of the impacts of this attack on the financial year at the next close.
In addition, this risk already identified and addressed by our IT department benefited from strengthened resources to monitor its evolution.

Moreover, inflation set in Europe and in several countries worldwide, which could generate a higher slowdown of our activity, should it continue. Indeed, a sustainably set inflation more specifically in Europe and in the United States would impact our purchase prices and our salary costs, which could negatively affect our profitability, according to our ability to keep on increasing our sale prices and our volumes simultaneously.
Till now, and as communicated in our key events, these impacts are limited by price increases for some of our products as well as the negotiation over several years of certain supply contracts.

Lastly, a sharper-than-expected slowdown in the animal health market could also impact our operational activity.

Each of these risks, and others that have not yet been identified, are likely to occur in the second half of 2023 or in subsequent years, and could result in a significant variance between current results and the outlook set out in this report.

OPERATIONS WITH RELATED PARTIES

Information on related parties is detailed in note A30 to the condensed half-yearly consolidated financial statements.

OUTLOOK

Revenue growth at constant exchange rates and scope is still expected to be in the range of 0% to 4%. The ratio of "Current operating income before depreciation of assets from acquisitions" to "Revenue" should consolidate in the range of 12% to 13% at constant exchange rates, despite impacts from inflation.

Condensed consolidated accounts

CONSOLIDATED FINANCIAL STATEMENTS

Statement of financial position

in € thousand	Notes	2023.06	2022.12 restated[1]
Goodwill	**A1-A3**	148,320	145,110
Intangible assets	**A2-A3**	155,451	154,397
Tangible assets	**A4**	237,599	240,643
Right of use	**A5**	32,550	34,595
Other financial assets	**A6**	6,753	6,256
Share in companies accounted for by the equity method	**A7**	4,265	4,423
Deferred tax assets[1]	**A8**	23,718	24,668
Non-current assets		**608,658**	**610,093**
Inventories and work in progress	**A9**	341,255	330,909
Trade receivables	**A10**	175,111	146,290
Other financial assets	**A6**	3,570	3,538
Other receivables	**A11**	70,993	65,407
Cash and cash equivalents	**A12**	221,026	177,383
Current assets		**811,956**	**723,528**
Assets classified as held for sale	**A13**	—	—
Assets		**1,420,614**	**1,333,620**
Share capital		10,573	10,573
Reserves attributable to the owners of the parent company[1]		887,949	829,066
Equity attributable to the owners of the parent company		**898,522**	**839,639**
Non-controlling interests		-614	-351
Equity		**897,907**	**839,288**
Deferred tax liabilities[1]	**A8**	25,363	25,765
Provisions for employee benefits		18,955	18,589
Other provisions	**A14**	6,285	6,833
Lease liability	**A15**	25,247	27,392
Other financial liabilities	**A16**	61,993	18,014
Other payables	**A17**	7,590	7,154
Non-current liabilities		**145,432**	**103,747**
Other provisions	**A14**	870	1,039
Trade payables	**A18**	135,835	155,820
Lease liability	**A15**	9,427	9,415
Other financial liabilities	**A16**	72,783	43,199
Other payables	**A17**	158,359	181,113
Current liabilities		**377,274**	**390,585**
Liabilities related to assets held for sale	**A13**	—	—
Liabilities		**1,420,614**	**1,333,620**

[1]restatement following the IAS 12 amendment related to deferred tax assets and liabilities arising from the same transaction, applicable as at January 1, 2023 (see Accounting principles and methods applied)

Income statement

in € thousand	Notes	2023.06	2022.06 restated[2-3]	Variation
Revenue from ordinary activities	**A19**	**610,467**	**616,364**	***-1.0%***
Purchases consumed[2]	**A20**	-207,449	-216,180	
External costs	**A21**	-100,582	-104,111	
Personnel costs		-169,972	-156,011	
Taxes and duties		-7,320	-7,595	
Depreciations and provisions	**A22**	-20,175	-19,619	
Other operating income and expenses	**A23**	4,896	4,507	
Current operating profit before depreciation of assets arising from acquisitions[1]		**109,865**	**117,354**	***-6.4%***
Depreciations of intangible assets arising from acquisitions	**A22**	-1,852	-1,894	
Operating profit from ordinary activities		**108,013**	**115,460**	***-6.5%***
Other non-current income and expenses	**A24**	514	—	
Operating result		**108,526**	**115,460**	***-6.0%***
Financial income and expenses	**A25**	878	-8,100	
Profit before tax		**109,404**	**107,359**	***1.9%***
Income tax[3]	**A26**	-35,055	-30,379	
Share from companies' result accounted for by the equity method	**A7**	424	584	
Result for the period		**74,773**	**77,564**	***-3.6%***
attributable to the owners of the parent company		75,036	77,549	*-3.2%*
attributable to the non-controlling interests		-263	16	*-1771.0%*
Profit attributable to the owners of the parent company, per share	**A27**	8.86 €	9,18 €	*7.5%*
Profit attributable to the owners of the parent company, diluted per share	**A27**	8.84 €	9,17 €	*7.6%*

[1]in order to provide a clearer picture of our economic performance, we isolate the impact of the allowance for depreciations of intangible assets resulting from acquisitions. Therefore, our income statement shows a current operating profit before depreciation of assets arising from acquisitions (see note A22)

[2]in order to disclose a more meaningful information, we have reclassified production subcontracting expenses from the "External costs" line to the "Purchases consumed" line in the income statement. The reclassification between these two components of profit amounts to €4,597 thousand for the first semester of 2022

[3]restatement following the IAS 12 amendment related to deferred tax assets and liabilities arising from the same transaction, applicable as at January 1, 2023 (see Accounting principles and methods applied)

Comprehensive income statement

in € thousand	2023.06	2022.06 restated[1]	Variation
Result for the period[1]	**74,773**	**77,564**	***-3.6%***
Conversion gains and losses	-5,099	26,631	
Effective portion of gains and losses on hedging instruments	-785	822	
Items subsequently reclassifiable to profit and loss	**-5,884**	**27,453**	***-121.4%***
Actuarial gains and losses	-76	1,196	
Items not subsequently reclassifiable to profit and loss	**-76**	**1,196**	***-106.4%***
Other items of comprehensive income (before tax)	**-5,960**	**28,649**	***-120.8%***
Tax on items subsequently reclassifiable to profit and loss	203	-223	
Tax on items not subsequently reclassifiable to profit and loss	20	-309	
Comprehensive income	**69,035**	**105,681**	***-34.7%***
attributable to the owners of the parent company	69,291	105,644	*-34.4 %*
attributable to the non-controlling interests	-256	37	*-785.2 %*

[1]restatement following the IAS 12 amendment related to deferred tax assets and liabilities arising from the same transaction, applicable as at January 1, 2023 (see Accounting principles and methods applied)

Statement of change in equity

in € thousand	Share capital	Share premiums	Reserves	Conversion reserves	Result for the period	Equity attributable to the owners of the parent company	Non-controlling interests	Equity
Equity as at 12/31/2021	**10,573**	**6,534**	**614,947**	**-20,281**	**113,162**	**724,935**	**256**	**725,191**
Impact of IAS 12 amendment[1]	—	—	324	—	—	**324**	—	**324**
Equity as at 01/01/2022 restated[1]	**10,573**	**6,534**	**615,271**	**-20,281**	**113,162**	**725,259**	**256**	**725,515**
2021 allocation of net income	—	—	102,589	—	-102,589	**—**	—	**—**
Distribution of dividends	—	—	—	—	-10,575	**-10,575**	-17	**-10,592**
Treasury shares	—	—	-315	—	—	**-315**	—	**-315**
Changes in scope	—	—	—	—	—	**—**	—	**—**
Other variations	—	—	21	—	—	**21**	—	**21**
Comprehensive income as at 06/30/2022 restated[1]	—	—	1,464	26,631	77,549	**105,644**	37	**105,681**
Equity as at 06/30/2022 restated[1]	**10,573**	**6,534**	**719,031**	**6,350**	**77,547**	**820,034**	**276**	**820,310**
Equity as at 12/31/2022	**10,573**	**6,534**	**718,142**	**-17,881**	**121,967**	**839,334**	**-351**	**838,983**
Impact of IAS 12 amendment[1]	—	—	333	-4	-24	**306**	—	**306**
Equity as at 01/01/2023 restated[1]	**10,573**	**6,534**	**718,475**	**-17,885**	**121,943**	**839,639**	**-351**	**839,288**
2022 allocation of net income	—	—	110,802	—	-110,802	**—**	—	**—**
Distribution of dividends	—	—	—	—	-11,165	**-11,165**	-7	**-11,172**
Treasury shares	—	—	753	—	—	**753**	—	**753**
Changes in scope	—	—	—	—	—	**—**	—	**—**
Other variations	—	—	3	—	—	**3**	—	**3**
Comprehensive income	—	—	-639	-5,106	75,036	**69,291**	-256	**69,035**
Equity as at 06/30/2023	**10,573**	**6,534**	**829,395**	**-22,992**	**75,012**	**898,522**	**-614**	**897,907**

[1]restatement following the IAS 12 amendment related to deferred tax assets and liabilities arising from the same transaction, applicable as at January 1, 2023 (see Accounting principles and methods applied)

The general shareholders' meeting of Virbac, which was held on June 20, 2023, approved the payment of a dividend of €1.32 per share for the 2022 financial year, for a total amount of €11,164,560.

