Consolidated accounts

CONSOLIDATED FINANCIAL STATEMENTS

Statement of financial position

in € thousand	Notes	2020	2019
Goodwill	**A1-A3**	134,762	312,882
Intangible assets	**A2-A3**	147,631	272,134
Tangible assets	**A4**	205,815	224,792
Right of use	**A5**	33,502	34,003
Other financial assets	**A6**	2,979	12,195
Share in companies accounted for by the equity method	**A7**	3,245	3,392
Deferred tax assets	**A8**	13,757	12,991
Non-current assets		**541,691**	**872,390**
Inventories and work in progress	**A9**	211,037	206,582
Trade receivables	**A10**	101,693	99,386
Other financial assets	**A6**	7,395	346
Other receivables	**A11**	67,755	50,899
Cash and cash equivalents	**A12**	181,890	93,656
Assets classified as held for sale	**A13**	—	—
Current assets		**569,770**	**450,869**
Assets		**1,111,461**	**1,323,259**
Share capital		10,573	10,573
Reserves attributable to the owners of the parent company		612,355	507,210
Equity attributable to the owners of the parent company	**A14**	**622,928**	**517,783**
Non-controlling interests	**A14**	34,250	34,096
Equity		**657,177**	**551,878**
Deferred tax liabilities	**A8**	30,337	34,658
Provisions for employee benefits	**A15**	22,126	20,294
Other provisions	**A16**	8,454	8,551
Lease liability	**A17**	26,803	26,090
Other financial liabilities	**A18**	51,684	306,869
Other payables	**A19**	3,191	2,427
Non-current liabilities		**142,595**	**398,889**
Other provisions	**A16**	1,021	1,055
Trade payables	**A20**	105,254	95,769
Lease liability	**A17**	7,968	8,573
Other financial liabilities	**A18**	32,021	120,556
Other payables	**A19**	165,425	146,538
Current liabilities		**311,689**	**372,492**
Liabilities		**1,111,461**	**1,323,259**

Income statement

in € thousand	Notes	2020	2019	*Variation*
Revenue from ordinary activities	**A21**	**934,198**	**938,342**	***-0.4%***
Purchases consumed	**A22**	-316,636	-314,805	
External costs	**A23**	-158,692	-173,037	
Personnel costs		-278,479	-280,819	
Taxes and duties		-13,287	-13,328	
Depreciations and provisions	**A24**	-40,249	-38,113	
Other operating income and expenses	**A25**	2,020	4,207	
Current operating profit before depreciation of assets arising from acquisitions[1]		**128,875**	**122,447**	***5.2%***
Depreciations of intangible assets arising from acquisitions	**A24**	-8,385	-15,048	
Operating profit from ordinary activities		**120,491**	**107,399**	***12.2%***
Other non-current income and expenses	**A26**	65,171	-9,429	
Operating result		**185,662**	**97,970**	***89.5%***
Financial income and expenses	**A27**	-10,425	-20,298	
Profit before tax		**175,237**	**77,672**	***125.6%***
Income tax	**A28**	-33,774	-23,438	
Including non-current tax expense		*-1,717*	*459*	
Share from companies' result accounted for by the equity method	**A7**	306	188	
Net result from ordinary activities[2]	**A29**	**78,314**	**63,391**	***23.5%***
Result for the period		**141,769**	**54,422**	***160.5%***
attributable to the owners of the parent company		137,465	51,550	*166.7%*
attributable to the non-controlling interests		4,304	2,872	*49.8%*
Profit attributable to the owners of the parent company, per share	**A30**	€16.29	€6,11	*166.5%*
Profit attributable to the owners of the parent company, diluted per share	**A30**	€16.29	€6,11	*166.5%*

[1] In order to provide a clearer picture of our economic performance, we isolate the impact of the allowance for depreciations of intangible assets resulting from acquisitions. This turned out to have a material effect considering the latest external growth that took place through acquisitions. Therefore, our income statement shows a current operating profit, before depreciation of assets arising from acquisitions (see note A24).

[2] Since 2017, we have disclosed a "Net profit from ordinary activities" which corresponds to the 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.

As of December 31, 2020, the line "Including non-current income tax", the amounts of which are presented in note A29, corresponds to:
- the tax saving on the impairment of assets intended for the manufacture of the leishmaniosis vaccine;
- the income tax expense resulting from the sale of the Sentinel® range by our subsidiary in the United States.

