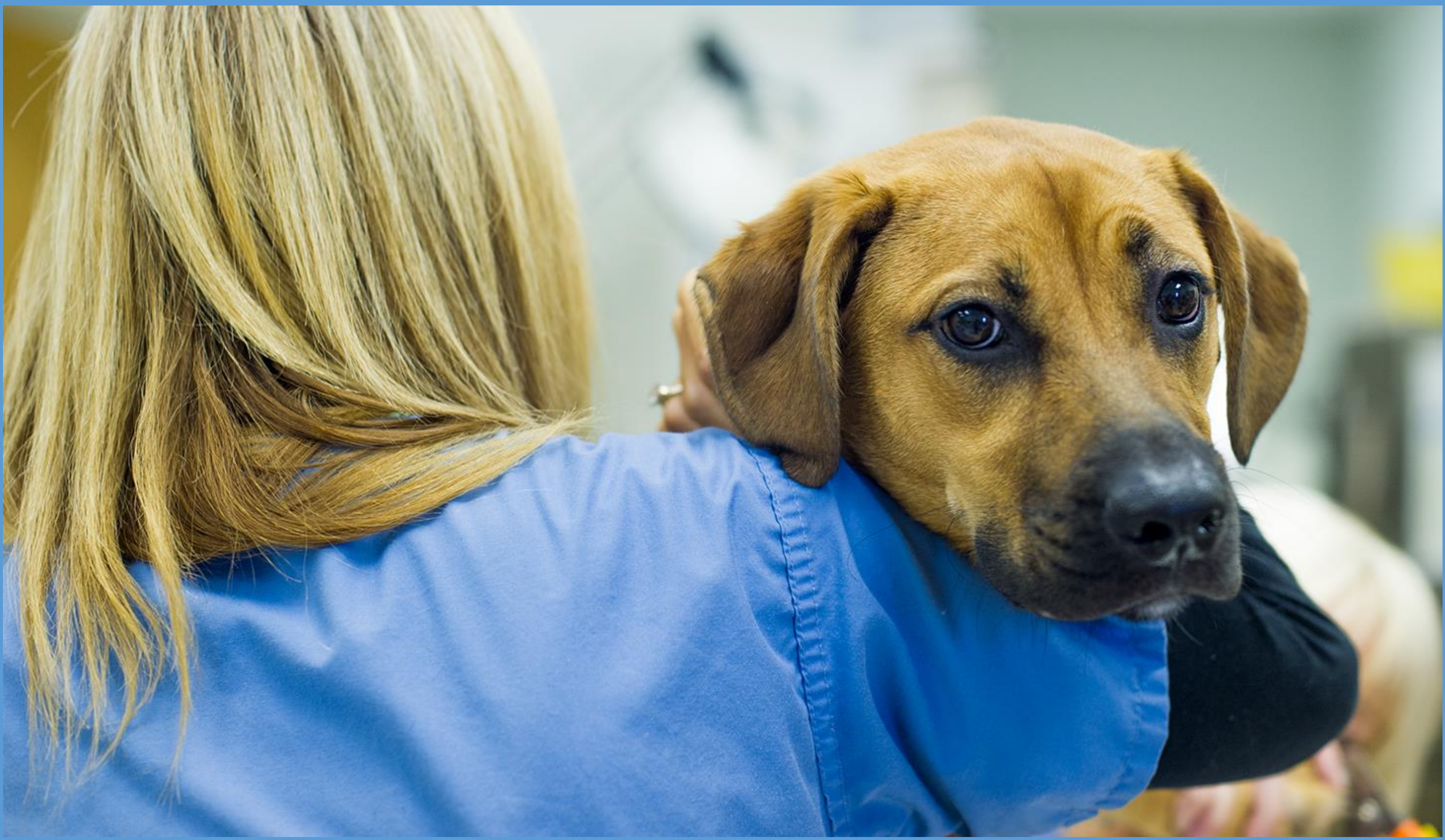
# Virbac



# Half-yearly financial report
# As of June 30, 2020

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Shaping the future of animal health

# Half-yearly management report

## FIRST HALF 2020 MAJOR EVENTS

### Covid-19 health crisis

The beginning of 2020 was marked by the Covid-19 health crisis which has spread around the world and which continues to affect many geographic areas where the Group operates. Depending on its duration, its geographic expansion and the resulting economic and social consequences, the health crisis can have a significant impact on the Group's activities and the achievement of its objectives.
Virbac has implemented a crisis management system to prevent and limit the impact of adverse events on all of its entities. Faced with this health crisis, the Group's priority is to preserve the health, safety and security of its employees.
The Group's information systems allow flexible and remote working methods to be developed on a large scale, and are subject to adequate security devices.
Supply chain and inventory management policies, industrial site continuity plans make it possible to anticipate the actions required to manage their disruptions. The relationships built with the Group's strategic suppliers, sourcing diversification policies and operational continuity plans help to limit the impact of the crisis.
Virbac's global presence in terms of geographic areas, product categories and distribution channels, the very strong responsiveness and adaptability of the teams through its organizational model, as well as the robustness of its financial situation, all contribute to its capacity to face the economic consequences of this crisis.

### Divestment agreement on US rights on Sentinel® trademarks to MSD Animal Health

Virbac entered in May 2020 into an agreement with MSD Animal Health, a division of Merck & Co., Inc., Kenilworth, N.J., USA (NYSE:MRK), to divest rights to veterinary products currently marketed in the United States under the Sentinel® brands by Virbac, for approximately US $400 million in an all-cash deal subject to customary post-closing adjustments. These assets were acquired in early 2015 from Eli Lilly.
Under the terms of this agreement, Virbac will divest a combination of rights for the United States on trademarks, marketing authorizations, patents, know-how, and other assets, related to two parasiticides for dogs: Sentinel® Flavor Tabs® and Sentinel® Spectrum®. In relation with the transaction, Virbac will keep its commercial structure substantially unchanged, and will continue to manufacture Sentinel® Spectrum® at its Bridgeton, Missouri site for the next ten years.
In the United States, Sentinel ® Flavor Tabs® and Sentinel® Spectrum® have reached total revenues of around US $70 million in 2019. At the time of the acquisition, Virbac was expecting a high leverage from the synergies on the historical ranges through the access to new large veterinary clinics and the more than doubling of the sales force. These synergies on historical products have not materialized due to the Bridgeton manufacturing site temporary interruption, while the number of brands in the parasiticide segment has grown over the recent years. Divesting these brands is an opportunity for Virbac to significantly deleverage the Group. It also allows the Group to refocus on the existing portfolio of products offered to veterinary clinics and pet owners in the United States, and maximize growth potential, either organically through future launches, or through acquisitions.
The financial impacts of this divestment to Virbac’s revenue and operating profit before depreciation of intangible assets arising from acquisitions (“Ebita”), are estimated (on a full year pro forma basis) to be a decrease in revenue of approximately US $55 million and around 3 points on the ratio of Ebita to revenue. The impact of the divestment on the whole of 2020 should be limited to 1 point on the ratio of Ebita to revenue, Sentinel® having generated revenue of US $39 million during the first semester.
In accordance with IFRS 5, assets held for sale were presented on a separate line in the balance sheet. It should be noted that the activity intended for sale does not meet the criteria for a discontinued activity.

### Decision to end the production of the leishmaniosis vaccine

Following the arrival in 2016 of a new player on the market, offering a simplified injection process compared to the one commercialized by Virbac, the Group scaled down its business plans, and recognized an impairment of the Cash-Generating Unit (CGU) in its accounts.
Given the level of sales, which sharply fell these last years, and faced with technical difficulties in the production processes, the Group has decided, in June, to end the production of its leishmaniosis vaccine.
In accordance with IAS 36, the residual assets related to this CGU have been entirely impaired. The impairment has been recognized as non-recurring income and expenses. Given the non-materiality of this line of activity, the Group did not retain the application of the criteria of discontinued operations as per IFRS 5.

## Six-week shutdown of worldwide dog and cat vaccine production

Following an underground pipeline rupture on the Carros site, the worldwide dog and cat vaccine production site was shut down in mid-April and restarted its activities of production at the beginning of June, and activities of release progressively from the month of August, after repairs allowing the resumption of manufacturing under GMP (Good manufacturing practice) rules. The Group has noted a decrease in its sales of vaccines over the first six months of the year, but given the uncertainties on demand in the context of the Covid-19, it is difficult to clearly identify the share of the decline linked to this incident as of June 30, 2020.

# MAJOR EVENTS SUBSEQUENT TO CLOSING

## Divestment of US rights on Sentinel® trademarks to MSD Animal Health

On July 1, following the agreement signed in May 2020, Virbac divested its parasiticides for dogs: Sentinel® Flavor Tabs® and Sentinel® Spectrum® to MSD Animal Health, a division of Merck & Co., Inc., Kenilworth, N.J., USA (NYSE:MRK). The consideration received for the transaction amounted to US $410 million, settled in cash. Subject to customary closing adjustments, the capital gain on the sale is US $84 million.
According to the terms of the agreement, Virbac has divested a combination of rights and assets for the United States on Sentinel® Flavor Tabs® and Sentinel® Spectrum®, and will continue to manufacture Sentinel® Spectrum® at the Bridgeton, Missouri site for the next ten years.

## Reduction of the financial debt in US $

Following the divestment of the United States rights to the Sentinel® brands and the collection of US $410 million, the net debt of Virbac has become negative. The lines of credit drawn in US $have been reimbursed. In addition, the Group will retain the major part of its credit lines negotiated and not yet drawn until their maturity (around 2022 for the most lines), therefore maintaining the possibility to finance a potential increase in working capital, an opportunity of external growth or any other project requiring financing.

# ANALYSIS OF CONSOLIDATED DATA

## Revenue growth

Over the first half of the year, revenue amounted to €478.3 million compared to €463.7 million for the same period in 2019, representing an overall increase of +3.1% (+2.4% excluding Sentinel®). Excluding the unfavorable impact of exchange rates, revenue increased by +5.0% (+4.5% excluding Sentinel®).

### Growth by segment

| Consolidated number in million Euros | 2020.06 | 2019.06 | Change at actual rates | Change at constant rates and scope [1] |
|---|---|---|---|---|
| Companion animals | 284,0 | 270,4 | 5,0% | 5,3% |
| Food producing animals | 189,0 | 186,4 | 1,4% | 5,3% |
| Other activities | 5,3 | 6,9 | -24,2% | -19,6% |
| **Total** | **478,3** | **463,7** | **3,1%** | **5,0%** |

[1] The change at constant exchange rates and scope corresponds to organic growth in sales excluding fluctuations in exchange rates by calculating the indicator for the year in question and that of the previous financial year based on identical exchange rates (the exchange rate used is that of the previous financial year), and excluding variation of the scope by calculating the indicator for the financial year in question based on the consolidation scope of the previous financial year.

**Companion animals**

Revenue in the companion animal segment is rising overall by +5.0% at actual rates (+5.3% at constant exchange rates, and +5.8% outside of the United States), essentially driven by growth in the internal and external parasiticide lines, pet food (anticipation of purchases preceding price increases and confinement related to Covid-19) and specialties, which compensate for the withdrawal of the antibiotics and vaccines lines.

**Food producing animals**

The food producing animal segment is growing by +1.4% at actual exchange rates (+5.3% at constant rates), mainly driven by products dedicated to ruminants (+7.0% at constant rates), thanks to the good performance of antibiotics and parasiticides. Aquaculture is growing by 3.8% mainly thanks to the antimicrobials range with the launch of Veterin 80% and to parasiticides. The industrial sector (swine and poultry) remained stable compared to the same period in 2019.

**Other businesses**

These activities, which represent just over 1% of sales for the half-year, correspond to markets of lesser strategic importance for the Group, and include manufacturing done for third parties in the United States and Australia.

### Growth by region

| Consolidated number in million Euros | 2020.06 | 2019.06 | Change at actual rates | Change at constant rates and scope [1] |
|---|---|---|---|---|
| France | 54,1 | 50,5 | 7,2% | 7,2% |
| Europe excluding France | 137,5 | 130,8 | 5,1% | 4,9% |
| North America | 77,1 | 72,9 | 5,8% | 3,1% |
| Latin America | 78,2 | 77,2 | 1,3% | 9,3% |
| Africa & Middle East | 14,8 | 16,0 | -7,0% | 4,9% |
| Asia | 75,4 | 75,9 | -0,6% | 0,1% |
| Pacific | 41,1 | 40,5 | 1,5% | 6,6% |
| **Total** | **478,3** | **463,7** | **3,2%** | **5,0%** |

[1] The change at constant exchange rates and scope corresponds to organic growth in sales excluding fluctuations in exchange rates by calculating the indicator for the year in question and that of the previous financial year based on identical exchange rates (the exchange rate used is that of the previous financial year), and excluding variation of the scope by calculating the indicator for the financial year in question based on the consolidation scope of the previous financial year.

All regions are experiencing growth at the end of June, reflecting the resilience of the sector and also the different stages of the epidemic depending on the geographical location. Europe and Latin America led the growth for the first half-year at +5.7% (+5.5% at constant exchange rates) and +1.3% (+9.3% at constant exchange rates) respectively, although some countries were more affected by the health crisis (United Kingdom and Italy). The Asia-Pacific region grew by +0.1% (+2.4% at constant exchange rates), impacted by a significant decline in India over the period. Finally, the United States achieved growth of +5.8% (+3.1% at constant exchange rates and -2.8% excluding Sentinel) thanks in particular to sales of Sentinel and the dermatology, hygiene and nutraceuticals ranges.