Cash position statement

in € thousand	2023.06	2022.06
Cash and cash equivalents	177,383	172,787
Bank overdraft	-640	-628
Accrued interests not yet matured	-65	-23
Opening net cash position	**176,678**	**172,136**
Cash and cash equivalents	221,026	175,807
Bank overdraft	-17,790	-16,756
Accrued interests not yet matured	-53	-41
Closing net cash position	**203,183**	**159,009**
Impact of currency conversion adjustments	-2,431	5,393
Impact of changes in scope	5,250	—
Net change in cash position	**23,686**	**-18,520**

Cash flow statement

in € thousand	Notes	2023.06	2022.06 restated[1]
Result for the period[1]		**74,773**	**77,564**
Elimination of share from companies' profit accounted for by the equity method	**A7**	-424	-584
Elimination of depreciations and provisions	**A14-A22**	22,384	22,303
Elimination of deferred tax change[1]	**A8**	151	-2,724
Elimination of gains and losses on disposals	**A23**	737	161
Other income and expenses with no cash impact		-5,219	4,418
Cash flow		**92,402**	**101,139**
Net financial interests paid	**A25**	28	81
Tax currently payable		34,701	33,326
Cash flow before financial interests and tax currently payable		**127,131**	**134,547**
Effect of net change in inventories	**A9**	-9,202	-25,993
Effect of net change in trade receivables	**A10**	-28,675	-54,529
Effect of net change in trade payables	**A18**	-13,088	7,519
Income tax paid		-32,554	-42,262
Effect of net change in other receivables and payables	**A11-A17**	-27,083	-32,635
Effect of change in working capital requirements		**-110,602**	**-147,899**
Net cash flow generated by operating activities		**16,529**	**-13,352**
Acquisitions of intangible assets	**A2-A18**	-6,975	-8,749
Acquisitions of tangible assets	**A4-A18**	-15,402	-16,782
Disposals of intangible and tangible assets	**A23**	107	89
Change in financial assets	**A6**	616	-353
Change in debts relative to acquisitions		-925	—
Acquisitions of subsidiaries or activities		-10,098	—
Disposals of subsidiaries or activities		—	—
Dividends received		475	—
Net cash flow allocated to investing activities		**-32,201**	**-25,796**
Dividends paid to the owners of the parent company		-11,165	-10,573
Dividends paid to the non-controlling interests		19	-5
Change in treasury shares		231	-1,064
Increase/decrease of capital		—	—
Cash investments		—	—
Debt issuance	**A16**	75,479	82,051
Repayments of debt	**A16**	-19,429	-44,516
Repayments of lease obligation	**A15**	-5,750	-5,184
Net financial interests paid	**A25**	-28	-81
Net cash flow from financing activities		**39,358**	**20,628**
Change in cash position		**23,686**	**-18,520**

[1]restatement following the IAS 12 amendment related to deferred tax assets and liabilities arising from the same transaction, applicable as at January 1, 2023 (see Accounting principles and methods applied)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

General information note

Virbac is an independent, global pharmaceutical laboratory exclusively dedicated to animal health which markets a full range of products designed for companion animals and farm animals.
The Virbac share is listed on the Paris stock exchange in section A of the Euronext.
Virbac is a public limited company governed by French law, whose governance evolved in December 2020 from an organization with an executive board and a supervisory board to an organization incorporating a general management (which relies on a Group executive committee) and a board of directors. Its trading name is "Virbac".
The company was established in 1968 in Carros.
After the joint ordinary and extraordinary shareholders' meeting held on June 17, 2014, which adopted the resolution on reviewing the by-laws, the company's lifetime was extended to 99 years, *i.e*. until June 17, 2113.
The head office is located at 1ère avenue 2065m LID, 06516 Carros. The company is registered in the Grasse Trade and companies register under the number 417350311 RCS Grasse.

Our 2023 condensed consolidated accounts for the first half-year were approved by the board of directors on September 26, 2023.

The explanatory notes below support the presentation and are an integral part of these consolidated accounts.

Key events over the period

Cyberattack

Virbac was the subject of a cyberattack on the night of June 19 to 20, 2023, on several of its sites around the world. Exceptional measures were immediately taken as soon as we became aware of this attack, and a crisis unit, including experts dedicated to cyber security, was set up in order to assess the impacts on our systems and quickly organize the corrective measures necessary to ensure business continuity.
This attack resulted in a slowdown or temporary interruption of some of our services, which was contained thanks to the responsiveness and mobilization of our teams. Remediation continued throughout the summer, and we are now operating almost normally again across all our functions. We have also recovered all critical and priority IT data and applications while further strengthening our IT infrastructures.
The impact of the cyberattack on the interim financial statements is limited, given the date it occurred, close to the closing date. Indeed, we have been able to on our systems and data (not corrupted) till June 19, and on reinforced measures of internal control implemented from June 20, on.
Lastly, the Group will provide an overall view of the impacts of this attack on the financial year at the next close.

Vaccines

The first half of 2023 has been impacted by temporary limitations in the production capacity of dog and cat vaccines, which were more significant than expected.
This has weighed on our absorption of fixed costs as well as on our sales, given the low level of our vaccine inventories.

Acquisition of GS Partners on May 2, 2023

On May 2, 2023, we completed the acquisition of 100% of the shares of GS Partners, our long-standing distributor in the Czech Republic and Slovakia and also one of our oldest distributors in Central Europe.

This acquisition, which represents several years of successful partnership between our teams and GS Partners, fully aligns with our external growth strategy. It will enable us to become more autonomous in fast-growing markets and to secure and further develop our business in these two countries while strengthening our presence in Central Europe, where our products for animal health are already accessible through our presence in Hungary and Poland.
About twelve GS Partners employees joined Virbac's teams as part of the acquisition.

The acquisition was treated for accounting purposes as a business combination as of June 30, 2023, in accordance with IFRS 3. Information relating to IFRS 3 is presented in note 1 to the consolidated accounts.

Inflation

Europe and the United States were heavily impacted by inflation in 2022, which had led to a significant increase in certain cost bases (*e.g.*, energy, transportation, salaries, raw materials or components, *etc*.).
These cost increases continued, as expected, in the first part of the 2023 fiscal year. However, their impacts have been limited by price increases in some of our products as well as the negotiation over several years of certain supply contracts.

Significant events after the closing date

Virbac launches a share buyback program

Following the decision of the board of directors on June 19, 2023 and its approval by the shareholder's meeting, the Group is going to buy back 100,000 of our own shares (less than 1.25% of the capital). The main objective is to decrease the company's share capital by canceling treasury shares purchased.
The limits of the program as set by the shareholder's meeting are the following:

- nature of shares: ordinary shares;
- maximum of the company's share capital: 10%;
- maximum number of shares: 845,800. It should be noted that in the event of a capital increase through incorporation of reserves and allocation of performance-related stock grants, a share split or reverse shares split, this amount will be adjusted by a multiplier equal to the ratio between the number of shares in the share capital prior to the transaction and the number after the transaction;
- maximum purchase price per share: €1,000;
- the maximum amount allocated to the implementation of the buyback program is set at €829,587,000.

The duration of the program is set at eighteen months from the date of the shareholder's meeting. The liquidity agreement entered into with Exane on February 26, 2019 is currently suspended until the end of December 2023.

To implement this program with a view to reducing capital by canceling shares, Virbac's board of directors has appointed an investment services provider, with a mandate expiry date on September 30, 2024. The terms of the mandate will relate to a maximum volume of 100,000 Virbac shares (representing less than 1.25% of the company's capital as of December 31, 2022) for a unit purchase price not exceeding €270 and a total volume of buyback therefore not exceeding €27,000,000. Shares redeemed under this mandate will be fully canceled by our company.

Accounting principles and methods

Compliance and basis for preparing the consolidated financial statements

The half-year condensed financial statements have been prepared in accordance with standard IAS 34 "Interim financial reporting", standard of the IFRS (International financial reporting standards) as adopted by the European Union. The condensed interim financial statements do not include the whole information required by the IFRS reference system for year-end accounts. They should be analyzed with regards to the consolidated statements of the previous year, as of December 31, 2022.
With the exception of the standards, amendments or interpretations of application which are compulsory starting from January 1, 2023, the accounting principles used in the preparation of Virbac's half-year condensed financial statements are identical to those used in the preparation of consolidated statements as of December 31, 2022. They have been established in compliance with the IFRS as published by the IASB (International accounting standards board), and with the IFRS as adopted by the European Union as of June 30, 2023.
The standards and interpretations of the IFRS as adopted by the European Union are available on the European Commission's website.

New standards and interpretations

Mandatory standards and interpretations as at January 1, 2023

- **IFRS 17 - Insurance contracts - including amendments to IFRS 17**
- **First application of IFRS 17 and IFRS 9 - Comparative information**
- **Amendment to IAS 1 and IFRS practice statement 2 - Disclosure of accounting policies**
- **Amendment to IAS 8 - Accounting policies, change in accounting estimates and errors: definition of change in accounting estimates**
- **Amendments to IAS 12 - Income taxes: deferred tax related to assets and liabilities arising from a single transaction**

These new texts have had no material impact on our accounts.

Indeed, the only impact of these new standards and applications on our consolidated accounts relates to the IAS 12 amendment, which clarifies the exemption of the accounting of deferred tax assets and liabilities arising from a single transaction. This exemption is not applicable if it results in different deductible and taxable temporary differences later on. This exemption was used by the Group since the first application of IFRS 16 Leases, on January 1, 2019. The amendment application being retrospective, we have restated our financial statements to take into account the effect of the amendment in the equity opening balance as at January 1, 2022 (which corresponds to the opening balance of the first comparative period). The impact is a gain of €0.3 million in the Group equity. The net result impact at June 30, 2022 is a gain of €5 thousand due to the net deferred tax assets recognised during the period.

The economic and social environment in France during the first semester of 2023 has also been impacted by the French pension reform, which was voted on April 14, 2023, which progressively raises the retirement age from 62 to 64 years, and increases the mandatory number of years required to earn a full pension to 43 years. We have assessed the impact of this reform on our retirement plans in France, which is a gain of €0.4 million.

Further, we understand that the following text will be applicable from the second semester of 2023:

- **Amendments to IAS 12 - Income taxes: international tax reform, Pillar two model rules.** We are currently assessing the impact of this reform in our consolidated accounts and will disclose the impacts in our December 21, 2023 consolidated accounts.

Standards and interpretations applicable earlier from January 1, 2023, not yet adopted by the EU
The standards and interpretations listed below will be applicable from January 1, 2024 on:

- **Amendment to IFRS 16 - Leases : lease liability in a leaseback transaction**

- **Amendments to IAS 7 and IFRS 7 - Supplier finance arrangements**

We have chosen not to adopt these standards and interpretations early, choosing instead to conduct an analysis of the implications involved in adopting them. Where necessary, we will apply these standards in our accounts once they are adopted by the European Union.

Standards and interpretations released but not yet applicable as at January 1, 2023

- **Amendments to IAS 1 - Presentation of financial statements: classification of liabilities as current or non-current**

- **Amendments to IAS 1 - Presentation of financial statements: non-current liabilities with covenants**

Consolidation rules applied

Consolidation scope and methods
Pursuant to IFRS 10 "Consolidated financial statements", our consolidated financial statements include all of the entities controlled, directly or indirectly, by Virbac, whatever equity stake it may have in these entities. An entity is controlled by Virbac once the following three criteria are cumulatively met:
- Virbac has power over the subsidiary whereby it has actual rights that give it the capacity to direct relevant activities;
- Virbac is exposed to or has rights to variable returns because of its connections to that entity;
- Virbac has the capacity to exercise its power over this entity so as to affect the amount of returns that it receives.