Comprehensive income statement

in € thousand	2020	2019	*Variation*
Result for the period	**141,769**	**54,422**	***160.5 %***
Conversion gains and losses	-34,287	5,489	
Effective portion of gains and losses on hedging instruments	1,832	-2,645	
Items subsequently reclassifiable to profit and loss	**-32,455**	**2,844**	***-1241.2 %***
Actuarial gains and losses	-1,984	-1,027	
Items not subsequently reclassifiable to profit and loss	**-1,984**	**-1,027**	***124.0 %***
Other items of comprehensive income (before tax)	**-34,439**	**1,817**	***-1995.4 %***
Tax on items subsequently reclassifiable to profit and loss	-627	840	
Tax on items not subsequently reclassifiable to profit and loss	517	326	
Comprehensive income	**107,220**	**57,405**	***86.8 %***
attributable to the owners of the parent company	103,360	56,605	*82.6 %*
attributable to the non-controlling interests	3,860	800	*382.5 %*

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	**56,605**	800	**57,404**
Equity as at 12/31/2019	**10,573**	**6,534**	**458,114**	**-8,986**	**51,550**	**517,783**	**34,095**	**551,878**
2019 allocation of net income	—	—	51,550	—	-51,550	**—**	—	**—**
Distribution of dividends	—	—	—	—	—	**—**	-3,706	**-3,706**
Treasury shares	—	—	911	—	—	**911**	—	**911**
Changes in scope	—	—	—	—	—	**—**	—	**—**
Other variations	—	—	874	—	—	**874**	—	**874**
Comprehensive income	—	—	-262	-33,843	137,465	**103,360**	3,860	**107,220**
Equity as at 12/31/2020	**10,573**	**6,534**	**511,187**	**-42,829**	**137,465**	**622,928**	**34,249**	**657,177**

Virbac's ordinary shareholders' meeting of June 22, 2020 decided that no dividends would be paid out with respect to the profit for the financial year 2019.
The “Other variations” item includes, during the financial year, a correction of error on the calculation of a deferred tax liability relating to intangible assets in our New Zealand subsidiary, for a total amount of €0.9 million.

Cash position statement

in € thousand	2020	2019
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	181,890	93,656
Bank overdraft	-2,306	-13,770
Accrued interests not yet matured	-18	-37
Closing net cash position	**179,567**	**79,849**
Impact of currency conversion adjustments	-8,828	261
Impact of changes in scope	—	—
Net change in cash position	**108,547**	**36,000**

Statement of change in cash position

in € thousand	Notes	2020	2019
Result for the period		**141,769**	**54,422**
Elimination of share from companies' profit accounted for by the equity method	**A7**	-306	-188
Elimination of depreciations and provisions	**A16-A24**	57,757	59,629
Elimination of deferred tax change	**A8**	-3,283	-4,711
Elimination of gains and losses on disposals	**A25-A26**	-73,010	-2,503
Other income and expenses with no cash impact		-253	-292
Cash flow		**122,674**	**106,357**
Effect of net change in inventories	**A9**	-22,090	-9,074
Effect of net change in trade receivables	**A10**	-7,626	2,460
Effect of net change in trade payables	**A20**	12,079	2,705
Effect of net change in other receivables and payables	**A11-A19**	7,161	13,460
Including income tax accrued for the period		*37,684*	*28,149*
Including income tax paid		*-30,187*	*-26,784*
Effect of change in working capital requirements		**-10,475**	**9,550**
Net financial interests paid	**A27**	8,697	15,702
Net cash flow generated by operating activities		**120,896**	**131,609**
Acquisitions of intangible assets	**A2-A20**	-8,513	-6,276
Acquisitions of tangible assets	**A4-A20**	-22,458	-16,717
Disposals of intangible and tangible assets	**A25**	363,825	7,304
Change in financial assets	**A6**	4,716	-437
Change in debts relative to acquisitions		—	—
Acquisitions of subsidiaries or activities		—	—
Disposals of subsidiaries or activities		—	—
Withholding tax on distributions		—	—
Dividends received	**A7**	—	—
Net cash flow allocated to investing activities		**337,570**	**-16,126**
Dividends paid to the owners of the parent company		—	—
Dividends paid to the non-controlling interests		-3,706	-3,740
Change in treasury shares		143	1,926
Increase/decrease of capital		—	—
Cash investments		-28	—
Debt issuance	**A18**	44,997	67,564
Repayments of debt	**A18**	-373,337	-120,292
Repayments of lease obligation	**A17**	-9,291	-9,239
Net financial interests paid	**A27**	-8,697	-15,702
Net cash flow from financing activities		**-349,920**	**-79,483**
Change in cash position		**108,547**	**36,000**

Since the entry into force of the IFRS 16 standard as from January 1, 2019, lease payments previously presented in the net cash flow generated by operating activities are now reported in net cash flow generated by financing activities (repayment of lease obligations and net financial interest disbursed - see notes A17 and A27).
The line "Elimination of gains and losses on disposals" includes €69,643,000 relating to the gain on the sale of the rights to the Sentinel® range brands. The selling price is reflected on the "Disposals of intangible and tangible assets" line for €363,330,000.