# Evolution of the financial results

## Income statement

| Consolidated number in million Euros | 2020.06 | 2019.06 | Change 2020 / 2019 |
|---|---|---|---|
| **Revenue from ordinary activities** | **478,3** | **463,7** | **3,1%** |
| Growth at constant exchange rates [1] | | | 5,0% |
| Pro-forma growth at constant exchange rates [1] | | | 5,0% |
| **Current operating profit before depreciation of assets arising from acquisitions** | **85,5** | **66,9** | **27,7%** |
| *As a % of revenue* | *17,9%* | *14,4%* | |
| **Operating profit from ordinary activities** | **79,1** | **59,4** | **33,2%** |
| *As a % of revenue* | *16,5%* | *12,8%* | |
| **Operating result** | **73,8** | **50,0** | **47,6%** |
| **Result for the period** | **49,7** | **28,4** | **75,1%** |
| attributable to the owners of the parent company | *47,2* | *26,4* | 78,4% |
| attributable to the non-controlling interests | *2,6* | *2,0* | 31,0% |

[1] The change at constant exchange rates and scope corresponds to organic growth in sales excluding fluctuations in exchange rates by calculating the indicator for the year in question and that of the previous financial year based on identical exchange rates (the exchange rate used is that of the previous financial year), and excluding variation of the scope by calculating the indicator for the financial year in question based on the consolidation scope of the previous financial year.

The current operating profit before depreciation of assets arising from acquisitions amounts to €85.5 million, compared to €66.9 million as of June 30, 2019, growing by 27.7%. This improved performance can be explained by the combined impact of the growth of the activity, particularly during the first quarter, and significant reduction in expenses initiated or incurred by the Group in response to the Covid-19 pandemic. The expenses concerned by these reductions are mainly commercial expenses, R&D and travel expenses. Personnel costs have remained relatively stable compared to the first semester of 2019.

The depreciation of intangible assets arising from acquisitions have decreased by €1.2 million compared to the first semester of 2019 due to the end of the depreciation of a patent in the United States.

The operating result amounts to €73.8 million, against €50.0 million at the end of June 2019, up by 47.6 %. Over the first semester of 2020, the other non-recurring income and expenses correspond to an additional impairment of Leishmaniosis vaccine CGU of €4.8 million following the decision to end the production of the vaccine during the period, as well as an expense of €0.6 million related to costs directly linked to the divestment of rights to the Sentinel® assets.

The financial result is stable compared to the first semester of 2019 (€8.7 million). The reduction of the cost of the financial debt by €3.0 million is neutralized by negative exchange rate impacts mainly linked to the evolution of the Chilean peso.

The result for the period attributable to the owners of the parent company amounts to €47.2 million, compared to €26.4 million over the same period in 2019, growing by 78.4%.
The result for the period attributable to the non-controlling interests amounts to €2.6 million, compared to €2.0 million as of June 30, 2019. This increase is explained by the good performance of the activity in Chile.

# Analysis of the financial situation

## Balance sheet structure

| in € million | 2020.06 | 2019.12 | 2019.06 |
|---|---|---|---|
| Net assets | 546.2 | 859.7 | 865.0 |
| Operating WCR | 150.9 | 125.1 | 186.1 |
| Assets held for sale | 289.5 | - | - |
| **Invested capital** | **986.6** | **984.8** | **1,051.1** |
| Equity attributable to the owners of the parent company | 548.0 | 517.8 | 488.9 |
| Non-controlling interests and provisions | 90.4 | 98.7 | 106.7 |
| Net debt | 348.2 | 368.4 | 455.5 |
| **Financing** | **986.6** | **984.9** | **1,051.1** |

The balance sheet structure is essentially modified by the reclassification of the Sentinel® assets in assets held for sales for a value of €289.5 million.

The main variances of the balance sheet items are detailed in the notes to the condensed consolidated accounts.

## Financing

As of June 30, 2020, the net debt of the Group amounts to €348.2 million, compared to €368.4 million at the end of 2019. This reduction in debt by €20.2 million is mainly linked to the favourable evolution of the revenue over the period, as well as to a significant reduction in expenses initiated or incurred by the Group in response to the Covid-19 pandemic.

The main features of Virbac's three funding instruments are as follows:
- a syndicated loan of €420 million, drawn in euros and American dollars, contracted with a pool of banks repayable at maturity, with an initial maturity of April 2020, extended until April 9, 2022;
- market-based contracts (*Schuldschein*) consisting of four installments, with maturities of five, seven and ten years, at variable and fixed rates;
- a US $90 million financing contract with the European investment bank (EIB) for a seven-year term, of which one half is repayable in full and the other half is payable over eleven years.

Virbac also received bilateral loans and Public investment bank (BPI) financing. Following the Covid-19 pandemic, six-month postponements were granted by the BPI on its financing, and Virbac obtained extensions until January 1, 2021 from its banks on two of its bilateral loans which should have normally ended during the third quarter of 2020.

As of June 30, 2020, the position of the funding instruments was as follows:
- the syndicated loan was drawn for amounts of €78 million and US $130 million;
- the market-based contracts amounted to €15 million and US $8 million;
- the bilateral loans and BPI and EIB financing amounted to €57.9 million and US $90 million.

These funding instruments include a financial covenant compliance clause that requires the borrower to adhere to the following financial ratios based on the consolidated accounts and reflecting net consolidated debt[1] for the period considered on the consolidated Ebitda (Earnings before interest, taxes, depreciation and amortization)[2] for the twelve previous months period for half-year statements. Since January 1, 2019, the calculation of this ratio includes the impact of the application of IFRS 16 in Virbac's consolidated accounts.

As of June 30, 2020, the ratio amounts to 1.90, below the threshold of the financial covenant which is set at 4.25.

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

[2] Consolidated Ebitda refers to net operating income for the last twelve months (that of the last six months of 2019 added to that of the first half-year of 2020), plus depreciations and provisions, net of reversals and dividends received from non-consolidated subsidiaries.

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

The main risk factors to which the Group is exposed are detailed in the 2019 annual report, available on the web site corporate.virbac.com.

Regarding the Covid-19 pandemic, the Group is not able to predict to what extent the epidemic and its developments will impact its activities, operations and financial performance beyond 2020. The magnitude of the impact of the Covid-19 on the Group results will depend on future developments, including, but not limited to, the duration and the extent of the epidemic, its severity, the actions taken to contain the virus or treat its impact, and the speed of return to normal economic and operational conditions.

The pandemic could lead to a decrease in the Group's revenue in markets in which it operates, due to short-lived contractions in animal health spending linked to confinement periods, or to more durable spending restraints, which may have a significant impact on its operational activity.

Should the pandemic continue, Virbac could also face more delays on the development of its products than those already observed, due to restrictions imposed on sites, as well as delays or interruptions to regulatory authorizations. These would have a negative impact on the marketing of the products, and therefore on the future sales, the activity and the operational profit of the Group.

The Covid-19 pandemic could expose Virbac to a slowdown or temporary suspension of the manufacture of its products. The setting-up of long term restrictive measures in order to control the epidemic could lead to delays, disruptions or interruptions of the supply chain and could have a negative impact on the activity of the Group.

The instability of the global economic conditions induced by the pandemic could accelerate and intensify the other risk factors identified in the "Risk factors" chapter of Virbac's 2019 annual report, which could have an impact on its activity, its operational and financial conditions, and its profits.

Finally, should the pandemic continue, Virbac's operations could also be impacted by teleworking, confinement and other restrictions which would be adopted.

Each of these risks, and others that have not yet been identified, are likely to occur in the second half of 2020 or in subsequent years, and could result in a significant variance between current results and the outlook set out in this report.

# OPERATIONS WITH RELATED PARTIES

Information on related parties is detailed in note A31 to the condensed half-yearly consolidated financial statements.

# OUTLOOK

In view of the items presented above and the resilience of the Group's business, at this stage Virbac anticipates revenue that could be on the high end of the previously shared range of -3% to 0% for 2020 at actual scope (post-Sentinel® disposal) and at constant rates. Furthermore, on the basis of mid-July exchange rates, the Group anticipates an unfavorable exchange rate impact of approximately €25 to €30 million related to the sharp depreciation of currencies in the Latin America and Asia-Pacific regions. The ratio of "current operating profit before depreciation of assets arising from acquisitions" to "revenue" should be within a range of 12% and 13% in 2020 at actual scope and constant rates.

Finally, the early July disposal of Sentinel® brands, for which Virbac United-States will continue to manufacture the Sentinel® Spectrum® formulation at its Bridgeton site, is expected to result in a decrease in revenue of approximately US $55 million and approximately 3 points of the Ebita to revenue ratio on a pro forma full-year basis. For 2020, the impact on the Ebita to revenue ratio is expected to be limited to approximately 1 point, given the good level of sales of Sentinel®, which accounted for revenue of US $39 million in the first half.

From a financial standpoint, the divestiture of Sentinel® for a total of US $410 million resulted in negative net debt. Lines of credit drawn in US dollars were repaid, and the major portion of the Group's financing, maturing in 2022 for the most part, was retained for covering potential working capital requirements, external growth operations or other projects.

# Condensed consolidated accounts

## CONSOLIDATED FINANCIAL STATEMENTS

### Statement of financial position

| in € thousand | Notes | 2020.06 | 2019.12 |
|---|---|---|---|
| Goodwill | **A1-A3** | 138,532 | 312,882 |
| Intangible assets | **A2-A3** | 147,113 | 272,134 |
| Tangible assets | **A4** | 211,414 | 224,792 |
| Right of use | **A5** | 32,264 | 34,003 |
| Other financial assets | **A6** | 4,081 | 12,195 |
| Share in companies accounted for by the equity method | **A7** | 3,690 | 3,392 |
| Deferred tax assets | **A8** | 12,446 | 12,991 |
| **Non-current assets** | | **549,540** | **872,390** |
| Inventories and work in progress | **A9** | 202,532 | 206,582 |
| Trade receivables | **A10** | 121,022 | 99,386 |
| Other financial assets | **A6** | 9,057 | 346 |
| Other receivables | **A11** | 48,242 | 50,899 |
| Cash and cash equivalents | **A12** | 117,940 | 93,656 |
| Assets classified as held for sale | **A13** | 289,484 | - |
| **Current assets** | | **788,276** | **450,869** |
| **Assets** | | **1,337,817** | **1,323,259** |
| Share capital | | 10,573 | 10,573 |
| Reserves attributable to the owners of the parent company | | 537,451 | 507,210 |
| **Equity attributable to the owners of the parent company** | | **548,023** | **517,783** |
| Non-controlling interests | | 30,550 | 34,096 |
| **Equity** | | **578,573** | **551,878** |
| Deferred tax liabilities | **A8** | 30,981 | 34,658 |
| Provisions for employee benefits | | 20,058 | 20,294 |
| Other provisions | **A14** | 7,603 | 8,551 |
| Lease liability | **A15** | 25,305 | 26,090 |
| Other financial liabilities | **A16** | 328,308 | 306,869 |
| Other payables | **A17** | 1,850 | 2,427 |
| **Non-current liabilities** | | **414,105** | **398,889** |
| Other provisions | **A14** | 1,160 | 1,055 |
| Trade payables | **A18** | 92,775 | 95,769 |
| Lease liability | **A15** | 7,988 | 8,573 |
| Other financial liabilities | **A16** | 104,544 | 120,556 |
| Other payables | **A17** | 138,671 | 146,538 |
| **Current liabilities** | | **345,138** | **372,492** |
| **Liabilities** | | **1,337,817** | **1,323,259** |

## Income statement

| in € thousand | Notes | 2020.06 | 2019.06 | *Variation* |
|---|---|---|---|---|
| **Revenue from ordinary activities** | **A19** | **478,308** | **463,733** | ***3.1%*** |
| Purchases consumed | **A20** | -155,912 | -152,494 | |
| External costs | **A21** | -74,664 | -80,976 | |
| Personnel costs | | -139,072 | -138,723 | |
| Taxes and duties | | -7,348 | -7,207 | |
| Depreciations and provisions | **A22** | -19,019 | -19,998 | |
| Other operating income and expenses | **A23** | 3,179 | 2,583 | |
| **Current operating profit before depreciation of assets arising from acquisitions**[1] | | **85,472** | **66,917** | ***27.7%*** |
| Depreciations of intangible assets arising from acquisitions | **A22** | -6,337 | -7,522 | |
| **Operating profit from ordinary activities** | | **79,135** | **59,395** | ***33.2%*** |
| Other non-current income and expenses | **A24** | -5,380 | -9,431 | |
| **Operating result** | | **73,755** | **49,964** | ***47.6%*** |
| Financial income and expenses | **A25** | -8,663 | -8,695 | |
| **Profit before tax** | | **65,092** | **41,269** | ***57.7%*** |
| Income tax | **A26** | -15,672 | -12,964 | |
| *Including non-current tax expense* | | *1,532* | *2,345* | |
| Share from companies' result accounted for by the equity method | **A7** | 303 | 90 | |
| **Net result from ordinary activities**[2] | **A27** | **53,570** | **35,481** | ***51.0%*** |
| **Result for the period** | | **49,722** | **28,395** | ***75.1%*** |
| attributable to the owners of the parent company | | 47,155 | 26,435 | *78.4%* |
| attributable to the non-controlling interests | | 2,567 | 1,960 | *31.0%* |
| Profit attributable to the owners of the parent company, per share | **A28** | €5.59 | €3.14 | *78.2%* |
| Profit attributable to the owners of the parent company, diluted per share | **A28** | €5.59 | €3.14 | *78.2%* |

[1] In order to provide a clearer picture of its economic performance, the Group has isolated the impact of the depreciation of intangible assets arising from acquisition transactions. This turned out to have a material effect considering the latest external growth that took place through acquisitions. Therefore, the income statement shows a current operating profit, before depreciation of assets arising from acquisitions (see note A22).

