Consolidated accounts

CONSOLIDATED FINANCIAL STATEMENTS

Statement of financial position

in € thousand	Notes	2022	2021
Goodwill	**A1-A3**	145,110	140,527
Intangible assets	**A2-A3**	154,397	148,751
Tangible assets	**A4**	240,643	219,604
Right of use	**A5**	34,595	36,524
Other financial assets	**A6**	6,256	5,749
Share in companies accounted for by the equity method	**A7**	4,423	3,721
Deferred tax assets	**A8**	24,559	22,006
Non-current assets		**609,983**	**576,882**
Inventories and work in progress	**A9**	330,909	270,332
Trade receivables	**A10**	146,290	107,366
Other financial assets	**A6**	3,538	1,970
Other receivables	**A11**	65,407	72,215
Cash and cash equivalents	**A12**	177,383	172,787
Current assets		**723,528**	**624,668**
Assets classified as held for sale	**A13**	—	—
Assets		**1,333,511**	**1,201,551**
Share capital		10,573	10,573
Reserves attributable to the owners of the parent company		828,761	714,362
Equity attributable to the owners of the parent company	**A14**	**839,334**	**724,935**
Non-controlling interests	**A14**	-351	256
Equity		**838,983**	**725,191**
Deferred tax liabilities	**A8**	25,960	27,883
Provisions for employee benefits	**A15**	18,589	21,062
Other provisions	**A16**	6,833	6,356
Lease liability	**A17**	27,392	29,459
Other financial liabilities	**A18**	18,014	13,962
Other payables	**A19**	7,154	6,887
Non-current liabilities		**103,942**	**105,609**
Other provisions	**A16**	1,039	1,612
Trade payables	**A20**	155,820	127,602
Lease liability	**A17**	9,415	8,995
Other financial liabilities	**A18**	43,199	46,538
Other payables	**A19**	181,113	186,004
Current liabilities		**390,585**	**370,751**
Liabilities		**1,333,511**	**1,201,551**

Income statement

in € thousand	Notes	2022	2021	*Variation*
Revenue from ordinary activities	**A21**	**1,216,187**	**1,063,965**	***14.3%***
Purchases consumed[2]	**A22**	-421,192	-359,137	
External costs[2]	**A23**	-235,527	-195,442	
Personnel costs		-321,907	-291,130	
Taxes and duties		-14,188	-14,249	
Depreciations and provisions	**A24**	-42,610	-36,358	
Other operating income and expenses	**A25**	5,796	5,522	
Current operating profit before depreciation of assets arising from acquisitions[1]		**186,559**	**173,171**	***7.7%***
Depreciations of intangible assets arising from acquisitions	**A24**	-3,743	-4,311	
Operating profit from ordinary activities		**182,816**	**168,861**	***8.3%***
Other non-current income and expenses	**A26**	-3,296	-1,235	
Operating result		**179,519**	**167,626**	***7.1%***
Financial income and expenses	**A27**	-3,077	-8,519	
Profit before tax		**176,443**	**159,107**	***10.9%***
Income tax	**A28**	-55,649	-43,612	
Share from companies' result accounted for by the equity method	**A7**	525	196	
Result for the period		**121,319**	**115,691**	***4.9%***
attributable to the owners of the parent company		121,967	113,162	*7.8%*
attributable to the non-controlling interests		-648	2,529	*-125.6%*
Profit attributable to the owners of the parent company, per share	**A30**	€14.44	€13.40	*-16.9%*
Profit attributable to the owners of the parent company, diluted per share	**A30**	€14.43	€13.38	*-16.9%*

[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. This turned out to have a material impact considering the latest external growth that took place through acquisitions. Therefore, our income statement shows a current operating profit, before depreciation of assets arising from acquisitions (see note A24)

[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 €8,023 k for the 2021 financial year

Comprehensive income statement

in € thousand	2022	2021	Variation
Result for the period	**121,319**	**115,691**	***4.9%***
Conversion gains and losses	2,422	20,564	
Effective portion of gains and losses on hedging instruments	1,180	701	
Items subsequently reclassifiable to profit and loss	**3,601**	**21,265**	***-83.1%***
Actuarial gains and losses	2,478	89	
Items not subsequently reclassifiable to profit and loss	**2,478**	**89**	***2684.3%***
Other items of comprehensive income (before tax)	**6,079**	**21,354**	***-71.5%***
Tax on items subsequently reclassifiable to profit and loss	-305	-200	
Tax on items not subsequently reclassifiable to profit and loss	-624	-13	
Comprehensive income	**126,470**	**136,831**	***-7.6%***
attributable to the owners of the parent company	127,096	136,287	*-6.7%*
attributable to the non-controlling interests	-626	544	*-215.2%*

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 12/31/2020	**10,573**	**6,534**	**510,651**	**-42,829**	**136,039**	**620,967**	**34,250**	**655,217**
2020 allocation of net income	—	—	129,695	—	-129,695	**—**	—	**—**
Distribution of dividends	—	—	—	—	-6,343	**-6,343**	-5,076	**-11,419**
Treasury shares	—	—	654	—	—	**654**	—	**654**
Changes in scope	—	—	-26,684	—	—	**-26,684**	-29,462	**-56,146**
Other variations	—	—	55	—	—	**55**	—	**55**
Comprehensive income	—	—	577	22,548	113,162	**136,287**	544	**136,831**
Equity as at 12/31/2021	**10,573**	**6,534**	**614,947**	**-20,281**	**113,162**	**724,935**	**256**	**725,191**
2021 allocation of net income	—	—	102,589	—	-102,589	**—**	—	**—**
Distribution of dividends	—	—	—	—	-10,573	**-10,573**	-17	**-10,590**
Treasury shares	—	—	-2,124	—	—	**-2,124**	—	**-2,124**
Changes in scope	—	—	—	—	—	**—**	28	**28**
Other variations	—	—	1	—	—	**1**	8	**9**
Comprehensive income	—	—	2,729	2,400	121,967	**127,096**	-626	**126,470**
Equity as at 12/31/2022	**10,573**	**6,534**	**718,142**	**-17,881**	**121,967**	**839,334**	**-351**	**838,983**

The general shareholders' meeting of Virbac, which was held on June 21, 2022, approved the payment of a dividend of €1.25 per share for the 2021 financial year, for a total amount of €10,572,500.

The prior year's "Changes in scope" line reflects the reclassification of the non-controlling interests of the Holding Salud Animal (HSA) group as equity Group share following the acquisition of 49% of securities held by the minority shareholders in the second half of 2021, leading us to own 100% of the interests in Chili.

Cash position statement

in € thousand	2022	2021
Cash and cash equivalents	172,787	181,890
Bank overdraft	-628	-2,306
Accrued interests not yet matured	-23	-18
Opening net cash position	**172,136**	**179,567**
Cash and cash equivalents	177,383	172,787
Bank overdraft	-639	-628
Accrued interests not yet matured	-65	-23
Closing net cash position	**176,679**	**172,136**
Impact of currency conversion adjustments	-4,856	5,573
Impact of changes in scope	—	—
Net change in cash position	**9,398**	**-13,003**

Statement of change in cash position

in € thousand	Notes	2022	2021
Result for the period		**121,319**	**115,691**
Elimination of share from companies' profit accounted for by the equity method	**A7**	-525	-196
Elimination of depreciations and provisions	**A16-A24**	49,066	38,909
Elimination of deferred tax change	**A8**	-5,763	-9,061
Elimination of gains and losses on disposals	**A25**	439	3,009
Other income and expenses with no cash impact		4,092	8,152
Cash flow		**168,627**	**156,503**
Net financial interests paid	**A27**	-1,140	3,612
Income tax accrued for the period		61,716	52,873
Cash flow before financial interests and income tax		**229,203**	**212,988**
Effect of net change in inventories	**A9**	-55,771	-54,262
Effect of net change in trade receivables	**A10**	-37,836	-5,619
Effect of net change in trade payables	**A20**	25,443	18,693
Income tax paid		-75,428	-52,886
Effect of net change in other receivables and payables	**A11-A19**	13,374	10,989
Effect of change in working capital requirements		**-130,219**	**-83,084**
Net cash flow generated by operating activities		**98,984**	**129,904**
Acquisitions of intangible assets	**A2-A20**	-14,834	-13,515
Acquisitions of tangible assets	**A4-A20**	-38,743	-33,652
Disposals of intangible and tangible assets	**A25**	374	2,907
Change in financial assets	**A6**	-1,154	-3,157
Change in debts relative to acquisitions		-475	2,110
Acquisitions of subsidiaries or activities		—	-5,908
Disposals of subsidiaries or activities		—	—
Withholding tax on distributions		—	—
Dividends received		—	—
Net cash flow allocated to investing activities		**-54,832**	**-51,214**
Dividends paid to the owners of the parent company	**A36**	-10,573	-6,343
Dividends paid to the non-controlling interests		-8	-5,063
Change in treasury shares		-3,451	174
Transactions between the Group and owners of non-controlling interests[1]		—	-55,007
Increase/decrease of capital		—	—
Cash investments		—	—
Debt issuance	**A18**	85,439	65,643
Repayments of debt	**A18**	-96,478	-77,984
Repayments of lease obligation	**A17**	-10,824	-9,500
Net financial interests paid	**A27**	1,140	-3,612
Net cash flow from financing activities		**-34,755**	**-91,693**
Change in cash position		**9,398**	**-13,003**

[1]the impact of the acquisition of 49% of non-controlling interests in Chile was reflected on this line in 2021. As the transaction does not modify the control exercised over the entities, it is analyzed as a flow from financing activities

NOTES TO THE CONSOLIDATED ACCOUNTS

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 (France).

Our consolidated accounts for the 2022 financial year were approved by the board of directors on March 21, 2023. They will be submitted for approval to the shareholders' general meeting on June 20, 2023, which has the power to have the statements amended.
The explanatory notes below form part of the consolidated accounts.

Significant events over the period

Health Crisis

Whilst the Covid-19 situation improved significantly in 2022, the pandemic still largely impacted China, which has experienced a very strict lockdown due to the country's zero-Covid policy, especially in the Shanghai and Beijing regions. The drastic restrictions implemented had consequences on the Chinese economy and resulted in a slowdown in our activity in the country. However, our business continued to grow in the Asia-Pacific region, outside of China, as in the rest of the Group.
The health crisis also caused supply problems, which Virbac dealt with and which only affected us in a limited way, thanks to the mobilization of our teams and the implementation of dedicated plans to ensure the availability of certain raw materials and other consumables necessary for the production of our vaccines and other products.

Conflict between Ukraine and Russia

The conflict between Russia and Ukraine, which broke out more than a year ago, has greatly weakened the diplomatic balance in Europe and the rest of the world, and has had direct macroeconomic consequences in Europe and in the rest of the world, including record increases in energy costs and raw material prices (foodstuffs, industrial components, *etc.*), as well as overall supply shortages for these same products; the latter have nonetheless been limited for our Group, for the reasons mentioned above.
The conflict has had little impact on our business, as we do not hold any assets in Russia or Ukraine. Furthermore, the contribution of these two countries to Group sales is not material since it amounted to 0.4% in 2021 and 0.2% in 2022. In addition, we are not affected by trade restrictions and sanctions imposed by certain countries on Russia.

Inflation

The renewed inflation in Europe and the United States has led to a significant increase in the baseline of certain costs (e.g., energy, transportation, salaries, raw materials or components). This was mitigated by price increases and sustained activity in a market that remains resilient despite a slower growth momentum. The anticipation and negotiation over several years of certain supplies as well as government energy measures, especially in France, also made it possible to mitigate the cost increases linked to inflation. The trends in inflation will continue to require attention and action within the Group in 2023. In addition, our overall presence in terms of geographical areas and species, our highly diversified product portfolio, our varied distribution channels, the very high responsiveness and adaptability of the teams throughout our organizational model, and the robustness of our financial situation are the perfect assets for us to ride out this unstable environment.

Significant events after the closing date

There is no significant event after the closing date.

Accounting principles and methods

Compliance and basis for preparing the consolidated financial statements

The consolidated financial statements cover the twelve-month periods ended December 31, 2022 and 2021.

In line with regulation n°1606/2002 of the European parliament and of the council of July 19, 2002 on the application of international accounting standards, our consolidated financial statements are established in accordance with the international accounting standards and interpretations, which encompasses the IFRS

(International financial reporting standards), the IAS (International accounting standards), as well as applicable interpretations by the SIC (Standards interpretations committee) and the Ifric (International financial reporting interpretations committee), whose application was compulsory at December 31, 2022.

Our consolidated financial statements as of December 31, 2022 have been prepared in accordance with the standard published by the IASB (International accounting standards board) and the standard adopted by the European Union as of December 31, 2022. The IFRS standard adopted by the European Union as at December 31, 2022 is available under the heading "IAS/IFRS interpretations and standards", on the following website:
http://ec.europa.eu/finance/company-reporting/standards-interpretations/index.

The consolidated financial statements have been prepared in accordance with the IFRS general principles: true and fair view, business continuity, accrual basis accounting, consistency of presentation, materiality and consolidation.

New standards and interpretations

Mandatory standards and interpretations as at January 1, 2022

- **Amendment to IFRS 3 - Update of the conceptual framework**
- **Amendment to IAS 16 - Property, plant and equipment: proceeds before intended use**
- **Amendment to IAS 37 - Onerous contracts: costs of fulfilling a contract**
- **Annual IFRS improvements - 2018/2020 cycle**

These new texts have had no impact on our accounts.

In addition, during the period, Turkey was added to the list of hyperinflationary economies. However, the operations we carry out in that country are not material at the Group level. Thus, in the absence of significant impact, the provisions of IAS 29 were not applied as at December 31, 2022.

Standards and interpretations adopted by the EU but not available for early adoption
The standards and interpretations listed below will be applicable from January 1, 2023 on:

- **IFRS 17 - Insurance contracts - including amendments to IFRS 17**
- **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**

Standards and interpretations still not adopted by the EU

- **Amendments to IAS 1 - Presentation of financial statements: classification of liabilities as current or non-current**
- **Amendments to IAS 12 - Income taxes: deferred tax related to assets and liabilities arising from a single transaction**
- **First application of IFRS 17 et d'IFRS 9 - Comparative information**

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. To date, we do not anticipate any significant impact as a result of the implementation of these standards and amendments.

Consolidation rules applied

Consolidation scope and methods
In accordance with IFRS 10 "Consolidated financial statements", our consolidated financial statements include all of the entities controlled, directly or indirectly, by Virbac, whatever equity share 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 ability 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.

In accordance with 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 December 31, 2022 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 A40.
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 on the year-end date. The resulting exchange rate gains and losses are recorded in the income statement.

- **Conversion of foreign company accounts**

In accordance with IAS 21 "Effects of changes in foreign exchange rates", 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.

Accounting principles applied

Goodwill

Goodwill is recognized as an asset in our statement of financial position and represents the excess, at the date of acquisition, of the acquisition cost over the fair value of the identifiable assets and liabilities acquired. It also includes the value of the acquired business goodwill.

In line with IAS 36 "Impairment of assets", goodwill is at the very least tested once annually, at the end of the year, regardless of whether there is an indication of an impairment, and consistently whenever events or new circumstances indicate an impairment.
For the purposes of these tests, the asset values are grouped by cash generating unit (CGU). In the case of goodwill, the related assets held by the legal entity are typically the smallest identifiable group of cash-flow-generating assets. The legal entity is therefore used as a CGU. In the implementation of goodwill impairment testing, we apply a DCF (Discounted cash flow) approach. This approach consists of calculating the value in use of the CGU by discounting estimated future cash flows. When the value in use of the CGU is less than its net carrying amount, an impairment loss is recognized to reduce the net carrying amount of the CGU assets to their recoverable amount, which is defined as the higher between the net fair value and the value in use. The goodwill is first impaired, before the other assets are impaired in proportion to their weighting in the total assets of the CGU, or group of CGUs.

The future cash flows used for the impairment tests are calculated based on estimates (business plans) over a five-year period. IAS 36 authorizes more distant perspectives to be used in certain situations when they provide a better account of the forecasts. This is especially the case when major product launches are being considered. This option was not selected for the current financial year.
All of the business plans are validated by the subsidiaries' general management, as well as by the Group's Finance Affairs department. The board of directors formally validates the business plans and main assumptions of impairment tests of the most significant CGUs.
For cash flow forecasts, the perpetual growth rates used, which depend on products and market growth expectations, and the discount rates based on the weighted average cost of capital after tax method, are presented in note A3. The calculation of discount rates is made by geographic area, with the support of a valuation firm.
Valuations carried out during the goodwill impairment tests are sensitive to the assumptions used in regards not only to the selling price and future costs, but also to the discount and infinite growth rates. Sensitivity calculations for measuring our exposure to significant variations in these assumptions are performed.