NOTES TO THE CONSOLIDATED ACCOUNTS

General information note

Virbac is an independent, global pharmaceutical laboratory exclusively dedicated to animal health which markets a full range of products designed for companion animals and food producing animals.
The Virbac share is listed on the Paris stock exchange in section A of the Euronext.
Virbac is a public limited company governed by French law, whose governance evolved in December 2020 from an organization with an executive board and a supervisory board to an organization incorporating a general management (which relies on a Group executive committee) and a board of directors. Its trading name is "Virbac". The company was established in 1968 in Carros.
After the joint ordinary and extraordinary shareholders' meeting held on June 17, 2014, which adopted the resolution on reviewing the by-laws, the company's lifetime was extended to 99 years, i.e. until June 17, 2113.
The head office is located at 1ère avenue 2065m LID, 06516 Carros. The company is registered in the Grasse Trade and companies register under the number 417350311 RCS Grasse.
Our consolidated accounts for the 2020 financial year were approved by the board of directors on March 16, 2021. They will be submitted for approval to the shareholders' general meeting on June 21, 2021, which has the power to have the statements amended.
The explanatory notes below are an integral part of these consolidated accounts.

Significant events over the period

Activity maintained in the face of the Covid-19 crisis

In March, as the Covid-19 pandemic hit the world hard, strict health measures were deployed in all our subsidiaries. Our IT teams have mobilized in conjunction with all the Virbac stakeholders to facilitate the new cooperation methods brought about by widespread teleworking. Externally, suppliers, partners, and external research & development centers have been hard at work to maintain our innovation, production, and delivery activities.
All of this, coupled with the combativeness, solidarity, and resilience of our teams as a whole, has made it possible to meet the challenges related to the safety of our employees and the maintenance of our essential business for animals and public health. In 2020, we have seen significant reductions in spending, whether voluntary or incurred, as a direct result of the health situation. These reductions in operating costs are essentially related to commercial and travel expenses, which, though difficult to accurately assess, are valued at around €15 million. In some countries, we have also benefited from government support measures for companies, but their amount is deemed to be insignificant at the Group level.

Transfer of Sentinel® trademarks to MSD Animal Health

Under an agreement signed in May 2020, in July we transferred to MSD Animal Health a set of rights for the United States to the Sentinel® Flavor Tabs® and Sentinel® Spectrum® parasiticide solutions, for US $410 million.
The terms of the agreement concerned the sale, in the United States, of trademarks, marketing authorizations, patents, know-how and other assets, relating to two parasiticide products for dogs: Sentinel® Flavor Tabs® and Sentinel® Spectrum®. As part of this transaction, we are keeping our business structure virtually unchanged and will continue to manufacture Sentinel® Spectrum® at our Bridgeton, Missouri, site for the next ten years on behalf of MSD Animal Health.
In the United States, Sentinel® Flavor Tabs® and Sentinel® Spectrum® generated sales for approximately US $70 million in 2019. At the time of the acquisition in 2015, we anticipated significant synergies on the historical ranges through access to new major veterinarian clinics and the doubling of the sales force. These expected synergies did not materialize due to the temporary shutdown of the Bridgeton manufacturing site, while the number of brands in the parasiticide market segment has continued to grow in recent years. The sale of these brands was for us an opportunity for significant debt relief. In the United States, it also allows us to refocus on our existing portfolio of products offered to veterinarian clinics and animal owners, and to maximize our growth potential, either organically through future launches or through acquisitions.

Significant debt relief

In 2020, the sale of the Sentinel® brands in the United States enabled us to repay most of our liabilities and to have a positive net cash position. Lines of credit drawn in US dollars were repaid, and the majority of our funding, maturing in 2022 for the most part, was retained to cover potential working capital requirements, external growth operations or other projects.