[2] The Group discloses a "Net result from ordinary activities" that equates to net profit restated for the following items:

- the line "Other non-current income and expenses";
- 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.

At June 30, 2020, the line "Including non-recurrent tax expense" applies to the deferred tax income on the impairment of the Leishmaniosis vaccine CGU (€1,532 thousand).

## Comprehensive income statement

| in € thousand | 2020.06 | 2019.06 | *Variation* |
|---|---|---|---|
| **Result for the period** | **49,722** | **28,395** | ***75.1%*** |
| Conversion gains and losses | -19,059 | 5,384 | |
| Effective portion of gains and losses on hedging instruments | -1,164 | -2,800 | |
| **Items subsequently reclassifiable to profit and loss** | **-20,223** | **2,585** | ***-882.4%*** |
| Actuarial gains and losses | 119 | -539 | |
| **Items not subsequently reclassifiable to profit and loss** | **119** | **-539** | ***-122.1%*** |
| **Other items of comprehensive income (before tax)** | **-20,104** | **2,046** | ***-1082.5%*** |
| Tax on items subsequently reclassifiable to profit and loss | 375 | 889 | |
| Tax on items not subsequently reclassifiable to profit and loss | -31 | 204 | |
| **Comprehensive income** | **29,962** | **31,534** | ***-5.0%*** |
| attributable to the owners of the parent company | 29,802 | 28,489 | *4.6%* |
| attributable to the non-controlling interests | 160 | 3,045 | *-94.8%* |

## 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 12/31/2018** | **10,573** | **6,534** | **439,650** | **-16,548** | **20,099** | **460,307** | **35,567** | **495,875** |
| 2018 allocation of net income | - | - | 20,099 | - | -20,099 | **-** | - | **-** |
| Distribution of dividends | - | - | - | - | - | **-** | -1,756 | **-1,756** |
| Treasury shares | - | - | 2,411 | - | - | **2,411** | - | **2,411** |
| Changes in scope | - | - | - | - | - | **-** | - | **-** |
| Other variations | - | - | -1,540 | - | - | **-1,540** | -516 | **-2,056** |
| Comprehensive income | - | - | -2,507 | 7,562 | 51,550 | **56,606** | 800 | **57,405** |
| **Equity as at 12/31/2019** | **10,573** | **6,534** | **458,114** | **-8,986** | **51,550** | **517,783** | **34,096** | **551,878** |
| 2019 allocation of net income | - | - | 51,550 | - | -51,550 | **-** | - | **-** |
| Distribution of dividends | - | - | - | - | - | **-** | -3,706 | **-3,706** |
| Treasury shares | - | - | 343 | - | - | **343** | - | **343** |
| Changes in scope | - | - | - | - | - | **-** | - | **-** |
| Other variations | - | - | 95 | - | - | **95** | - | **95** |
| Comprehensive income | - | - | -700 | -16,653 | 47,155 | **29,802** | 160 | **29,962** |
| **Equity as at 06/30/2020** | **10,573** | **6,534** | **509,402** | **-25,639** | **47,155** | **548,023** | **30,550** | **578,573** |

The ordinary shareholders' meeting of June 18, 2020 approved the decision not to pay dividends on the result of the fiscal year 2019.

For information, changes in equity of the first half of 2019 were as follows:

| 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 12/31/2018** | **10,573** | **6,534** | **439,650** | **-16,548** | **20,099** | **460,307** | **35,567** | **495,875** |
| 2018 allocation of net income | - | - | 20,099 | - | -20,099 | **-** | - | **-** |
| Distribution of dividends | - | - | - | - | - | **-** | -1,756 | **-1,756** |
| Treasury shares | - | - | 806 | - | - | **806** | - | **806** |
| Changes in scope | - | - | - | - | - | **-** | - | **-** |
| Other variations | - | - | -705 | - | - | **-705** | -533 | **-1,238** |
| Comprehensive income | - | - | -2,245 | 4,299 | 26,435 | **28,489** | 3,045 | **31,534** |
| **Equity as at 06/30/2019** | **10,573** | **6,534** | **457,606** | **-12,249** | **26,435** | **488,898** | **36,323** | **525,222** |

The item "Other variations" corresponded:

- on one hand, entries recognized in equity in accordance with IAS 8, arising from an error in the calculation of the deferred tax liability related to assets in the Chilean entity (for a global amount of -€1.1 million to be split between the reserves attributable to the owners of the parent company and the non-controlling interests);
- on the other hand, the opening impact on equity of the implementation of IFRS 16 based on the modified retrospective approach, totalling -€0.2 million.

## Statement of change in cash position

| in € thousand | 2020.06 | 2019.06 |
|---|---|---|
| Cash and cash equivalents | 93,656 | 62,810 |
| Bank overdraft | -13,770 | -19,173 |
| Accrued interests not yet matured | -37 | -49 |
| **Opening net cash position** | **79,849** | **43,588** |
| Cash and cash equivalents | 117,940 | 70,866 |
| Bank overdraft | -9,735 | -11,813 |
| Accrued interests not yet matured | -19 | -50 |
| **Closing net cash position** | **108,186** | **59,003** |
| Impact of currency conversion adjustments | -3,883 | 693 |
| Impact of changes in scope | - | - |
| **Net change in cash position** | **32,219** | **14,722** |

## Cash flow statement

| in € thousand | Notes | 2020.06 | 2019.06 |
|---|---|---|---|
| **Result for the period** | | **49,722** | **28,395** |
| Elimination of share from companies' profit accounted for by the equity method | **A7** | -303 | -90 |
| Elimination of depreciations and provisions | **A14-A22** | 29,804 | 34,421 |
| Elimination of deferred tax change | **A8** | -866 | -1,712 |
| Elimination of gains and losses on disposals | **A23** | 202 | -2,004 |
| Other income and expenses with no cash impact | | -3,319 | 2,159 |
| **Cash flow** | | **75,241** | **61,169** |
| Effect of net change in inventories | **A9** | -12,145 | -11,517 |
| Effect of net change in trade receivables | **A10** | -27,322 | -12,605 |
| Effect of net change in trade payables | **A18** | 3,699 | -5,166 |
| Effect of net change in other receivables and payables | **A11-A17** | -6,978 | -17,053 |
| *Including income tax accrued for the period* | | *16,538* | *12,964* |
| *Including income tax paid* | | *-17,761* | *-11,256* |
| **Effect of change in working capital requirements** | | **-42,746** | **-46,341** |
| Net financial interests paid | **A25** | 5,593 | 8,715 |
| **Net cash flow generated by operating activities** | | **38,087** | **23,543** |
| Acquisitions of intangible assets | **A2-A18** | -4,420 | -4,545 |
| Acquisitions of tangible assets | **A4-A18** | -8,071 | -7,650 |
| Disposals of intangible and tangible assets | **A23** | 233 | 6,160 |
| Change in financial assets | **A6** | 3,389 | 388 |
| Change in debts relative to acquisitions | | - | - |
| Acquisitions of subsidiaries or activities | | - | - |
| Disposals of subsidiaries or activities | | - | - |
| Withholding tax on distributions | | - | - |
| Dividends received | | - | - |
| **Net cash flow allocated to investing activities** | | **-8,869** | **-5,647** |
| Dividends paid to the owners of the parent company | | - | - |
| Dividends paid to the non-controlling interests | | -1,546 | -2,057 |
| Change in treasury shares | | -221 | 864 |
| Increase/decrease of capital | | - | - |
| Cash investments | | - | - |
| Debt issuance | **A16** | 56,606 | 48,239 |
| Repayments of debt | **A16** | -41,820 | -36,948 |
| Repayments of lease obligation | **A15** | -4,425 | -4,557 |
| Net financial interests paid | **A25** | -5,593 | -8,714 |
| **Net cash flow from financing activities** | | **3,001** | **-3,173** |
| **Change in cash position** | | **32,219** | **14,722** |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## General information note

Virbac is an independent global pharmaceutical laboratory exclusively dedicated to animal health and markets a full range of products designed for companion animals and food producing animals.

The Virbac share is listed on the Paris stock exchange in compartment A of Euronext.

Virbac is a public limited company under French law with an executive board and a supervisory board. Its trading name is "Virbac". The company was established in 1968 in Carros.
The ordinary and extraordinary combined shareholders' meeting of June 17, 2014 having adopted the resolution on the modification of the statutes, the lifetime of the company was extended by 99 years until June 17, 2113.
The head office is located at 1ère avenue 2,065m LID, 06511 Carros. The company is registered on the Grasse Trade registry under the number 417350311 RCS Grasse.

The 2020 condensed half-year consolidated financial statements were approved by the executive board on August 31, 2020, and were reviewed by the supervisory board on September 15, 2020.

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

## First Half 2020 Major events

### Covid-19 health crisis

The beginning of 2020 was marked by the Covid-19 health crisis which has spread around the world and which continues to affect many geographic areas where the Group operates. Depending on its duration, its geographic expansion and the resulting economic and social consequences, the health crisis can have a significant impact on the Group's activities and the achievement of its objectives.
Virbac has implemented a crisis management system to prevent and limit the impact of adverse events on all of its entities. Faced with this health crisis, the Group's priority is to preserve the health, safety and security of its employees.
The Group's information systems allow flexible and remote working methods to be developed on a large scale, and are subject to adequate security devices.
Supply chain and inventory management policies, industrial site continuity plans make it possible to anticipate the actions required to manage their disruptions. The relationships built with the Group's strategic suppliers, sourcing diversification policies and operational continuity plans help to limit the impact of the crisis.
Virbac's global presence in terms of geographic areas, product categories and distribution channels, the very strong responsiveness and adaptability of the teams through its organizational model, as well as the robustness of its financial situation, all contribute to its capacity to face the economic consequences of this crisis.

### Divestment agreement on US rights on Sentinel® trademarks to MSD Animal Health

Virbac entered in May 2020 into an agreement with MSD Animal Health, a division of Merck & Co., Inc., Kenilworth, N.J., USA (NYSE:MRK), to divest veterinary products currently marketed in the United States under the Sentinel® brands by Virbac, for approximately US $400 million in an all-cash deal subject to customary post-closing adjustments. These assets were acquired in early 2015 from Eli Lilly.
Under the terms of this agreement, Virbac will divest a combination of titles and rights for the United States on trademarks, marketing authorizations, patents, know-how, and other assets, related to two parasiticides for dogs: Sentinel® Flavor Tabs® and Sentinel® Spectrum®. In relation with the transaction, Virbac will keep its commercial structure substantially unchanged, and will continue to manufacture Sentinel® SPECTRUM® at its Bridgeton, Missouri site for the next ten years.
In the United States, Sentinel ® Flavor Tabs® and Sentinel® Spectrum® have reached total revenues of around US $70 million in 2019. At the time of the acquisition, Virbac was expecting a high leverage from the synergies on the historical ranges through the access to new large veterinary clinics and the more than doubling of the sales force. These synergies on historical products have not materialized due to the Bridgeton manufacturing site temporary interruption, while the number of brands in the parasiticide segment has grown over the recent years. Divesting these brands is an opportunity for Virbac to significantly deleverage the Group. It also permits to refocus on the existing portfolio of products offered to veterinary clinics and pet owners in the United States, and maximize growth potential, either organically through future launches, or through acquisitions.
The financial impacts of this divestment to Virbac's revenue and operating profit before depreciation of intangible assets arising from acquisitions ("Ebita"), are estimated (on a full year pro forma basis) to be a decrease in revenue of approximately US $55 million and around 3 points on the ratio of Ebita to revenue. The impact of the divestment on the whole of 2020 should be limited to 1 point on the ratio of Ebita to revenue, Sentinel® having generated revenue of US $39 million during the first semester.
In accordance with IFRS 5, assets held for sale were presented on a separate line in the balance sheet. It should be noted that the activity intended for sale does not meet the criteria for a discontinued activity.

### Decision to end the production of the leishmaniosis vaccine

Following the arrival in 2016 of a new player on the market, offering a simplified injection process compared to the one commercialized by Virbac, the Group scaled down its business plans, and recognized an impairment of the Cash-Generating Unit (CGU) in its accounts.
Given the level of sales, which sharply fell these last years, and faced with technical difficulties in the production processes, the Group has decided, in June, to end the production of its leishmaniosis vaccines.
In accordance with IAS 36, the residual assets related to this CGU have been entirely impaired. The impairment has been recognized as non-recurring income and expenses. Given the non-materiality of this line of activity, the Group did not retain the application of the criteria of discontinued operations as per IFRS 5.

### Six-week shutdown of worldwide dog and cat vaccine production

Following an underground pipeline rupture on the Carros site, the worldwide dog and cat vaccine production site was shut down in mid-April and restarted its activities of production at the beginning of June, and activities of release progressively from the month of August, after repairs allowing the resumption of manufacturing under GMP (Good manufacturing practice) rules. The Group has noted a decrease in its sales of vaccines over the first six months of the year, but given the uncertainties on demand in the context of the Covid-19, it is difficult to clearly identify the share of the decline linked to this incident as of June 30, 2020.