Intangible assets

IAS 38 sets out the six criteria required to account for an intangible asset:

- technical feasibility required to complete the development project;
- intent to complete the project;
- ability to use the intangible asset;
- support proving that the asset will generate future economic benefits;
- availability of technical, financial and other resources in order to complete the project; and
- reliable valuation of the development expenditures.

■ **Internal development costs**

They are only recorded under intangible assets if all six IAS 38 criteria have been met.
Intangible assets are valued at their historical acquisition cost, including acquisition fees, plus, if applicable, the internal costs of employees who have contributed in the realization of the intangible asset.

■ **Research and development projects acquired separately**

Payments made for the separate acquisition of research and development activities are recognized as intangible assets when they meet the definition of an intangible asset, *i.e.* when they are a controlled resource from which future economic benefits are expected to flow, and which is identifiable, that is, separable, or it arises from contractual or legal rights.
In line with paragraph 25 of IAS 38, the first accounting criterion, which relates to the likelihood the intangible asset will generate future economic benefits, is deemed to be met for research and development activities when they are acquired separately. In this respect, amounts paid to third parties in the form of deposits or installments on generic products that have not yet been granted a Marketing authorization (MA) are recognized as an asset.

The amount of the intangible assets is reduced by any accumulated depreciation and, if applicable, accumulated impairment losses.
The intangible assets with finite useful lives are subject to a linear depreciation, from which time the asset is ready to be used:

- concessions, patents, licenses and marketing authorizations: amortized over their useful lives;
- standard software (office tools, *etc*.): amortized over a period of three or four years;
- ERP: amortized over a period of five to ten years.

Intangible assets with indefinite useful lives are reviewed annually, to ensure that their useful life has not become finite.
During the useful life of an intangible asset, it may seem that the estimation of its useful life has become inadequate. As required by IAS 38, the duration and method of depreciation of this asset are re-examined and if the expected useful life of the asset is different from previous estimations, the depreciation period is consequently modified.
In accordance with IAS 36 "Impairment of assets", the potential impairment loss of intangible assets is assessed each year. In the case of assets with indefinite useful lives, the tests are carried out during the second half year, regardless of whether there is any indication of impairment, and consistently whenever events or new circumstances indicate an impairment loss for assets with defined useful lives.
For the purpose of these tests, we take into account the sales generated by the CGU. When carrying out intangible asset impairment tests, we take an approach based on estimated future cash flows (estimate of value in use). The future cash flows used for the impairment tests are calculated based on estimates (business plans) over a five-year period (or more if required as mentioned above). All of the business plans are validated by the subsidiaries' general management, as well as by the Group's Finance Affairs department. The board of directors formally validates the business plans and main assumptions of impairment tests of the most significant CGUs.
For cash flow forecasts, the perpetual growth rates used depend on products and market growth expectations, and the discount rates are based on the weighted average cost of capital after tax method. They are presented in note A3.
Valuations carried out during the goodwill impairment tests are sensitive to the assumptions used in regards not only to the selling price and future costs, but also to the discount and infinite growth rates. Sensitivity calculations for measuring our exposure to significant variations in these assumptions are performed.

Tangible assets

In accordance with IAS 16, tangible assets are valued at their historical acquisition cost, including acquisition fees, or at their initial manufacturing cost, plus, if applicable, the internal costs of staff directly contributing to the construction of an intangible asset.
In accordance with IAS 23 revised, borrowing costs are incorporated into the acquisition costs of eligible assets.
The amount of the tangible assets is reduced by any accumulated depreciation and, if applicable, accumulated impairment losses.
If applicable, assets are broken down by component, each component having its own specific depreciation period, in line with the depreciation period of similar assets.
Tangible assets are depreciated over their estimated useful lives, namely:

- buildings:
  - structure: forty years;
  - components: ten to twenty years;
- materials and industrial equipment:
  - structure: twenty years;
  - components: five to ten years;
  - computer equipment: three or four years;
- other tangible assets: five to ten years.

Right of use
Our Group recognizes assets related to those leases falling within the scope of the IFRS 16 standard. Consequently, the Group has decided to separately identify the rights of use on a dedicated balance sheet line. The rights of use are generally amortized over the residual term of the contracts or over a longer term in the event of likely renewal.

Inventories and work in progress
Inventories and work in progress are accounted for at the lowest value of the cost and the net realizable value.
The cost of inventories includes all acquisition costs, transformation costs and other costs incurred to bring the inventories to their current location and condition. The acquisition costs of inventories include the purchase price, customs fees and other non-retrievable taxes, as well as transport and handling costs and other costs directly attributable to their acquisition. Rebates granted to clients and other similar items are deducted from this cost.
Inventories in raw materials and supplies are evaluated in accordance with the "weighted average cost method".
Inventories in trading goods are also evaluated in accordance with the "weighted average cost method". The acquisition cost of raw material inventories includes all additional purchase costs.
The manufacturing work in progress and the finished products are valued at their actual manufacturing cost, including direct and indirect production costs.
Finished products are valued in each of our subsidiaries at the price invoiced by the Group's selling company, plus distribution costs; the margin included in these inventories is eliminated in the consolidated accounts, taking into account the complete average production cost stated for the Group's selling company.
The inventories of spare parts are valued on the basis of the last purchase price.
An impairment loss is recorded where necessary to value inventories at their net realizable value, when the products become out-of-date or unusable or sometimes based on the sales forecasts of certain products in dedicated markets.

Trade receivables
Trade receivables are classified as current assets to the extent that they form part of our normal operating cycle.
Trade receivables are recognized and recorded for the initial amount of the invoice, minus any impairment recorded in the income statement. An estimation of the total bad debt is made when it becomes unlikely that the full amount will be recovered. Bad debts are written off when identified as such.
In accordance with IFRS 9, they are subject to impairment, corresponding to the estimated expected losses, determined by application of an impairment matrix (application of the simplified impairment model provided for by IFRS 9). This approach consists of applying, per tranche ageing analysis, an impairment rate based on the history of credit losses, adjusted, if applicable, to take into account elements of a prospective nature.
Receivables assigned as part of a factoring contract without recourse are subject to a substantial factoring contract analysis based on the criteria set out in IFRS 9. These receivables are deconsolidated, if applicable.

Other financial assets
The other financial assets recognized in our accounts include mainly loans, other receivables, non-available cash items, and financial derivatives.
Loans and other receivables are accounted for at amortized cost, derivatives are recognized at fair value (see note A6).

Other financial assets at fair value
All of our financial assets are valued at fair value using observable data. The only financial assets that come under this category are hedging instruments and marketable securities (see note A32).

Cash and cash equivalents
The cash position is made up of bank balances, securities and cash equivalents highly liquid, readily convertible to known amounts and that can therefore be used to meet short-term cash commitments.
The majority of these investments are UCITS and futures contracts with maturities that are generally under three months, or, when above - without exceeding 12 months - they are easily available and can be called back without material penalties. These are in place with first-class counterparties.

The bank accounts subject to restrictions (restricted accounts) are excluded from the cash flow and reclassified as other financial assets.

Treasury shares
Shares in the parent company held by the parent company or its consolidated subsidiaries (whether classified in the statutory accounts as non-current financial assets or marketable securities), are recognized as a deduction from shareholders' equity at their purchase cost. Any gain or loss on disposal of these shares is directly recognized (net of tax) in shareholders' equity and not recognized in income for the year.

Conversion reserves
This item represents the conversion variance of net opening positions for foreign companies, arising from the differences between the conversion rate at the date of entry into the consolidation and the closing rate of the period, and also other conversion differences recorded on the profit for the period arising from differences between the conversion rate of the income statement (average rate) and the closing rate for the period.

Reserves
This item represents the share attributable to the owners of the parent company in the reserves accumulated by the consolidated companies, since their entry into the scope of consolidation.

Non-controlling interests
This item represents the share of the shareholders outside the Group in the equity and the income of the consolidated companies.

Derivative instruments and hedge accounting
We hold derivative financial instruments only for the purpose of reducing our exposure to rate or exchange risks on balance sheet items and our firm or highly likely commitments.
We use hedge accounting to offset the impact of the hedged item and of the hedging instrument in the income statement, on a quasi-systematic basis, when the following conditions are met:

- the impact on the income statement is significant;
- the hedging links and effectiveness of the hedging can be properly demonstrated.

We hedge most of our significant and certain foreign exchange positions (receivables, liabilities, dividends, intra-group loans), as well as our future sales and purchases (see note A33).

Trade payables
Trade payables and other debts fall within the category of financial liabilities valued at amortized cost, as defined by the IFRS 9 "Financial instruments". These financial liabilities are initially recorded at their nominal value.

Other financial liabilities
The other financial liabilities consist primarily of bank loans and financial debts. Loan and debt instruments are valued initially at the fair value of the consideration received, minus the transaction costs directly attributed to the operation. Thereafter, they are valued at their amortized cost.

Lease liability
The Group recognizes in its financial statements a liability relating to leases falling within the scope of the IFRS 16. We have chosen to isolate lease liabilities, for their current and non-current part, on a dedicated balance sheet line. These debts are discounted on the basis of rates determined with the support of an actuary, according to the country risk, the category of the underlying asset and the lease period.

Retirement plans, severance pay and other post-employment benefits

- **Defined-contribution retirement plans**

The advantages associated with defined contribution retirement plans are expensed as incurred.

- **Defined-benefit retirement plans**

Our liabilities arising from defined benefit retirement plans are determined using the projected unit credit actuarial method. These liabilities are measured at each balance sheet date. The method used to calculate the liabilities is based on a number of actuarial assumptions. The discount rate is determined in relation to the yield on investment grade corporate bonds (issuers rated "AA"). The Group's obligations are subject to a provision for their amount, net of the fair value of the hedging assets. In accordance with IAS 19 revised, actuarial differences are recorded in the other items of the comprehensive income.

Other provisions
A provision is recognized when the Group has a present obligation resulting from a past event which will probably lead to an outflow of economic benefits that can be reasonably estimated. The amount recorded under provisions is the best estimate of the expenditure required to settle the existing obligation on the balance sheet date, and is discounted if the effect is material.

Taxation
Our subsidiaries account for their taxes based on the respective tax regulations applicable locally. The parent company and its French subsidiaries are part of a fiscally integrated group. Under the terms of the tax consolidation agreement, each consolidated company is required to account for tax as if it were taxed separately. The income or expense of tax consolidation is recognized in the parent company's accounts.
The Group recognizes deferred taxes on timing differences between the carrying amount and the tax base of an asset or liability. Tax assets and liabilities are not discounted.
In accordance with the IAS 12, which allows under certain conditions the offsetting of tax liabilities and receivables, the deferred tax assets and liabilities have been offset by tax entity. In situations involving a net deferred tax asset on tax loss carryforwards, it is only recognized in accordance with IAS 12 if there are strong indications that it can be offset against future taxable profits.

Non-current assets held with a view to sale and discontinued activities
IFRS 5 states that an activity is considered discontinued when the classification criteria of an asset being held with a view to sale have been fulfilled, or when the Group ceases the activity. An asset is classified as held for sale if its carrying amount will be mainly recovered through sale rather than through continued use.
As at December 31, 2022, no asset was classified as held for sale.

Revenue from ordinary activities

In accordance with IFRS 15, revenue recognition is assessed in light of performance obligations and transfer of control. In relation to the accounting of the sale of products, the transfer of risks and rewards is an indicator of transfer of control, even if this is not always the key criterion.

Our income from ordinary activities reflects the sale of animal health and nutrition products. Revenue comprises the fair value before tax of the goods and services sold by the integrated companies as part of their normal operations, after elimination of intra-group sales.

Returns, discounts and rebates are recorded over the accounting period for underlying sales and are deducted from revenue. These amounts are calculated as follows:

- provisions for rebates related to the achievement of objectives are measured and recognized at the time of the corresponding sales;
- provisions for product returns are calculated based on management's best estimate of the amount of products that will eventually be returned by customers. Provisions for returns are estimated based on past experience with returns, but also on items such as: inventory levels in the various distribution channels, product expiration dates, and information on the potential discontinuation of products. In each case, provisions are regularly reviewed and updated based on the most recent information at management's disposal.

Other income accounted for into our accounts consists mainly of license fees. Each contract is subject to specific analysis in order to identify the performance obligations and to determine the progress of each one of them towards achievement at the closing date of our consolidated accounts, and revenue is recognized accordingly.

Employee costs

Employee costs mainly include the cost of retirement plans. In accordance with the revised IAS 19 standard, actuarial differences are recorded in the other items of the comprehensive income.

They also include optional and compulsory profit-sharing.

Taxes and duties

We have opted for a classification of the business value added contribution/tax in the "taxes and duties" item of the operating profit.

Operating profit

Operating profit corresponds to income from ordinary activities, minus operating expenses.

Operating expenses include:

- purchases consumed and external costs;
- employee costs;
- taxes and duties;
- depreciations and provisions;
- other operating income and expenses.

Operating items also include tax credits that may qualify for government grants and that meet the IAS 20 criteria (relates primarily to the research tax credit).

- **Current operating profit, before depreciation of assets arising from acquisitions**

In order to provide a clearer picture of our economic performance, we use the current operating profit before depreciation of assets arising from acquisitions, as the main indicator of performance. To this end, we isolate the impact of the depreciation of intangible assets resulting from acquisition transactions. Indeed, these have a material effect considering the latest external growth that took place through recent acquisitions.

- **Operating profit from ordinary activities**

Operating profit from ordinary activities corresponds to operating profit, excluding the impact of other non-current income and expenses.

- **Other non-current income and expenses**

Other non-current income and expenses are non-recurring income and expenses, or income and expenses resulting from non-recurring decisions or operations for an unusual amount. They are presented on a separate line in the income statement in order to make it easier to read and understand current operational performance.

They mainly include the following items which, where appropriate, are described in a note to the consolidated financial statements (note A26):

- restructuring costs where material;
- impairment or scrapping of assets where material according to quantitative criteria;
- the effect of revaluing inventories acquired as part of a business combination at fair value;
- the disposals of assets of significant value;
- any revaluation of the participation in a subsidiary previously held, in the event of a change in control;
- profits or costs incurred by the acquisition or sale of an asset, where material according to quantitative criteria (unless a specific treatment is set for by an applicable standard).

Net result from ordinary activities

Net profit from ordinary activities represent the net profit restated for the following items:

- the "Other non-current income and expenses" line;
- non-current tax, which includes the tax impact of "Other non-current income and expenses", as well as all non-recurring tax income and expenses.

Financial income and expenses
Financial expenses mainly include interest paid for the Group's financing, interests on lease liabilities, negative changes in the fair value of financial instruments recognized in the income statement, as well as realized and unrealized foreign exchange losses.
Financial income includes interest income, positive changes in the fair value of financial instruments recognized in the income statement, realized and unrealized foreign exchange gains, as well as gains and losses on disposal of financial assets.

Earnings per share
The net earnings per share is calculated by dividing the net result attributable to the shareholders of the parent company by the weighted average number of shares issued and outstanding at the end of each reporting period (that is, net of treasury shares). Diluted earnings per share are calculated by dividing the net earnings attributable to the shareholders of the parent company by the weighted average number of ordinary shares outstanding, plus, in the event of the issue of dilutive instruments, the maximum number of shares that could be issued (upon conversion into ordinary shares of Virbac equity instruments, thereby giving deferred access to Virbac capital).

Main sources of uncertainty relating to estimations
Our consolidated financial statements have been established in accordance with international accounting standards, and include a number of estimates and assumptions considered as realistic and reasonable.
Certain facts and circumstances could lead to changes in estimates and assumptions, which could affect the value of assets, liabilities, equity and Group results.

Acquisition prices
Some acquisition contracts relating to business combinations or the purchase of intangible assets, include a clause that could impact the acquisition price, based on the financial performance, the success or failure of a marketing authorization, or the outcome of clinical trials.
We estimate accordingly the acquisition price at the end of the fiscal year, based on the most realistic assumptions in relation to the achievement of these objectives.

Goodwill and other intangible assets
We own intangible assets that were purchased or acquired through business combinations, in addition to the resulting goodwill. As indicated in the section "Accounting policies and methods", we perform at least an annual impairment test of goodwill, intangible assets in progress and assets with an indefinite life, based on an assessment of future cash flows incremented by a terminal value. Valuations carried out during the goodwill impairment tests are sensitive to the assumptions used in regards not only to the selling price and future costs, but also to the discount and infinite growth rates. Sensitivity calculations for measuring our exposure to significant variations in these assumptions are performed.
In the future, we may have to depreciate these goodwill items and other intangible assets in the event of a deterioration in the outlook for the return of these assets, based on the result of the impairment tests of one of these assets.
As of December 31, 2022, the net total goodwill was €145,110 k and the value of the intangible assets was €154,397 k.