Temporary shutdown of the global production site for cat and dog vaccines

In April, following an underground pipeline rupture, we stopped manufacturing at the Carros site for two months. During this period, our teams conducted investigations and corrective actions, including major work on the effluent evacuation network.
This total discontinuation of manufacturing resulted in disruptions in the supply of vaccines worldwide, expirations on suspensions of biological active ingredients, and a decrease in turnover, the exact amount of which is difficult to assess given the disruptions in demand in the context of Covid-19. However, we observe a €12 million drop in our revenue from dog and cat vaccines in 2020, excluding CaniLeish. The losses induced were partly borne by our insurer and as such, we recognized in our 2020 accounts an insurance indemnity income in the amount of €3.6 million, as coverage for operating losses.

Furthermore, the inspection of underground networks at all production sites started in 2020 and will continue in 2021.

Decision to end the production of the leishmaniosis vaccine

Following the arrival in 2016 of a new market player, offering a simplified injection process compared to that marketed by Virbac, we have been led to scale down our business plans and to recognize the impairment of the Leishmaniosis vaccine cash-generating unit (CGU) in our accounts.
Given the level of sales, which has decreased sharply in recent years, and faced with technical difficulties encountered in the manufacturing phases, we made the decision in June to end the production of our leishmaniosis vaccine.
In accordance with IAS 36, the residual assets relating to this CGU were totally impaired. The impairment was recognized in the accounts in other non-current income and expenses for an amount of €4.5 million. Due to the non-materiality of this line of business, we have not applied the discontinued activity criterion within the meaning of IFRS 5.

Digital transformation

In January, we started the Odyssey program with a view to deploying in 2022 in France and the United States a new ERP (Enterprise Resource Planning) solution, a collaborative purchasing platform and two expert solutions to cover manufacturing processes (MES - Manufacturing Execution System) and quality control (Lims - Laboratory Information Management System).
With Odyssey, we are accelerating the transformation of our industrial operations at technological and organizational levels to ensure the company’s performance, agility and sustainability.

New governance

In December, our governance evolved from an organization with an executive board and a supervisory board to an organization with a general management (supported by a Group executive committee) and a board of directors, which is the most common form of governance for listed French companies.
This change will strengthen the continuity and sustainability of our operational governance through greater diversity and better distribution of roles and responsibilities, made all the more necessary as Virbac grows and develops around the world.

Significant events after the closing date

Virbac takes over assets from Elanco

As a result of the commitments made by Elanco to the European Commission in connection with the acquisition of Bayer’s animal health division, Virbac obtained in February 2021 the rights to certain early stage projects related to the development of parasiticide products from Elanco. In addition, Virbac has also obtained a contribution to the development costs, as well as the worldwide rights to two companion animals products (Itrafungol and Clomicalm) with full-year sales of around €11 million. These asset transfers should have a limited impact on our Ebita and do not lead us to change our guidance for the year 2021.

Brexit as of January 1, 2021

The company conducted an analysis of its situation with regard to Brexit and did not identify any significant financial consequences in this respect. It should be noted that this event had been anticipated by the teams, and operations had been organized accordingly.

Covid-19 health crisis

The health crisis could have an impact on our activities in 2021, depending on its duration, geographical expansion and the resulting economic and social consequences. As mentioned in the significant events over the period, we have implemented a body of measures and daily management in order to prevent and limit potential impacts (crisis management system, supply chain and stock management policies, readjustment of the targets of our safety stocks, business continuity plans of industrial sites, sourcing diversification policies and strengthening relationships with our strategic suppliers, etc.). In addition, our global presence in terms of geographic areas, product categories and distribution channels, the very strong responsiveness and adaptability of our teams through our organizational model, as well as the robustness of our financial situation are assets that will enable us to face the financial consequences of this crisis. However, we remain vigilant to developments in the situation in the coming months, and are mobilized to address them.

Accounting principles and methods

Compliance and basis for preparing the consolidated financial statements

In accordance with regulation No. 1606/2002 of the European Parliament and of the Council of July 19, 2002 on the application of international accounting standards, we present our consolidated financial statements using the international accounting standard. This standard encompasses the IFRS (International financial reporting standards), the IAS (International accounting standards), as well as applicable interpretations by the SIC

(Standards interpretations committee) and the IFRIC (International financial reporting interpretations committee) as required as at December 31, 2020.