Determining control takes into account potential voting rights if they are substantive, in other words, whether they can be exercised in a timely fashion when decisions about the entity's relevant activities should be taken.
The entities over which Virbac exercises this control are fully consolidated. As applicable, any non-controlling (minority) interests are valued on the date of acquisition in the amount of the fair value of the identified net assets and liabilities.

Pursuant to IFRS 11 "Partnerships", we classify partnerships as joint ventures. Depending on the partnerships, Virbac exercises:
- joint control over a partnership when decisions regarding the partnership's relevant activities require unanimous consent from Virbac and the other parties sharing control;
- significant influence over an associated company when it has the power to participate in financial and operational decisions, albeit without having the power to control or exercise joint control over these policies.

Joint ventures and associated companies are consolidated using the equity method in accordance with IAS 28 "Investments in associated companies and joint ventures" standard.

The consolidated financial statements as at June 30, 2023 include the financial statements of the companies that Virbac controls indirectly or directly, in law or in fact. The list of consolidated companies is provided in note A31.
All transactions between Group companies, as well as inter-company profits, are eliminated from the consolidated accounts.

Foreign exchange conversion methods

- **Conversion of foreign currency operations in the accounts of consolidated companies**

Fixed assets and inventories acquired using foreign currency are converted into functional currency using the exchange rates in effect on the date of acquisition. All monetary assets and liabilities denominated in foreign currency are converted using the exchange rates in effect at closing date. The resulting exchange rate gains and losses are recorded in the income statement.

- **Conversion of foreign company accounts**

Pursuant to IAS 21 standard "Effects of changes in foreign exchange rates" standard, each of our entities accounts for its operations in its functional currency, the currency that most clearly reflects its business environment.
Our consolidated financial statements are presented in euros. The financial statements of foreign companies for which the functional currency is not the euro are converted according to the following principles:

- the balance sheet items are converted at the rate in force at the close of the period. The conversion difference resulting from the application of a different exchange rate for opening equity is shown in the other comprehensive income;
- the income statements are converted at the average rate for the period. The conversion difference resulting from the application of an exchange rate different from the balance sheet rate is shown in the other comprehensive income.

Use of estimations and assumptions

The drawing up of consolidated financial statements implies that the Group makes a number of estimates and assumptions that have a material impact on the value of the assets and liabilities recognized into the statement of financial position, the information related to these assets and liabilities, the expenses and revenues recognized into the profit and loss statement, and the commitments related to the period.
The current global context had no impact on the critical judgements exercised by the Group to apply the accounting methods and the main sources of uncertainty relating to estimations. They are described into the consolidated financial statements of the period closed December 31, 2022.
In addition, for the purposes of the half-year financial information, pursuant to IAS 34, the Group tax charge is calculated on the basis of the effective tax rate estimated for the current fiscal year.
This effective tax rate was estimated based on the tax rates in force and the estimates of profit before tax of the tax jurisdictions of the Group.

A1. Goodwill

Change in goodwill by CGU

in € thousand	Gross value as at 12/31/2022	Impairment value as at 12/31/2022	Book value as at 12/31/2022	Increases	Sales	Impair-ment	Conversion gains and losses	Book value as at 06/30/2023
United States	64,251	-3,650	**60,601**	—	—	—	-1,086	**59,515**
Chile	25,911	—	**25,911**	—	—	—	1,112	**27,023**
New Zealand	15,123	-154	**14,969**	—	—	—	-886	**14,083**
India	13,007	—	**13,007**	—	—	—	-141	**12,866**
SBC	7,873	—	**7,873**	—	—	—	-205	**7,668**
Denmark	4,643	—	**4,643**	—	—	—	—	**4,643**
Uruguay	4,461	—	**4,461**	—	—	—	-82	**4,379**
Peptech	3,493	—	**3,493**	—	—	—	-223	**3,270**
Australia	3,274	-312	**2,962**	—	—	—	—	**2,962**
Italy	1,585	—	**1,585**	—	—	—	—	**1,585**
Colombia	1,353	—	**1,353**	—	—	—	135	**1,488**
Greece	1,358	—	**1,358**	—	—	—	—	**1,358**
Other CGUs	4,616	-1,722	**2,894**	4,667	—	—	-81	**7,480**
Goodwill	**150,948**	**-5,838**	**145,110**	**4,667**	**—**	**—**	**-1,457**	**148,320**

In addition to the conversion differences, the change in this item is explained by the acquisition of GS Partners on May 2, 2023. The information relating to acquisition accounting is presented below.

Business combination

On May 2, 2023, we completed the acquisition of 100% of the shares of our historic distributor in the Czech Republic and Slovakia, also one of our oldest distributors in Central Europe.

This acquisition allows us to become more autonomous in fast-growing markets and to secure and further develop our business in these two countries while strengthening our presence in Central Europe, where our products for animal health are already accessible through our subsidiaries in Hungary and Poland (vaccines, reproduction, parasiticide and auricular ranges).
About twelve GS Partners employees joined Virbac's teams as part of the acquisition.

This operation meets the criteria for a business combination defined by IFRS 3 and has, therefore, been accounted for accordingly. The fair value valuation of acquired assets and liabilities taken over is detailed below and leads to the recognition of goodwill of €4.7 million as of June 30, 2023.

in € thousand	Valuation
Inventories sale price	2,092
Costs to incur to sell inventories	-172
Fair value of inventories acquired	**1,920**
Tangible assets	48
Trade receivables and other receivables	718
Cash and cash equivalents	5,250
Goodwill	4,667
Fair value of acquired assets	**10,683**
Trade payables and other payables	-892
Deferred tax liabilities arising from IFRS 3	-157
Fair value of acquired liabilities	**-1,049**
Acquisition price	**11,554**

The purchase price consists of a payment of €10.1 million, a debt on securities of €0.6 million, and an earn-out clause payable in four installments, the cumulative amount of which cannot exceed €0.9 million, to be paid over four fiscal years. These earn-outs, the payment of which is deemed highly probable, were recorded in the other current financial liabilities in the amount of €0.2 million and non-current in the amount of €0.7 million.

It should be noted that the purchase price includes the acquisition of cash in the amount of €5.3 million.

Goodwill, which corresponds to the difference between the price paid and the fair value of the acquired net assets recorded in the Group's consolidated accounts, reflects the expected synergy effects and is mainly explained by:

- the integration of the downstream margin of our distributor in the Czech Republic and Slovakia;
- the integration of an experienced sales team;
- the strengthening of our position in Central Europe, from now on, with a direct commercial presence in both countries, which will facilitate future launches of new products.

The sales performed by this company over the first semester are around €3 million (whereas €1 million since the acquisition date) for a net result close to €0.5 million.

A2. Intangible assets

Changes in intangible assets

	Concessions, patents, licenses and brands		Other intangible assets	Intangible assets in progress	Intangible assets
in € thousand	Indefinite life	Finite life			
Gross value as at 12/31/2022	**112,337**	**112,049**	**80,897**	**21,288**	**326,570**
Acquisitions and other increases	—	976	57	2,876	**3,909**
Disposals and other decreases	-1	-353	-92	-534	**-980**
Changes in scope	—	—	—	—	**—**
Transfers	237	2,116	1,009	-1,600	**1,762**
Conversion gains and losses	823	-341	-232	-183	**67**
Gross value as at 06/30/2023	**113,396**	**114,447**	**81,638**	**21,848**	**331,329**
Depreciation as at 12/31/2022	**-19,131**	**-87,185**	**-64,612**	**-1,245**	**-172,174**
Depreciation expense	—	-2,805	-2,218	—	**-5,023**
Impairment losses (net of reversals)	—	257	—	513	**770**
Disposals and other decreases	—	94	77	—	**171**
Changes in scope	—	—	—	—	**—**
Transfers	-1	1	—	—	**—**
Conversion gains and losses	—	183	167	28	**378**
Depreciation as at 06/30/2023	**-19,132**	**-89,455**	**-66,586**	**-704**	**-175,878**
Net value as at 12/31/2022	**93,206**	**24,864**	**16,284**	**20,043**	**154,397**
Net value as at 06/30/2023	**94,264**	**24,992**	**15,052**	**21,143**	**155,451**

Concessions, patents, licenses and brands

The item "'Concessions, patents, licenses and brands" includes:

- rights relating to the patents, know-how and market authorizations necessary for the Group's production activities and commercialization procedures;
- trademarks;
- distribution rights, customer files and other rights to intangible assets.

It consists primarily of intangible assets arising from acquisitions, which are treated in accordance with IAS 38, as well as assets acquired as part of external growth transactions, as defined by IFRS 3.

As of June 30, 2023, the item "Concessions, patents, licenses and brands" comprised the following:

As at June 30, 2023

in € thousand	Acquisition date	Brands	Patents and know-how	Marketing authorizations and registration rights	Customers lists and others	Total
United-States: iVet	2021	1,133	—	—	1,380	**2,513**
SBC	2015	—	3,808	2,054	—	**5,862**
Uruguay: Santa Elena	2013	3,608	9,184	114	—	**12,906**
Australia: Axon	2013	878	627	—	—	**1,505**
Australia: Fort Dodge	2010	1,475	438	—	—	**1,914**
New Zealand	2012	3,080	518	235	1,036	**4,869**
Centrovet	2012	18,371	28,655	7	2,738	**49,771**
Multimin	2011-2012	3,004	2,489	—	—	**5,493**
Peptech	2011	944	—	—	—	**944**
Colombia: Synthesis	2011	1,365	—	219	—	**1,583**
Schering-Plough Europe	2008	1,711	—	-129	—	**1,582**
India: GSK	2006	10,098	—	—	—	**10,098**
Others		6,498	5,537	6,499	1,681	**20,215**
Total concessions, patents, licenses and brands		**52,166**	**51,257**	**8,998**	**6,836**	**119,257**

The classification of intangible assets according to useful life results from the analysis of all relevant economic and legal factors, making it possible to conclude whether or not there is a foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity.
Innovative or differentiated products in general, and vaccines and other assets from biotechnologies in particular, are generally classified as intangible assets with indefinite useful lives, once a detailed analysis has been conducted and experts have given their opinions on their potential. This approach is founded on Virbac's past experience.