## Major events subsequent to closing

### Divestment of US rights on Sentinel® trademarks to MSD Animal Health

On July 1, Virbac has divested its parasiticides for dogs: Sentinel® Flavor Tabs® and Sentinel® Spectrum® to MSD Animal Health, a division of Merck & Co., Inc., Kenilworth, N.J., USA (NYSE:MRK). The consideration received for the transaction amounted to US $410 million, settled in cash. Subject to customary closing adjustments, the capital gain on the sale is US $84 million.
According to the terms of the agreement, Virbac has divested a combination of rights and assets for the United States on Sentinel® Flavor Tabs® and Sentinel® Spectrum®, and will continue to manufacture Sentinel® Spectrum® at the Bridgeton, Missouri site for the next ten years.

### Reduction of the financial debt in US $

Following the divestment of the United States rights to the Sentinel® brands and the collection of US $410 million, the net debt of Virbac has become negative. The lines of credit drawn in US $have been reimbursed. In addition, the Group will retain the major part of its credit lines negotiated and not yet drawn until their maturity (around 2022 for the most lines), therefore maintaining the possibility to finance a potential increase in working capital, an opportunity of external growth or any other project requiring financing.

## Main accounting principles applied

### Compliance and basis for preparing the consolidated financial statements

The half-year condensed financial statements have been prepared in accordance with standard IAS 34 "Interim financial reporting", standard of the IFRS (International Financial Reporting Standards) as adopted by the European Union. The condensed interim financial statements do not include the whole information required by the IFRS reference system. They should be analyzed with regards to the consolidated statements of the previous year, as of December 31, 2019.

With the exception of the standards, amendments or interpretations of application which are compulsory starting from January 1, 2020, the accounting principles used in the preparation of Virbac's half-year condensed financial statements are identical to those used in the preparation of consolidated statements as of December 31, 2019. They have been established in compliance with the IFRS, as adopted by the European Union as of June 30, 2020, and with the IFRS as published by the IASB (International Accounting Standards Board).

The standards and interpretations of the IFRS as adopted by the European Union are available under the heading "IAS/IFRS interpretations and standards", on the following website:
https://ec.europa.eu/finance/company-reporting/standards-interpretations/index_en.htm

## New standards and interpretations

**Mandatory standards and interpretations effective January 1, 2020**

- **Amendment to *IAS 1* and *IAS 8*. Definition of "material"**

This amendment specifies that information is material if misstating or obscuring it could reasonably be expected to influence decisions made by the primary users on the basis of the financial statements.

- **Amendment to *IFRS 3*. Definition of a business**

This amendment clarifies the definition of a business, proposing a two-step analysis approach and aiming at limiting the heterogeneity of practices as may concern the concept of business.

- **Amendment to IFRS standards to update a reference to the conceptual framework**

This alignment with the new conceptual framework issued in 2018 concerns following standards and interpretations: IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22 and SIC 32.

These amendments did not have any impact on the consolidated accounts.

**Standards and interpretations available for early adoption as of January 1, 2020**

On the reporting date of these consolidated accounts, the standards and interpretations listed below were submitted by the IASB and IFRIC IC respectively, but were still not adopted by the EU.

- **Amendment to IAS 1. Classification of liabilities as current or non-current**

- **Amendment to IFRS 16. Leases Covid-19-related rent concessions**

- **Amendment to IFRS 3, IAS 16 and IAS 37. Update of the conceptual framework**

The Group chose not to adopt these standards and interpretations early, choosing instead to conduct an analysis of the implications involved in adopting them. Where necessary, the Group will apply these standards in its statements once they are adopted by the European Union.

## Consolidation rules

**Scope and consolidation methods**

Pursuant to IFRS 10 "Consolidated financial statements", the Group's consolidated financial statements include all of the entities controlled, directly or indirectly, by Virbac, whatever equity stake it may have in these entities. An entity is controlled by Virbac once the following three criteria are cumulatively met:

- the parent company has power over the subsidiary whereby it has actual rights that give it the capacity to direct the relevant activities;
- the parent company is exposed to or has rights to variable returns because of its connections to that entity;
- the parent company has the capacity to exercise its power over this entity so as to affect the amount of returns that it receives.

The consolidated financial statements as of June 30, 2020 include the financial statements of the companies that Virbac controls indirectly or directly in law or in fact.

Changes in scope are presented into the note A32.

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**

Pursuant to the IAS 21 "Effects of changes in foreign exchange rates" standard, each Group entity accounts for its operations in its functional currency, the currency that most clearly reflects their business environment.
The Group's 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 as equity on the consolidated balance sheet;

- 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 as equity on the consolidated balance sheet.

### Use of estimations and assumptions

The drawing up of consolidated financial statements implies that the Group makes a number of estimates and assumptions that have a material impact on the value of the assets and liabilities recognized into the statement of financial position, the information related to these assets and liabilities, the expenses and revenues recognized into the profit and loss statement, and the commitments related to the period.

The current global context had no impact on the critical judgements exercised by the Group to apply the accounting methods and the main sources of uncertainty relating to estimations. They are described into the consolidated financial statements of the period closed December 31, 2019.

In addition, for the purposes of the half-year financial information, pursuant to IAS 34, the Group tax charge is calculated on the basis of the effective tax rate estimated for the fiscal year 2020. This annual effective tax rate was estimated based on the tax rates in force and the estimates of profit before tax of the tax jurisdictions of the Group.

## Impact of the health crisis on the financial statements

On January 30, 2020, the World health organisation declared the state of public health emergency of international concern following the spread of the Covid-19 virus, and qualified it as a pandemic on March 11, 2020. In response to this health crisis, governments throughout the world have been forced to adopt restrictive social and economic measures in order to limit the spread of the virus.

These measures taken by all countries have had a significant impact on the global economy. In this context, Virbac has assessed the impact of the uncertainties created by the pandemic.

As of June 30, 2020, these uncertainties did not lead to a significant change in estimates and assumptions taken by the Group. Moreover, Virbac will continue to update these estimates and assumptions in the light of developments in the situation.

### Effect of the pandemic on the valuation of Goodwill and intangible assets

In accordance to IAS 36, the Group performs impairment tests of the assets included in each of its CGUs, once a year, and independently from the existence of indicators of loss of value. The latest impairment tests were carried out as of December 31, 2019 (see note A3 to the consolidated accounts as of December 31, 2019).

As part of the preparation of its consolidated accounts as of June 30, 2020, Virbac has analyzed quantitative and qualitative criteria and has identified indicators of loss of value of certain assets directly or indirectly linked to the Covid-19 pandemic.

Even though the impairment tests carried out in 2019 on the CUGs affected by these indicators of loss of value showed recoverable value significantly above their carrying value, the Group updated these tests by reviewing the business plans of each of the CGU.

These tests did not lead the Group to recognize any impairment in the consolidated accounts as of June 30, 2020. The results of the tests on the main CGUs concerned are presented in note A3.

### Effect of the pandemic on the revenue

Throughout the Group, the Covid-19 pandemic has not caused any rupture or substantial modification of the distribution contracts.

### Effect of the pandemic on the inventory

To address supply risks related to the Covid-19 pandemic, the Group's production sites have built up security stocks and have been able to maintain their level of activity through the implementation of specific health measures. In the event of a decline in production levels, the Group does not take into account the effects of under-absorption in the valuation of the cost of production of inventories in accordance with IAS 2.

### Effect of the pandemic on trade receivables

As of June 30, 2020, Virbac analyzed indicators of loss of value of trade receivables, such as the classification of gross receivables by maturity and the amount of doubtful debts. The Group has not identified evidence that could justify a significant increase in credit risk (see note A30).

### Effect of the pandemic on the cash flow situation

The Covid-19 pandemic did not negatively impact the Group's liquidity. On the other hand, the Group was able to benefit from government assistance in the form of a postponement of tax and social deadlines in certain countries.

### Effect of the pandemic on the presentation of the income statement

The impacts of the pandemic of Covid-19 are presented in the note to the income statement in accordance with the nature of the related income and expenses. No item linked to the health crisis was classified as non-current income and expense.

## A1. Goodwill

### Change in goodwill by CGU

| in € thousand | Gross value as at 12/31/2019 | Impairment value as at 12/31/2019 | Net book value as at 12/31/2019 | Increases | Transfers | Impair-ment | Conversion gains and losses | Net book value as at 06/30/2020 |
|---|---|---|---|---|---|---|---|---|
| United States | 229,305 | -3,650 | **225,655** | - | -174,181 | - | 3,871 | **55,345** |
| Chile | 27,891 | - | **27,891** | - | - | - | -2,388 | **25,503** |
| New Zealand | 15,250 | -154 | **15,096** | - | - | - | -711 | **14,385** |
| India | 14,215 | - | **14,215** | - | - | - | -699 | **13,515** |
| SBC | 7,548 | - | **7,548** | - | - | - | 78 | **7,626** |
| Denmark | 4,643 | - | **4,643** | - | - | - | -0 | **4,643** |
| Uruguay | 4,235 | - | **4,235** | - | - | - | 14 | **4,249** |
| Peptech | 3,379 | - | **3,379** | - | - | - | -26 | **3,353** |
| Australia | 3,290 | -312 | **2,978** | - | - | - | -83 | **2,895** |
| Colombia | 1,744 | - | **1,744** | - | - | - | -173 | **1,571** |
| Italy | 1,585 | - | **1,585** | - | - | - | - | **1,585** |
| Greece | 1,359 | - | **1,359** | - | - | - | - | **1,359** |
| Other CGUs | 4,277 | -1,722 | **2,555** | - | - | - | -51 | **2,504** |
| **Goodwill** | **318,720** | **-5,838** | **312,882** | **-** | **-174,181** | **-** | **-169** | **138,532** |

The change in this item is essentially linked to the classification as assets held for sale of the United States CGU related to the Sentinel® products for US $191.5 million (see note A13).

## A2. Intangible assets

### Change 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 12/31/2019** | **160,883** | **231,007** | **65,520** | **11,561** | **468,971** |
| Acquisitions and other increases | - | 409 | 1,102 | 1,773 | **3,283** |
| Disposals and other decreases | - | - | -5 | - | **-5** |
| Changes in scope | - | - | - | - | **-** |
| Transfers | -45,633 | -126,207 | 1,515 | -1,822 | **-172,147** |
| Conversion gains and losses | -4,650 | -975 | -362 | -206 | **-6,194** |
| **Gross value as at 06/30/2020** | **110,599** | **104,234** | **67,771** | **11,305** | **293,909** |
| **Depreciation as at 12/31/2019** | **-15,976** | **-127,542** | **-53,053** | **-266** | **-196,838** |
| Depreciation expense | - | -6,834 | -2,106 | - | **-8,941** |
| Impairment losses (net of reversals) | - | -1,485 | - | - | **-1,485** |
| Disposals and other decreases | - | - | 5 | - | **5** |
| Changes in scope | - | - | - | - | **-** |
| Transfers | - | 59,295 | - | - | **59,295** |
| Conversion gains and losses | - | 900 | 217 | 50 | **1,167** |
| **Depreciation as at 06/30/2020** | **-15,976** | **-75,666** | **-54,937** | **-216** | **-146,796** |
| **Net value as at 12/31/2019** | **144,907** | **103,465** | **12,468** | **11,295** | **272,134** |
| **Net value as at 06/30/2020** | **94,623** | **28,568** | **12,834** | **11,089** | **147,113** |

### Concessions, patents, licences and brands

The item "Concessions patents, licences and brands" include:

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

On this item, the main change is linked to the classification as assets held for sale of the intangible assets related to the Sentinel® products for a net value of US $124.1 million (see note A13).

The impairment of €1.5 million recognized on the assets with indefinite life are related to a patent of the leishmaniosis vaccine CGU, following the decision to end the production of this vaccine.

As of June 30, 2020, the item “Concessions, patents, licences and brands” comprised the following:

| in € thousand | Acquisition date | Brands | Patents and know-how | Marketing authorizations and registration rights | Customers lists and others | Total |
|---|---|---|---|---|---|---|
| SBC | 2015 | - | 3,916 | 2,055 | - | **5,971** |
| Uruguay: Santa Elena | 2013 | 3,501 | 8,998 | - | - | **12,499** |
| Australia: Axon | 2013 | 881 | 993 | - | - | **1,874** |
| Australia: Fort Dodge | 2010 | 1,097 | 440 | - | - | **1,537** |
| New Zealand | 2012 | 3,033 | 703 | - | 2,008 | **5,744** |
| Centrovet | 2012 | 17,338 | 29,064 | - | 5,982 | **52,384** |
| Multimin | 2011-2012 | 3,064 | 3,909 | - | - | **6,972** |
| Peptech | 2011 | 947 | - | - | - | **947** |
| Colombia: Synthesis | 2011 | 1,467 | - | 508 | - | **1,975** |
| Schering-Plough Europe | 2008 | 4,879 | - | 2,860 | - | **7,739** |
| India: GSK | 2006 | 10,645 | - | - | - | **10,645** |
| Others | 0 | 6,839 | 2,586 | 3,996 | 1,483 | **14,904** |
| **Total intangible assets** | | **53,690** | **50,609** | **9,419** | **9,473** | **123,191** |

The classification of intangible assets according to useful life results from the analysis of all relevant economic and legal factors, making it possible to conclude whether or not there is a foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity.

Innovative or differentiated products in general, and vaccines and other assets from biotechnologies in particular, are generally classified as intangible assets with indefinite useful lives, once a detailed analysis has been conducted and experts have given their opinions on their potential. This approach is founded on Virbac's past experience.