Our consolidated financial statements as of December 31, 2020 were drawn up in accordance with the standard published by the IASB (International accounting standards board) and the standard adopted by the European Union as of December 31, 2020. The IFRS standard adopted by the European Union as at December 31, 2020 is available under the heading "IAS/IFRS interpretations and standards", on the following website:
http://ec.europa.eu/finance/company-reporting/standards-interpretations/index.
The consolidated financial statements were drawn up in accordance with the IFRS general principles: true and fair view, business continuity, accrual basis accounting, consistency of presentation, materiality and consolidation.

New standards and interpretations

Mandatory standards and interpretations as at January 1, 2020
For the presentation of the consolidated accounts for the 2020 financial year, we have applied all standards and interpretations in force Europe-wide and applicable to financial years beginning on or after January 1, 2020. These standards and interpretations are presented below.

- **Amendment to IAS 1 and IAS 8. Definition of materiality**

This amendment specifies that information is of a significant nature if one can reasonably expect that its omission, inaccuracy or obscurity influences the decisions made by the main users of the financial statements.

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

This amendment specifies the definition of an activity by proposing a two-step analysis approach and aiming to limit the diversity of practices relating to the notion of activity.

- **IAS 39 - IFRS 7 - IFRS 9. Interest rate benchmark reform (Phase 1)**

These texts provide measures to provide relief on the criteria for applying hedge accounting in order to allow entities to maintain their hedging relationships during the transition period to the new rates.

- **Amendment to IFRS 16**

This amendment relates to rent concessions in the context of the Covid-19 pandemic.

- **Amendment to IFRS standards to update references to the IFRS conceptual framework**

This alignment with the new conceptual framework published in 2018 concerns the 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 new texts have had no impact on our 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 IFRS IC respectively, but were still not adopted by the EU.

- **IAS 39 - IFRS 7 - IFRS 9 Interest rate benchmark reform (Phase 2)**
- **Amendment to IFRS 4 "Insurance contracts"**
- **Amendment to IAS 37**
- **Amendment to IFRS 3 - Update of the conceptual framework**
- **Annual IFRS improvements - 2018/2020 cycle**
- **Amendment to IAS 1 - Classification of current/non-current liabilities**

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

Consolidation rules applied

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

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

Pursuant to IFRS 11 "Partnerships", we classify partnerships as joint ventures. Depending on the partnerships, Virbac exercises:

- joint control over a partnership when decisions regarding the partnership's relevant activities require unanimous consent from Virbac and the other parties sharing control;
- significant influence over an associated company when it has the power to participate in financial and operational decisions, albeit without having the power to control or exercise joint control over these policies.

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

The consolidated financial statements as at December 31, 2020 include the financial statements of the companies that Virbac controls indirectly or directly, in law or in fact. The list of consolidated companies is provided in note A40.
All transactions between Group companies, as well as inter-company profits, are eliminated from the consolidated accounts.

Foreign exchange conversion methods

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

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

- **Conversion of foreign company accounts**

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

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

Accounting principles applied

Goodwill

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

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

The future cash flows used for the impairment tests are calculated based on estimates (business plans) over a five-year horizon.
All of the business plans are validated by the subsidiaries' general management, as well as by the Group's Finance Affairs Department. The executive board (board of directors since December 15, 2020) formally validates the business plans and main assumptions of impairment tests of the most significant CGUs.
For cash flow forecasts, the perpetual growth rates used, which depend on products and market growth expectations, and the discount rates based on the weighted average cost of capital after tax method, are presented in note A3. The calculation of discount rates is regionalized, with the support of a valuation firm.
Valuations carried out during the goodwill impairment tests are sensitive to the assumptions used in regards not only to the selling price and future costs, but also to the discount and infinite growth rates. Sensitivity calculations for measuring our exposure to significant variations in these assumptions are performed.

Intangible assets
IAS 38 sets out the six criteria required to account for an intangible asset:
- technical feasibility needed to complete the development project;
- intent to complete the project;
- ability to use this intangible asset;
- demonstration of the likelihood the asset will generate future economic benefits;
- availability of technical, financial and other resources in order to complete the project, and
- reliable valuation of the development expenditures.

■ **Internal development costs**

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

■ **Research and development projects acquired separately**

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

The amount of the intangible assets is reduced by any accumulated depreciation and, if applicable, accumulated impairment losses.
The intangible assets with finite useful lives are subject to a linear depreciation, from which time the asset is ready to be used:
- concessions, patents, licenses and marketing authorizations (MA): amortized over their useful lives;
- standard software (office tools, etc.): amortized over a period of three or four years;
- ERP: amortized over a period of five to ten years.