Deferred taxes
Deferred tax assets are recognized on deductible temporary differences between tax and accounting values of assets and liabilities. Deferred tax assets, and in particular those relating to tax loss carryforwards, are recognized only if it is probable, in line of IAS 12, that sufficient future taxable profits will be available within a reasonable period of time, which involves a significant amount of judgment.
At each balance sheet date, we analyze the origin of losses for each of the tax entities in question and re-measure the amount of deferred tax assets based on the likelihood of making sufficient taxable profits in the future.

Provisions for pension schemes and other post-employment benefits
As indicated in note A15, the Group has established retirement plans as well as other post-employment benefits.
The corresponding commitments were calculated using actuarial methods that take into account certain assumptions such as the benchmark salary for scheme beneficiaries and the likelihood of the persons in question being able to benefit from the scheme, and the discount rate. These assumptions are updated at each year-end. Actuarial differences are immediately recognized in the other items of the comprehensive income.
The net amount of commitment relating to employee benefits was €18,589 k as at December 31, 2022.

Other provisions
Other provisions mainly relate to miscellaneous commercial and social liabilities and disputes.
No provisions are established if the company deems that the liabilities are contingent (as defined by IAS 37).
As at December 31, 2022, the amount of other provisions was €7,872 k.

Uncertain tax positions
Ifric 23 requires the valuation and recognition of tax liabilities and tax assets in the balance sheet on the basis of uncertain tax positions. The standard creates a 100% risk of detection and introduces the following methods: the most likely amount or mathematical expectation corresponding to the weighted average of the various assumptions.
Our analysis of the new tax risks identified during the year, as well as those previously accrued in accordance with IAS 37 and IAS 12, and re-evaluated at the closing date, led to the determination of a tax liability of €3.7 million in our accounts as of December 31, 2022.

A1. Goodwill

Changes in goodwill by CGU

in € thousand	Gross value as at 12/31/2021	Impairment value as at 12/31/2021	Book value as at 12/31/2021	Increases	Sales	Impair-ment	Conversion gains and losses	Book value as at 12/31/2022
United States	60,814	-3,650	**57,164**	—	—	—	3,437	**60,601**
Chile	24,320	—	**24,320**	—	—	—	1,591	**25,911**
New Zealand	15,320	-154	**15,166**	—	—	—	-197	**14,969**
India	13,575	—	**13,575**	—	—	—	-568	**13,007**
SBC	7,682	—	**7,682**	—	—	—	191	**7,873**
Denmark	4,643	—	**4,643**	—	—	—	—	**4,643**
Uruguay	4,201	—	**4,201**	—	—	—	260	**4,461**
Peptech	3,519	—	**3,519**	—	—	—	-26	**3,493**
Australia	3,274	-312	**2,962**	—	—	—	—	**2,962**
Italy	1,585	—	**1,585**	—	—	—	—	**1,585**
Colombia	1,467	—	**1,467**	—	—	—	-114	**1,353**
Greece	1,358	—	**1,358**	—	—	—	—	**1,358**
Leishmaniosis vaccine	5,421	-5,421	**—**	—	—	—	—	**—**
Other CGUs	4,606	-1,722	**2,884**	—	—	—	9	**2,894**
Goodwill	**151,786**	**-11,259**	**140,527**	**—**	**—**	**—**	**4,583**	**145,110**

The variation in this item is only related to the impact of exchange rates over the period.

A2. Intangible assets

Changes in intangible assets

in € thousand	Concessions, patents, licenses and brands		Other intangible assets	Intangible assets in progress	Intangible assets
	Indefinite life	Finite life			
Gross value as at 12/31/2021	**109,401**	**106,424**	**70,346**	**19,687**	**305,859**
Acquisitions and other increases	95	1,659	2,444	11,637	**15,835**
Disposals and other decreases	-68	-528	-279	-289	**-1,164**
Changes in scope	—	—	—	—	**—**
Transfers	-142	2,039	8,018	-10,207	**-293**
Conversion gains and losses	3,051	2,455	367	460	**6,333**
Gross value as at 12/31/2022	**112,337**	**112,049**	**80,897**	**21,288**	**326,570**
Depreciation as at 12/31/2021	**-15,976**	**-80,341**	**-60,059**	**-733**	**-157,109**
Depreciation expense	—	-5,205	-4,581	—	**-9,786**
Impairment losses (net of reversals)	-3,155	-328	—	-503	**-3,986**
Disposals and other decreases	—	458	279	—	**737**
Changes in scope	—	—	—	—	**—**
Transfers	—	10	—	-10	**—**
Conversion gains and losses	—	-1,779	-251	—	**-2,029**
Depreciation as at 12/31/2022	**-19,131**	**-87,185**	**-64,612**	**-1,245**	**-172,174**
Net value as at 12/31/2021	**93,425**	**26,084**	**10,287**	**18,955**	**148,751**
Net value as at 12/31/2022	**93,206**	**24,864**	**16,284**	**20,043**	**154,397**

The other intangible assets relate essentially to IT projects, in several of the Group' subsidiaries. They all have defined useful lives.

The increase in intangible assets over the period is mainly explained by the items "Other intangible assets" and "Intangible assets in progress," which increased by €14.1 million and are mainly related to investments in IT projects carried out by Virbac in France (parent company) and in the United States, as well as the increase in R&D investment relating to new licensing contracts.
The "Transfers" line indicates the commissioning of these projects.

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 accounted for in accordance with IAS 38, as well as assets acquired as part of external growth transactions, as defined by IFRS 3.

As at December 31, 2022

in € thousand	Acquisition date	Brands	Patents and know-how	Marketing authorizations and registration rights	Customers lists and others	Total
United States: iVet	2021	1,154	—	—	1,494	**2,648**
SBC	2015		3,923	2,123	—	**6,046**
Uruguay: Santa Elena	2013	3,675	9,432	210	—	**13,318**
Australia: Axon	2013	918	719	—	—	**1,636**
Australia: Fort Dodge	2010	1,541	458	—	—	**2,000**
New Zealand	2012	3,275	581	286	1,245	**5,386**
Centrovet	2012	17,615	27,691	7	3,168	**48,481**
Multimin	2011-2012	3,218	2,867	—	—	**6,085**
Peptech	2011	987	—	—	—	**987**
Colombia: Synthesis	2011	1,197	—	229	—	**1,426**
Schering-Plough Europe	2008	1,711	—	347	—	**2,058**
India: GSK	2006	10,217	—	—	—	**10,217**
Others		6,573	3,426	5,922	1,861	**17,782**
Total intangible assets		**52,082**	**49,096**	**9,123**	**7,769**	**118,070**

As at December 31, 2021

in € thousand	Acquisition date	Brands	Patents and know-how	Marketing authorizations and registration rights	Customers lists and others	Total
United States: iVet	2021	1,087	—	—	1,573	**2,660**
SBC	2015	—	3,737	2,217	—	**5,955**
Uruguay: Santa Elena	2013	3,461	9,026	242	—	**12,729**
Australia: Axon	2013	922	849	—	—	**1,771**
Australia: Fort Dodge	2010	1,549	460	—	—	**2,009**
New Zealand	2012	3,318	650	362	1,576	**5,905**
Centrovet	2012	16,534	26,571	6	4,011	**47,122**
Multimin	2011-2012	3,235	3,345	—	—	**6,580**
Peptech	2011	992	—	—	—	**992**
Colombia: Synthesis	2011	1,338	—	339	—	**1,677**
Schering-Plough Europe	2008	4,879	—	1,430	—	**6,308**
India: GSK	2006	10,695	—	—	—	**10,695**
Others		6,479	1,909	5,181	1,535	**15,104**
Total intangible assets		**54,489**	**46,548**	**9,778**	**8,695**	**119,509**

The classification of intangible assets, based on the estimated useful life, is the result of the analysis of all relevant economic and legal factors, to conclude on 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 based on Virbac's past experience.

As at December 31, 2022

in € thousand	Intangible assets with indefinite life	Intangible assets with finite life	Total
Brands	52,082	—	**52,082**
Patents and know-how	38,643	10,453	**49,096**
Marketing authorizations (MA) and registration rights	2,376	6,747	**9,123**
Customers lists and others	104	7,664	**7,769**
Total intangible assets	**93,206**	**24,864**	**118,070**

As at December 31, 2021

in € thousand	Intangible assets with indefinite life	Intangible assets with finite life	Total
Brands	54,489	—	**54,489**
Patents and know-how	36,353	10,195	**46,548**
Marketing authorizations (MA) and registration rights	2,441	7,337	**9,778**
Customers lists and others	143	8,552	**8,695**
Total intangible assets	**93,425**	**26,084**	**119,509**

No brands are classified as intangible assets with finite useful lives. Therefore, no trademarks are amortized.

A3. Impairment of assets

At end of the 2022 financial year, we have conducted intangible assets impairment tests. These involve comparing their net carrying amount, including acquisition goodwill, to the recoverable amount of each Cash-generating unit (CGU).

A fair value assessment of assets acquired during the financial year is conducted on the date of acquisition.

CGUs are homogeneous groups of assets whose continued use generates cash inflows that are substantially independent of cash inflows generated by other groups of assets.
The net carrying amount of the CGUs includes acquisition goodwill, tangible and intangible assets as well as other assets and liabilities that can be directly assigned to the CGUs and that contribute directly to the generation of future cash flows.

CGUs recoverable amount is determined using the value in use. This is based on estimates of future discounted cash-flows positions, commonly known as the Discounted cash flow (DCF) method.

Future cash flows are flows net of tax and are valued based on cash flow forecasts consistent with the budget and the latest mid-term estimates (business plans).
All business plans are validated by our subsidiaries' management as well as by the Group's Financial Affairs department. The board of directors formally validates the business plans and main assumptions of impairment tests of the most significant CGUs.
Beyond the finite horizon for forecasting future cash flows set at five years for all the CGUs, an infinite growth rate is applied to the terminal value.
We have considered a zero infinite growth rate for MA and patents. The infinite growth rate was set up at 2.5% for subsidiaries based in mature markets such as Europe, North America, and Australia, (except for Japan, where we used a rate of 2%, consistent with the country's long-term inflation rate), at 3.5% for Chile and at 5% for emerging markets such as India.
The discount rates used for these calculations are based on the average weighted cost of capital estimated for each of the Group's cash-generating units. These are after-tax discount rates, determined by region or country (applied to after-tax cash flows) and are prepared with the support of a valuation firm.

For the 2022 financial year, the discount rates used are the following:
- 9.7% for the United States;
- 10.5% for Europe;
- 11.5% for Chile and 12.5% for the rest of Latin America;
- 13.0% for India and 10.5% for the rest of Asia;
- 9.7% for Oceania and South Africa.

Sensitivity tests

We have also performed sensitivity analyses on key assumptions for all of the tested CGUs. Changes in assumptions are as follows:
- increase of 2.0 points in the discount rate;
- decrease of 2.0 points in the infinite growth rate.

These two variations in key assumptions would not result in any impairment of the assets tested except for the Chilean CGU, for which the increase of +2 points in WACC would result in an impairment of €3.5 million.

The three CGUs most sensitive to these sensitivity analyses are Chile, SBC and the United States.

Furthermore, for the five most significant CGUs, namely the United States, Chile, India, Australia and New Zealand (representing 69% of the gross value of intangible assets and goodwill as of December 31, 2022), we have carried out additional sensitivity tests by changing the EBIT ratio after tax on revenue, by more or less 2 points compared to the basis scenario.
These additional sensitivity tests would not result in any impairment of the assets tested.
The changes in this ratio to arrive at break-even point, at constant discount rates and terminal growth rates, would be as follows:
- -2.1 point change for the United States CGU;
- -3.2 point change for the Chile CGU;
- -18.5 point change for the India CGU;
- -12.6 point change for the Australia CGU;
- -19.7 point change for the New Zealand CGU.

We also conduct additional sensitivity analyses based on the break-even point for all of the tested CGUs. The break-even point refers to the discount rate, combined with a zero perpetual growth rate, on the basis of which Virbac would have to record an impairment.
For the major CGUs, the results of the break-even point are presented below.

in € thousand	Net book value of CGU as at 12/31/2022	Discount rate, combined into a zero perpetual growth rate, from which impairment is established
United States	162,462	10.9%
Chile	101,752	11.1%
India	48,065	83.3%
Australia	39,655	42.3%
New Zealand	29,567	27.8%
Uruguay	35,372	35.0%
SBC	30,091	12.6%
Antigenics	14,135	105.4%
Peptech	10,720	296.7%
Multimin	10,317	107.3%
Denmark	9,067	80.6%

A4. Tangible assets

The main assets constituting the Group's tangible assets are:

- lands;
- constructions, which include:
  - the buildings;
  - the development of buildings;
- technical facilities, materials and industrial equipment;
- other tangible assets, which notably include:
  - IT equipment;
  - office furniture.

in € thousand	Lands	Buildings	Technical facilities, materials and equipment	Other tangible assets	Tangible assets in progress	Tangible assets
Gross value as at 12/31/2021	**17,892**	**190,201**	**219,133**	**29,851**	**28,285**	**485,362**
Acquisitions and other increases	—	5,881	13,480	3,400	17,341	**40,102**
Disposals and other decreases	—	-260	-1,585	-1,279	-85	**-3,209**
Changes in scope	—	—	—	—	—	**—**
Transfers	—	8,481	9,698	1,447	-19,355	**271**
Conversion gains and losses	450	3,368	4,617	686	410	**9,532**
Gross value as at 12/31/2022	**18,342**	**207,672**	**245,342**	**34,105**	**26,597**	**532,059**
Depreciation as at 12/31/2021	**—**	**-104,578**	**-138,880**	**-22,300**	**—**	**-265,758**
Depreciation expense	—	-8,919	-13,103	-2,835	—	**-24,857**
Impairment losses (net of reversals)	—	—	294		—	**294**
Disposals and other decreases	—	178	1,337	1,308	—	**2,823**
Changes in scope	—	—	—	—	—	**—**
Transfers	—	—	15	-11	—	**4**
Conversion gains and losses	—	-1,104	-2,331	-487	—	**-3,922**
Depreciation as at 12/31/2022	**—**	**-114,423**	**-152,666**	**-24,326**	**—**	**-291,416**
Net value as at 12/31/2021	**17,892**	**85,623**	**80,253**	**7,551**	**28,285**	**219,603**
Net value as at 12/31/2022	**18,342**	**93,248**	**92,676**	**9,779**	**26,597**	**240,643**

The increase in tangible assets is €40.1 million, more than half of which relates to investments in France to increase our production capacity and to invest in new technical facilities and industrial equipment. Other significant investments during the period took place in the United States, Mexico and Australia, with investments made at production sites, and to a lesser extent in our R&D centers.

The net value of "Disposals/other decreases" amounts to €0.4 million as of December 31, 2022, compared to €3.6 million at the end of 2021, €2.8 million of which related to the disposal of tangible assets at the Magny-en-Vexin production site.

The "Transfers" line essentially shows the commissioning of fixed assets.

A5. Right of use

In presenting our financial statements, we have chosen to isolate the right of use resulting from the contracts that fall within the scope of the IFRS 16, on a separate line in the statement of financial position.
Changes in the right of use during 2022 are analyzed as follows:

in € thousand	Right of use
Gross value as at 12/31/2021	**58,022**
Increases	9,042
Decreases	-5,449
Changes in scope	—
Transfers	—
Conversion gains and losses	863
Gross value as at 12/31/2022	**62,478**
Depreciation as at 12/31/2021	**-21,498**
Allowances	-11,173
Impairment losses (net of reversals)	—
Termination of contracts	4,976
Changes in scope	—
Transfers	—
Conversion gains and losses	-189
Depreciation as at 12/31/2022	**-27,883**
Net value as at 12/31/2021	**36,524**
Net value as at 12/31/2022	**34,595**

The table below shows the right of use for each asset category:

in € thousand	Lands and buildings	Technical facilities, materials and equipment	Transportation equipment	Hardware /software	Office equipment and others	Total
Gross value as at 12/31/2021	**37,371**	**3,527**	**13,760**	**2,665**	**699**	**58,022**
Increases	1,718	447	4,392	2,454	31	**9,042**
Decreases	-825	-565	-3,019	-1,027	-13	**-5,449**
Changes in scope	—	—	—	—	—	**—**
Transfers	—	29	-31	-29	31	**—**
Conversion gains and losses	732	57	28	34	12	**863**
Gross value as at 12/31/2022	**38,996**	**3,494**	**15,130**	**4,097**	**761**	**62,478**
Depreciation as at 12/31/2021	**-11,043**	**-1,687**	**-6,959**	**-1,481**	**-328**	**-21,498**
Allowances	-5,039	-809	-4,219	-957	-149	**-11,173**
Termination of contracts	569	606	2,760	993	49	**4,976**
Changes in scope	—	—	—	—	—	**—**
Transfers	—	-10	6	10	-6	**—**
Conversion gains and losses	-130	-29	-13	-12	-5	**-189**
Impairment as at 12/31/2022	**-15,642**	**-1,929**	**-8,426**	**-1,447**	**-439**	**-27,883**
Net value as at 12/31/2021	**26,328**	**1,840**	**6,801**	**1,184**	**371**	**36,524**
Net value as at 12/31/2022	**23,354**	**1,565**	**6,704**	**2,650**	**322**	**34,595**

The increase in rights of use is related to new contracts signed during the period, or renewal options approved by our subsidiaries in 2022. The main increases relate to the car fleet in all subsidiaries (+€4.4 million), IT contracts in France and Chile, and real estate leases relating to offices and warehouses in the United States, Taiwan and New Zealand in particular.