### Other intangible assets

The other intangible assets are essentially made up of IT projects, in several affiliates of the Group. They are all intangible assets with finite life.

The increase of the item “Other intangible assets” and “Intangible assets in progress” for €2.9 million is mainly linked to investments in IT projects carried out by Virbac (parent company). On these items, the line “Transfers” corresponds to the commissioning of these projects.

## A3. Impairement of assets

In accordance to IAS 36, the Group performs impairment tests of the assets included in each of its CGUs, once a year, and independently from the existence of indicators of loss of value. As part of the preparation of the half-yearly consolidated accounts, the Group analyzes quantitative and qualitative criteria in order to identify possible indicators of loss of value, and carries out impairment tests when these indicators are recognized.

As of June 30, 2020, impairment tests were carried out on five CGUs showing indicators of loss of value. These tests did not lead the Group to recognize any impairment in the condensed consolidated accounts.

The results of the sensitivity tests are presented below for the two most significant CGUs:

| in € thousand | Net book value of CGU as at 06/30/2020 | Discount rate, combined into a zero perpetual growth rate, from which impairment is established |
|---|---|---|
| Antigenics | 15,544 | 65.0% |
| Multimin | 9,943 | 90.8% |

### United States CGU

Following the divestment of the rights related to the Sentinel® products, the Group has reviewed the business plans of the United States CGU and carried out an impairment test by comparing the present value of future cash flows to the net carrying amount of the remaining assets of the CGU.
The results of this test did not lead the Group to recognize any impairment in the condensed consolidated accounts.

### Leishmaniosis vaccine CGU

Following the decision taken by the Group in June to end the production of its leishmaniosis vaccine, the residual assets related to this CGU have been entirely impaired. The impairment has been recognized as non-recurring income and expenses, for an amount of €4.8 million, related to a patent (in the amount of €1.5 million), industrial equipment (in the amount of €3.0 million), and stock of consumables (in the amount of €0.3 million).

## A4. Tangible assets

| in € thousand | Lands | Buildings | Technical facilities, materials and equipment | Other intangible assets | Intangible assets in progress | Intangible assets |
|---|---|---|---|---|---|---|
| **Gross value as at 12/31/2019** | **18,443** | **189,068** | **214,390** | **28,429** | **12,475** | **462,803** |
| Acquisitions and other increases | - | 663 | 1,730 | 598 | 4,232 | **7,224** |
| Disposals and other decreases | - | -270 | -4,442 | -266 | -7 | **-4,986** |
| Changes in scope | - | - | - | - | - | **-** |
| Transfers | - | 1,469 | 3,836 | 190 | -5,565 | **-69** |
| Conversion gains and losses | -637 | -3,259 | -3,102 | -1,124 | -52 | **-8,174** |
| **Gross value as at 06/30/2020** | **17,806** | **187,670** | **212,412** | **27,827** | **11,084** | **456,799** |
| **Depreciation as at 12/31/2019** | **-** | **-96,485** | **-121,260** | **-20,267** | **-** | **-238,012** |
| Depreciation expense | - | -4,317 | -6,715 | -1,218 | - | **-12,250** |
| Impairment losses (net of reversals) | - | -231 | -2,270 | - | - | **-2,501** |
| Disposals and other decreases | - | 270 | 4,061 | 220 | - | **4,551** |
| Changes in scope | - | - | - | - | - | **-** |
| Transfers | - | - | - | - | - | **-** |
| Conversion gains and losses | - | 827 | 1,307 | 692 | - | **2,827** |
| **Depreciation as at 06/30/2020** | **-** | **-99,935** | **-124,877** | **-20,573** | **-** | **-245,385** |
| **Net value as at 12/31/2019** | **18,443** | **92,583** | **93,129** | **8,162** | **12,475** | **224,792** |
| **Net value as at 06/30/2020** | **17,806** | **87,736** | **87,535** | **7,254** | **11,084** | **211,414** |

Acquisitions registered in the first semester of 2020 amounting to €7.2 million are mainly linked to the renewal of industrial equipment in France, as well as extensions of production lines in Uruguay, Taiwan, Vietnam and Chile. Building fixtures for new R&D labs for aquaculture are being set up in Taiwan and Vietnam.

The disposals, showing a net book value of €0.4 million, relate mainly to the scrapping of obsolete industrial equipment in France.

The "Transfers" line is related to the commissioning of the tangible assets.

## A5. Right of use

Following the implementation of the IFRS 16 standard from January 1, 2019, Virbac chose to isolate on a dedicated line of the statement of financial position the right of use resulting from lease contracts.

Changes in the right of use per asset category are as follows:

| in € thousand | Lands and buildings | Technical facilities, materials and equipment | Transportation equipment | Hardware /software | Office equipment and others | Total |
|---|---|---|---|---|---|---|
| **Gross value as at 12/31/2019** | **27,883** | **2,431** | **10,471** | **2,465** | **640** | **43,891** |
| New contracts | 1,806 | 593 | 1,352 | 26 | 138 | **3,915** |
| Termination of contracts | -164 | -61 | -534 | -135 | -116 | **-1,010** |
| Changes in scope | - | - | - | - | - | **-** |
| Transfers | -199 | - | - | -82 | - | **-281** |
| Conversion gains and losses | -455 | -34 | -555 | -25 | -15 | **-1,084** |
| **Gross value as at 06/30/2020** | **28,872** | **2,929** | **10,734** | **2,248** | **647** | **45,431** |
| **Depreciation as at 12/31/2019** | **-4,141** | **-578** | **-4,203** | **-658** | **-308** | **-9,888** |
| Allowances | -2,197 | -349 | -1,909 | -421 | -111 | **-4,986** |
| Termination of contracts | 14 | 65 | 636 | 134 | 76 | **925** |
| Changes in scope | - | - | - | - | - | **-** |
| Transfers | 207 | - | 211 | -16 | 31 | **433** |
| Conversion gains and losses | 79 | 10 | 244 | 13 | 4 | **350** |
| **Impairment as at 06/30/2020** | **-6,038** | **-853** | **-5,021** | **-948** | **-307** | **-13,166** |
| **Net value as at 12/31/2019** | **23,743** | **1,853** | **6,268** | **1,806** | **332** | **34,003** |
| **Net value as at 06/30/2020** | **22,834** | **2,077** | **5,713** | **1,300** | **340** | **32,264** |

### 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 | -152 |
| Rental costs on short-term contracts | -526 |
| Rental costs on assets of low value | -487 |
| **Residual rental costs** | **-1,165** |

Restated rental costs for the half-year in accordance to IFRS 16 amount to €5.7 million.

## A6. Other financial assets

### Change in other financial assets

| in € thousand | 2019.12 | Increases | Decreases | Changes in scope | Transfers | Conversion gains and losses | 2020.06 |
|---|---|---|---|---|---|---|---|
| Loans and other financial receivables | **7,393** | 126 | -3,544 | - | -17 | -56 | **3,901** |
| Currency and interest rate derivatives | **4,668** | - | -4,645 | - | - | - | **22** |
| Restricted cash | **89** | 30 | - | - | - | -2 | **117** |
| Other | **46** | - | -1 | - | - | -5 | **40** |
| **Other financial assets, non-current** | **12,195** | **156** | **-8,191** | **-** | **-17** | **-63** | **4,081** |
| Loans and other financial receivables | **4** | 13 | -14 | - | 7 | -0 | **9** |
| Currency and interest rate derivatives | **342** | 8,706 | - | - | - | - | **9,048** |
| Restricted cash | **-** | - | - | - | - | - | **-** |
| Other | **-** | - | - | - | - | - | **-** |
| **Other financial assets, current** | **346** | **8,719** | **-14** | **-** | **7** | **-0** | **9,057** |
| **Other financial assets** | **12,541** | **8,875** | **-8,205** | **-** | **-10** | **-63** | **13,138** |

Changes in the line "Loans and other long-term financial receivables" concern the holdback amounts related to factoring programmes, primarily on American (-€1.9 million) and Australian (-€1.1 million) entities.
The change in value of the currency and interest rate derivatives is primarily related to the increase in the Chilean peso hedge market value, with this currency declining substantially since January 1, 2020.
Note that the Chilean peso hedge is classified as current as of June 30, 2020, given its maturity at less than one year.

### Other financial assets classified according to their maturity

**As of June 30, 2020**

| in € thousand | Payments | | | Total |
|---|---|---|---|---|
| | less than 1 year | from 1 to 5 years | more than 5 years | |
| Loans and other financial receivables | 9 | 3,901 | - | **3,911** |
| Currency and interest rate derivatives | 9,048 | 22 | - | **9,070** |
| Restricted cash | - | 117 | - | **117** |
| Other | - | - | 40 | **40** |
| **Other financial assets** | **9,057** | **4,041** | **40** | **13,138** |

**As of December 31, 2019**

| in € thousand | Payments | | | Total |
|---|---|---|---|---|
| | less than 1 year | from 1 to 5 years | more than 5 years | |
| Loans and other financial receivables | 3 | 7,393 | - | **7,397** |
| Currency and interest rate derivatives | 342 | 4,668 | - | **5,010** |
| Restricted cash | - | 89 | - | **89** |
| Other | - | - | 45 | **45** |
| **Other financial assets** | **345** | **12,151** | **45** | **12,541** |

## A7. Share in companies accounted for by the equity method

| 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 | ND | ND | - | - | 3,520 | 303 |
| GPM Virbac | ND | ND | - | - | 170 | - |
| **Share in companies accounted for by the equity method** | | | | | **3,690** | **303** |

The impact of equity-accounted companies was not deemed to be significant to account of the Virbac group, therefore the information required by IFRS 12 is limited to the above.

## A8. Deferred taxes

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

The impact of future changes in tax rates in France (gradually dropping to 25% in 2022) was taken into consideration when calculating the deferred tax expense.

### Variation in deferred taxes

| in € thousand | 2019.12 | Variations | Changes in scope | Transfers | Conversion gains and losses | 2020.06 |
|---|---|---|---|---|---|---|
| Deferred tax assets | **21,822** | 779 | - | 91 | -910 | **21,783** |
| Deferred tax liabilities | **43,489** | -462 | - | -47 | -2,662 | **40,317** |
| **Deferred tax offset** | **-21,666** | **1,241** | **-** | **139** | **1,753** | **-18,534** |

The variation in deferred taxes shown above includes deferred taxes on the effective share of the profits and losses on hedging instruments, which totaled €375 thousand and was recognized in the comprehensive income statement.

## 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 12/31/2019** | **71,134** | **14,577** | **137,256** | **222,967** |
| Variations | 2,697 | 2,993 | 5,540 | **11,230** |
| Changes in scope | - | - | - | **-** |
| Transfers | -3,690 | - | -4,131 | **-7,821** |
| Conversion gains and losses | -2,026 | -41 | -6,668 | **-8,736** |
| **Gross value as at 06/30/2020** | **68,115** | **17,529** | **131,996** | **217,640** |
| **Depreciation as at 12/31/2019** | **-5,335** | **-696** | **-10,354** | **-16,386** |
| Allowances | -2,008 | -973 | -4,825 | **-7,806** |
| Reversals | 3,055 | 696 | 4,969 | **8,721** |
| Changes in scope | - | - | - | **-** |
| Transfers | - | - | 29 | **29** |
| Conversion gains and losses | 12 | - | 319 | **331** |
| **Depreciation as at 06/30/2020** | **-4,276** | **-973** | **-9,861** | **-15,110** |
| **Net value as at 12/31/2019** | **65,798** | **13,881** | **126,902** | **206,582** |
| **Net value as at 06/30/2020** | **63,840** | **16,556** | **122,135** | **202,532** |

The amount of €7.8 million declared on line "Transfers" corresponds to the inventory of Sentinel® products classified as assets held for sales in the context of the divestment operation to MSD Animal Health.

Excluding the exchange rate effect and transfers, net inventories increased by €12.1 million. This change is mainly explained by the increase in activity as well as the building up of safety stocks in production sites, most notably in France, Mexico and United States, some of them linked to the Covid-19 pandemic.
The work in progress also increase significantly following the temporary shut-down of the dog and cat vaccine production facility in France.

## A10. Trade receivables

| in € thousand | Trade receivables |
|---|---|
| **Gross value as at 12/31/2019** | **102,207** |
| Variations | **27,172** |
| Changes in scope | **-** |
| Transfers | **-0** |
| Conversion gains and losses | **-5,753** |
| **Gross value as at 06/30/2020** | **123,626** |
| **Depreciation as at 12/31/2019** | **-2,822** |
| Allowances | **-114** |
| Reversals | **263** |
| Changes in scope | **-** |
| Transfers | **-** |
| Conversion gains and losses | **67** |
| **Depreciation as at 06/30/2020** | **-2,605** |
| **Net value as at 12/31/2019** | **99,386** |
| **Net value as at 06/30/2020** | **121,022** |

The increase in trade receivables is essentially due to the increased activity generated over the end of the first semester of 2020, especially in Chile, Australia, France, Spain and Italy.

It should be noted that the trade receivables that were deconsolidated due to being assigned as part of factoring contracts amount to €35.9 million as of June 30, 2020 (compared to €42.3 million on December 31, 2019).

The credit risk from trade receivables and other receivables is presented in note A30.