Intangible assets with indefinite useful lives are reviewed annually, to ensure that their useful life has not become finite.
During the useful life of an intangible asset, it may seem that the estimation of its useful life has become inadequate. As required by IAS 38, the duration and method of depreciation of this asset are re-examined and if the expected useful life of the asset is different from previous estimations, the depreciation period is consequently modified.
In accordance with the provisions set forth in IAS 36 "Impairment of assets", the potential impairment loss of intangible assets is examined each year. In the case of assets with indefinite useful lives, the tests are carried out during the second half year, regardless of whether there is any indication of impairment, and consistently whenever events or new circumstances indicate an impairment loss for assets with defined useful lives.
For the purposes of these tests, we take into account the sales generated by the CGU. When carrying out intangible asset impairment tests, we take an approach based on estimated future cash position flows (estimate of value in use). The future cash flows used for the impairment tests are calculated based on estimates (business plans) over a five-year horizon. All of the business plans are validated by the subsidiaries' general management, as well as by the Group's Finance Affairs Department. The executive board (board of directors since December 15, 2020) formally validates the business plans and main assumptions of impairment tests of the most significant CGUs.
For cash flow forecasts, the perpetual growth rates used, which depend on products and market growth expectations, and the discount rates based on the weighted average cost of capital after tax method, are presented in note A3.
Valuations carried out during the goodwill impairment tests are sensitive to the assumptions used in regards not only to the selling price and future costs, but also to the discount and infinite growth rates. Sensitivity calculations for measuring our exposure to significant variations in these assumptions are performed.

Tangible assets
In accordance with IAS 16, tangible assets are valued at their historical acquisition cost, including acquisition fees, or at their initial manufacturing cost, plus, if applicable, the internal costs of staff directly contributing to the construction of an intangible asset.
In accordance with IAS 23 revised, loan costs are incorporated into the acquisition costs of eligible assets.
The amount of the tangible assets is reduced by any accumulated depreciation and, if applicable, accumulated impairment losses.
If applicable, assets are broken down by component, each component having its own specific depreciation period, in line with the depreciation period of similar assets.
Tangible assets are depreciated over their estimated useful lives, namely:
- buildings:
  - structure: 40 years;
  - components: ten to 20 years;
- materials and industrial equipment:
  - structure: 20 years;
  - components: five to ten years;
  - computer equipment: three or four years;
- other tangible assets: five to ten years.

Right of use
Our Group posts assets related to those leases falling within the scope of the IFRS 16 standard. We have chosen to isolate the rights of use on a dedicated balance sheet line. The rights of use are generally amortized over the residual term of the contracts or over a longer term in the event of likely renewal.

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

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

Other financial assets
The other financial assets posted in our accounts include mainly loans, other fixed asset receivables and other operating receivables.
They are recognized and posted at the initial loan amount. A provision is recorded, if applicable, where there is a risk of non-recovery.

Other financial assets at fair value
All of our financial assets valued at fair value refer to observable data. The only financial assets that come under this category are hedging instruments and marketable securities.

Cash and cash equivalents
The cash position is made up of bank balances, securities and cash equivalents providing good liquidity.
The majority of these investments are UCITS and futures contracts with maturities under three months.
The bank accounts subject to restrictions (frozen accounts) are excluded from the cash flow and reclassified as other financial assets.

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

Conversion reserves
This item represents the conversion difference of net opening positions for foreign companies, arising from the differences between the conversion rate at the date of entry into the consolidation and the closing rate of the

period, and also other conversion differences recorded on the profit for the period arising from differences between the conversion rate of the income statement (average rate) and the closing rate for the period.

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

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

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

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

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

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

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

Retirement plans, severance pay and other post-employment benefits

- **Defined-contribution retirement plans**

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

- **Defined-benefit retirement plans**

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

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

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

Non-current assets held with a view to sale and abandoned activities
IFRS 5 states that an activity is considered abandoned when the classification criteria of an asset being held with a view to sale have been fulfilled, or when the Group ceases the activity. An asset is classified as held for sale if its carrying amount will be mainly recovered through sale rather than through continued use.
As at December 31, 2020, no asset was classified as held for sale.

Revenue from ordinary activities

Pursuant to IFRS 15, recognition of income takes into account notions of performance obligations and transfer of control. When it comes to accounting for product sales, the transfer of risks and rewards is an indicator of transfer of control, even if this is not always the key criterion.

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

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

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

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

Personnel costs

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

They also include optional and compulsory profit-sharing.