However, the net value of the rights of use decreased slightly during the period (-€1.9 million), due to the allowances for depreciation amounting to €11.2 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	-908
Rental costs on short-term contracts	-1,786
Rental costs on assets of low value	-554
Residual rental costs	**-3,249**

A6. Other financial assets

Change in other financial assets

in € thousand	2021	Increases	Decreases	Transfers	Conversion gains and losses	2022
Loans and other financial receivables	**5,265**	874	-606	—	197	**5,730**
Currency and interest rate derivatives	**137**	—	-48	—	—	**89**
Restricted cash	**122**	1	—	—	-5	**118**
Other	**225**	70	—	—	24	**319**
Other financial assets, non-current	**5,749**	**897**	**-606**	**—**	**216**	**6,256**
Loans and other financial receivables	**190**	1,138	-255	—	-23	**1,050**
Currency and interest rate derivatives	**1,779**	709	—	—	—	**2,488**
Restricted cash	**—**	—	—	—	—	**—**
Other	**—**	—	—	—	—	**—**
Other financial assets, current	**1,970**	**1,138**	**453**	**—**	**-23**	**3,538**
Other financial assets	**7,719**	**2,792**	**-910**	**—**	**192**	**9,794**

The change in this item is explained by an increase of +€1.2 million in loans and other long-term receivables, mainly related to a €0.7 million reclassification from other debtors (Note A11), the other changes being immaterial.
The positive change in the valuation of foreign exchange derivatives of €709 k is mainly related to the hedges incurred in connection with central exchange management.

Other financial assets classified according to their maturity

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**

As at December 31, 2021

in € thousand	Payments			Total
	less than 1 year	from 1 to 5 years	more than 5 years	
Loans and other financial receivables	190	5,265	—	**5,456**
Currency and interest rate derivatives	1,779	137	—	**1,916**
Restricted cash	—	122	—	**122**
Other	—	225	—	**225**
Other financial assets	**1,971**	**5,524**	**—**	**7,719**

A7. Information about IFRS 12

Information about non-controlling interests

Since the acquisition of the non-controlling interests of Holding Salud Animal (HSA) in the second half (year) of 2021, which increased our ownership to 100% in all entities in Chile, the portion of non-controlling interests in our equity is insignificant, as most of the fully consolidated entities are wholly owned, with the exception of the Pharma 8 entity, which entered the scope of consolidation in financial year 2022. Please note, however, that the contribution of this entity, which is 70% owned and carries our farm animal activities in the United States, to our 2022 financial statements is not material since it represents 0.12% of the Group's sales.

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	—	—	4,423	525
Share in companies accounted for by the equity method					**4,423**	**525**

In line with IFRS 12, companies using the equity method are not considered material to our financial statements, therefore the information disclosed is limited to the above items.

A8. Deferred taxes

In accordance with the IAS 12 standard, which allows under certain conditions the offsetting of tax liabilities and receivables, the deferred tax assets and liabilities have been offset by tax entity.

Variation in deferred taxes

in € thousand	2021	Variations	Transfers	Conversion gains and losses	2022
Deferred tax assets	**33,245**	4,394	-228	467	**37,878**
Deferred tax liabilities	**39,122**	-1,065	—	1,222	**39,279**
Deferred tax offset	**-5,877**	**5,458**	**-228**	**-755**	**-1,401**

The variation in deferred taxes presented above includes -€305 k hedge effectiveness recognized in the other comprehensive income.

Deferred taxes broken down by nature

The table below indicates deferred tax positions as of December 31, 2022, broken down by type:

in € thousand	Deferred tax assets	in € thousand	Deferred tax liabilities
Internal margin on inventories	18,879	Adjustments on intangible assets	25,482
Retirement and end of career severance commitments	4,411	Adjustments on tangible assets	5,452
Sales adjustments (IFRS 15)	1,545	Adjustments on fiscal provisions	7,362
Inventory adjustments (IAS 2)	2,388	Activation of expenses linked to acquisitions	815
Other non-deductible provisions	6,707	Other income taxed in advance	167
Other charges with deferred deduction	3,600		
Tax loss carryforwards	348		
Total by nature	**37,877**	**Total by nature**	**39,278**
Impact of compensation by fiscal entity	-13,319	Impact of compensation by fiscal entity	-13,319
Deferred net tax assets	**24,559**	**Deferred net tax liabilities**	**25,960**

Deferred tax asset use horizon

The table below details the useful life of deferred deductible expenses:

in € thousand	Deferred tax assets as at 12/31/2022	Use horizon less than 1 year	from 1 to 5 years	more than 5 years
Deferred tax on other charges with deferred deduction in Chile	**888**	888	—	—
Deferred tax on tax losses carried forward	**348**	77	271	—
Deferred tax on retirement and end of career severance commitments	**4,411**	462	-312	4,260
Deferred tax on other bases	**32,230**	29,387	1,060	1,783
Total deferred tax assets	**37,877**	**30,814**	**1,020**	**6,043**

Most tax loss carry forwards are carried forward indefinitely. They may only be used by the subsidiaries that generated the corresponding tax losses.

Non-capitalized tax losses

In addition, the amount of non-capitalized tax losses as of December 31, 2022, amounts to €65 million (compared to €57 million as of December 31, 2021), mainly resulting from our subsidiary Virbac Corporation in the United States on the one hand, and Virbac Taiwan on the other hand, whose main focus is on research and development activities. Most tax loss carry forwards (particularly those of our American subsidiary) are carried forward indefinitely. The utilization period for tax losses generated by the Taiwan subsidiary is ten years from the date they are generated.

Expiry date	in € thousand
2023	1,986
2024	1,182
2025	1,556
2026	271
2027	921
2028	1,026
2029	1,789
2030	516
2031	512
2032	1,407
Over 10 years	—
Unlimited	54,050

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 12/31/2021	**86,748**	**16,265**	**184,188**	**287,202**
Variations	19,776	9,185	32,855	**61,816**
Changes in scope	—	—	—	**—**
Transfers	—	—	—	**—**
Conversion gains and losses	1,751	63	3,338	**5,153**
Gross value as at 12/31/2022	**108,276**	**25,514**	**220,381**	**354,172**
Depreciation as at 12/31/2021	**-3,745**	**-1,258**	**-11,867**	**-16,870**
Allowances	-4,059	-728	-15,845	**-20,631**
Reversals	2,249	1,258	11,079	**14,586**
Changes in scope	—	—	—	**—**
Transfers	—	—	—	**—**
Conversion gains and losses	-58	—	-289	**-347**
Depreciation as at 12/31/2022	**-5,612**	**-728**	**-16,922**	**-23,262**
Net value as at 12/31/2021	**83,003**	**15,007**	**172,321**	**270,332**
Net value as at 12/31/2022	**102,664**	**24,786**	**203,460**	**330,909**

Excluding foreign exchange, net inventories increased by €55.8 million, mainly inventories of raw materials and finished goods and goods for resale.
This evolution is mainly explained by:
- the increase in activity observed over the year;
- the inflationary impact on the valuation of inventories;
- the continuation of our strategy of securing certain products and raw materials identified as key, which had started during the Covid-19 pandemic.

The largest contributors to the increase in inventories were France and the United States, and, to a lesser extent, some of our major subsidiaries.

A10. Trade receivables

in € thousand	Trade receivables
Gross value as at 12/31/2021	**109,614**
Variations	**38,067**
Changes in scope	**—**
Transfers	**3**
Conversion gains and losses	**1,024**
Gross value as at 12/31/2022	**148,709**
Depreciation as at 12/31/2021	**-2,248**
Allowances	**-896**
Reversals	**665**
Changes in scope	**—**
Transfers	**81**
Conversion gains and losses	**-20**
Depreciation as at 12/31/2022	**-2,419**
Net value as at 12/31/2021	**107,366**
Net value as at 12/31/2022	**146,290**

The net trade receivables item is up by €37.9 million, excluding foreign exchange effects.
This evolution mainly relates to:
- +€22.1 million together in the United States, France, the United Kingdom and Australia, due to a higher level of activity at the end of the year vs. at the end of 2021;
- in addition, the increase of trade receivables in the United Kingdom, is also partially due to the end of factoring program during the year (+€3,9 million vs December 2021).

The residual increase is observed in most of our other subsidiaries, and is linked to the activity.

It should be noted that receivables de-consolidated as sold under factoring contracts amounted to €16.9 million as of December 31, 2022 (compared with €12 million as of December 31, 2021). This change is due to the launch of the United States program (+€7.8 million), which more than offsets the end of the United Kingdom (-€3.9 million) and Belgium (-€1.2 million) programs. The change of €2.2 million for the other subsidiaries is due to an increase in sales toward the period end.

The credit risk from trade receivables and other receivables is presented in note A33.

A11. Other receivables

in € thousand	2021	Variations	Change in consolidation scope	Transfers	Conversion gains and losses	2022
Income tax receivables	**10,072**	1,624	—	—	264	**11,961**
Social receivables	**673**	-63	—	—	17	**627**
Other State receivables	**43,425**	-8,029	—	—	368	**35,765**
Advances and prepayments on orders	**3,950**	-1,083	—	—	20	**2,887**
Depreciation on various other receivables	**—**	—	—	—	—	**—**
Prepaid expenses	**6,823**	2,357	—	—	116	**9,296**
Other various receivables	**7,271**	-2,493	—	2	91	**4,871**
Other receivables	**72,215**	**-7,687**	**—**	**2**	**878**	**65,407**

The net decrease of €7.7 million in this item, excluding foreign exchange effects, is mainly due to the change in other receivables from the French government, and is mainly explained by a time lag in the refunds of VAT receivables from the parent company and of research tax credit receivables.

The decrease in "Other various receivables" reflects the repayment of the French tax credit for the promotion of competitiveness and jobs (CICE), which had been pre-financed, and of the research tax credit 2018 guarantee reserve for the parent company, as well as the decrease in receivables due from the factor for Italy and the United Kingdom.

The increase in prepaid expenses is mainly related to a "lagging" effect at the end of the period compared to December 2021 with respect to the parent company, and is partially offset by a reclassification of €0.7 million to other financial assets (see Note A6).

The other changes are individually immaterial.

A12. Cash and cash equivalents

in € thousand	2021	Variations	Change in scope	Transfers	Conversion gains and losses	2022
Available funds	**65,117**	1,435	—	—	713	**67,265**
Marketable securities	**107,670**	8,017	—	—	-5,569	**110,118**
Cash and cash equivalents	**172,787**	**9,452**	**—**	**—**	**-4,856**	**177,383**
	—	—	—	—	—	**—**
Bank overdraft	**-628**	-13	—	—		**-639**
Accrued interests not yet matured	**-23**	-42	—	—	—	**-65**
Overdraft	**-651**	**-54**	**—**	**—**	**—**	**-705**
Net cash position	**172,136**	**9,398**	**—**	**—**	**-4,856**	**176,679**

The main investment vehicles used are UCITS and term accounts with a maturity of less than three months. These term deposits have the following characteristics: they are renewable by tacit agreement and may be repaid before maturity.
The increase in marketable securities mainly concerns one of our subsidiaries, which has €108 million in term deposits as at 31 December 2022, held by leading financial institutions.

Bank overdrafts correspond to the overdraft lines negotiated but not confirmed by our banks.

A13. Assets classified as held for sale

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

A14. Equity

in € thousand	2022	2021
Capital	10,573	10,573
Premiums linked to capital	6,534	6,534
Legal reserve	1,089	1,089
Other reserves and retained earnings	663,541	606,852
Consolidation reserves	58,497	13,846
Conversion reserves	-17,881	-20,281
Actuarial gains and losses	-4,985	-6,840
Result for the period	121,967	113,162
Equity attributable to the owners of the parent company	**839,334**	**724,935**
Other reserves and retained earnings	367	-2,181
Conversion reserves	-70	-91
Result for the period	-648	2,529
Non-controlling interests	**-351**	**256**
Equity	**838,983**	**725,191**

Capital management policy

Within the framework of capital management, the Group aims to preserve the continuity of operations, to provide a return to shareholders, to procure the advantages from other partners and to maintain an optimal capital structure to reduce the cost of capital.
In order to maintain or adjust the capital structure, the Group can:

- adjust the amount of dividends paid to shareholders;
- return capital to shareholders;
- issue new shares; or
- sell assets to reduce the total debts.

The Group uses various indicators, one of which is financial leverage (net debt/equity), which provides investors with a vision of debt for the Group comparative to the total equity. In particular, this equity includes the reserve for variations in the value of cash position flows.

Treasury shares

Virbac holds treasury shares with no voting rights which are intended primarily to supply the allocation of performance-related stock grants. The amount of these treasury shares is posted as a reduction in equity.

Shares with double voting rights

Double voting rights are granted to all shareholders whose shares have been registered in their name for at least two years. Of the 8,458,000 shares making up the share capital, 4,306,896 have double voting rights.

Share buyback program

The June 21, 2022 ordinary shareholders' meeting authorized the Virbac parent company to buy back its treasury shares in accordance with article L225-209 *et seq*. of the French commercial code.
As of December 31, 2022, Virbac owned a total of 15,852 treasury shares acquired on the market for a total amount of €3,939,553.61 excluding costs, that is, an average cost of €248.52 per share.
During the financial year, the company bought 85,952 treasury shares (at an average price of €334.44) and sold 73,757 treasury shares (at an average price of €342,94) as part of a market-making contract.

The second and last instalment of the 2018 performance plan (50% of the total number of shares) expired during the financial year and was allocated to the employees benefiting from the plan, taking into account the previously established performance criteria. This year, new performance plans were also created (see note A35).

As of December 31, 2022, treasury shares accounted for 0.19% of Virbac's capital. They are earmarked for market-making and performance-related stock grants, in accordance with the twenty third resolution adopted by the shareholders' meeting of June 21, 2022.
A resolution will be submitted for the approval of the next shareholders' meeting authorizing the company to buy back up to 10% of the capital. Shares may be acquired with a view to:

- ensuring liquidity or supporting the market price via an independent investment services provider pursuant to under a liquidity contract in accordance with *AMF* (French financial market authority) regulations;
- allocating performance-related stock grants;
- reducing the company's share capital by cancelling all or part of the shares purchased, subject to the adoption by the ordinary shareholder's meeting of the resolution for authorizing a reduction in the share capital by cancelling repurchased shares.

The maximum unit purchase price may not exceed €1,000 per share. When calculating the maximum number of shares, shares already purchased under the aforementioned prior authorizations will be included, together with those that could be purchased under the liquidity agreement.

It should be noted that the Group has suspended the liquidity contract for the share (to facilitate trading of the share) for six months from February 3, 2023.

A15. Employee benefits

The commitments related to employee benefit schemes are calculated using the projected unit credit method. Future commitments are subject to a provision for expenses.
Where a commitment is pre-financed by payments into a fund, the provision corresponds to the difference between the total commitment at the closing date and the amount of the hedging asset. The hedging asset is made up of the amount of the fund plus the investment income and any contributions paid during the year.

Change in provisions by country

in € thousand	2021	Allowances	Reversals	Transfers	Equity	Conversion gains and losses	2022
France	**11,017**	691	-467	—	-1,600	—	**9,642**
Italy	**844**	78	-134	—	-80	—	**708**
Germany	**736**	—	-541	—	—	—	**195**
Greece	**147**	—	-19	—	—	—	**128**
Mexico	**216**	50	-27	—	54	25	**318**
Korea	**111**	149	-281	—	-189	-3	**-213**
Taiwan	**1,173**	148	-14	154	-177	-50	**1,234**
Thailand	**1,221**	101	—	—	-55	27	**1,294**
Philippines	**34**	9	-25	—	5	-1	**22**
Uruguay	**574**	65	—	—	—	106	**745**
Retirement and severance pay allowances	**16,074**	**1,289**	**-1,507**	**154**	**-2,042**	**104**	**14,071**
Japan	**1,936**	195	-112	—	-60	-142	**1,817**
Defined benefit retirement plans	**1,936**	**195**	**-112**	**—**	**-60**	**-142**	**1,817**
South Africa	**944**	107	-68	—	-118	2	**867**
Medical coverage	**944**	**107**	**-68**	**—**	**-118**	**2**	**867**
India	**617**	611	-640	—	-258	-9	**321**
Allowances for absence	**617**	**611**	**-640**	**—**	**-258**	**-9**	**321**
Australia	**1,372**	384	-372	—	—	-7	**1,377**
Austria	**57**	7	—	—	—	—	**64**
Spain	**63**	9	—	—	—	—	**72**
Other long term benefits	**1,492**	**400**	**-372**	**—**	**—**	**-7**	**1,513**
Provisions for employee benefits	**21,062**	**2,602**	**-2,700**	**154**	**-2,478**	**-52**	**18,589**

The main impacts in equity essentially concern France, due to the increase in the discount rate resulting in a €2,216 k gain, partially offset by the increase in salary revaluation resulting in a €442 k loss.