## A11. Other receivables

| in € thousand | 2019.12 | Variations | Transfers | Changes in scope | Conversion gains and losses | 2020.06 |
|---|---|---|---|---|---|---|
| Income tax receivables | **5,914** | -1,924 | - | - | -335 | **3,656** |
| Social receivables | **488** | 485 | - | - | -40 | **933** |
| Other receivables to the State | **23,481** | 475 | 0 | - | -591 | **23,366** |
| Advances and prepayments on orders | **3,251** | 660 | -6 | - | -233 | **3,673** |
| Depreciation on various other receivables | **-** | - | - | - | - | **-** |
| Prepaid expenses | **6,219** | 2,309 | -0 | - | -117 | **8,410** |
| Other various receivables | **11,546** | -3,337 | -16 | - | 12 | **8,205** |
| **Other receivables** | **50,899** | **-1,332** | **-22** | **-** | **-1,304** | **48,242** |

The variance in income tax receivables and other receivables to the State mainly arise from the Chilean entity, which obtained postponements of corporate tax instalments.
The increase in prepaid expenses essentially apply to raw materials invoiced by suppliers and not yet received.
The decrease in the other various receivables mainly arises from the reimbursement of an operational receivable recognized in 2019 by Virbac Corporation.

## A12. Cash and cash equivalents

| in € thousand | 2019.12 | Variations | Transfers | Change in scope | Conversion gains and losses | 2020.06 |
|---|---|---|---|---|---|---|
| Available funds | **48,065** | 18,681 | - | - | -1,259 | **65,487** |
| Marketable securities | **45,591** | 9,484 | - | - | -2,623 | **52,452** |
| **Cash and cash equivalents** | **93,656** | **28,165** | **-** | **-** | **-3,881** | **117,940** |
| Bank overdraft | **-13,770** | 4,035 | - | - | -1 | **-9,735** |
| Accrued interests not yet matured | **-37** | 19 | - | - | - | **-19** |
| **Overdraft** | **-13,807** | **4,054** | **-** | **-** | **-1** | **-9,754** |
| **Net cash position** | **79,849** | **32,219** | **-** | **-** | **-3,883** | **108,186** |

The increase in marketable securities is related almost exclusively to one affiliate of the Group which owns €50 million securities as of June 30, 2020.

## A13. Assets classified as held for sale

Following the divestment agreement for the US rights of the Sentinel® brands to MSD Animal Health, the assets concerned by this operation were classified as "Assets held for sale", in accordance with IFRS 5, in the light of the criteria set out in the paragraphs 2 to 5 of the standard:

- the assets are available for an immediate sale, in their current state,
- the divestment is highly probable (the sale was completed on July 1, 2020),
- the net book value of the assets is recovered by the sale, rather than their use.

The net book value of the assets held for sale breaks down as follows:

| | in US$ thousand | in € thousand |
|---|---|---|
| Goodwill | 191,520 | 171,031 |
| Intangible assets (licenses, patents, trademarks, know-how and other rights) | 124,078 | 110,803 |
| Inventory of raw material, semi-finished and finished goods | 8,567 | 7,650 |
| **Assets held for sale** | **324,165** | **289,484** |

## A14. Other provisions

| in € thousand | 2019.12 | Allowances | Reversals | Changes in scope | Transfers | Conversion gains and losses | 2020.06 |
|---|---|---|---|---|---|---|---|
| Trade disputes and industrial tribunals | **4,693** | 364 | -482 | - | - | -182 | **4,393** |
| Fiscal disputes | **742** | 90 | -535 | - | - | -9 | **287** |
| Various risks and charges | **3,115** | 218 | -351 | - | -59 | - | **2,923** |
| **Other non-current provisions** | **8,551** | **671** | **-1,368** | **-** | **-59** | **-192** | **7,603** |
| Trade disputes and industrial tribunals | **439** | 279 | - | - | - | -25 | **693** |
| Fiscal disputes | **-** | - | - | - | - | - | **-** |
| Various risks and charges | **617** | - | -154 | - | - | 4 | **467** |
| **Other current provisions** | **1,055** | **279** | **-154** | **-** | **-** | **-21** | **1,160** |
| **Other provisions** | **9,606** | **950** | **-1,522** | **-** | **-59** | **-212** | **8,762** |

In the context of the dispute with a competitor and the two counterfeit and unfair competition actions at national and European level, the risk resulting from the remaining uncertainty was analyzed and the provision that was recorded at the opening has been maintained in the accounts at June 30, 2020.

Reversed provisions were used for the purpose for which they were intended.

### Contingent liabilities

Virbac and its subsidiaries are sometimes involved in litigation, or other legal proceedings, generally linked to disputes related to intellectual property rights, competition law disputes, and tax matters. Each situation is analyzed in regards to IAS 37 or IFRIC 23, when it involves uncertainties related to tax treatments. No provision is recognized if the company considers that the liability is contingent, and information is given in the notes to the consolidated statements.
This is the case in particular of an application made during 2014 by a competitor of the Group for compensation for alleged damage relating to a use patent. Since the risk of outflow of resources is considered very low by management, no provision has been recognised.

## A15. Lease liability

### Change in lease liabilities

| in € thousand | 2019.12 | New contracts and renewals | Repayments and cancellations | Changes in scope | Transfers | Conversion gains and losses | 2020.06 |
|---|---|---|---|---|---|---|---|
| Lease liability - Non-current | **26,090** | 3,467 | -185 | - | -3,529 | -539 | **25,305** |
| Lease liability - Current | **8,573** | 864 | -4,742 | - | 3,540 | -247 | **7,988** |
| **Lease liability** | **34,663** | **4,330** | **-4,926** | **-** | **11** | **-785** | **33,293** |

### Lease liabilities by maturity

**<u>As of June 30, 2020</u>**

| in € thousand | Payments | | | Total |
|---|---|---|---|---|
| | less than 1 year | from 1 to 5 years | more than 5 years | |
| Lease liability - Non-current | - | 16,970 | 8,335 | **25,305** |
| Lease liability - Current | 7,988 | - | - | **7,988** |
| **Lease liability** | **7,988** | **16,970** | **8,335** | **33,293** |

**<u>As of December 31, 2019</u>**

| in € thousand | Payments | | | Total |
|---|---|---|---|---|
| | less than 1 year | from 1 to 5 years | more than 5 years | |
| Lease liability - Non-current | - | 15,958 | 10,133 | **26,090** |
| Lease liability - Current | 8,573 | - | - | **8,573** |
| **Lease liability** | **8,573** | **15,958** | **10,133** | **34,663** |

### Information on financing activities

| in € thousand | 2019.12 | Cash flows<br>Repay ments | Increase | Decrease | Transfers | Non-cash flows<br>Conversion gains and losses | 2020.06 |
|---|---|---|---|---|---|---|---|
| Lease liability | **34,663** | -4,425 | 3,915 | -85 | 11 | -785 | **33,293** |
| **Lease liability** | **34,663** | **-4,425** | **3,915** | **-85** | **11** | **-785** | **33,293** |

Decreases correspond to early terminations with no cash impact.

## A16. Other financial liabilities

### Change in other financial liabilities

| in € thousand | 2019.12 | Increase | Decrease | Changes in scope | Transfers | Conversion gains and losses | 2020.06 |
|---|---|---|---|---|---|---|---|
| Loans | **305,362** | 26,268 | -516 | - | -1,501 | -4,126 | **325,488** |
| Employee profit sharing | **8** | 3 | - | - | - | -0 | **12** |
| Currency and interest rate derivatives | **1,499** | 1,309 | - | - | - | - | **2,808** |
| Other | **-** | - | - | - | - | - | **-** |
| **Other non-current financial liabilities** | **306,869** | **27,581** | **-516** | **-** | **-1,501** | **-4,126** | **328,308** |
| Loans | **105,457** | 29,939 | -40,840 | - | 1,501 | -2,398 | **93,659** |
| Bank overdrafts | **13,770** | - | -4,035 | - | - | 1 | **9,735** |
| Accrued interests not yet matured | **37** | - | -19 | - | - | - | **19** |
| Employee profit sharing | **604** | 395 | -459 | - | - | -88 | **454** |
| Currency and interest rate derivatives | **682** | - | -4 | - | - | - | **678** |
| Other | **6** | - | -6 | - | - | -0 | **-0** |
| **Other current financial liabilities** | **120,556** | **30,335** | **-45,362** | **-** | **1,501** | **-2,485** | **104,544** |
| **Other financial liabilities** | **427,425** | **57,915** | **-45,878** | **-** | **-** | **-6,611** | **432,852** |

The main features of Virbac's three funding instruments are as follows:
- a syndicated loan of €420 million, drawn in euros and American dollars, contracted with a pool of banks repayable at maturity, with an initial maturity of April 2020, extended until April 9, 2022;
- market-based contracts (*Schuldschein*) consisting of four installments, with maturities of five, seven and ten years, at variable and fixed rates;
- a US $90 million financing contract with the European investment bank (EIB) for a seven-year term, of which one half is repayable in full and the other half is payable over eleven years.

Virbac also received bilateral loans and Public investment bank (BPI) financing. Following the Covid-19 pandemic, six-month postponements were granted by the BPI on its financing, and Virbac obtained extensions until January 1, 2021 from its banks on two of its bilateral loans which should have normally ended during the third quarter of 2020.

As of June 30, 2020, the position of the funding instruments was as follows:
- the syndicated loan was drawn for amounts of €78 million and US $130 million;
- the market-based contracts amounted to €15 million and US $8 million;
- the bilateral loans and BPI and EIB financing amounted to €57.9 million and US $90 million.

These funding instruments include a financial covenant compliance clause that requires the borrower to adhere to the following financial ratios based on the consolidated accounts and reflecting net consolidated debt[1] for the period considered on the consolidated Ebitda (Earnings before interest, taxes, depreciation and amortization)[2] for the twelve previous months period for half-year statements. Since January 1, 2019, the calculation of this ratio includes the impact of the application of IFRS 16 in Virbac's consolidated accounts.

As of June 30, 2020, the ratio amounts to 1.90, below the threshold of the financial covenant which is set at 4.25.

The financing capacity of the company is sufficient to fund its cash requirements.

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

[2] Consolidated Ebitda refers to net operating income for the last twelve months (that of the last six months of 2019 added to that of the first half-year of 2020), plus depreciations and provisions, net of reversals and dividends received from non-consolidated subsidiaries.

### Other financial liabilities by maturity

**As of June 30, 2020**

| in € thousand | Payments | | | Total |
|---|---|---|---|---|
| | less than 1 year | from 1 to 5 years | more than 5 years | |
| Loans | 93,659 | 244,396 | 81,092 | **419,147** |
| Bank overdrafts | 9,735 | - | - | **9,735** |
| Accrued interests not yet matured | 19 | - | - | **19** |
| Employee profit sharing | 454 | 12 | - | **466** |
| Currency and interest rate derivatives | 678 | 2,808 | - | **3,486** |
| Other | -0 | - | - | **-0** |
| **Other financial liabilities** | **104,544** | **247,216** | **81,092** | **432,852** |

**As of December 31, 2019**

| in € thousand | Payments | | | Total |
|---|---|---|---|---|
| | less than 1 year | from 1 to 5 years | more than 5 years | |
| Loans | 105,457 | 224,270 | 81,092 | **410,819** |
| Bank overdrafts | 13,769 | - | - | **13,769** |
| Accrued interests not yet matured | 37 | - | - | **37** |
| Employee profit sharing | 604 | 8 | - | **612** |
| Currency and interest rate derivatives | 683 | 1,499 | - | **2,181** |
| Other | 6 | - | - | **6** |
| **Other financial liabilities** | **120,556** | **225,776** | **81,092** | **427,425** |

The generation of operating cash flow as well as negotiated overdrafts and factoring cover short-term financial liabilities.

### Information related to financial activities

| in € thousand | 2019.12 | Cash flows: Issuance | Cash flows: Repayments | Non-cash flows: Fair value | Non-cash flows: Transfers | Non-cash flows: Conversion gains and losses | 2020.06 |
|---|---|---|---|---|---|---|---|
| Non-current financial liabilities | **305,362** | 26,268 | -516 | 0 | -1,501 | -4,126 | **325,488** |
| Current financial liabilities | **105,457** | 29,939 | -40,840 | - | 1,501 | -2,398 | **93,659** |
| Employee profit sharing | **611** | 399 | -459 | - | - | -88 | **464** |
| Currency and interest rate derivatives | **2,181** | - | - | 1,305 | - | - | **3,487** |
| Others | **6** | - | -6 | - | - | - | **0** |
| **Other financial liabilities** | **413,618** | **56,606** | **-41,820** | **1,305** | **-** | **-6,611** | **423,099** |

# A17. Other payables

| in € thousand | 2019.12 | Variations | Changes in scope | Transfers | Conversion gains and losses | 2020.06 |
|---|---|---|---|---|---|---|
| Income tax payables | **-** | - | - | - | - | **-** |
| Social payables | **-** | - | - | - | - | **-** |
| Other fiscal payables | **-** | - | - | - | - | **-** |
| Advances and prepayments on orders | **-** | - | - | - | - | **-** |
| Prepaid income | **1,356** | -164 | - | - | 6 | **1,199** |
| Various other payables | **1,071** | -193 | - | - | -226 | **652** |
| **Other non-current payables** | **2,427** | **-357** | **-** | **-** | **-220** | **1,850** |
| Income tax payables | **11,656** | 701 | - | 1 | -508 | **11,849** |
| Social payables | **48,004** | 4,720 | - | - | -839 | **51,885** |
| Other fiscal payables | **11,133** | 3,433 | - | - | -483 | **14,083** |
| Advances and prepayments on orders | **1,225** | -523 | - | - | 1 | **703** |
| Prepaid income | **1,113** | -99 | - | - | 1 | **1,015** |
| Various other payables | **73,407** | -13,365 | - | - | -908 | **59,135** |
| **Other current payables** | **146,538** | **-5,132** | **-** | **1** | **-2,735** | **138,671** |
| **Other payables** | **148,965** | **-5,489** | **-** | **1** | **-2,955** | **140,522** |

As a precautionary measure in the context of the Covid-19 pandemic, the Group requested from government agencies the postponement of social deadlines, which explains the increase of the line "Social payables".
The line "Other payables" largely comprises of liabilities for contracts with customers. The decrease of this line is mainly due to the payment of year-end discounts for 2019.