Other intangible assets

The other intangible assets relate essentially to IT projects, in several Group subsidiaries. They all have defined useful lives. The increase in the items “Other intangible assets” and “Intangible assets in progress” is primarily due to investments in IT projects carried out by Virbac (parent company).
The “Transfers” line indicates the commissioning of these projects.

A3. Impairment of assets

In accordance to IAS 36, we perform impairment tests of the assets included in each of our cash generating units, once a year, and independently from the existence of indicators of loss of value.

As part of the preparation of the half-yearly consolidated accounts, we analyze quantitative and qualitative criteria in order to identify possible indicators of loss of value, and carries out impairment tests when these indicators are recognized.

As of June 30, 2023, impairment tests were carried out on three CGUs showing indicators of loss of value. The comfort margins of each of them did not lead us to recognize any impairment in our condensed consolidated accounts.

However, the Chilean UGT suffers from a new decrease of the headroom compared to December 31, 2022. Based on the impairment model as at June 30, 2023 (conducted with a 10.6% WACC and infinite growth rate of 3.5%), an increase of +0.5% in the WACC would result in the break-even point, and an increase of +2% in the WACC would result in an impairment of the assets (close to € 20 million).
A WACC increase of +0.5% combined with a terminal growth rate decrease of -0.5% would result in an impairment (€ 4.9 million).

A4. Tangible assets

Change in tangible assets

in € thousand	Lands	Buildings	Technical facilities, materials and equipment	Other tangible assets	Tangible assets in progress	Tangible assets
Gross value as at 12/31/2022	**18,342**	**207,672**	**245,342**	**34,105**	**26,597**	**532,059**
Acquisitions and other increases	—	1,312	3,219	955	5,737	**11,222**
Disposals and other decreases	—	-25	-444	-434	-19	**-922**
Changes in scope	—	—	—	—	—	**—**
Transfers	—	5,100	4,008	582	-11,343	**-1,653**
Conversion gains and losses	-62	339	-499	177	-68	**-113**
Gross value as at 06/30/2023	**18,280**	**214,398**	**251,626**	**35,385**	**20,903**	**540,593**
Depreciation as at 12/31/2022	**—**	**-114,423**	**-152,666**	**-24,326**	—	**-291,416**
Depreciation expense	—	-4,638	-6,856	-1,535	—	**-13,030**
Impairment losses (net of reversals)	—	—	163		—	**163**
Disposals and other decreases	—	22	434	430	—	**886**
Changes in scope	—	—	—	—	—	**—**
Transfers	—	11	-174	—	—	**-163**
Conversion gains and losses	—	99	559	-94	—	**565**
Depreciation as at 06/30/2023	**—**	**-118,929**	**-158,541**	**-25,525**	**—**	**-302,994**
Net value as at 12/31/2022	**18,342**	**93,248**	**92,676**	**9,779**	**26,597**	**240,643**
Net value as at 06/30/2023	**18,280**	**95,469**	**93,085**	**9,861**	**20,903**	**237,599**

Throughout 2023, we have continued to invest at the historic Carros site in improvements to our buildings and in the acquisition of new industrial equipments, representing more than 40% of the increase in acquisitions. Acquisitions in other countries were mainly in the United States, where we acquired new industrial equipments; in Vietnam, where we set up a new microbiology laboratory, and in Uruguay, Chile, Australia and New Zealand.

The "Transfers" line materializes the commissioning of projects, mainly in France.

Conversion gains and losses impact the item "Tangible fixed assets" for a net amount of €0.5 million.

A5. Right of use

In presenting our financial statements, we have chosen to isolate, on a dedicated statement of financial position line, the right of use resulting from those contracts that fall within the scope of the IFRS 16 standard.

Changes in the right of use during the first half of 2023 are analyzed as follows:

in € thousand	Lands and buildings	Technical facilities, materials and equipment	Transportation equipment	IT equipment hardware and software	Office equipment and others	Right of use
Gross value as at 12/31/2022	**38,996**	**3,494**	**15,130**	**4,097**	**761**	**62,478**
Increases	1,237	257	2,169	236	19	**3,919**
Decreases	-360	-374	-1,476	-114	-7	**-2,331**
Changes in scope	—	—	—	—	—	**—**
Transfers	—	—	—	—	—	**—**
Conversion gains and losses	-747	16	210	52	-12	**-482**
Gross value as at 06/30/2023	**39,127**	**3,392**	**16,033**	**4,272**	**760**	**63,585**
Depreciation as at 12/31/2022	**-15,642**	**-1,929**	**-8,426**	**-1,447**	**-439**	**-27,883**
Allowances	-2,388	-378	-2,183	-523	-73	**-5,545**
Termination of contracts	357	299	1,464	114	—	**2,235**
Changes in scope	—	—	—	—	—	**—**
Transfers	-12	—	—	—	—	**-12**
Conversion gains and losses	316	-13	-119	-22	7	**169**
Depreciation as at 06/30/2023	**-17,368**	**-2,021**	**-9,264**	**-1,878**	**-504**	**-31,035**
Net value as at 12/31/2022	**23,354**	**1,565**	**6,704**	**2,650**	**322**	**34,595**
Net value as at 06/30/2023	**21,759**	**1,372**	**6,770**	**2,394**	**256**	**32,550**

The net value of rights of use decreases very slightly over the period (-€2 million), the increases being offset by the mechanical action of depreciation for the period. The main increases relate to the renewal of the vehicle fleet in all Group subsidiaries, as well as to real estate contracts, due to new commitments such as in the Philippines or China, or revisions of the initial conditions (duration or amount of rent) such as in Canada or India. The decreases are primarily for expired vehicle leases.

Allowance for depreciations over the period amounted to €5.5 million.

Analysis of the residual rent liability

The table below shows the rent payments resulting from non-capitalized leases under exemptions set out in the standard:

in € thousand	Residual rental costs
Variable rental costs	-591
Rental costs on short-term contracts	-650
Rental costs on assets of low value	-619
Residual rental costs	**-1,861**

A6. Other financial assets

Change in other financial assets

in € thousand	2022.12	Increases	Decreases	Transfers	Conversion gains and losses	2023.06
Loans and other financial receivables	**5,730**	395	-272	—	115	**5,968**
Currency and interest rate derivatives	**89**	252	—	—	—	**341**
Restricted cash	**118**	—	—	—	-3	**115**
Other	**319**	—	—	—	12	**331**
Other financial assets, non-current	**6,256**	**647**	**-272**	**—**	**124**	**6,755**
Loans and other financial receivables	**1,050**	12	-752	—	-14	**297**
Currency and interest rate derivatives	**2,488**	785	—	—	—	**3,273**
Restricted cash	**—**	—	—	—	—	**—**
Other	**—**	—	—	—	—	**—**
Other financial assets, current	**3,538**	**797**	**-752**	**—**	**-14**	**3,570**
Other financial assets	**9,794**	**1,445**	**-1,024**	**—**	**111**	**10,325**

Other financial assets remain relatively stable in the first half of 2023.
The decrease in loans and other fixed receivables is mainly due to the repayment of the security deposit with the factoring company in the United States.

The increase in foreign exchange and interest rate derivatives is mainly due to a favorable exchange rate effect of our balance sheet-backed hedges on the Taiwanese dollar and the US dollar, but also a favorable rate effect following the increase in the *Euribor*.

Other financial assets classified according to their maturity

As at June 30, 2023

in € thousand	Payments			Total
	less than 1 year	from 1 to 5 years	more than 5 years	
Loans and other financial receivables	297	5,830	138	**6,265**
Currency and interest rate derivatives	3,273	341	—	**3,614**
Restricted cash	—	46	70	**115**
Other	—	119	212	**331**
Other financial assets	**3,570**	**6,336**	**420**	**10,325**

As at December 31, 2022

in € thousand	Payments			Total
	less than 1 year	from 1 to 5 years	more than 5 years	
Loans and other financial receivables	1,050	4,963	767	**6,780**
Currency and interest rate derivatives	—	89	—	**89**
Restricted cash	—	72	46	**118**
Other	2,488	319	—	**2,807**
Other financial assets	**3,539**	**5,443**	**813**	**9,794**

A7. Shares in companies accounted for by the equity method

Information about equity-accounted companies

in € thousand	Company's individual accounts using equity method				Consolidated financial statements	
	Balance sheet total	Equity	Sales	Result	Share of equity	Share of result
AVF Animal Health Co Ltd	NA	NA	—	—	4,265	424
Share in companies accounted for by the equity method					**4,265**	**424**

The impact of equity companies is not considered material to our financial statements, therefore the information required by IFRS 12 is limited to the above items.

A8. Deferred taxes

Variation in deferred taxes

in € thousand	2022.12 restated[1]	Variations	Transfers	Change in scope	Conversion gains and losses	2023.06
Deferred tax assets	**37,987**	283	-182	4	250	**38,342**
Deferred tax liabilities	**39,084**	231	-2	158	516	**39,987**
Deferred tax offset	**-1,097**	**52**	**-180**	**-154**	**-266**	**-1,645**

[1]restatement following the IAS 12 amendment related to deferred tax assets and liabilities arising from the same transaction, applicable as at January 1, 2023 (see Accounting principles and methods applied)

The variation in deferred taxes presented above includes, for +€203 thousand, deferred tax on the effective share of profits and losses on hedging instruments recorded in the other elements of the comprehensive income.

In accordance with the IAS 12 standard, which requires under certain conditions the offsetting of tax liabilities and receivables, the deferred tax assets and liabilities have been offset by tax entity in the statement of financial position, for €14,624 thousand).