Taxes and duties

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

Operating profit

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

Operating expenses include:

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

Operating items also include tax credits that may be characterized as public subsidies and that meet the IAS 20 criteria (applies primarily to the research tax credit).

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

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

- **Operating profit from ordinary activities**

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

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

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

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

- restructuring costs linked to plans of a significant size;
- impairment of assets of a considerable size;
- the effect of revaluing inventories acquired as part of a business combination at fair value;
- the profits of disposals of assets of significant value;
- and any revaluation of the interest previously held, in the event of a change in control.

Net result from ordinary activities

Net profit from ordinary activities 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.

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

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

Main sources of uncertainty relating to estimations
The drawing up of our consolidated financial statements in accordance with international accounting standards implies that we make a number of estimates and assumptions believed to be realistic and reasonable.
Certain facts and circumstances could lead to changes in estimates and assumptions, which could affect the value of assets, liabilities, equity and Group income.

Acquisition prices
Some acquisition contracts relating to business combinations or the purchase of intangible assets, include a clause likely to change the price of the acquisition, depending on the objectives associated with financial income, the obtaining of marketing authorization, or results of efficacy testing.
In this case, we estimate the acquisition price at the close of the fiscal year, based on the most realistic assumptions as regards for achieving these objectives.

Goodwill and other intangible assets
We own intangible assets that were purchased or acquired through business combinations, in addition to the resulting goodwill. As indicated in the section "Accounting policies applied", we perform at least an annual impairment test of goodwill, intangible assets in progress and assets with an indefinite life, based on an assessment of future cash position flows incremented by a terminal value. Valuations carried out during the goodwill impairment tests are sensitive to the assumptions used in regards not only to the selling price and future costs, but also to the discount and infinite growth rates. Sensitivity calculations for measuring our exposure to significant variations in these assumptions are performed.
In the future, we may have to depreciate these goodwill items and other intangible assets in the event of a deterioration in the outlook for the return of these assets, based on the result of the impairment tests of one of these assets.
As of December 31, 2020, the net total goodwill was €134,762,000 and the value of the intangible assets was €147,631,000.

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

Provisions for pension schemes and other post-employment benefits
As indicated in note A15, the Group has established retirement plans as well as other post-employment benefits.
The corresponding commitments were calculated using actuarial methods that take account of assumptions such as the benchmark salary for scheme beneficiaries and the likelihood of the persons in question being able to benefit from the scheme, and the discount rate. These assumptions are updated at each year-end. Actuarial differences are immediately recognized in the other items of the comprehensive income.
The net amount of commitment relating to employee benefits was €22,126,000 as at December 31, 2020.

Other provisions
The other provisions deal essentially with miscellaneous commercial and social liabilities and disputes.
No provisions are established if the company deems that the liabilities are contingent (as defined by IAS 37).
As at December 31, 2020, the amount of other provisions was €9,475,000.

Uncertainty surrounding tax treatment
IFRIC 23 requires the valuation and recognition of tax liabilities and tax assets in the balance sheet on the basis of uncertain tax positions. The standard creates a 100% risk of detection and introduces the following methods: the most likely amount or mathematical expectation corresponding to the weighted average of the various assumptions. The analysis conducted by the Group led to the recognition of a tax liability of €0.6 million in the accounts as of December 31, 2020 in addition to the tax risks, for which a provision was previously made by the Group pursuant to IAS 37 and IAS 12 and re-evaluated as of December 31, 2020.

A1. Goodwill

Change in goodwill by CGU

in € thousand	Gross value as at 12/31/2019	Impairment value as at 12/31/2019	Book value as at 12/31/2019	Increases	Sales	Impair-ment	Conversion gains and losses	Book value as at 12/31/2020
United States	229,306	-3,650	**225,655**	—	-169,644	—	-5,364	**50,647**
Chile	27,891	—	**27,891**	—	—	—	-772	**27,119**
New Zealand	15,250	-154	**15,096**	—	—	—	-291	**14,805**
India	14,215	—	**14,215**	—	—	—	-1,410	**12,805**
SBC	7,548	—	**7,548**	—	—	—	-480	**7,068**
Denmark	4,643	—	**4,643**	—	—	—	—	**4,643**
Uruguay	4,235	—	**4,235**	—	—	—	-358	**3,877**
Peptech	3,427	—	**3,427**	—	—	—	—	**3,427**
Australia	3,242	-312	**2,930**	—	—	—	32	**2,962**
Italy	1,585	—	**1,585**	—	—	—	—	**1,585**
Colombia	1,744	—	**1,744**	—	—	—	-163	**1,581**
Greece	1,358	—	**1,358**	—	—	—	—	**1,358**
Leishmaniosis vaccine	5,421	-5,421	**—**	—	—	—	—	**—**
Other CGUs	4,277	-1,722	**2,555**	395	—	—	-66	**2,884**
Goodwill	**324,142**	**-11,259**	**312,882**	**395**	**-169,644**	**—**	**-8,871**	**134,762**

The change in this item is mainly related to the sale of the US rights on the Sentinel® brands to MSD Animal Health.