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

| in € thousand | 2019.12 | Variations | Changes in scope | Transfers | Conversion gains and losses | 2020.06 |
|---|---|---|---|---|---|---|
| Advances and prepayments on orders | **1,225** | -523 | - | - | 1 | **703** |
| Customers - credits to be issued | **68,687** | -15,977 | - | - | -744 | **51,966** |
| **Customer liabilities** | **69,913** | **-16,500** | **-** | **-** | **-743** | **52,669** |

Credits and accruals 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 variance of €16.0 million corresponds almost exclusively to payments of year-end discounts carried out during the first semester, mainly in France.

## A18. Trade payables

| in € thousand | 2019.12 | Variations | Changes in scope | Transfers | Conversion gains and losses | 2020.06 |
|---|---|---|---|---|---|---|
| Current trade payables | **90,065** | 3,560 | - | 63 | -4,616 | **89,071** |
| Trade payables - suppliers of intangible assets | **2,244** | -1,137 | - | - | -22 | **1,085** |
| Trade payables - suppliers of tangible assets | **3,459** | -847 | - | - | 7 | **2,619** |
| **Trade payables** | **95,769** | **1,576** | **-** | **63** | **-4,632** | **92,776** |

The increase in current trade payables is linked to the purchases of raw materials carried out at the end of the semester to rebuild safety stocks due to the pandemic. This variance is partly compensated by the decrease of payables on suppliers of tangible and intangible assets due to the slowing down of certain projects.

## A19. Revenue from ordinary activities

| in € thousand | 2020.06 | 2019.06 | *Change* |
|---|---|---|---|
| Sales of finished goods and merchandise | 549,434 | 526,413 | *4.4%* |
| Services | 8 | 31 | *-73.3%* |
| Additional income from activity | 895 | 1,264 | *-29.2%* |
| Royalties paid | 207 | 214 | *-3.6%* |
| **Gross sales** | **550,545** | **527,923** | ***4.3%*** |
| Discounts, rebates and refunds on sales | -59,061 | -51,938 | *13.7%* |
| Expenses deducted from sales | -9,302 | -9,086 | *2.4%* |
| Financial discounts | -3,559 | -3,155 | *12.8%* |
| Provisions for returns | -315 | -11 | *2705.3%* |
| **Expenses deducted from sales** | **-72,237** | **-64,190** | ***12.5%*** |
| **Revenue from ordinary activities** | **478,308** | **463,733** | ***3.1%*** |

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

### Revenue growth

Over the first half of the year, revenue amounted to €478.3 million compared to €463.7 million for the same period in 2019, representing an overall increase of +3.1% (+2.4% excluding Sentinel®). Excluding the unfavorable impact of exchange rates, revenue increased by +5.0% (+4.5% excluding Sentinel®).

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

## A20. Purchases consumed

| in € thousand | 2020.06 | 2019.06 | *Change* |
|---|---|---|---|
| Inventoried purchases | -155,387 | -152,052 | *2.2%* |
| Non-inventoried purchases | -11,279 | -10,315 | *9.3%* |
| Supplementary charges on purchases | -1,851 | -2,016 | *-8.2%* |
| Discounts, rebates and refunds obtained | 385 | 372 | *3.4%* |
| **Purchases** | **-168,133** | **-164,011** | ***2.5%*** |
| Change in gross inventories | 11,305 | 12,129 | *-6.8%* |
| Allowances for depreciation of inventories | -7,806 | -6,720 | *16.2%* |
| Reversals of depreciation of inventories | 8,721 | 6,108 | *42.8%* |
| **Net variation in inventories** | **12,220** | **11,517** | ***6.1%*** |
| **Consumed purchases** | **-155,912** | **-152,494** | ***2.2%*** |

The rise in purchases consumed is linked to the growth of the activity. However they increase in a slightly lesser proportion than the revenue of ordinary activities, improving the margin after cost of purchases by 3.6% at actual rates.
The variance in inventories can mainly be explained by the building up of safety stocks in production sites, particularly in France, Mexico and United States, due to the Covid-19 pandemic.

## A21. External costs

The external costs are decreasing by -7.8% at actual rates compared to the first semester of 2019. This decrease can be explained by a significant reduction in expenses initiated or incurred by the Group in response to the Covid-19 pandemic. The expenses concerned by these reductions are mainly commercial expenses, R&D and travel expenses.

## A22. Depreciation, impairment and provisions

| in € thousand | 2020.06 | 2019.06 | *Change* |
|---|---|---|---|
| Allowances for depreciation of intangible assets[1] | -2,603 | -2,482 | *4.9%* |
| Allowances for impairment of intangible assets | - | - | *-%* |
| Allowances for depreciation of tangible assets | -12,250 | -11,907 | *2.9%* |
| Allowances for impairment of tangible assets | 0 | 1 | *-99.9%* |
| Allowances for depreciation of right of use | -4,986 | -5,180 | *-3.7%* |
| Reversals for depreciation of intangible assets | - | - | *-%* |
| Reversals for impairment of intangible assets | - | - | *-%* |
| Reversals for depreciation of tangible assets | - | 17 | *-100.0%* |
| Reversals for impairment of tangible assets | 462 | - | *-%* |
| **Depreciation and impairment** | **-19,377** | **-19,550** | ***-0.9%*** |
| Allowances of provisions for risks and charges | -950 | -1,980 | *-52.0%* |
| Reversals of provisions for risks and charges | 1,309 | 1,532 | *-14.6%* |
| **Provisions** | **358** | **-448** | ***-180.0%*** |
| **Depreciations and provisions** | **-19,019** | **-19,998** | ***-4.9%*** |

[1] Excluding allowances for depreciation of intangible assets arising from acquisitions.

### Allowances for depreciation of assets arising from acquisitions

| in € thousand | 2020.06 | 2019.06 |
|---|---|---|
| United States: Sentinel® | -4,103 | -5,063 |
| Centrovet | -1,040 | -1,226 |
| Schering-Plough Europe | -539 | -539 |
| Multimin | -248 | -267 |
| New Zealand | -198 | -208 |
| Uruguay: Santa Elena | -74 | -72 |
| Australia: Axon | -59 | -62 |
| Colombia: Synthesis | -48 | -53 |
| SBC | -29 | -32 |
| **Depreciations of intangible assets arising from acquisitions** | **-6,337** | **-7,522** |

The depreciation of intangible assets arising from acquisitions have decreased by €1.2 million compared to the first semester of 2019 due to the end of the depreciation of one of the Sentinel® patents in the United States. To be noted that this item will be significantly reduced on a full-year basis following the divestment of the Sentinel® assets to MSD Animal Health.

## A23. Other operating income and expenses

| in € thousand | 2020.06 | 2019.06 | *Change* |
|---|---|---|---|
| Royalties paid | -1,757 | -1,828 | *-3.9%* |
| Grants received (including research tax credit) | 5,093 | 3,883 | *31.1%* |
| Allowances for depreciation of receivables | -114 | -529 | *-78.5%* |
| Reversals of depreciation of receivables | 263 | 1,016 | *-74.1%* |
| Bad debts | -19 | -1,034 | *-98.1%* |
| Net book value of disposed assets | -435 | -4,156 | *-89.5%* |
| Income from disposal of assets | 233 | 6,160 | *-96.2%* |
| Other operating income and expenses | -86 | -930 | *-90.8%* |
| **Other operating income and expenses** | **3,179** | **2,583** | ***23.1%*** |

Over the first semester of 2020, this item has recognized an increase in grants received or to be received after an update of the research tax credit for previous years.

The first semester of 2019 had been impacted by the gain on the sale of the administrative building of Fort Worth, as well as the disposal of company vehicles in the United States, which were converted to allowances paid to employees for the purchase of their company car.

## A24. Other non-current income and expenses

As of June 30, 2020, this item comprises of the following elements:

| in € thousand | 2020.06 |
|---|---|
| Impairment of Leishmaniosis vaccine's CGU | -4,786 |
| Costs related to the Sentinel® assets divestment operation | -594 |
| **Other non-current income and expenses** | **-5,380** |

Following the decision taken by the Group to end the production of its leishmaniosis vaccine, the residual assets related to this CGU have been entirely impaired. The impairment recognized in the accounts as other non-current income and expenses amounts to €4.8 million, related to a patent (in the amount of €1.5 million), industrial equipment (in the amount of €3.0 million), and stock of consumables (in the amount of €0.3 million).

The fees directly linked to the divestment operation of the Sentinel® assets in the United States have also been accounted for as other non-recurring income and expenses.

As a reminder, this item comprised of the following elements as of June 30, 2019:

| in € thousand | 2019.06 |
|---|---|
| Impairment of intangible assets held by BVT on Leishmaniosis vaccine | -9,653 |
| Cancellation of the debt on SBC shares | 222 |
| **Other non-current income and expenses** | **-9,431** |

## A25. Financial income and expenses

| in € thousand | 2020.06 | 2019.06 | *Change* |
|---|---|---|---|
| Gross cost of financial debt | -6,589 | -9,637 | *-31.6%* |
| Income from cash and cash equivalents | 996 | 923 | *7.9%* |
| **Net cost of financial debt** | **-5,593** | **-8,714** | ***-35.8%*** |
| Foreign exchange gains and losses | -6,960 | 1,350 | *-615.4%* |
| Changes in foreign currency derivatives and interest rate | 3,919 | -1,318 | *-397.4%* |
| Other income or expenses | -31 | -14 | *121.8%* |
| **Other financial income or expenses** | **-3,071** | **19** | ***-16650.4%*** |
| **Financial income and expenses** | **-8,663** | **-8,695** | ***-0.4%*** |

The financial result is generally stable compared to the first semester of 2019 (€8.7 million). The decrease by €3.0 million of the net cost of financial debt is neutralized by unfavourable exchange rate impacts.

The foreign exchange gains and losses are strongly impacted by the adverse currency trends of the Chilean peso in relation to the euro or American dollar and their effects not only on the revaluation of the loan contracted by Virbac SA (parent company) and granted to the Chilean subsidiary, but also on the revaluation of the Chilean subsidiary's debt in dollars. This deterioration is partly compensated by the impact of the revaluation of the hedging instruments, in accordance with IFRS 9.

## A26. Income tax

Pursuant to IAS 34, in the financial statements at June 30, 2020, the tax charge was determined by applying to the profit before tax for the period the average tax rate estimated for the year 2020.

### Non-current tax expense

In the first half of 2020, the line "Non-current tax expense" includes the tax income generated by the depreciation of the assets of the CGU Leishmaniosis vaccine.

## A27. Bridge from net result to net result from ordinary activities

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

- the line "Other non-current income and expenses" detailled into the note A24 ;
- 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.

The net profit from ordinary activities As of June 30, 2020 stands 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** | **478,308** | | | | | **478,308** |
| **Current operating profit before depreciation of assets arising from acquisitions** | **85,472** | | | | | **85,472** |
| Depreciation of intangible assets arising from acquisitions | -6,337 | | | | | -6,337 |
| **Operating profit from ordinary activites** | **79,135** | | | | | **79,135** |
| Other non-current income and expenses | -5,380 | 4,786 | | 594 | | -0 |
| **Operating result** | **73,755** | **4,786** | **-** | **594** | **-** | **79,135** |
| Financial income and expenses | -8,663 | | | | | -8,663 |
| **Profit before tax** | **65,092** | **4,786** | **-** | **594** | **-** | **70,471** |
| Income tax | -15,672 | -1,532 | | | - | -17,204 |
| Share from companies' result accounted for by the equity method | 303 | | | | | 303 |
| **Result for the period** | **49,722** | **3,253** | **-** | **594** | **-** | **53,570** |

For the record, the net profit from ordinary activities As of June 30, 2019 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 ordinatry activities** | **463,733** | | | | | **463,733** |
| **Current operating profit before depreciation of assets arising from acquisitions** | **66,917** | | | | | **66,917** |
| Depreciation of intangible assets arising from acquisitions | -7,522 | | | | | -7,522 |
| **Operating profit from ordinary acti** | **59,395** | | | | | **59,395** |
| Other non-current income and expenses | -9,431 | 9,653 | - | | -222 | - |
| **Operating result** | **49,964** | **9,653** | **-** | **-** | **-222** | **59,395** |
| Financial income and expenses | -8,695 | | | | | -8,695 |
| **Profit before tax** | **41,269** | **9,653** | **-** | **-** | **-222** | **50,700** |
| Income tax | -12,964 | -2,493 | - | | 148 | -15,309 |
| Share from companies' result accounted for by the equity method | 90 | | | | | 90 |
| **Result for the period** | **28,395** | **7,159** | **-** | **-222** | **148** | **35,481** |

## A28. Earnings per share

| | 2020.06 | 2019.06 |
|---|---|---|
| **Profit attributable to the owners of the parent company** | **€47,155,496** | **€26,434,849** |
| Total number of shares | 8,458,000 | 8,458,000 |
| Impact of dilutive instruments | - | - |
| Number of treasury shares | 22,391 | 30,894 |
| Outstanding shares | 8,435,609 | 8,427,106 |
| **Profit attributable to the owners of the parent company, per share** | **€5.59** | **€3.14** |
| **Profit attributable to the owners of the parent company, diluted per share** | **€5.59** | **€3.14** |

### Treasury shares

Virbac holds treasury shares intended to supply plans to award performance shares, as well as the market-making contract. The amount of these shares is recorded as a reduction of equity.