A9. Inventories and work in progress

in € thousand	Raw materials and supplies	Work in progress	Finished products and goods for resale	Inventories and work in progress
Gross value as at 12/31/2022	**108,276**	**25,514**	**220,381**	**354,172**
Variations	8,929	3,806	-460	**12,275**
Changes in scope	—	0	1,920	**1,920**
Transfers	—	0	—	**—**
Conversion gains and losses	-391	17	-112	**-486**
Gross value as at 06/30/2023	**116,814**	**29,337**	**221,729**	**367,881**
Depreciation as at 12/31/2022	**-5,612**	**-728**	**-16,922**	**-23,262**
Allowances	-2,952	-1,168	-9,747	**-13,866**
Reversals	1,928	728	7,727	**10,382**
Changes in scope	—	—	—	**—**
Transfers	—	—	—	**—**
Conversion gains and losses	79	—	43	**122**
Depreciation as at 06/30/2023	**-6,557**	**-1,168**	**-18,899**	**-26,624**
Net value as at 12/31/2022	**102,664**	**24,786**	**203,460**	**330,909**
Net value as at 06/30/2023	**110,256**	**28,169**	**202,830**	**341,256**

Excluding the impacts of foreign exchange rates, net inventories increased by €10.7 million, a relative increase compared to previous periods. The variation is diverse across our subsidiaries, with a more significant increase at Virbac SA, the latter entity producing for the rest of the Group, and is linked to the sustained activity for the quarter; as a ratio, stocks increase by +0.3 point of revenue excluding exchange rate effect (+0.4 point at real rates).

A10. Trade receivables

in € thousand	Trade receivables
Gross value as at 12/31/2022	**148,709**
Variations	**28,733**
Changes in scope	**634**
Transfers	**—**
Conversion gains and losses	**-455**
Gross value as at 06/30/2023	**177,621**
Depreciation as at 12/31/2022	**-2,419**
Allowances	**-363**
Reversals	**305**
Changes in scope	**—**
Transfers	**—**
Conversion gains and losses	**-33**
Depreciation as at 06/30/2023	**-2,510**
Net value as at 12/31/2022	**146,290**
Net value as at 06/30/2023	**175,111**

Excluding foreign exchange effects, net trade receivables increased by €29.3 million, mainly in the United Kingdom, Italy, India and Australia, which represent 68% of the increase observed. The change in this item on the balance sheet is mainly due to a higher volume of activity generated at the end of the half-year compared to the end of last year and a lag effect of receipts from major clients in the United Kingdom compared to December 2022. To a lesser extent, this increase is also explained by the difficulties with cash receipts encountered during the last week of June 2023 in connection with the June 19 cyberattack.

It should be noted that receivables derecognized as sold under factoring contracts amounted to €9.9 million as of June 30, 2023 (compared with €16.9 million as of December 31, 2022), this variation mainly coming from our U.S. subsidiary which did not use this program in the second part of the half year.

The credit risk from trade receivables and other receivables is presented in note A29.

A11. Other receivables

in € thousand	2022.12	Variations	Change in scope	Conversion gains and losses	2023.06
Income tax receivables	**11,961**	-2,500	—	299	**9,760**
Social receivables	**627**	-52	—	-5	**570**
Other receivables from the State	**35,765**	-1,020	61	597	**35,403**
Advances and prepayments on orders	**2,887**	896	1	72	**3,856**
Depreciation on various other receivables	**—**	—	—	—	**—**
Prepaid expenses	**9,296**	4,542	18	-73	**13,783**
Other various receivables	**4,871**	2,810	1	-61	**7,621**
Other receivables	**65,407**	**4,676**	**81**	**829**	**70,993**

The "Other receivables" item increased by €5.6 million overall, €4.7 million excluding the effects of gains and losses conversion.

The main increase item concerns the prepaid expenses item in the amount of €4.5 million and is mainly explained by a seasonal effect.

The increase in other miscellaneous receivables for €2.8 million in the first half concerns Australia and the United States but is not material individually.

A12. Cash and cash equivalents

in € thousand	2022.12	Variations	Change in scope	Transfers	Conversion gains and losses	2023.06
Available funds	**67,265**	27,462	5,250	1	-1,159	**98,819**
Marketable securities	**110,118**	13,362	—	—	-1,272	**122,208**
Cash and cash equivalents	**177,383**	**40,824**	**5,250**	**1**	**-2,431**	**221,026**
Bank overdraft	**-639**	-17,149	—	—	—	**-17,789**
Accrued interests not yet matured	**-65**	11	—	—	—	**-53**
Overdraft	**-704**	**-17,138**	**—**	**—**	**—**	**-17,842**
Net cash position	**176,679**	**23,686**	**5,250**	**1**	**-2,431**	**203,184**

Net cash amounted to €203,184 thousand as at June 30, 2023, of which €122,208 thousand was marketable securities consisting mainly of term deposits of shorter than two months.
The increase in bank credit facilities is due to Virbac's increased working capital requirements in the first half of 2023, as usually during the first half of the financial year.
The variation of €5,250 thousand is related to the acquisition of GS Partners on May 2, 2023, see note A1.

A13. Assets classified as held for sale and liabilities related to assets held for sale

As of the closing date of the 2023 half-year, no assets have been classified as assets held for sale.

A14. Other provisions

in € thousand	2022.12	Allowances	Reversals	Changes in scope	Transfers	Conversion gains and losses	2023.06
Trade disputes and industrial tribunals	**2,341**	80	-200	—	—	2	**2,224**
Fiscal disputes	**2,912**	51	-302	—	—	198	**2,858**
Various risks and charges	**1,579**	307	-682	—	—	—	**1,203**
Other non-current provisions	**6,832**	**438**	**-1,184**	**—**	**—**	**199**	**6,285**
Trade disputes and industrial tribunals	**774**	—	-121	—	—	-8	**646**
Fiscal disputes	**—**	—	—	—	—	—	**—**
Various risks and charges	**264**	7	-53	—	—	5	**224**
Other current provisions	**1,039**	**7**	**-174**	**—**	**—**	**-3**	**870**
Other provisions	**7,872**	**445**	**-1,359**	**—**	**—**	**197**	**7,155**

Tax-related provisions are intended to deal with the financial consequences of the tax audits in the Group.

Provisions no longer required, whether used pursuant to their initial purpose, or because the risk expired, were reversed over the period.

Contingent liabilities

Virbac and its subsidiaries are sometimes involved in litigation, or other legal proceedings, generally linked to disputes related to intellectual property rights, competition law disputes, and tax matters. Each situation is analyzed in regards to IAS 37 or IFRIC 23, when it involves uncertainties related to tax treatments. No provision is recognized if the company considers that the liability is contingent, and information is given in the notes to the consolidated statements.

A15. Lease liability

Change in lease liability

in € thousand	2022.12	New contracts and renewals	Repayments and cancellations	Transfers	Conversion gains and losses	2023.06
Lease liability - non-current	27,392	2,598	-269	-4,140	-336	**25,246**
Lease liability - current	9,415	1,477	-5,577	4,140	-28	**9,427**
Lease liability	**36,807**	**4,076**	**-5,846**	**—**	**-364**	**34,674**

Lease liabilities classified according to their maturity

in € thousand	Payments			Total
	less than 1 year	from 1 to 5 years	more than 5 years	
Lease liability - non-current	—	18,705	6,542	**25,247**
Lease liability - current	9,427	—	—	**9,427**
Lease liability	**9,427**	**18,705**	**6,542**	**34,674**

Information related to financing activities

in € thousand	2022.12	Cash flows	Non-cash flows				2023.06
		Repayments	Increase	Decrease	Transfers	Conversion gains and losses	
Lease liability	36,807	-5,750	4,076	-96	—	-364	**34,674**
Lease liability	**36,807**	**-5,750**	**4,076**	**-96**	**—**	**-364**	**34,674**

Decreases correspond to early terminations with no cash impact.

The increase in debt liabilities stems essentially from the obligations generated by the new contracts relating to the fleet of vehicles together with real estate contracts as mentioned in note A5.

A16. Other financial liabilities

Change in other financial liabilities

in € thousand	2022.12	Increase	Decrease	Changes in scope	Transfer	Conversion gains and losses	2023.06
Loans	**17,995**	45,617	-3,395	—	-986	2,742	**61,973**
Employee profit sharing	**19**	1	—	—	—	—	**20**
Currency and interest rate derivatives	**—**	—	—	—	—	—	**—**
Other	**—**	—	—	—	—	—	**—**
Other non-current financial liabilities	**18,014**	**45,618**	**-3,395**	**—**	**-986**	**2,742**	**61,993**
Loans	**34,953**	29,353	-15,099	—	986	1,199	**51,392**
Bank overdrafts	**640**	—	17,149	—	—	—	**17,789**
Accrued interests not yet matured	**65**	—	-11	—	—	—	**54**
Employee profit sharing	**1,076**	507	-935	—	—	86	**734**
Currency and interest rate derivatives	**6,465**	—	-3,651	—	—	—	**2,814**
Other	**—**	—	—	—	—	—	**—**
Other current financial liabilities	**43,199**	**29,860**	**-2,547**	**—**	**986**	**1,285**	**72,783**
							—
Other financial liabilities	**61,213**	**75,478**	**-5,942**	**—**	**—**	**4,027**	**134,776**

As of June 30, 2023, our net debt amounts to -€51.6 million, up €27.8 million compared to December 31, 2022. This increase is mainly explained by the seasonal increase in our working capital requirements (related, among other things, to the payment of the annual lump sum discounts over the first half of the year and to the payment of social debts accrued on December 31 (bonuses, incentive and profit-sharing bonuses, *etc.*)). This seasonality is accentuated in 2023 by the payment of dividends as well as by the acquisition of our distributor in Czech Republic.
A significant decrease in debt level is expected, as every year, during the second half of the year.

In March 2023, we set up a new financing contract for CLP24 billion *(i.e.* approximately €27.5 million) at variable rates and repayable *in fine* in three years, which enabled us to repay inter-company loans and the invoices of interests related to these loans, that is nearly CLP22 billion.

In September 2023, our bank pool responded favorably and unanimously to our second request for an extension of the maturity of our syndicated loan by one year, with a new maturity date of October 18, 2028.

Thus, in order to ensure our liquidity, in terms of bank and disintermediated funding, our status is as follows:
- a syndicated loan of €200 million, at variable rate, repayable *in fine* in October 2028 after having been extended by two years, accompanied by a so-called "accordion" clause allowing the financing to be increased by €150 million and which includes commitments in connection with our CSR policy;
- a market-based contract (*Schuldschein*) for a total of €6 million, with maturity April 2025, at a fixed rate;
- financing contracts with Bpifrance, for €13.3 million, depreciable and maturing in November 2023, September 2024 and June 2032;
- factoring contracts with recourse US $46 million (*i.e.* approximately €42.3 million) in Chile;
- loans for CLP24 billion *(i.e.* approximately €27.5 million) in Chile too;
- uncommitted credit lines in the United States for US $37 million *(i.e.* approximately €34 million).