Main commitments

The main existing employee benefit plans are the ones of France, Japan, Australia, Thailand, and Taiwan. As of December 31, 2022, they contributed respectively for 52%, 10%, 7% , 7% and 7% of the total provisions for employee benefit plans.

Retirement and severance pay allowances

- **France**

In accordance with the collective agreement, the Group's French companies pay their employees an allowance on their retirement based on their salary and seniority.
The rights vested (for executives as well as or non-executives) are as follows: 12% of the monthly salary per year of seniority.

- **Thailand**

The statutory severance plan is granted on the date of termination either upon retirement or upon resignation. It applies to all employees, and benefits depend on the employee's length of service with the company.
With regard to the resignation pay, however, vesting is subject to the following conditions:

- an employment date prior to July 1, 2018;
- and a minimum of 5 years of service with the company.

■ **Taiwan**

Severance pay is due when the employee reaches the age of 65 or in the event of inability to perform his/her duties. In the event of voluntary departure, vesting is subject to the following conditions:

- a minimum of 15 years of service and being at least 55 years of age;
- a minimum of 10 years of service and being at least 60 years of age;
- a minimum of 25 years of service.

The amount paid depends on seniority.
The plan also covers severance pay in the event of dismissal or resignation, the amount of which varies depending on the employment start date (before or after June 30, 2005) and the employee's seniority.

Defined-benefit retirement plans

■ **Japan**

The scheme results in payments in the form of capital.
The eligibility conditions are as follows:

- must have been employed by the company for at least two years at the closing date;
- must be at least 60 years old.

The amount of capital is calculated from the base salary multiplied by a coefficient varying between two and 35, depending on years of service.

Long-service leave

■ **Australia**

In accordance with regulations in Australia, Virbac grants employees long-service leave in line with their compensation and years of service. Each employee is entitled to two months' leave after ten years' service, which is acquired as follows:

- if the employee is dismissed after five to ten years' service, he/she is entitled to his/her proportionate share of the acquired rights;
- if the employee leaves the company for any other reason after five to ten years of service, they have no entitlements;
- if the employee leaves the company, for whatever reason, after ten years of service, he/she is entitled to his/her proportionate share of the acquired rights.

The provision is calculated as the sum of the individual rights, calculated pro rata for the ratio of the employee's years of service at the closing date to the years of service for full rights.

Calculation parameters of the main personnel benefits schemes in the Group

Assumptions as at December 31, 2022

	Discount rate	Future salary growth
France	3.70%	2.50%
Japan	1.10%	2.00%
Australia	3.70%	5.00%
Thailand	2%-2.5%	4.00%
Taiwan	1.50%	4.50%

Assumptions as at December 31, 2021

	Discount rate	Future salary growth
France	0.90%	2.00%
Japan	0.40%	2.00%
Australia	2.00%	3.00%
Thailand	1.30%-2%	2.5%-4%
Taiwan	0.50%	5.00%

Discount rates are based on high-quality corporate bond yields with a maturity similar to that of the bond in question. In accordance with IAS 19 revised, the expected return on assets is considered to be equal to the discount rate.
A 0.5-point increase or decrease in the discount rate would entail, respectively, a reduction in the provision for employee benefits of around €764 k or an increase of approximately €818 k, recognized with the counterparty entry to other comprehensive income.

Moreover, a 0.5-point increase or decrease in the future growth rate of salaries would entail, respectively, an increase in the provision for employee benefits of around €604 k or a reduction of approximately €558 k, which would be recognized with the counterparty entry to other in other comprehensive income.

Allowance for the year

in € thousand	2022 allowance
Cost of services rendered	2,131
Financial cost	429
Expected return on assets	-171
Change of scheme	209
Immediate recognition of actuarial (gains) / losses in the year	—
Administrative costs recognized in expenses	3
Net cost or gain (-) recognized in income	**2,602**

Employer contributions (including benefits paid directly by the employer) in 2022 totaled €2,700 k and are estimated to reach €1,704 k in 2023.

Movements of amounts recognized in the statement of financial position

The tables below reconcile the movements in the amounts recognized in the statement of financial position (actuarial debt, hedging assets, provision for employee benefits).

in € thousand	Actuarial liability
Present value as at January 1, 2022	**24,331**
Benefits paid by employer	-1,645
Benefits paid by funds	-574
Cost of services rendered and financial cost	2,560
Termination/end of contract	
Actuarial (gains) / losses due to demographic assumptions	6
Actuarial (gains) / losses due to financial assumptions	-2,966
Actuarial experience (gains) / losses	487
Change of scheme	209
Other variations	
Transfers	154
Conversion gains and losses	-183
Present value as at December 31, 2022	**22,380**

Actuarial liabilities are pre-financed in India, Germany, Taiwan and South Korea through hedging assets (insurance policies) covering annual financial interest.

in € thousand	Hedging assets
Fair value as at January 1, 2022	**3,268**
Contributions paid	916
Benefits paid by funds	-435
Interest income	171
Actuarial gains / (losses)	5
Tax on premiums paid	-3
Other variations	—
Conversion gains and losses	-131
Fair value as at December 31, 2022	**3,791**

in € thousand	Employee benefits
Fair value of hedging assets	-3,791
Present value of actuarial liability	22,380
Assets (-) or liabilities recognized in provisions as at December 31, 2021	**18,589**

in € thousand	Employee benefits
Provision to liabilities as at January 1, 2022	**21,063**
Charge / Gain recognized in income - allowance	2,602
Amount recognized in equity	-2,478
Employer contributions/benefits paid - reversal	-2,700
Other events	—
Transfers	154
Conversion gains and losses	-52
Provision to liabilities as at December 31, 2022	**18,589**

A16. Other provisions

in € thousand	2021	Allowances	Reversals	Changes in scope	Transfers	Conversion gains and losses	2022
Trade disputes and industrial tribunals	**2,586**	897	-1,155	—	3	11	**2,342**
Fiscal disputes	**2,305**	1,064	-680	—	—	224	**2,912**
Various risks and charges	**1,465**	821	-707	—	—	—	**1,578**
Other non-current provisions	**6,355**	**2,782**	**-2,542**	**—**	**3**	**235**	**6,833**
Trade disputes and industrial tribunals	**1,442**	32	-698	—	—	-2	**774**
Fiscal disputes	**—**	—	—	—	—	—	**—**
Various risks and charges	**169**	90	—	—	—	5	**265**
Other current provisions	**1,612**	**122**	**-698**	**—**	**—**	**3**	**1,039**
Other provisions	**7,967**	**2,904**	**-3,240**	**—**	**3**	**238**	**7,872**

Each situation is analyzed in light of IAS 37 or Ifric 23 when there is uncertainty over the tax treatment. Tax-related provisions are intended to deal with the financial consequences of the Group’s tax audits.

Provisions that have become irrelevant over the period, either because they have been used in accordance with the initial purpose, or due to risk's extinction, have been reversed over the period.
No provisions are established if the company deems that the liabilities are contingent, and information is given in the appendix (see note A39).

A17. Lease liability

Change in lease liability

in € thousand	2021	New contracts and renewals	Repayments and cancellations	Change in consolidation scope	Transfers	Conversion gains and losses	2022
Lease liability - Non-current	29,459	5,973	-90	—	-8,568	618	**27,392**
Lease liability - Current	8,995	2,933	-11,207	—	8,568	126	**9,415**
Lease liability	**38,454**	**8,906**	**-11,297**	**—**	**—**	**744**	**36,807**

The IFRS 16 standard introduces a single lessee accounting model for the lease contracts meeting the criteria of application, with the new lease obligation sheltering the liabilities arising from contracts previously capitalized pursuant to IAS 17.

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	—	19,886	7,506	**27,392**
Lease liability - Current	9,415	—	—	**9,415**
Lease liability	**9,415**	**19,886**	**7,506**	**36,807**

Information related to financing activities

in € thousand	2021	Cash flows	Non-cash flows				2022
		Repayments	Increase	Decrease	Transfers	Conversion gains and losses	
Lease liability	38,454	-10,824	8,906	-473	—	744	**36,807**
Lease liability	**38,454**	**-10,824**	**8,906**	**-473**	**—**	**744**	**36,807**

Decreases correspond to early terminations with no cash impact.

The increase in debt liabilities stems essentially from the two new IT or real estate contracts mentioned in note A5, as well as the obligations generated by the new contracts or extensions of contracts relating to the fleet of vehicles.

Please note that the amendment to IFRS 16 did not have any impact on our consolidated accounts. In fact, none of our subsidiaries have benefited from exemptions or rent deferrals in the context of the Covid-19 pandemic.

A18. Other financial liabilities

Change in other financial liabilities

in € thousand	2021	Increase	Decrease	Changes in scope	Transfer	Conversion gains and losses	2022
Loans	**13,151**	13,141	-8,338	—	-7,500	7,540	**17,995**
Employee profit sharing	**14**	6	—	—	—	—	**19**
Currency and interest rate derivatives	**797**	—	-797	—	—	—	**—**
Other	**—**			—			**—**
Other non-current financial liabilities	**13,962**	**13,147**	**-9,135**	**—**	**-7,500**	**7,540**	**18,014**
Loans	**42,233**	71,355	-87,300	—	7,500	1,165	**34,953**
Bank overdrafts	**628**	13	—	—	—	—	**640**
Accrued interests not yet matured	**23**	42	—	—	—	—	**65**
Employee profit sharing	**894**	938	-841	—	—	85	**1,076**
Currency and interest rate derivatives	**2,760**	3,704	—	—	—	—	**6,465**
Other	**—**	—	—	—	—	—	**—**
Other current financial liabilities	**46,538**	**76,050**	**-88,140**	**—**	**7,500**	**1,250**	**43,199**
Other financial liabilities	**60,500**	**89,198**	**-97,275**	**—**	**—**	**8,790**	**61,213**

In 2022, we took out three new fixed-rate loans with Bpifrance with five- and ten-year maturities in the amount of €14,750 k, and prepaid our existing Bpifrance loans in the amount of €11,250 k, in order to extend the maturity of our fixed-rate financing and benefit from improved terms.
In October, our bank pool responded favorably and unanimously to our request for an extension of the maturity of our syndicated loan by one year, with a new maturity date of October 18, 2027. This credit agreement, signed in October 2021, includes provisions that allow us, on the one hand, to extend the maturity of our debt until October 2028 thanks to a second one-year extension option and, on the other hand, to increase the financing by €150 million, thanks to an "accordion" clause, which can bring the total commitment to €350 million. Furthermore, this new financing line includes commitments related to our CSR policy, reflecting our commitment for several years to protect the environment and respect animal ethics. Negotiating these clauses ensures that we have access to

controlled financial conditions and support for our needs as we evolve. The applicable credit margin is adjustable based on the annual financial ratio and, to a lesser extent, on the annual results of three CSR performance indicators already monitored within our CSR policy.
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, the characteristics of which are explained above;
- market-based contracts (*Schuldschein*) for a total of €6 million, with maturity April 2025, at a fixed rate;
- financing contracts with Bpifrance, for €14.3 million, depreciable and maturing in July 2027 and June 2032;
- factoring contracts with recourse and export loans for US $47 million in Chile;
- uncommited credit lines in the United States for US $37 million.

As of December 31, 2022, the funding position is as follows:

- market-based contracts amounted to €6 million;
- the Bpifrance financing amounted to €14.3 million;
- factoring lines with recourse mobilized for an amount of US $19 million;
- the drawn credit of our subsidiary in the United States amounted to US $7 million;
- the syndicated contract's line of credit is not mobilized.

The financing agreements of the parent company include a financial covenant compliance clause that requires us to comply with an annual financial ratio based on the consolidated accounts, corresponding to the consolidated net debt[1] for the period over the consolidated Ebitda[2].

As at December 31, 2022, we are in compliance with the financial ratio covenants, which is -0.36 and is below the contractual financial covenant limit of 3.75.

[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]under the contractual definition, consolidated Ebitda refers to operating profit for the period under review, plus the allowances for depreciation and provisions, net of reversals, and dividends received from non-consolidated subsidiaries

The company's financing capacity is sufficient to fund its cash requirements.

Other financial liabilities classified according to their maturity

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**

The generation of operating cash flow, as well as negotiated overdrafts and factoring make it possible to cover short-term financial liabilities.

As at December 31, 2021

in € thousand	Payments			Total
	less than 1 year	from 1 to 5 years	more than 5 years	
Loans	42,233	13,151	—	**55,385**
Bank overdrafts	628	—	—	**628**
Accrued interests not yet matured	23	—	—	**23**
Employee profit sharing	894	14	—	**908**
Currency and interest rate derivatives	2,760	797	—	**3,557**
Other	—	—	—	**—**
Other financial liabilities	**46,538**	**13,962**	**—**	**60,500**

Information related to financing activities

in € thousand	2021	Cash flows: Issuance	Cash flows: Repayments	Non-cash flows: Fair value	Non-cash flows: Transfers	Non-cash flows: Conversion gains and losses	2022
Non-current financial liabilities	**13,151**	13,141	-8,338	—	-7,500	7,540	**17,995**
Current financial liabilities	**42,233**	71,355	-87,300	—	7,500	1,165	**34,953**
Employee profit sharing	**908**	943	-841	—	—	85	**1,095**
Currency and interest rate derivatives	**3,557**	—	—	2,908	—	—	**6,465**
Others	**—**	—	—	—	—	—	**—**
Other financial liabilities	**59,849**	**85,439**	**-96,478**	**2,908**	**—**	**8,790**	**60,509**

A19. Other payables

in € thousand	2021	Variations	Changes in scope	Transfers	Conversion gains and losses	2022
Income tax payables	**—**	—	—	—	—	**—**
Social payables	**—**	—	—	—	—	**—**
Other fiscal payables	**—**	—	—	—	—	**—**
Advances and prepayments on orders	**—**	—	—	—	—	**—**
Prepaid income	**1,153**	980		-323	37	**1,846**
Various other payables	**5,735**	95		-950	428	**5,308**
Other non-current payables	**6,887**	**1,075**	**—**	**-1,272**	**465**	**7,154**
Income tax payables	**22,391**	-12,392		—	223	**10,221**
Social payables	**59,102**	2,286		-154	532	**61,767**
Other fiscal payables	**11,214**	263		—	-252	**11,226**
Advances and prepayments on orders	**1,179**	-705		—	-36	**437**
Prepaid income	**1,403**	-708		323	19	**1,036**
Various other payables	**90,715**	3,770		2,115	-175	**96,426**
Other current payables	**186,004**	**-7,487**	**—**	**2,284**	**312**	**181,113**
Other payables	**192,891**	**-6,412**	**—**	**1,012**	**776**	**188,267**

Other payables decreased by €5.4 million, excluding foreign exchange effects. The main changes are shown below.

The item "Other non-current payables" remained stable (-€0.2 million) with two variations compensating: the transfer of the contingent earn-out liability on the acquisition of iVet in the United States to various other current payables (-€0.9 million) and the increase in prepaid income of €1 million.

The "Other current payables" item decreased by €5.2 million (excluding foreign exchange effects) mainly in connection with the decrease in income tax payables (-€12.4 million), which is mainly explained by the difference in the parent company advance payments of corporate income tax in 2022 compared to 2021, and which is offset by an additional provision of €1.7 million for the Ifric 23 interpretation on one of our subsidiaries; this liability is based on circumstances that could lead to a tax litigation risk in the event of an audit of prior periods not yet audited or under audit at the beginning of the financial year. Each situation was analyzed and documented, and the risk was assessed.
This change is partially offset by the increase in corporate liabilities of the parent company (+€2.9 million) due to the provisioning of additional profit-sharing and other bonuses granted to employees in connection with the strong performance achieved during the year, as well as by the increase in various other payables, the main changes of which are explained below.

The line “Various other payables” largely comprises liabilities for contracts entered into with customers. The difference of +€5.9 million is explained by an increase in credit notes to be issued of +€7.1 million, excluding foreign exchange effects (see below), and by the transfer of the contingent earn-out debt in connection with the acquisition of iVet from non-current to current (+€0.9 million), partially offset by a decrease of €2 million in other operating liabilities, mainly due to the deferral of social contributions payments following the pandemic in the United States (-€0.9 million), the other variations being immaterial.