As of June 30, 2020, the number of shares held by the Group amounted to 22,391 (against 30,894 shares As of June 30, 2019) for a total of €3,282 thousand.

## A29. Operating segments

In accordance with IFRS 8, the Group provides industry information as used internally by the executive board, the chief operating officer.
The level of the Group's segment information is the geographic sector. The breakdown by geographic area covers seven sectors, according to the place of establishment of Group 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 food producing 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 food producing animals (antibiotics, parasiticides, etc.);
- manufacturing procedures: the production chains are common to both segments and there is no significant difference in sources of supply;
- client type or category: the distinction is made between the ethical (veterinary) and OTC (Over the counter) sectors;
- internal organization: the management structures in the Virbac group 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 the Group's assets are located). The results for France include the Group's head office expenses and a substantial proportion of its research and development expenses.

Non-controlling interests mainly reflect the contribution from the Chilean entities (HSA group), in which Virbac holds a 51% interest.

As of June 30, 2020, no customer achieved more than 10% of revenue.

**As of June 30, 2020**

| in € thousand | France | Europe (excluding France) | Latin America | North America | Asia | Africa & Middle East | Pacific | Total |
|---|---|---|---|---|---|---|---|---|
| Revenue from ordinary activities | 74,382 | 121,055 | 78,614 | 77,118 | 73,290 | 12,417 | 41,432 | **478,308** |
| Current operating profit before depreciation of assets arising from acquisitions | 20,961 | 10,004 | 17,435 | 11,770 | 12,822 | 2,013 | 10,467 | **85,472** |
| Result attributable to the owners of the parent company | 11,203 | 7,260 | 7,159 | 2,342 | 10,862 | 1,361 | 6,969 | **47,155** |
| Non-controlling interests | 1 | - | 2,567 | -1 | - | - | - | **2,567** |
| **Group consolidated result** | **11,204** | **7,260** | **9,726** | **2,341** | **10,862** | **1,361** | **6,969** | **49,722** |

| in € thousand | France | Europe (excluding France) | Latin America | North America | Asia | Africa & Middle East | Pacific | Total |
|---|---|---|---|---|---|---|---|---|
| Assets by geographic area | 682,968 | 68,613 | 201,987 | 150,357 | 139,796 | 6,808 | 87,287 | **1,337,817** |
| Intangible investment | 2,832 | 109 | 22 | 280 | 40 | - | 1 | **3,283** |
| Tangible investment | 3,392 | 66 | 630 | 860 | 1,886 | 105 | 284 | **7,224** |

**As of June 30, 2019**

| in € thousand | France | Europe (excluding France) | Latin America | North America | Asia | Africa & Middle East | Pacific | Total |
|---|---|---|---|---|---|---|---|---|
| Revenue from ordinary activities | 66,863 | 117,847 | 78,166 | 72,895 | 73,176 | 13,270 | 41,517 | **463,733** |
| Current operating profit before depreciation of assets arising from acquisitions | 10,567 | 8,159 | 12,492 | 10,578 | 10,938 | 2,081 | 12,102 | **66,917** |
| Result attributable to the owners of the parent company | 1,384 | 5,645 | 4,105 | -796 | 6,946 | 1,379 | 7,772 | **26,435** |
| Non-controlling interests | 0 | - | 1,960 | - | - | - | - | **1,960** |
| **Group consolidated result** | **1,384** | **5,645** | **6,065** | **-796** | **6,946** | **1,379** | **7,772** | **28,395** |

| in € thousand | France | Europe (excluding France) | Latin America | North America | Asia | Africa & Middle East | Pacific | Total |
|---|---|---|---|---|---|---|---|---|
| Assets by geographic area | 675,185 | 53,717 | 228,029 | 154,851 | 123,209 | 8,299 | 81,733 | **1,325,022** |
| Intangible investment | 3,350 | 18 | 16 | 284 | 32 | - | 1 | **3,702** |
| Tangible investment | 3,451 | 122 | 2,433 | 1,116 | 685 | 30 | 474 | **8,312** |

## A30. Credit risk management

With respect to risks on trade receivables Covid-19 pandemic could generate, Virbac analyzed the indicators of impairment of accounts receivable, such as the split of gross accounts receivable according to their age, and the amount of doubtful receivables. The Group has not identified elements that would have shown a relevant increase in credit risk.

The following statements provide a breakdown of trade receivables by maturity.

**As of June 30, 2020**

| in € thousand | Receivables due | Receivables overdue for | | | | Impaired | Total |
|---|---|---|---|---|---|---|---|
| | | < 3 months | 3-6 months | 6-12 months | > 12 months | | |
| France | 28,311 | 277 | 152 | 224 | 60 | 463 | **29,486** |
| Europe (excluding France) | 23,705 | 1,988 | 33 | 90 | 388 | 1,538 | **27,742** |
| Latin America | 29,836 | 6,177 | 342 | 181 | 4 | 435 | **36,976** |
| North America | 191 | - | - | - | - | 0 | **191** |
| Asia | 10,237 | 1,053 | 651 | 78 | 23 | 164 | **12,207** |
| Pacific | 13,461 | 82 | 0 | - | - | 3 | **13,546** |
| Africa & Middle East | 3,342 | 135 | - | - | - | 2 | **3,479** |
| **Trade receivables** | **109,083** | **9,712** | **1,178** | **573** | **475** | **2,605** | **123,626** |

**As of December 31, 2019**

| in € thousand | Receivables due | Receivables overdue for | | | | Impaired | Total |
|---|---|---|---|---|---|---|---|
| | | < 3 months | 3-6 months | 6-12 months | > 12 months | | |
| France | 20,253 | 791 | 220 | - | - | 537 | **21,801** |
| Europe (excluding France) | 17,385 | 1,947 | 207 | 2 | - | 1,553 | **21,094** |
| Latin America | 23,270 | 6,315 | 21 | - | - | 584 | **30,189** |
| North America | 3,433 | - | - | - | - | 1 | **3,433** |
| Asia | 13,465 | 982 | 95 | 24 | 16 | 142 | **14,725** |
| Pacific | 7,627 | 88 | - | - | - | 1 | **7,716** |
| Africa & Middle East | 2,948 | 298 | - | - | - | 3 | **3,248** |
| **Trade receivables** | **88,380** | **10,422** | **543** | **27** | **16** | **2,822** | **102,208** |

## A31. Information on related parties

Transactions between the Group and related parties mainly concern:

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

In the first half of the year 2020, there is no other significant transaction concluded between the Group and a member of the management body or a shareholder exercising a significant influence on the company.

Throughout the first half of the year 2020, no performance-related stock grants were awarded.

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

Transactions between related parties are arm’s length operations. There is no major change in the nature of the transactions with related parties throughout the first half of the year 2020 compared to December 31, 2019.

## A32. Scope of consolidation

In the first half of the year, following changes in scope occured:

- merger of both Taiwanese entities, Virbac Taïwan Co. Ltd and SBC Virbac Biotech Limited,
- merger of both entities located in Hong-Kong, Virbac H.K. Trading Limited and SBC Virbac Limited,
- liquidation of the French entity Virbac Distribution, a dormant company, whose site was sold in 2018.

These changes in scope had no impact on the consolidated accounts.

| Company name | Locality | Country | 2020.06 | | 2019.12 | |
|---|---|---|---|---|---|---|
| | | | Control | Consolidation | Control | Consolidation |
| **France** | | | | | | |
| Virbac (parent company) | Carros | France | 100.00% | Full | 100.00% | Full |
| Interlab | Carros | France | 100.00% | Full | 100.00% | Full |
| Virbac France | Carros | France | 100.00% | Full | 100.00% | Full |
| Virbac Distribution | Wissous | France | - | TBD | 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 | Warsaw | Poland | 100.00% | Full | 100.00% | Full |
| Virbac Hungary Kft | Budapest | Hungary | 100.00% | Full | 100.00% | Full |
| Virbac Hellas SA | Agios Stefanos | Greece | 100.00% | Full | 100.00% | Full |
| Animedica SA | Agios Stefanos | Greece | 100.00% | Full | 100.00% | Full |
| Virbac España SA | Barcelona | Spain | 100.00% | Full | 100.00% | Full |
| Virbac Österreich GmbH | Vienna | Austria | 100.00% | Full | 100.00% | Full |
| Virbac de Portugal Laboratorios Lda | Almerim | Portugal | 100.00% | Full | 100.00% | Full |
| Virbac Hayvan Sağlığı Limited Şirketi | Istanbul | Turkey | 100.00% | Full | 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 |

[1] Pre-consolidated levels

| Company name | Locality | Country | 2020.06 | | 2019.12 | |
|---|---|---|---|---|---|---|
| | | | Control | Consolidation | Control | Consolidation |
| **Latin America** | | | | | | |
| Virbac do Brasil Industria e Comercio Ltda | São 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 | Guadalajara | Mexico | 100.00% | Full | 100.00% | Full |
| Virbac Colombia Ltda | Bogota | Colombia | 100.00% | Full | 100.00% | Full |
| Laboratorios Virbac Costa Rica SA | San José | Costa Rica | 100.00% | Full | 100.00% | Full |
| Virbac Chile SpA | Santiago | Chile | 100.00% | Full | 100.00% | Full |
| Virbac Patagonia Ltda | Santiago | Chile | 100.00% | Full | 100.00% | Full |
| Holding Salud Animal SA | Santiago | Chile | 51.00% | Full | 51.00% | Full |
| Centro Veterinario y Agricola Limitada | Santiago | Chile | 51.00% | Full | 51.00% | Full |
| Farquimica SpA | Santiago | Chile | 51.00% | Full | 51.00% | Full |
| Bioanimal Corp SpA | Santiago | Chile | 51.00% | Full | 51.00% | Full |
| Productos Quimicos Ehlinger | Santiago | Chile | 51.00% | Full | 51.00% | Full |
| Centrovet Inc | Allegheny | United States | 51.00% | Full | 51.00% | Full |
| Centrovet Argentina | Buenos Aires | Argentina | 51.00% | Full | 51.00% | Full |
| Inversiones HSA Ltda | Santiago | Chile | 51.00% | Full | 51.00% | Full |
| Rentista de capitales Takumi Ltda | Santiago | Chile | 51.00% | Full | 51.00% | Full |
| Virbac Uruguay SA | Montevideo | Uruguay | 99.17% | Full | 99.17% | Full |
| Virbac Latam Spa | Santiago | Chile | 100.00% | Full | 100.00% | Full |
| **Asia** | | | | | | |
| Virbac Trading (Shanghai) Co. Ltd | Shanghai | China | 100.00% | Full | 100.00% | Full |
| Virbac H.K. Trading Limited | Hong Kong | Hong Kong | 100.00% | Full | 100.00% | Full |
| Asia Pharma Ltd | Hong Kong | Hong Kong | 100.00% | Full | 100.00% | Full |
| Virbac Korea Co. Ltd | Seoul | South Korea | 100.00% | Full | 100.00% | Full |
| Virbac (Thailand) Co. Ltd | Bangkok | Thailand | 100.00% | Full | 100.00% | Full |
| Virbac Taiwan Co. Ltd | Taipei | Taiwan | - | TBD | 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 |
| SBC Virbac Limited | Hong Kong | Hong Kong | - | TBD | 100.00% | Full |
| SBC Virbac Biotech Limited | Taipei | Taiwan | 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 |
| **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 |
| GPM Virbac | Constantine | Algeria | 42.85% | Equity | 42.85% | Equity |

[1] Pre-consolidated levels

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

**Period from January 1 to June 30, 2020**

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

To the Shareholders of Virbac,

In compliance with the assignment entrusted to us by Annual General Meeting and in accordance with the requirements of article L. 451-1-2-III of the French monetary and financial code ("*code monétaire et financier*"), we hereby report to you on:
- the review of the accompanying condensed half-yearly consolidated financial statements of Virbac, for the period from January 1 to June 30, 2020;
- the verification of the information presented in the half-yearly management report.

These half-year condensed consolidated financial statements were prepared under the responsibility of Board of Directors on August 31, 2020 on the basis of the information available at that date in the evolving context of the crisis related to Covid-19 and of difficulties in assessing its impact and future prospects. Our role is to express a conclusion on these financial statements based on our review.

## CONCLUSION ON THE FINANCIAL STATEMENTS

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.
Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed half-yearly consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34, standard of the IFRS as adopted by the European Union applicable to interim financial information..

## SPECIFIC VERIFICATION

We have also verified the information presented in the half-yearly management report commenting the condensed half-yearly consolidated financial statements subject to our review prepared on September 10, 2020.
We have no matters to report as to its fair presentation and consistency with the condensed half-yearly condensed consolidated financial statements.

Nice and Marseille, September 15, 2020
The Statutory Auditors (*French original signed by*)

**Novances - David & Associés**
Laurent Gilles

**Deloitte & Associés**
Philippe Battisti

# Statement of responsibility for the half-yearly financial report

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

Carros, September 10, 2020

Sébastien Huron, chairman of the executive board