As of June 30, 2023, the funding position, which amounts to €113 million, is broken down as follows:
- the syndicated loan was drawn for €17 million;
- market-based contract amounted to €6 million;
- the Bpifrance financing amounted to €13.3 million;
- the equivalent of CLP46 billion (*i.e.* approximately €52.8 million) on the various financing lines in Chile;
- US $22 million (*i.e.* approximately €20.2 million) in drawdowns on our credit lines in the United States.

At half-year closing date, the marked-based contract includes a financial covenant compliance clause that requires us to adhere to the following financial ratios based on the consolidated accounts and reflecting consolidated net debt[1] for the period in question on the consolidated Ebitda[2] for the same test period.

As at June 30, 2023, we are in compliance with the financial ratio covenants, which is -0.25, thus placing it below the contractual financial covenant limit of 4.25.

[1]for the purpose of calculating the covenant, consolidated net debt refers to the sum of other current and non-current financial liabilities, namely the following items: loans, bank loans, accrued interest liabilities, liabilities related to finance leases, profit sharing, interest rate and foreign exchange derivatives, and others; minus the

amount of the following items: cash and cash equivalents, term deposits, and foreign exchange and interest rate assets derivatives as shown in the consolidated accounts

[2]the consolidated Ebitda refers to operating profit for the last twelve months (that of the last six months of 2022 added to that of the first half-year 2023), plus the allowances for depreciation and provisions net of reversals and dividends received from non-consolidated subsidiaries

Other financial liabilities classified according to their maturity

As at June 30, 2023

in € thousand	Payments			Total
	less than 1 year	from 1 to 5 years	more than 5 years	
Loans	51,392	59,722	2,250	**113,364**
Bank overdrafts	17,790	—	—	**17,790**
Accrued interests not yet matured	53	—	—	**53**
Employee profit sharing	735	20	—	**755**
Currency and interest rate derivatives	2,814	—	—	**2,814**
Other	—	—	—	**—**
Other financial liabilities	**72,784**	**59,742**	**2,250**	**134,776**

As at December 31, 2022

in € thousand	Payments			Total
	less than 1 year	from 1 to 5 years	more than 5 years	
Loans	34,953	15,432	2,563	**52,948**
Bank overdrafts	640	—	—	**640**
Accrued interests not yet matured	65	—	—	**65**
Employee profit sharing	1,076	19	—	**1,095**
Currency and interest rate derivatives	6,465	—	—	**6,465**
Other	—	—	—	**—**
Other financial liabilities	**43,200**	**15,452**	**2,563**	**61,213**

Information related to financing activities

in € thousand	2022.12	Cash flows		Non-cash flows			2023.06
		Issuance	Repayments	Fair value	Transfers	Conversion gains and losses	
Non-current financial liabilities	**17,995**	45,617	-3,395	—	-986	2,742	**61,973**
Current financial liabilities	**34,953**	29,353	-15,099	—	986	1,199	**51,392**
Employee profit sharing	**1,095**	508	-935	—	—	86	**754**
Currency and interest rate derivatives	**6,465**	—	—	-3,651	—	—	**2,814**
Others	**—**	—	—	—	—	—	**—**
Other financial liabilities	**60,508**	**75,478**	**-19,429**	**-3,651**	**—**	**4,027**	**116,933**

A17. Other payables

in € thousand	2022.12	Variations	Changes in scope	Transfers	Conversion gains and losses	2023.06
Income tax payables	**—**	—	—	—	—	**—**
Social payables	**—**	—	—	—	—	**—**
Other fiscal payables	**—**	—	—	—	—	**—**
Advances and prepayments on orders	**—**	—	—	—	—	**—**
Prepaid income	**1,846**	-158	—	—	-3	**1,685**
Various other payables	**5,308**	-251	638	—	209	**5,904**
Other non-current payables	**7,154**	**-409**	**638**	**—**	**206**	**7,589**
Income tax payables	**10,221**	-150	119	—	190	**10,380**
Social payables	**61,767**	-6,887	61	—	-171	**54,770**
Other fiscal payables	**11,226**	3,714	33	—	72	**15,045**
Advances and prepayments on orders	**437**	1,800	—	—	-100	**2,137**
Prepaid income	**1,036**	273	—	-113	-6	**1,190**
Various other payables	**96,426**	-22,085	822	-20	-308	**74,835**
Other current payables	**181,113**	**-23,335**	**1,035**	**-133**	**-323**	**158,357**
Other payables	**188,267**	**-23,744**	**1,673**	**-133**	**-117**	**165,946**

The “Various other payables” line, which constitutes the main cause of the decrease in the “Other payables” item, mostly includes liabilities on contracts entered into with customers. This decrease in this position is mainly related to the payment of year-end rebates for the year 2022.

Social liabilities decrease due to the payment of incentives and other staff bonuses that were provisioned in 2022.

The table below details the type of contract-related liabilities:

in € thousand	2022.12	Variations	Transfers	Conversion gains and losses	2023.06
Advances and prepayments on orders	**437**	1,800	—	-101	**2,137**
Customers - credits to be issued	**88,346**	-21,432	—	-339	**66,574**
Customer liabilities	**88,783**	**-19,632**	**—**	**-440**	**68,712**

Credits and accruals stem primarily from changes in transaction pricing, as the majority of the Group’s subsidiaries grant customers year-end rebates, the amount of which is contingent on the achievement of sales objectives. The variation of €21.4 million corresponds exclusively to the payments of year-end rebates made during the first half of the year.

A18. Trade payables

in € thousand	2022.12	Variations	Changes in scope	Transfers	Conversion gains and losses	2023.06
Current trade payables	**142,459**	-13,248	674	—	-124	**129,761**
Trade payables - suppliers of intangible assets	**5,302**	-3,066	—	—	-22	**2,214**
Trade payables - suppliers of tangible assets	**8,059**	-4,179	—	—	-20	**3,860**
Trade payables	**155,820**	**-20,493**	**674**	**—**	**-166**	**135,835**

This item amounted to €135.8 million at June 30, 2023, compared to €155.8 million at the end of 2022. A decline that is partly explained by the consumption of security stocks that had been accumulated since the beginning of the health crisis and then the war in Ukraine, resulting in a relative decline in purchases of certain raw materials and goods over the period.

A19. Revenue from ordinary activities

in € thousand	2023.06	2022.06	*Change*
Sales of finished goods and merchandise	696,562	703,516	-1.0%
Services	547	211	159.5%
Additional income from activity	6,556	1,580	314.8%
Royalties paid	211	145	44.9%
Gross sales	**703,875**	**705,452**	***-0.2%***
Discounts, rebates and refunds on sales	-73,473	-70,403	*4.4%*
Expenses deducted from sales	-13,438	-13,413	*0.2%*
Financial discounts	-6,121	-4,849	*26.2%*
Provisions for returns	-377	-424	*-11.1%*
Expenses deducted from sales	**-93,408**	**-89,089**	***4.8%***
Revenue from ordinary activities	**610,467**	**616,364**	***-1.0%***

The expenses presented within the revenue are mainly made up of the following elements:
- amounts paid under commercial cooperation contracts (commercial communication actions, supply of statistics, *etc*.);
- cost of business operations (including loyalty programs), the amount of which is directly related to the revenue generated.

Provisions for customer returns are calculated using a statistical method, based on historical returns.

Performance

As of June 30, 2023, our consolidated revenue amounted to €610.5 million compared to €616.4 million in the first half of 2022, thus marking a decrease of -1.0% compared with the same 2022 period. Excluding the unfavorable impact of exchange rates, revenues rose by +0.4%.

The revenue growth of ordinary activities by segment and region is detailed in the management report.

A20. Purchases consumed

in € thousand	2023.06	2022.06	*Change*
Inventoried purchases	-195,613	-222,573	*-12.1%*
Non-inventoried purchases	-17,535	-17,051	*2.8%*
Supplementary charges on purchases	-3,243	-2,888	*12.3%*
Discounts, rebates and refunds obtained	152	339	*-55.2%*
Purchases	**-216,239**	**-242,173**	***-10.7%***
Change in gross inventories	12,275	25,704	*-52.2%*
Allowances for depreciation of inventories	-13,866	-10,786	*28.6%*
Reversals of depreciation of inventories	10,382	11,075	*-6.3%*
Net variation in inventories	**8,790**	**25,993**	***-66.2%***
Consumed purchases	**-207,449**	**-216,180**	***-4.0%***

The decrease of -4.0% in purchases consumed comes from a decrease in purchases stored by 10.7% compared to the same period in 2022 and a lower change in inventory over this first half of the year; the first change is explained by the decrease in purchases of raw materials and goods, due to the consumption of existing security stocks (see comment in note A18). The decrease in change in inventory is explained by a slowdown in the change in inventory of finished products, resulting from the use of existing stocks (see note A9).

The increase in inventories depreciation is mainly due to a 100% reserve on the inventory of our main parasiticide in Chile, the commercialization of which was interrupted in July 2022.

A21. External costs

In the first half of 2023, external costs amounted to €100.6 million compared to €104.1 million in the first half of 2022, *i.e.* a decrease of 3.4% at real rates for an amount of -€3.5 million. This reduction mainly comes from the decrease in freight transport costs internationally. These costs had risen sharply since the start of the pandemic but have returned to lower levels. In addition, there is a decrease in temporary staff costs, partly offset by the increase in personnel costs, as well as a decrease in marketing expenses, due in part to the launch of several products in the first half of 2022, notably in the United States (dental and petfood ranges), which is non-recurring this year. Travel costs increased slightly over the period but remained relatively stable in proportion to revenue, as did maintenance costs.

A22. Depreciation, impairment and provisions

in € thousand	2023.06	2022.06	Change
Allowances for depreciation of intangible assets[1]	-3,171	-2,703	17.3%
Allowances for impairment of intangible assets	—	-10	-100.0%
Allowances for depreciation of tangible assets	-13,030	-12,037	8.2%
Allowances for impairment of tangible assets	—	—	
Allowances for depreciation of right of use	-5,545	-5,307	4.5%
Reversals for depreciation of intangible assets	—	—	
Reversals for impairment of intangible assets	770	80	862.5%
Reversals for depreciation of tangible assets	—	—	
Reversals for impairment of tangible assets	163	192	-15.1%
Depreciation and impairment	**-20,812**	**-19,785**	**5.2%**
Allowances of provisions for risks and charges	-445	-1,657	-73.1%
Reversals of provisions for risks and charges	1,082	1,823	-40.6%
Provisions	**637**	**166**	**283.7%**
Depreciations and provisions	**-20,175**	**-19,619**	**2.8%**

[1] excluding allowance for depreciations of intangible assets arising from acquisitions

Depreciations and provisions remain stable during the period compared to the first half of 2022.