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

in € thousand	2021	Variations	Changes in scope	Transfers	Conversion gains and losses	2022
Advances and prepayments on orders	**1,179**	-705	—	—	-36	**437**
Customers - credits to be issued	**81,725**	7,078	—	—	-458	**88,346**
Customer liabilities	**82,904**	**6,373**	**—**	**—**	**-493**	**88,783**

Credit notes to be issued stem primarily from changes in transaction pricing, as the majority of the Group's subsidiaries grant customers year-end discounts, the amount of which is contingent on the achievement of sales objectives. The main increases were in France (+€2.8 million), Australia (+€1.2 million) and the United States (+ €2.5 million) but more generally in several of our main subsidiaries, in connection with the increase in revenue for the year.

A20. Trade payables

in € thousand	2021	Variations	Changes in scope	Transfers	Conversion gains and losses	2022
Current trade payables	**116,882**	25,560	—	-1,391	1,408	**142,459**
Trade payables - suppliers of intangible assets	**4,294**	1,001	—	13	-6	**5,302**
Trade payables - suppliers of tangible assets	**6,426**	1,359	—	266	8	**8,059**
Trade payables	**127,602**	**27,921**	**—**	**-1,112**	**1,410**	**155,820**

This item amounted to €155.8 million as of December 31, 2022, compared to €127.6 million at the end of 2021, reflecting a net increase of €27.3 million excluding foreign exchange effects.
The increase in this item is due to increased activity and increased purchases of raw materials and finished goods.

A21. Revenue from ordinary activities

in € thousand	2022	2021	*Change*
Sales of finished goods and merchandise	1,390,988	1,208,056	15.1%
Services	453	540	*-16.0%*
Additional income from activity	2,547	3,465	*-26.5%*
Royalties paid	627	423	*48.3%*
Gross sales	**1,394,615**	**1,212,484**	***15.0%***
Discounts, rebates and refunds on sales	-142,859	-120,486	*18.6%*
Expenses deducted from sales	-25,463	-20,148	*26.4%*
Financial discounts	-8,879	-6,131	*44.8%*
Provisions for returns	-1,227	-1,754	*-30.0%*
Expenses deducted from sales	**-178,428**	**-148,518**	***20.1%***
Revenue from ordinary activities	**1,216,187**	**1,063,965**	***14.3%***

The expenses presented within the revenue are mainly made up of the following elements:
- amounts paid under commercial cooperation contracts (commercial communication actions, provision 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

In 2022, the Group consolidated revenue reached €1,216.2 million, up 14.3% from the year before at real exchange rates and 9.6% at constant rates.

The very successful execution of our strategic plan, supported by the constant commitment of our teams, has enabled us to consolidate our annual organic growth in all areas, in the context of a slower market. In Asia-Pacific, growth at real exchange rates reached +18.5% (+13.8% at constant exchange rates); India and Australia continue to drive growth from the area, thanks to products for cattle, representing approximately 80% of the area. In Europe, revenue is growing at +6.3% at real rates (+5.9% at constant rates). The main contributors to this

performance are the United Kingdom, France, Italy, and Spain. The area is supported by the strong dynamism of the companion animals ranges (in particular petfood, specialties, and vaccines), which compensated for the decline in the antibiotic ranges for farm animals. In the United States, business grew by +30.2% (+15.7% at constant exchange rates). It benefits from sustained sales on new products launched in 2021 (Clomicalm and Itrafungol) and those launched in early 2022 (petfood, and Tulissin for the farm animals segment), as well as good performances in the dental, specialties (Movoflex, Stelfonta), and dermatology ranges. Finally, in Latin America, business grew by +17.1% at real rates (+5.6% at constant exchange rates), mainly thanks to the contribution of Mexico and Brazil, which offset the downturn in Chile.
It should be noted that the effect of the increase in average prices recorded in 2022 compared to 2021 represents approximately five points of growth.

A22. Purchases consumed

in € thousand	2022	2021	*Change*
Inventoried purchases[1]	-435,854	-382,758	*13.9%*
Non-inventoried purchases	-33,153	-26,325	*25.9%*
Supplementary charges on purchases	-8,243	-4,573	*80.3%*
Discounts, rebates and refunds obtained	286	476	*-39.9%*
Purchases	**-476,964**	**-413,180**	***15.4%***
Change in gross inventories	61,816	55,518	*11.3%*
Allowances for depreciation of inventories	-20,631	-13,824	*49.2%*
Reversals of depreciation of inventories	14,586	12,349	*18.1%*
Net variation in inventories	**55,771**	**54,043**	***3.2%***
Consumed purchases	**-421,192**	**-359,137**	***17.3%***

[1]in order to make the income statement more meaningful, 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 €8,023 k for the 2021 financial year

The increase in purchases consumed is in line with the strong growth in the business, and is also linked to the increase in costs, in particular our raw material and merchandise costs, due to inflation. The main increases were observed in France, the United States, India, and Australia.
The change in inventories is due to the combined effects of the increase in activity during the period, an inflationary environment, and the implementation of our strategy of securing certain products and raw materials, which began during the Covid-19 pandemic to avoid any supply shortages.

A23. External costs

External charges are up +20.5% at real rates compared to 2021. They are mainly due to the increase in the following expense items: study and research expenses, in line with our decision to accelerate our R&D investments and expenses; transportation costs, linked both to the increase in revenues and to inflation; travel costs, following the return to travel after a still low level in 2021 due to the restrictions imposed by Covid-19; and, to a lesser extent, subcontracting costs, linked to the activity.

A24. Depreciation, impairment and provisions

in € thousand	2022	2021	*Change*
Allowances for depreciation of intangible assets[1]	-6,045	-5,282	*14.4%*
Allowances for impairment of intangible assets	-770	-80	*862.2%*
Allowances for depreciation of tangible assets	-24,857	-23,654	*5.1%*
Allowances for impairment of tangible assets	-33	—	
Allowances for depreciation of right of use	-11,173	-10,097	*10.7%*
Reversals for depreciation of intangible assets	2	—	
Reversals for impairment of intangible assets	80	1,514	*-94.7%*
Reversals for depreciation of tangible assets	—	—	
Reversals for impairment of tangible assets	327	224	*46.1%*
Depreciation and impairment	**-42,469**	**-37,375**	***13.6%***
Allowances of provisions for risks and charges	-2,904	-3,590	*-19.1%*
Reversals of provisions for risks and charges	2,763	4,607	*-40.0%*
Provisions	**-141**	**1,017**	***-113.9%***
Depreciations and provisions	**-42,610**	**-36,358**	***17.2%***

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

Allowances for depreciation of intangible assets arising from acquisitions

in € thousand	2022	2021
SBC	-51	-51
Uruguay: Santa Elena	-154	-137
Australia: Axon	-132	-125
New Zealand	-377	-418
Centrovet	-1,507	-2,034
Multimin	-483	-505
Colombia: Synthesis	-86	-87
Schering-Plough Europe	-954	-954
Depreciations of intangible assets arising from acquisitions	**-3,743**	**-4,311**

The decrease in this item is due to the fact that one of the intangible assets resulting from the acquisition of Centrovet was fully amortized as of June 30, 2022.

A25. Other operating income and expenses

in € thousand	2022	2021	*Change*
Royalties paid	-5,028	-3,956	27.1%
Grants received (including research tax credit)	10,356	9,141	*13.3%*
Allowances for depreciation of receivables	-896	-483	*85.5%*
Reversals of depreciation of receivables	665	1,044	*-36.3%*
Bad debts	-453	-100	*353.0%*
Net book value of disposed assets	-813	-4,897	*-83.4%*
Income from disposal of assets	340	2,862	*-88.1%*
Other operating income and expenses	1,625	1,912	*-15.0%*
Other operating income and expenses	**5,796**	**5,522**	***5.0%***

The item “Other operating income and expenses” shows a slight variation of 5%, and is mainly explained by:

- the increase in royalties paid of €1.1 million, in connection with the increase in activity;
- the item "other operating income and expenses" reflects a variation in the other income of -€1 million, due to a €3.0 million compensation received in March 2022 from Elanco, versus such income of €4.0 million received in the first half (year) of 2021. This is the second and last payment on the €7 million that Elanco committed to pay us, as compensation for Virbac’s continuation of development projects acquired in 2020; this variation is partly offset by a decrease of other expenses (made of individually not significant items);
- the tax credits recorded as a grant amounting to €10.4 million as of December 31, 2022, up €1.3 million over 2021;
- the profit from disposals of intangible and tangible assets shows a loss of €0.5 million in 2022 compared to a loss of €2.0 million recorded in 2021, with, among others, the sale of the Magny-en-Vexin production site in the previous financial year.

A26. Other non-current income and expenses

As of December 31, 2022, a €3.3 million expense is recognized:

in € thousand	2022
Impairment of assets (brands) and loss of value of related MA	-3,296
Other non-current income and expenses	**-3,296**

In view of market trends, certain brand assets and corresponding MAs, obtained through acquisitions and with an indefinite useful life, can no longer be valued and, as such, have been impaired for the amount of €3.3 million.

As of December 31, 2021, this item breaks down as follows:

in € thousand	2021
Scrapping of intangible assets in the United States	-1,016
Revaluation of acquired iVet inventories in the United Stated (purchase accounting method)	-219
Other non-current income and expenses	**-1,235**

A27. Financial income and expenses

in € thousand	2022	2021	*Change*
Gross cost of financial debt	-3,691	-5,982	*-38.3%*
Income from cash and cash equivalents	4,831	2,369	*103.9%*
Net cost of financial debt	**1,140**	**-3,612**	***-131.6%***
Foreign exchange gains and losses	-673	2,750	*-124.5%*
Changes in foreign currency derivatives and interest rate	-3,404	-7,478	*-54.5%*
Other expenses	-399	-333	*20.0%*
Other income	259	153	*69.3%*
Other financial income or expenses	**-4,218**	**-4,907**	***-14.0%***
Financial income and expenses	**-3,077**	**-8,519**	*-63.9%*

The cost of financial debt now includes the interest cost on lease liabilities, which amounts to €1,563 k as of December 31, 2022.
The €2.3 million decrease in the cost of gross financial debt is mainly due to the maturity of the US dollar interest rate swaps and the Chilean peso cross currency swaps.
The sharp increase in cash position and cash equivalents (+€2.5 million) was driven by higher investments in one of our subsidiaries and higher pay rates from June 2022.

The -€0.7 million exchange loss in 2022 is mainly the result of the combination of two events related to the Chilean peso exposure, the decrease in the exposure and the strategy of lowering the hedge ratio in an environment of appreciation of the Chilean peso, which has been favorable compared to 2021.

A28. Income tax

in € thousand	2022 Base	2022 Tax	2021 Base	2021 Tax
Profit before tax	**176,443**		**159,107**	
Adjustment for tax credits	-10,139		-8,938	
Adjustment of non-recurring items	16,881		10,857	
Profit before tax, after adjustments	**183,184**		**161,026**	
Tax currently payable for French companies		-14,738		-16,278
Tax currently payable for foreign companies		-46,673		-36,395
Tax currently payable		**-61,412**		**-52,673**
Deferred tax for French companies		130		5,454
Deferred tax for foreign companies		5,633		3,607
Deferred tax		**5,763**		**9,061**
Tax accounted for		**-55,649**		**-43,612**
Restatement of adjustments on tax currently payable		3,034		645
Restatement of adjustments on deferred tax		-453		—
Depreciation of deferred tax assets		—		—
Tax after restatements		**-53,068**		**-42,967**
Effective tax rate		*28.97%*		*26.68%*
Theoretical tax rate		*25.83%*		*28.41%*
Theoretical tax		**-47,317**		**-45,748**
Difference between theoretical tax and recorded tax		**8,332**		**-2,136**

The theoretical tax rate considered by the Group is the corporate tax rate in effect in France (including the additional contribution of 3.3%).

The effective tax rate increases in 2022 from 26.68% to 28.97%.

This increase is explained by the strong performance achieved by our subsidiaries located in countries applying corporate tax rates higher than the parent company's tax rate, such as Australia, and by a decrease in deferred tax income in France due to the reversal of certain short-term bases.

Restated profit before tax

The pre-tax profit and the tax charges have been the subject of the restatements described below in order to determine the effective tax rate for the 2022 financial year.

Adjustment for tax credits

These are the main tax credits factored into the operating profit from ordinary activities in accordance with IAS 20. The amount corresponds to the research tax credit for French entities, as well as the research tax credit equivalent in Chile, Brazil, and Australia.

Adjustment for tax bases related to non-taxable items

This amount mainly includes:

- accounting income or expenses with no tax impact, including in particular permanent differences in entities in France and abroad (-€4.7 million);
- as well as losses incurred by subsidiaries for which no deferred tax assets in connection with their tax loss carryforwards are recognized as of December 31, 2022 (mainly the Virbac Corporation and Virbac Taiwan subsidiaries), for a total amount of -€12.1 million.

Tax after restatements

Adjustments to the tax charges are described below.

Neutralizing the adjustments for the tax currently payable

This amount mainly corresponds:

- to neutralizations of tax expenses without any accounting basis (-€1.7 million);
- to withholding tax and Ifric 23 provisions (-€1.6 million).

Neutralizing the adjustments for the deferred tax expense

This amount represents tax expenses or income without any accounting basis, namely the change in the bases or rates of deferred tax assets and liabilities at the beginning of the financial year (change in estimates).

A29. Bridge from net result to net result from ordinary activities

in € thousand	Net result IFRS	Impairment of assets	Restructuring costs	Other items	Non-current tax expense	Net result from ordinary activity
Revenue from ordinary activities	**1,216,187**	—	—	—	—	**1,216,187**
Current operating profit before depreciation of assets arising from acquisitions	**186,559**	**—**	**—**	**—**	**—**	**186,559**
Depreciation of intangible assets arising from acquisitions	-3,743	—	—	—	—	-3,743
Operating profit from ordinary activities	**182,816**	**—**	**—**	**—**	**—**	**182,816**
Other non-current income and expenses	-3,296	3,296	—	—	—	—
Operating result	**179,519**	**3,296**	**—**	**—**	**—**	**182,816**
Financial income and expenses	-3,077		—	—	—	-3,077
Profit before tax	**176,443**	**3,296**	**—**	**—**	**—**	**179,739**
Income tax	-55,649	-851	—	—	475	-56,025
Share from companies' result accounted for by the equity method	525	—	—	—	—	525
Result for the period	**121,319**	**2,445**	**—**	**—**	**475**	**124,239**

Net profit from ordinary activities equates to net profit restated for the following items:

- the "Other non-current income and charges" item, the details of which are presented in the A26 note;
- non-current tax, which includes the tax impact of "Other non-current income and expenses", as well as all non-recurring tax income and expenses.

For the record, the operating net profit for the 2021 financial year was as follows:

in € thousand	Net result IFRS	Impairment of assets	Restructuring costs	Other items	Non-current tax expense	Net result from ordinary activity
Revenue from ordinary activities	**1,063,965**	—	—	—	—	**1,063,965**
Current operating profit before depreciation of assets arising from acquisitions	**173,171**	**—**	**—**	**—**	**—**	**173,171**
Depreciation of intangible assets arising from acquisitions	-4,311	—	—	—	—	-4,311
Operating profit from ordinary activities	**168,861**	**—**	**—**	**—**	**—**	**168,861**
Other non-current income and expenses	-1,235	1,016	—	219	—	—
Operating result	**167,626**	**1,016**	**—**	**219**	**—**	**168,861**
Financial income and expenses	-8,519	—	—	—	—	-8,519
Profit before tax	**159,107**	**1,016**	**—**	**219**	**—**	**160,342**
Income tax	-43,612	-213	—	-46	1,182	-42,690
Share from companies' result accounted for by the equity method	196	—	—	—	—	196
Result for the period	**115,691**	**803**	**—**	**173**	**1,182**	**117,848**

In 2021, the non-current tax burden corresponds to the impairment of the deferred tax asset generated over the period by our subsidiary Virbac Corporation.