Allowances for depreciation of intangible assets arising from acquisitions

in € thousand	2023.06	2022.06
Centrovet	-793	-765
Schering-Plough Europe	-476	-477
Multimin	-215	-243
New Zealand	-169	-201
Uruguay: Santa Elena	-75	-74
Australia: Axon	-62	-65
Colombia: Synthesis	-39	-45
SBC	-24	-25
Depreciations of intangible assets arising from acquisitions	**-1,852**	**-1,894**

A23. Other operating income and expenses

in € thousand	2023.06	2022.06	Change
Royalties paid	-1,692	-2,457	-31.1%
Grants received (including research tax credit)	7,413	5,096	45.5%
Allowances for depreciation of receivables	-363	-390	-6.9%
Reversals of depreciation of receivables	305	236	29.2%
Bad debts	-8	-5	60.0%
Net book value of disposed assets	-826	-204	304.9%
Income from disposal of assets	48	55	-12.7%
Other operating income and expenses	19	2,175	-99.1%
Other operating income and expenses	**4,896**	**4,507**	**8.6%**

The item "Other current income and expenses" shows a slight change of +8.6% and is mainly explained by:
- the increase in the amount of tax credits recorded in grants, which amounts to €7.3 million as of June 30, 2023, compared to €5.1 million in the first half of 2022;
- the decrease in royalties paid is explained by the end of a royalty agreement in Australia over the period;
- changes partially offset by the decrease in other income and expenses, which itself is mainly explained by the income of €3.0 million received in March 2022 from Elanco. This was the second and last payment on the €7 million that Elanco committed to pay us, as compensation for Virbac's continuation of development projects.

The other changes are individually immaterial.

A24. Other non-current income and expenses

As of June 30, 2023, non-current income was accounted for €0.5 million.

in € thousand	2023.06
Revaluation impact of the debt on iVet shares acquired in the United States in 2021 (earn-out clause)	925
Revaluation of inventories acquired in Czech Republic (purchase accounting method)	-411
Non-current income or expenses	**514**

A25. Financial income and expenses

in € thousand	2023.06	2022.06	*Change*
Gross cost of financial debt	-4,151	-1,665	*149.3%*
Income from cash and cash equivalents	4,123	1,583	*160.4%*
Net cost of financial debt	**-28**	**-81**	***-65.8%***
Foreign exchange gains and losses	-4,658	-4,037	*15.4%*
Changes in foreign currency derivatives and interest rate	5,473	-3,967	*-237.9%*
Other expenses	-182	-162	*12.1%*
Other income	273	148	*84.0%*
Other financial income or expenses	**906**	**-8,019**	***-111.3%***
Financial income and expenses	**878**	**-8,100**	*-110.8%*

The cost of net financial debt remains stable due to an increase in interest charges offset by an increase in investment income.

The market environment, with the appreciation of the Chilean peso against euro and US dollar, favourable to our seller position, mainly explains our foreign exchange result as at June 30,2023 *i.e.* €0.9 million compared to -€8 million as at June 30, 2022. This seller position halved in June 2023 compared to June 30, 2022 as a consequence of the increase capital over the last semester 2022 and the local financing set up over the first semester 2023.

A26. Income tax

Pursuant to IAS 34, in the financial statements at June 30, 2023, the tax charge was determined by applying to the profit before tax for the period the average tax rate estimated for the year 2023.

Non-current tax expense

As of June 30, 2023, the amount of non-current income tax amounts to +€0.1 million. This is related to the non-current expense generated by the sale of stocks acquired from GS Partners that have been revalued at fair value as part of the business combination.

A27. Earnings per share

	2023.06	2022.06
Profit attributable to the owners of the parent company	**74,772,981 €**	**77,544,197 €**
Weighted average number of shares outstanding, before dilution	8,442,610	8,449,717
Impact of dilutive instruments[1]	15,390	4,057
Weighted average number of shares outstanding, after dilution	8,458,000	8,453,774
Profit attributable to the owners of the parent company, per share	**8.86 €**	**9,18 €**
Profit attributable to the owners of the parent company, diluted per share	**8.84 €**	**9,17 €**

[1] the dilutive impact is linked to performance-related stock grant plans, see note below

Information on performance-related stock grant plans

As quoted in our 2022 annual report, with the authorization of the shareholders' meeting, performance-related stock grants were awarded to certain officers and employees of Virbac and its subsidiaries.

The dilutive impact of the performance-related stock grant plans comes from:

- performance-related stock grants allocated in previous years and not paid up as of June 30, 2023;
- performance-related stock grants newly allocated during the period; and
- movements on treasury shares: Virbac holds its treasury shares primarily intended to feed into the performance-related stock grant plans, as well as the stock liquidity contract. The amount of these treasury shares is posted as a reduction in equity. As of June 30, 2023, the number of treasury shares owned by the Group amounts to 14,938 shares (compared to 6,710 as of June 30, 2022 and 15,852 as of December 31, 2022).

A28. Operating segments

In accordance with IFRS 8, we provide information by segment as used internally by the Group executive committee, which is now the Chief operating decision maker (CODM) following the change of governance in December 2020.
Our level of segment information is the geographic sector. The breakdown by geographic area covers seven sectors, according to the place of establishment of our assets:

- France;
- Europe (excluding France);
- Latin America;
- North America;
- Asia;
- Pacific;
- Africa & Middle-East.

The Group’s operating activities are organized and managed separately, according to the nature of the markets.
The two market segments are companion animals (representing 57% of the sales as at June 30, 2023, that is €350 millions) and farm animals (representing 40% of the sales as at June 30,2023, that is €240,9 million) but the latter is not considered an industry information level for the reasons listed below:

- nature of the products: the majority of the therapeutic segments are common to companion and farm animals (antibiotics, parasiticides, *etc.*);
- manufacturing procedures: the production chains are common to both segments and there is no significant difference in sources of supply;
- customer type or category: the distinction is between the ethical (veterinary) and OTC (Over the counter) sectors;
- internal organization: our management structures are organized by geographic zone. Throughout the Group, there is no management structure based on market segments;
- distribution methods: the main distribution channels depend more on the country than the market segment. In certain cases, the sales forces may be the same for both market segments;
- nature of the regulatory environment: the regulatory bodies governing market authorizations are identical regardless of the segment.

In the information presented below, the sectors therefore correspond to geographic zones (areas where our assets are located). The results for France include the head office expenses and a substantial proportion of our research and development expenses.

As at June 30, 2023

in € thousand	France	Europe (excluding France)	Latin America	North America	Asia	Pacific	Africa & Middle-East	Total
Revenue from ordinary activities	95,332	160,045	98,260	78,128	99,163	64,760	14,780	**610,467**
Current operating profit before depreciation of assets arising from acquisitions[1]	33,600	20,487	11,858	-1,169	20,172	23,448	1,468	**109,865**
Result attributable to the owners of the parent company	26,187	15,153	2,391	-2,985	16,985	16,217	1,088	**75,036**
Non-controlling interests	3	—	13	-279	—	—	—	**-263**
Group consolidated result	**26,190**	**15,153**	**2,404**	**-3,264**	**16,985**	**16,217**	**1,088**	**74,773**

[1]in order to provide a clearer picture of our economic performance, we isolate the impact of the allowance for depreciations of intangible assets resulting from acquisitions. Therefore, our income statement shows a current operating profit before depreciation of assets arising from acquisitions (see note A22)

in € thousand	France	Europe (excluding France)	Latin America	North America	Asia	Pacific	Africa & Middle-East	Total
Assets by geographic area	340,502	138,416	292,088	231,168	262,638	139,318	16,483	**1,420,614**
Intangible investment	3,704	7	6	—	190	2	—	**3,909**
Tangible investment	6,064	184	1,292	2,061	897	692	32	**11,222**

No customer achieves more than 10% of revenue.

As at June 30, 2022

in € thousand	France	Europe (excluding France)	Latin America	North America	Asia	Pacific	Africa & Middle-East	Total
Revenue from ordinary activities	97,587	154,281	100,984	78,088	106,270	63,037	16,116	**616,364**
Current operating profit before depreciation of assets arising from acquisitions[1]	29,896	17,942	20,622	892	23,437	22,844	1,720	**117,354**
Result attributable to the owners of the parent company[2]	20,462	13,698	7,811	118	18,862	15,440	1,158	**77,549**
Non-controlling interests	2	—	14	—	—	—	—	**16**
Group consolidated result	**20,463**	**13,698**	**7,825**	**118**	**18,862**	**15,440**	**1,158**	**77,564**

[1]in order to provide a clearer picture of our economic performance, we isolate the impact of the allowance for depreciations of intangible assets resulting from acquisitions. Therefore, our income statement shows a current operating profit before depreciation of assets arising from acquisitions (see note A22)

[2]restatement following the IAS 12 amendment related to deferred tax assets and liabilities arising from the same transaction, applicable as at January 1, 2023 (see Accounting principles and methods applied)

in € thousand	France	Europe (excluding France)	Latin America	North America	Asia	Pacific	Africa & Middle-East	Total
Assets by geographic area restated[1]	326,234	108,219	272,537	231,895	240,187	135,677	17,242	**1,331,990**
Intangible investment	4,439	2	45	2,198	55	—	3	**6,742**
Tangible investment	9,775	682	1,362	1,272	1,880	612	96	**15,680**

[1]restatement following the IAS 12 amendment related to deferred tax assets and liabilities arising from the same transaction, applicable as at January 1, 2023 (see Accounting principles and methods applied). In December 2022, we fine-tuned the method to determine the breakdown of assets by area, and consequently restated the 2022 comparative information

A29. Credit risk management

As of June 30, 2023, the proportion of outstanding receivables compared to the total amount of trade receivables decreased compared to the previous year-end situation in the context of an increase in trade receivables (see note A10).

We do not anticipate any major recoverability issues for these receivables.

The following statements provide a breakdown of trade receivables by their maturity:

As at June 30, 2023

in € thousand	Receivables due	Receivables overdue for				Impaired	Total
		< 3 months	3-6 months	6-12 months	> 12 months		
France	27,306	1,077	681	55	—	166	**29,284**
Europe (excluding France)	45,058	2,626	102	22	—	1,287	**49,096**
Latin America	33,769	3,703	518	—	—	784	**38,774**
North America	14,385	2,757	401	—	—	5	**17,549**
Asia	16,575	971	52	49	1	250	**17,899**
Pacific	19,219	1,885	112	626	—	16	**21,858**
Africa & Middle-East	2,539	621	—	—	—	2	**3,162**
Trade receivables	**158,851**	**13,641**	**1,866**	**752**	**1**	**2,510**	**177,621**

As at December 31, 2022

in € thousand	Receivables due	Receivables overdue for				Impaired	Total
		< 3 months	3-6 months	6-12 months	> 12 months		
France	31,064	1,158	406	31	—	269	**32,928**
Europe (excluding France)	25,391	2,475	270	24	—	1,269	**29,429**
Latin America	28,128	3,810	203	—	—	732	**32,873**
North America	14,603	1,949	139	—	—	4	**16,695**
Asia	13,084	1,478	63	64	201	137	**15,027**
Pacific	12,479	5,905	107	—	—	6	**18,497**
Africa & Middle-East	3,002	257	—	—	—	2	**3,261**
Trade receivables	**127,751**	**17,032**	**1,188**	**119**	**201**	**2,419**	**148,710**

A30. Information on related parties

Virbac's transactions with related parties mainly consist of:

Compensation and assimilated benefits granted to the members of the administrative and management bodies

Over the first six months of 2023, there are no other significant transactions concluded with a member of the management bodies or a shareholder having a significant influence on the Group.

Over the first half 2023, share-based payment plans voted in 2021 and 2022 were vested on an on-going basis.
In addition, a new share-based plan was voted, the details of which are disclosed in the 2022 annual report.

Transactions with companies on which Virbac exercises a significant influence or a joint control

Transactions between related parties are arm’s length operations. During the first half of 2023, there was no significant change in the nature of the transactions made by the Group with its related parties compared to December 31, 2022.

A31. Scope of consolidation

Company name	Locality	Country / Region	2023.06		2022.12	
			Control	Consolidation	Control	Consolidation
France						
Virbac (parent company)	Carros	France	100.00%	Full	100.00%	Full
Interlab	Carros	France	100.00%	Full	100.00%	Full
Virbac France	Carros	France	100.00%	Full	100.00%	Full
Virbac Nutrition	Vauvert	France	100.00%	Full	100.00%	Full
Virbac Diagnostics	La Seyne sur Mer	France	100.00%	Full	100.00%	Full
Alfamed	Carros	France	99.70%	Full	99.70%	Full
Europe (excluding France)						
Virbac Belgium SA	Wavre	Belgium	100.00%	Full	100.00%	Full
Virbac Nederland BV[1]	Barneveld	Netherlands	100.00%	Full	100.00%	Full
Virbac (Switzerland) AG	Glattbrugg	Switzerland	100.00%	Full	100.00%	Full
Virbac Ltd	Bury St. Edmunds	United Kingdom	100.00%	Full	100.00%	Full
Virbac SRL	Milan	Italy	100.00%	Full	100.00%	Full
Virbac Danmark A/S	Kolding	Denmark	100.00%	Full	100.00%	Full
Virbac Pharma Handelsgesellshaft mbH	Bad Oldesloe	Germany	100.00%	Full	100.00%	Full
Virbac Tierarzneimittel GmbH	Bad Oldesloe	Germany	100.00%	Full	100.00%	Full
Virbac SP zoo	Warsaw	Poland	100.00%	Full	100.00%	Full
Virbac Hungary Kft	Budapest	Hungary	100.00%	Full	100.00%	Full
Virbac Hellas SA	Agios Stefanos	Greece	100.00%	Full	100.00%	Full
Animedica SA	Agios Stefanos	Greece	100.00%	Full	100.00%	Full
Virbac Espana SA	Barcelona	Spain	100.00%	Full	100.00%	Full
Virbac Österreich GmbH	Vienna	Austria	100.00%	Full	100.00%	Full
Virbac de Portugal Laboratorios Lda	Almerim	Portugal	100.00%	Full	100.00%	Full
Virbac Hayvan Sagligi Limited §irketi	Istanbul	Turkey	100.00%	Full	100.00%	Full
Virbac Ireland Ltd	Dublin	Ireland	100.00%	Full	100.00%	Full
Virbac Czech Republic s.r.o	Praha	Czech Republic	100.00%	Full	—%	—
North America						
Virbac Corporation[1]	Fort Worth	United States	100.00%	Full	100.00%	Full
PP Manufacturing Corporation	Framingham	United States	100.00%	Full	100.00%	Full
Pharma 8 Llc	Wilmington	United States	70.00%	Full	70.00%	Full

[1]pre-consolidated levels

Company name	Locality	Country / Region	2023.06		2022.12	
			Control	Consolidation	Control	Consolidation
Latin America						
Virbac do Brasil Industria e Comercio Ltda	Sao Paulo	Brazil	100.00%	Full	100.00%	Full
Virbac Mexico SA de CV	Guadalajara	Mexico	100.00%	Full	100.00%	Full
Virbac Colombia Ltda	Bogota	Colombia	100.00%	Full	100.00%	Full
Laboratorios Virbac Costa Rica SA	San Jose	Costa Rica	100.00%	Full	100.00%	Full
Virbac Chile SpA	Santiago	Chile	100.00%	Full	100.00%	Full
Virbac Patagonia Ltda	Santiago	Chile	100.00%	Full	100.00%	Full
Holding Salud Animal SA	Santiago	Chile	51.00%	Full	51.00%	Full
Centro Veterinario y Agricola Limitada	Santiago	Chile	51.00%	Full	51.00%	Full
Farquimica SpA	Santiago	Chile	51.00%	Full	51.00%	Full
Bioanimal Corp SpA	Santiago	Chile	51.00%	Full	51.00%	Full
Productos Quimicos Ehlinger	Santiago	Chile	51.00%	Full	51.00%	Full
Centrovet Inc	Allegheny	United States	51.00%	Full	51.00%	Full
Centrovet Argentina	Buenos Aires	Argentina	51.00%	Full	51.00%	Full
Inversiones HSA Ltda	Santiago	Chile	51.00%	Full	51.00%	Full
Rentista de capitales Takumi Ltda	Santiago	Chile	51.00%	Full	51.00%	Full
Virbac Uruguay SA	Montevideo	Uruguay	99.17%	Full	99.17%	Full
Virbac Latam Spa	Santiago	Chile	100.00%	Full	100.00%	Full
Asia						
Virbac Trading (Shanghai) Co. Ltd	Shanghai	China	100.00%	Full	100.00%	Full
Virbac H.K. Trading Limited	Hong Kong	Hong Kong	100.00%	Full	100.00%	Full
Asia Pharma Ltd	Hong Kong	Hong Kong	100.00%	Full	100.00%	Full
Virbac Korea Co. Ltd	Seoul	South Korea	100.00%	Full	100.00%	Full
Virbac (Thailand) Co. Ltd	Bangkok	Thailand	100.00%	Full	100.00%	Full
Virbac Taiwan Co. Ltd	Taipei	Taiwan	100.00%	Full	100.00%	Full
Virbac Philippines Inc.	Taguig City	Philippines	100.00%	Full	100.00%	Full
Virbac Japan Co. Ltd	Osaka	Japan	100.00%	Full	100.00%	Full
Virbac Asia Pacific Co. Ltd	Bangkok	Thailand	100.00%	Full	100.00%	Full
Virbac Vietnam Co. Ltd	Ho Chi Minh Ville	Vietnam	100.00%	Full	100.00%	Full
Virbac Animal Health India Private Limited	Mumbai	India	100.00%	Full	100.00%	Full
AVF Animal Health Co Ltd Hong-Kong	Hong Kong	Hong Kong	50.00%	Equity	50.00%	Equity
AVF Chemical Industrial Co Ltd China	Jinan (Shandong)	China	50.00%	Equity	50.00%	Equity
Shandong Weisheng Biotech Co., Ltd	Jinan (Shandong)	China	50.00%	Equity		
Pacific						
Virbac (Australia) Pty Ltd[1]	Milperra	Australia	100.00%	Full	100.00%	Full
Virbac New Zealand Limited	Hamilton	New Zealand	100.00%	Full	100.00%	Full
Africa & Middle East						
Virbac RSA (Proprietary) Ltd[1]	Centurion	South Africa	100.00%	Full	100.00%	Full

[1]pre-consolidated levels

Statutory auditors' review report on the half-yearly financial information

For the period from January 1 to June 30, 2023

This is a free translation into English of the statutory auditors' review report on the half-yearly financial information issued in French and is provided solely for the convenience of English-speaking users. This report includes information relating to the specific verification of information given in the Group's half-yearly management report. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

To the shareholders,

in compliance with the assignment entrusted to us by the annual general meeting and in accordance with the requirements of article L451-1-2-III of the French monetary and financial code (*Code monétaire et financier*), we hereby report to you on:

- the review of the accompanying condensed half-yearly consolidated financial statements of Virbac, for the period from January 1 to June 30, 2023;
- the verification of the information presented in the half-yearly management report.

These half-year condensed consolidated financial statements were prepared under the responsibility of the board of directors. Our role is to express a conclusion on these financial statements based on our review.

CONCLUSION ON THE FINANCIAL STATEMENTS

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit.
Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed half-yearly consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34, standard of the IFRSs as adopted by the European Union applicable to interim financial information.

SPECIFIC VERIFICATION

We have also verified the information presented in the half-yearly management report on the condensed half-yearly consolidated financial statements subject to our review.
We have no matters to report as to its fair presentation and consistency with the condensed half-yearly condensed consolidated financial statements.

Nice and Marseille, October 5, 2023

The statutory auditors (French original signed by)

Novances-David & Associés
Jean-Pierre Giraud

Deloitte & Associés
Hugues Desgranges   Jérémie Perrochon

Statement of responsibility for the half-yearly financial report

I certify, to my knowledge, that the financial statements for the first semester are prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position, and result of the company and all companies included in the consolidation, and that the management report presents an accurate picture of the evolution of the business, result, and financial position of the company and all companies included in the consolidation over the six first months of the fiscal year, as well as a description of the main risks and uncertainties to which they are exposed.

Carros, October 5, 2023

Sébastien Huron, chief executive officer, Virbac group