A30. Earnings per share

	2022	2021
Profit attributable to the owners of the parent company	**€121,967,044**	**€113,162,216**
Total number of shares	8,458,000	8,458,000
Impact of dilutive instruments, before dilution	8,448,180	8,442,111
Impact of dilutive instruments	5,432	15,889
Weighted average number of shares, after dilution	8,453,612	8,458,000
Profit attributable to the owners of the parent company, per share	**€14.44**	**€13.40**
Profit attributable to the owners of the parent company, diluted per share	**€14.43**	**€13.38**

A31. 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 and farm animals 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 December 31, 2022

in € thousand	France	Europe (excluding France)	Latin America	North America	Asia	Pacific	Africa & Middle-East	Total
Revenue from ordinary activities	191,858	302,646	196,842	161,893	212,968	117,507	32,473	**1,216,187**
Current operating profit before depreciation of assets arising from acquisitions	47,116	28,848	33,640	-3,974	40,893	35,741	4,296	**186,559**
Result attributable to the owners of the parent company	34,612	21,756	13,172	-6,031	31,123	24,356	2,980	**121,967**
Non-controlling interests	—	—	31	-680	—	—	—	**-648**
Group consolidated result	**34,612**	**21,756**	**13,203**	**-6,710**	**31,123**	**24,356**	**2,980**	**121,319**

in € thousand	France	Europe (excluding France)	Latin America	North America	Asia	Pacific	Africa & Middle-East	Total
Assets by geographic area	340,823	100,172	271,633	231,383	244,068	129,700	15,733	**1,333,511**
Intangible investment	10,832	2	255	4,636	93	12	4	**15,835**
Tangible investment	24,148	1,010	3,959	5,069	3,576	2,070	271	**40,102**

No customer represents more than 10% of total revenue.

In addition to the above information, we also present the revenue of the main countries whose revenue is considered material in relation to their importance within the Group (more than 15% of Group revenue). In 2022, only France is above this threshold with €191.9 million, compared to €184.5 million in 2021.

As at December 31, 2021

in € thousand	France	Europe (excluding France)	Latin America	North America	Asia	Pacific	Africa & Middle-East	Total
Revenue from ordinary activities	184,751	280,875	166,747	124,173	183,523	94,193	29,702	**1,063,965**
Current operating profit before depreciations of assets arising from acquisitions	54,479	22,878	34,781	-6,967	37,039	26,242	4,719	**173,171**
Profit attributable to the owners of the parent company	40,547	16,407	15,871	-9,144	28,578	17,658	3,245	**113,162**
Non-controlling interests	1	—	2,528	—	—	—	—	**2,529**
Consolidated profit	**40,548**	**16,407**	**18,398**	**-9,144**	**28,578**	**17,658**	**3,245**	**115,691**

in € thousand	France	Europe (excluding France)	Latin America	North America	Asia	Pacific	Africa & Middle-East	Total
Assets by geographic area	322,704	88,542	244,927	195,459	213,419	120,047	16,452	**1,201,551**
Intangible investment	9,255	71	287	3,356	218	3	20	**13,210**
Tangible investment	19,257	507	2,883	4,270	7,789	1,105	90	**35,901**

The non-controlling interest corresponds mostly to the share of the 2021 profit allocated to the holders of 49% of the shares in the HSA group in Chile that we acquired in two successive stages during the second half of the year, calculated in proportion to their holding in the year.
We fine-tuned the method to determine the breakdown of assets by area in financial year 2022, and consequently restated the 2021 comparative information.

A32. Financial assets and liabilities

Breakdown of assets and liabilities measured at fair value

In accordance with IFRS 7, "Financial instruments - Disclosures", measurements at fair value of financial assets and liabilities must be classified according to a hierarchy which comprises the following levels:

- level 1: the fair value is based on (unadjusted) quoted prices in active markets for identical assets or liabilities;
- level 2: the fair value is based on data other than the quoted prices mentioned in level 1, which are directly or indirectly observable for the asset or liability in question;

- level 3: the fair value is based on inputs relating to the asset or liability which are not based on observable market data, but on internal data.

For financial asset and liability derivatives recognized at fair value, we use measurement techniques involving observable market data (level 2), particularly for interest rate swaps, forward purchases and sales, or foreign currency options. The model incorporates various inputs such as the spot and forward exchange rates or the interest rate curve.

Financial assets

The different asset classes are as follows:

As at December 31, 2022

in € thousand	Financial assets at amortized cost	Financial assets at fair value through income	Financial assets at fair value through equity	Total	Fair value hierarchy
Non-current derivative financial instruments	—	—	89	**89**	2
Other non-current financial assets	6,167	—	—	**6,167**	3
Trade receivables	146,290	—	—	**146,290**	3
Other receivables	4,872	—	—	**4,872**	3
Current derivative financial instruments	—	1,232	1,256	**2,488**	2
Other current financial assets	1,050	—	—	**1,050**	3
Cash and cash equivalents	175,350	2,033	—	**177,383**	1
Financial assets	**333,729**	**3,265**	**1,345**	**338,339**	

As at December 31, 2021

in € thousand	Financial assets at amortized cost	Financial assets at fair value through income	Financial assets at fair value through equity	Total	Fair value hierarchy
Non-current derivative financial instruments	—	—	137	**137**	2
Other non-current financial assets	5,612	—	—	**5,612**	3
Trade receivables	107,366	—	—	**107,366**	3
Other receivables	7,272	—	—	**7,272**	3
Current derivative financial instruments	—	1,324	455	**1,779**	2
Other current financial assets	190	—	—	**190**	3
Cash and cash equivalents	166,530	6,256	—	**172,786**	1
Financial assets	**286,970**	**7,580**	**592**	**295,142**	

Financial assets at amortized cost

The financial assets valued at depreciated cost are non-debt derivative instruments (loans and receivables in particular) whose contractual cash flows consist only of payments representative of the principal and interest on this principal, and whose management model consists of holding the instrument in order to collect the contractual cash flows.

This category includes other loans and receivables as well as deposits and guarantees (which appear in "Other financial assets"), trade receivables (recorded for the initial amount of the invoice after deduction of provisions for impairment) and other operational receivables excluding tax and social security receivables, as well as the cash and cash equivalents with regard to items almost as liquid as cash, such as term deposits with a maturity of three months or less at the time of purchase, and which are held by leading financial institutions.

The depreciated cost of these assets does not, at the closing date, show a significant difference in relation to their fair value.

Financial assets at fair value through income statement

Interest or exchange rate derivative instruments designated as fair value hedges and financial derivatives not designated as hedges are classified as financial assets at fair value through the income statement.
This category also includes marketable securities acquired by us for sale or redemption in the short term. They are measured at fair value at the balance sheet date, and any fair value changes are recognized in income. The fair

values of marketable securities are mainly determined with reference to the market price (buying or selling price as applicable).

Financial assets at fair value through equity
The following are classified as financial assets at fair value by equity: interest rate or exchange rate derivative instruments qualified as hedging of future cash flows and fair value hedges (for the carry forward/backward and time value portion of options). With regards to future flows, these hedging instruments are put in place for future exchange exposures (budget) and for interest on the debt/investment at variable rates.
The transfer to profit or loss takes place when cash flows are realized and therefore upon the fall of the instruments.

Financial liabilities

The different classes of financial liabilities are as follows:

As at December 31, 2022

in € thousand	Loans and debts	Financial liabilities at fair value through income	Financial liabilities at fair value through equity[1]	Total	Fair value hierarchy
Non-current derivative financial instruments	—	—		**—**	
Other non-current financial liabilities	18,014	—	—	**18,014**	3
Trade payables	155,820	—	—	**155,820**	3
Other payables	101,734	—	—	**101,734**	3
Current derivative financial instruments	—	6,071	394	**6,465**	2
Bank overdrafts and accrued interests not yet matured	640	65	—	**705**	2
Other current financial liabilities	36,029	—	—	**36,029**	3
Financial liabilities	**312,237**	**6,135**	**394**	**318,766**	

As at December 31, 2021

in € thousand	Loans and debts	Financial liabilities at fair value through income	Financial liabilities at fair value through equity[1]	Total	Fair value hierarchy
Non-current derivative financial instruments	—	—	797	**797**	2
Other non-current financial liabilities	13,165	—	—	**13,165**	3
Trade payables	127,602	—	—	**127,602**	3
Other payables	96,450	—	—	**96,450**	3
Current derivative financial instruments	—	2,245	516	**2,760**	2
Bank overdrafts and accrued interests not yet matured	633	18	—	**651**	2
Other current financial liabilities	43,127	—	—	**43,127**	3
Financial liabilities	**280,972**	**2,267**	**1,313**	**284,552**	

[1]hedge accounting is used to record changes in fair value in equity

As of December 31, 2022, the cost of gross financial indebtedness was €3,691 k, compared to €5,982 k as of December 31, 2021.

A33. Risk management associated with financial assets and liabilities

Our financial risk management policy is controlled centrally by the Group's Financial Affairs department and in particular its Treasury and Financing department.
Strategies for financing, investment, and interest and exchange rate risk hedging are thus systematically reviewed and monitored by the Financial Affairs department. The operations carried out by our local teams are also managed and monitored by the Group's Treasury and Financing department.
The holding of financial instruments is conducted with the sole purpose of reducing exposure to exchange rate and interest rate risks and has no speculation purpose.

We hold derivative financial instruments only for the purpose of reducing our exposure to rate or exchange risks on our balance sheet items and our firm or highly likely commitments.
When it comes to cash position flow hedging, based on backing and maturities, these flows can occur and affect profit in the current-year or in subsequent years.

Credit risk

- **Risk factors**

Credit risk may arise when we grant credit to customers on payment terms. The risk of insolvency, or even default by some of them, may result in non-payment and thus negatively impact our income statement and net cash position.
Trade receivables are subject to impairment, corresponding to the estimated expected losses, determined by application of an impairment matrix (application of the simplified impairment model provided for by the IFRS 9 standard). This approach consists of applying an impairment rate to the respective debtors ageing categories, based on the history of credit losses, adjusted, if applicable, to take into account elements of a prospective nature.
As of December 31, 2022, the Group's maximum exposure to credit risk was €146,290 k, which represents the amount of trade receivables as presented in our consolidated accounts.

The risk on sales between Group companies is not material, to the extent that we ensure that our subsidiaries have the necessary financial structure to honor their liabilities.

- **Risk management mechanisms**

We limit the negative consequences of this type of risk thanks to the very high fragmentation and dispersal of our customers throughout all of the countries in which we operate. Our Treasury department recommends maximum payment terms in accordance with the regulations in force, customary uses, the rating, the limits imposed by credit insurance, and sets the customer credit limits to be applied by each operating entity. The Treasury and Financing department manages and controls these credit aspects for the French entities for which it is directly responsible, and recommends the same practices via guidelines and best practices for the Group. In addition, there is a master credit group insurance contract that benefits or can benefit any of our subsidiaries when this type of risk has been identified.

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

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**

As at December 31, 2021

in € thousand	Receivables due	Receivables overdue for				Impaired	Total
		< 3 months	3-6 months	6-12 months	> 12 months		
France	23,471	718	22	2	3	86	**24,302**
Europe (excluding France)	13,048	2,742	127	—	—	1,593	**17,511**
Latin America	26,185	3,856	106	—	—	212	**30,359**
North America	5,632	2,525	—	—	—	3	**8,159**
Asia	12,572	501	122	—	—	349	**13,544**
Pacific	12,793	135	24	—	—	3	**12,956**
Africa & Middle-East	2,570	211	—	—	—	2	**2,783**
Trade receivables	**96,271**	**10,688**	**401**	**2**	**3**	**2,248**	**109,614**

Receivables due and not settled are periodically analyzed and classified as bad debts whenever the risk that the receivable will not be fully recovered appears. The amount of the provision recorded at closing is defined based on the expected credit loss at maturity.
Bad debts are recognized as losses when identified as such.

We have not identified any notable impact on client risk since the beginning of the sanitary crisis.

Counter-party risk

- **Risk factors**

We are exposed to counterparty risk within the context of the contracts and financial instruments which we subscribe to, in the event that the debtor refuses to honor all or part of its commitment or finds itself ultimately unable to do so.

- **Risk management mechanisms**

We pay particular attention to the choice of financial institutions we use, and we are even more critical when it comes to investing available cash.
Nevertheless, we consider our exposure to counterparty risk to be limited, considering the quality of our major counterparties. In fact, investments are only made with first-class banking entities.
In regards of other financial assets and particularly liquid assets, when possible the cash position surpluses of the subsidiaries are generally pooled by the parent company, which is in charge of managing them centrally, in the form of short-term interest-bearing deposits. We only work with leading banking counterparties.

Liquidity risk

- **Risk factors**

Liquidity is defined as our capacity to meet our financial payment deadlines as part of our current business and to find new funding sources as needed, so as to maintain a continual balance between our income and expenditures. As part of our operations, our program of recurring investments and active policy of external growth, we are thus exposed to the risk of not being sufficiently liquid to fund our growth and development.

- **Risk management mechanisms**

Our policy of pooling surplus cash positions and funding needs in all areas helps to refine our net position and to optimize the management of investments and funding requirements, thus ensuring our ability to meet our financial commitments and to maintain an optimal level of availability commensurate with our size and needs.

In respect to our specific review of the liquidity risk, we regularly carry out a detailed review of our outstanding amounts, thus ensuring compliance with our financial covenant (debt covenant).
As of December 31, 2022, the ratio amounted to -0.36, which is below the contractual financial covenant threshold of 3.75. This ratio is calculated by taking into account the application of the IFRS 16 standard (see notes A18).
During this same period, we primarily have a €200 million revolving credit line maturing in October 2027, which has not been mobilized, and unconfirmed credit lines in the United States amounting to US $37 million, of which US $7 million has been used.
We can also use additional short-term credit lines consisting in non-recourse factoring programs drawn for €16.9 million as at December 31, 2022.

With regard to our prospects, our cash position and financial resources are sufficient to fund our cash position requirements.

Fraud risks

- **Risk factors**

We are exposed to cases of internal or external fraud that could result in financial losses and affect our reputation.

- **Risk management mechanisms**

We are committed to strengthening internal control and give particular importance to making our teams aware of these issues. Our head office teams regularly provide strong guidance and guidelines on this subject. Segregation of duties, as well as a central, regional and local management control mechanism and the appointment of regional controllers help strengthen control and reduce the probability of such practices occurring. Upon acquiring new companies, we integrate them into these mechanisms for the prevention of unethical practices.
We have proceeded with training and roll-out of best practices processes that, among other things, are intended to prevent the risk of fraud.
We have implemented a tool to check the consistency of the bank details/company tax ID number pair to increase our payment chain security through automation of the control process, as well as to protect us from the risk of wire fraud.
Virbac's code of conduct underlines the Group's commitment to pursue our activities in accordance with the law and ethics, and also defines the nature of the relationships we wish to have with our partners.

Market risks

Exchange rate risk

- **Risk factors**

The currency risk arises from the impact of fluctuations in exchange rates on our financial flows when carrying out our activities. Due to our strong international presence, we are exposed to the foreign exchange risk on transactions, and the foreign exchange risk on the conversion of the financial statements of our foreign subsidiaries. We carry out transactions in currencies other than the euro, our reference currency. The exchange rate risk is monitored using dashboards generated by the IT system (ERP). The items are updated based on *ad hoc* reports.

The majority of our exchange rate risk is centralized on the parent company, which invoices its subsidiaries in their local currency. In the case of sales to countries with exotic currencies, the invoices are denominated in euros or American dollars.
Taking into account our purchases and sales in other currencies, we are exposed to exchange rate risks mainly for the following currencies: US dollar, pound sterling, Swiss franc and various currencies in Asia, the Pacific, and Latin America.
Given our exchange rate risk exposure, currency fluctuations have a significant impact on our income statement, both in terms of conversion and transaction risk.

- **Risk management mechanisms**

In order to protect ourselves against unfavorable variations in the various currencies in which sales, purchases or specific transactions are denominated, our policy is to hedge the currency risk on transactions when the magnitude of the exposure and the currency fluctuations are high.
We hedge most of our significant and certain foreign exchange positions (receivables, liabilities, dividends, intra-group loans), as well as our future sales and purchases.
Accordingly, we use various instruments available on the market and generally employ foreign exchange forwards or options.

Derivative financial exchange instruments are presented below, at market value:

in € thousand	2022	2021
Fair value hedges	-4,666	-749
Cash flow hedges	862	12
Net investment hedges	—	—
Derivatives not qualifying for hedges	-173	-139
Derivative financial exchange instruments	**-3,977**	**-875**

The derivative instruments held at closure do not all qualify for hedging in the consolidated accounts. In such a case, value variations directly impact the profit for the period.

Interest rate risk

- **Risk factors**

Our income statement may be impacted by the interest rate risk. Indeed, unfavorable rate changes can thus have a negative impact on our financing costs and future financial flows.
Our exposure to interest rate risk results from the fact that our main lines of credit are at variable rates; therefore, the cost of debt may increase in the event of an increase in interest rates.
Our exposure to rate risk is mainly due to the revolving credit line indexed to the Euribor set up at Virbac as well as the credit lines in the United States historically indexed to the Libor US$ and more recently to the Secured overnight financing rate (SOFR). As of December 31, 2022, only the United States line has been mobilized for US $7 million.

Following the UK Financial Conduct Authority (FCA) decision to no longer require banks to contribute to Libor quotes, our financing contracts and rate hedges are now indexed to the risk-free rates (RFR) recommended by the ISDA (International swaps and derivatives association), adjusted in some cases by a spread set according to their methodology, in order to make the transition as economically neutral as possible.

The current amount on the credit lines is the following:

in € thousand	2022		2021	
	Average real interest rate	Book value	Average real interest rate	Book value
Chile	6.0%	24,431	0.7%	18,679
France	1.4%	20,036	2.3%	35,192
Fixed rate debt		**44,466**		**53,871**
United States	4.8%	6,563	—	—
Mexico	11.4%	1,918		
France	—	—	—%	1,316
Turkey	—	—	27.0%	197
Other	—	—	—	—
Variable rate debt		**8,481**		**1,513**
Bank overdrafts	—	640	—	628
Loans and bank overdrafts		**53,588**		**56,012**

- **Risk management mechanisms**

To manage these risks and optimize the cost of our debt, we monitor developments and market rate expectations, and we limit our exposure by establishing interest rate hedges, with instruments available on the market such as caps or swaps of interest rates (fixed rate) not exceeding the length and value of our actual commitments.
Interest rate derivatives are shown below, at market value:

in € thousand	2022	2021
Fair value hedges	—	—
Cash flow hedges	89	-733
Net investment hedges	—	—
Derivatives not qualifying for hedges[1]	—	-32
Derivative financial rate instruments	**89**	**-765**

[1]the debt repayment has led to the dequalification of some interest rate derivatives

Specific impacts from hedging exchange rate and interest rate risks

- **Risk factors**

The purpose of hedge accounting is to offset the impact of the hedged item and of the hedging instrument in the income statement. In order to qualify for hedge accounting, all hedging relationships must satisfy a series of stringent conditions in terms of documentation, likelihood of occurrence, effectiveness of the hedge and measurement reliability.

- **Risk management mechanisms**

We only engage in hedging transactions designed to hedge actual or certain exposure; therefore, we do not create any speculative risk.
Financial derivatives are designated as hedges when the hedging relationship can be demonstrated or documented.
The exchange rate derivatives used for cash flow hedging generally mature within one year at most.

in € thousand	Nominal		Positive fair value		Negative fair value	
	2022	2021	2022	2021	2022	2021
Forward exchange contract	158,344	156,246	2,166	1,591	6,045	2,334
OTC option exchange	44,542	45,324	322	188	420	321
Exchange instrument	**202,886**	**201,570**	**2,488**	**1,779**	**6,465**	**2,655**
Swap rate	—	41,939	—	—	—	106
Interest rate options	—	—	—	—	—	—
Cross currency swap	7,833	7,833	89	137	—	797
Interest rate instruments	**7,833**	**49,771**	**89**	**137**	**—**	**903**
Derivative financial instruments	**210,719**	**251,341**	**2,577**	**1,916**	**6,465**	**3,557**

Supply risks

The raw materials used to manufacture our products are supplied by third parties. In certain cases, we also use contract manufacturing organizations or industrial partners who have expertise in or master particular technologies. As far as possible, we diversify our sources of supply by choosing several suppliers, while ensuring that these various sources embody the characteristics of sufficient quality and reliability.
Nevertheless, there are, for certain supplies or certain technologies, situations where diversification is practically impossible, which can result in a disruption to the supply or pressure on prices.

To limit these risks, we take a broad approach to identifying as many diversified suppliers as possible, and may in certain cases secure our supply chain by acquiring the technologies and capacities we lack and that create an excessive dependency. We also mitigate these risks by implementing the appropriate security inventory policy.

While the situation on the health crisis front improved in financial year 2022, we still faced some supply pressure, which we were able to address, specifically with our safety inventories. The macroeconomic climate generated by the conflict between Russia and Ukraine, characterized by high inflation and rising energy prices, is also adversely impacting our supply costs. We are committed to implementing measures to limit the impact.

A34. Composition of Virbac share capital

	2021	Increase	Decrease	2022
Number of authorized shares	**8,458,000**	—	—	**8,458,000**
Number of shares issued and fully paid	**8,458,000**	—	—	**8,458,000**
Number of shares issued and not fully paid	**—**	—	—	**—**
Outstanding shares	**8,447,543**	80,557	-85,952	**8,442,148**
Treasury shares	**10,457**	85,952	-80,557	**15,852**
Nominal value of shares	**€1.25**	—	—	**€1.25**
Virbac share capital	**€10,572,500**	**—**	**—**	**€10,572,500**

A35. Performance-related stock grant plans

The executive board, then the board of directors since the change of governance in December 2020, and in accordance with the authorization from the shareholders' general meeting, granted allocations of performance-related stocks to certain employees and directors at Virbac and its subsidiaries.

Fair value of performance-related stock grant plans

In accordance with IFRS 2, these plans were valued in our consolidated accounts based on the allocated shares' fair value on their allocation date.

During the 2022 financial year, the second part of the 2018 performance-related stock grants plan, initially valued at €1,788,000 (*i.e.*, 15,000 shares at €119.20), and of which 50% had already vested to beneficiaries in 2021, were acquired by the beneficiaries in accordance with the plan structure, for a valuation of €810,560 (*i.e.*, 6,800 shares remaining and paid up, valued at €119.20). Following the departure of certain beneficiaries, 225 shares also forfeited, resulting in a revenue of €27 k.

The 2021 performance-related stock grants plan, allocated on March 16, 2021, is valued at €1,453,538, which translates into 6,225 shares at €233,50 each. This amount was deferred over a vesting period of 34 months. The impact recognized in the income statement as of December 31, 2022, amounts to €536 k, including social contributions.

The March 18, 2022, board of directors decided to implement a new performance-related stock grants plan for a total of 4,000 shares, granted in two instalments:

- 900 shares whose distribution was decided on March 18, 2022, subject to approval by the annual shareholders' meeting held on June 21, 2022 (for shares distributed to corporate officers) which effectively occured, for a total value of €358,650 (*i.e.*, 900 shares valued at €398.50) spread over a vesting period of 34 months;
- as well as 3,100 shares whose distribution was decided by the board of directors on September 13, 2022, for a total valuation of €1,057,100 (*i.e.,* 3,100 shares valued at €341) spread over a vesting period of 28 months.

The impact recorded on the income statement as of December 31, 2022, for these two tranches is €280 k, including contribution.

On March 18, 2022, the board of directors also decided, subject to the approval of the shareholders' meeting of June 21, 2022, which effectively occurred, to allocate a second 2022 performance-related stock grants plan in three instalments, with the shares allocated on July 1, 2022, for all three instalments:

- an initial instalment, representing 1,000 shares, valued at €398.50 (*i.e.*, a total of €398,500) over a vesting period of 54 months, which generated an expense of €49 k for the contribution year included;
- a second instalment, representing 1,000 shares, valued at €398.50 (*i.e.*, a total of €398,500) over a vesting period of 90 months, which generated an expense of €30 k for the contribution year included;
- a third instalment, representing 3,000 shares, valued at €398.50 (*i.e.*, a total of €1,195,500) over a vesting period of 126 months, which generated an expense of €64 k for the contribution year included.

A36. Dividends

In 2022, a €10,573 k dividend was distributed to the owners of the parent company, representing a €1.25 dividend per share.

For the financial year 2022, a proposal will be made to the shareholders' meeting to allocate a net dividend of €1.32 per share, with a nominal value of €1.25, that is a global amount of €11,165 k.

A37. Workforce

Evolution of workforce by geographic area

	2022	2021	*Variation*
France	1,467	1,349	*8.7%*
Europe (excluding France)	381	374	*1.9%*
Latin America	1,049	1,045	*0.4%*
North America	527	487	*8.2%*
Asia	1,502	1,429	*5.1%*
Pacific	320	299	*7.0%*
Africa & Middle-East	140	137	*2.2%*
Workforce	**5,386**	**5,120**	***5.2%***

Distribution of workforce by position

	2022		2021	
Manufacturing	1,887	35.0%	1,772	34.6%
Administration	707	13.1%	680	13.3%
Business	2,252	41.8%	2,157	42.1%
Research & Development	540	10.0%	511	10.0%
Workforce	**5,386**	**100.0%**	**5,120**	**100.0%**

A38. Information on related parties

Compensation of supervisory board members

	2022		2021	
	Compensation	Directors' fees	Compensation	Directors' fees
Marie-Hélène Dick	€110,000	€25,000	€110,000	€25,000
Pierre Madelpuech	—	€25,000	—	€25,000
Solène Madelpuech	—	€25,000	—	€25,000
Philippe Capron	—	€28,500	—	€28,500
Company OJB Conseil represented by Olivier Bohuon	—	€25,000	—	€25,000
Company Cyrille Petit represented by Cyrille Petit	—	€25,000	—	€25,000
Sylvie Gueguen	—	—	—	—
Non-voting advisor Company XYC Unipessoal Lda represented by Xavier Yon	—	€22,500	—	€22,500
Non-voting advisor, Rodolphe Durand	—	€22,500	—	€11,500
Total	**€110,000**	**€198,500**	**€110,000**	**€187,500**

Compensation of executive board members

As at December 31, 2022 - Gross amounts due

	Fixed compensation (including benefit in kind)	Compensation linked to terms of office for administrator on Group companies	Variable compensation	Total compensation
Sebastien Huron	€370,282	€45,000	€182,600	**€597,882**
Habib Ramdani	€233,503	€0	€77,433	**€310,936**
Marc Bistuer	€238,976	€0	€52,049	**€291,025**
Total	**€842,761**	**€45,000**	**€312,082**	**€1,199,843**

As at December 31, 2021 - Gross amounts due

	Fixed compensation (including benefits in kind)	Compensation linked to terms of office for administrator on Group companies	Variable compensation	Total compensation
Sebastien Huron	€353,996	€45,000	€263,400	**€662,396**
Habib Ramdani	€227,036	€0	€120,576	**€347,612**
Marc Bistuer	€229,412	€0	€91,700	**€321,112**
Total	**€810,444**	**€45,000**	**€475,676**	**€1,331,120**

Compensation paid for the 2022 financial year represents fixed compensation paid in 2022, compensation paid in 2022 in relation to terms of office for directors in the Group companies, variable compensation paid in 2023 in relation to 2022 and benefits in kind granted in 2022 (company car).

Calculation criteria for the variable portion
Each member of the general management has a variable compensation target, which is a percentage of his/her fixed compensation.
The variable compensation for members of the general management is essentially based on the following objectives:

- growth of revenue from ordinary activities;
- growth in operating profit from ordinary activities;
- the Group's cash position and debt management;
- CSR-related targets.

<u>Other benefits</u>
In addition to the various compensation items, general management members enjoy the benefits described below.

- **Company vehicle**

General management members receive a company vehicle, in accordance with the policy defined by the compensation committee.

- **Health insurance plan, maternity benefits, pension and retirement**

The chief executive officer and the deputy chief executive officers have the same health insurance, maternity benefits and pension and retirement plans as those provided to all the company's executives, under the same contribution and benefit conditions as those defined for the other company executives.

- **Unemployment insurance plan**

The chief executive officer is covered by the private *GSC* (unemployment insurance for company's chief executive officers) plan, which is based on the 70-for-one-year formula. The amount of the annual contributions over time shall not exceed €15,000.
The deputy chief executive officers have the same unemployment insurance plan as that provided to the company's employees.

- **Forced retirement severance pay**

The board of directors may decide to grant an indemnity in the event of the termination of the duties of a corporate officer.
The compensation that Sébastien Huron, chief executive officer, could receive is determined on the basis of the following objectives:

- insofar as the Group's operating profit from ordinary activities to net revenue ratio is lower than 4% on average over the last four financial half-years ended (for example: for a departure in May in year N: the period taken into account to calculate the ratio is from January, 1 of year N-2 to December, 31 of year N-1), no compensation will be due;
- insofar as the ratio of operating profit from ordinary activities to the Group's net revenue is greater than or equal to 4% on average over the last four closed accounting half-years (for example: for a departure in May in year N: the period taken into account to calculate the ratio is from January, 1 of year N-2 to December, 31 of year N-1), the compensation due will be €550,000; however, to the extent that the ratio of operating profit from ordinary activities to the Group's net revenue is greater than or equal to 7% on average over the last two closed accounting half-years (for example: for a departure in August in year N: the period taken into account to calculate the ratio is July, 1 of year N-1 to June, 30 of year N), the compensation will be increased to €700,000.

Severance pay shall only be paid out in the event of a forced departure at the company's initiative. It will not be owed in the event of resignation, full pension retirement, retirement once the age limit for being a general manager is reached or in the event of dismissal for gross negligence.

Deputy general managers do not receive any extra-legal severance pay, but may be entitled to severance pay under their employment contract.

- **Non-competition payments**

Sébastien Huron agreed to a non-competition commitment in the event he leaves office, in consideration of which a non-competition payment is provided for.
In consideration of the non-competition obligation, Sébastien Huron will receive each month, during the entire competition ban period, a payment in an amount equal to 80% of his fixed gross monthly compensation received for the company's last financial year-end (including directors' fees and any other compensation related to his functions within the Virbac group). This payment will be limited, for this 18-month period, to a maximum gross amount of €500,000.
Deputy general managers are not subject to any non-competition commitments in connection with their office or their employment contract and are therefore not entitled to receive any non-competition indemnity.

- **Performance-related stock grant plans**

In accordance with the authorization of the shareholders' meeting, certain employees and managers of Virbac and its subsidiaries have received long-term compensation in the form of performance-related stock grants since 2006. The performance conditions to be met for the acquisition of performance-related stock grants are measured against the internal objectives of consolidated operating profit and the Group's consolidated net debt at the close of the second full financial year following the plan's start date. These elements therefore take into account the Group's performance over more than two financial years.

The performance-related stock grant plans granted to members of the executive board for the past five financial years are as follows:

	Number of shares 2018 Plan	Number of shares 2021 Plan	Number of shares 2022Plan
Sebastien Huron	1,600	950	5,500
Habib Ramdani	1,000	475	250
Marc Bistuer	300	300	150
Total	**2,900**	**1,725**	**5,900**

During the 2022 financial year, the last part of the performance-related stock grants of the 2018 plan, *i.e.*, 50% of the remaining shares of the plan (50% having already been granted in 2021), were acquired by the beneficiaries, in accordance with the plan's regulations.

A39. Off-balance sheet commitments

- **Bonds or guarantees granted by Virbac or some of its subsidiaries**

The status of the major bonds and guarantees granted is presented below:

in € thousand	Nature	Validity limit date	2022	2021
Virbac Patagonia	Escrow payment related to the acquisition debt of the non-controlling interests (HSA Group)	—	3,549	3,288
Virbac Uruguay	Mortgage security on the industrial site	Annual renewal	3,750	3,532
Guarantees given			**7,323**	**6,820**

- **Contingent liabilities**

Virbac and its subsidiaries are at times involved in litigation, or other legal proceedings, generally linked to disputes related to intellectual property rights, disputes involving competition law and tax matters.
Each situation is analyzed under IAS 37 or Ifric 23 when it concerns relative uncertainty surrounding tax treatment (see notes A16 and A19).
No provision is made when the company considers a liability to be potential, and information is provided in the notes to the financial statements.

As of December 31, 2022, we have not identified any contingent liabilities.

A40. Scope of consolidation

Company name	Locality	Country	2022		2021	
			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
Bio Véto Test	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	Varsovie	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[2]	Agios Stefanos	Greece	—%	—	100.00%	Full
Virbac Espana SA	Barcelone	Spain	100.00%	Full	100.00%	Full
Virbac Österreich GmbH	Vienne	Austria	100.00%	Full	100.00%	Full
Virbac de Portugal Laboratorios Lda	Almerim	Portugal	100.00%	Full	100.00%	Full
Virbac Hayvan Sagligi Limited Şirketi	Istanbul	Turkey	100.00%	Full	100.00%	Full
Virbac Ireland Ltd	Dublin	Ireland	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	—%	—

[1] pre-consolidated levels
[2] Animedica SA was merged in Virbac Hellas

Company name	Locality	Country	2022		2021	
			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
Laboratorios Virbac Mexico SA de CV[2]	Guadalajara	Mexico	—%	—	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	100.00%	Full	100.00%	Full
Centro Veterinario y Agricola Limitada	Santiago	Chile	100.00%	Full	100.00%	Full
Farquimica SpA	Santiago	Chile	100.00%	Full	100.00%	Full
Bioanimal Corp SpA	Santiago	Chile	100.00%	Full	100.00%	Full
Productos Quimicos Ehlinger	Santiago	Chile	100.00%	Full	100.00%	Full
Centrovet Inc	Allegheny	United States	100.00%	Full	100.00%	Full
Centrovet Argentina	Buenos Aires	Argentina	100.00%	Full	100.00%	Full
Inversiones HSA Ltda	Santiago	Chile	100.00%	Full	100.00%	Full
Rentista de capitales Takumi Ltda	Santiago	Chile	100.00%	Full	100.00%	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	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
[2]Laboratorios Virbac Mexico SA de CV was merged in Virbac Mexico