A2. Intangible assets

Changes in intangible assets

in € thousand	Concessions, patents, licenses and brands		Other intangible assets	Intangible assets inprogress	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	157	1,706	2,252	6,363	**10,478**
Disposals and other decreases	-45,264	-123,223	-959	-506	**-169,952**
Changes in scope	—	—	—	—	**—**
Transfers	—	1,177	1,605	-2,782	**—**
Conversion gains and losses	-5,451	-3,361	-866	-764	**-10,442**
Gross value as at 12/31/2020	**110,325**	**107,306**	**67,552**	**13,872**	**299,056**
Depreciation as at 12/31/2019	**-15,976**	**-127,542**	**-53,053**	**-266**	**-196,838**
Depreciation expense	—	-9,601	-4,243	—	**-13,844**
Impairment losses (net of reversals)	—	-1,382	—	-500	**-1,882**
Disposals and other decreases	—	57,696	750	—	**58,446**
Changes in scope	—	—	—	—	**—**
Transfers	—	—	—	—	**—**
Conversion gains and losses	—	2,115	545	33	**2,693**
Depreciation as at 12/31/2020	**-15,976**	**-78,715**	**-56,000**	**-733**	**-151,425**
Net value as at 12/31/2019	**144,906**	**103,466**	**12,468**	**11,295**	**272,134**
Net value as at 12/31/2020	**94,349**	**28,591**	**11,552**	**13,139**	**147,631**

The other intangible assets relate essentially to IT projects, in several Group subsidiaries. They all have defined useful lives. The €8.6 million increase in the items "Other intangible assets" and "Intangible assets in progress" is primarily due to investments in IT projects carried out by Virbac (parent company) and in the United States.
The "Transfers" line indicates the commissioning of these projects.

Concessions, patents, licenses and brands

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

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

It consists primarily of intangible assets arising from acquisitions, which are 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 comes from the disposal of intangible assets relating to the Sentinel® products, for a net value of €109.9 million.
The net impairment recorded in the amount of €1.4 million on assets with an indefinite lifespan essentially relates to a patent of the CGU Leishmaniosis vaccine, following the decision to end the production of this vaccine.

As at December 31, 2020

in € thousand	Acquisition date	Brands	Patents and know-how	Marketing authorizations and registration rights	Customers lists and others	Total
United States: Sentinel	2015	—	—	—	—	**—**
SBC	2015	—	3,511	2,023	—	**5,533**
Uruguay: Santa Elena	2013	3,195	8,463	—	—	**11,657**
Australia: Axon	2013	906	959	—	—	**1,865**
Australia: Fort Dodge	2010	1,522	452	—	—	**1,974**
New Zealand	2012	3,121	694	—	1,890	**5,706**
Centrovet	2012	18,437	30,400	—	5,590	**54,426**
Multimin	2011-2012	3,191	3,798	—	—	**6,990**
Peptech	2011	974	—	—	—	**974**
Colombia: Synthesis	2011	1,479	—	466	—	**1,946**
Schering-Plough Europe	2008	4,879	—	2,383	—	**7,262**
India: GSK	2006	10,047	—	—	—	**10,047**
Leishmaniosis vaccine	2003	—	—	—	—	**—**
Others		6,119	2,169	4,683	1,590	**14,560**
Total intangible assets		**53,870**	**50,446**	**9,555**	**9,070**	**122,940**

As at December 31, 2019

in € thousand	Acquisition date	Brands	Patents and know-how	Marketing authorizations and registration rights	Customers lists and others	Total
United States: Sentinel	2015	44,597	20,509	39,834	9,525	**114,464**
SBC	2015	—	3,863	2,079	—	**5,942**
Uruguay: Santa Elena	2013	3,490	9,388	—	—	**12,877**
Australia: Axon	2013	900	1,076	—	—	**1,977**
Australia: Fort Dodge	2010	1,512	450	—	—	**1,962**
New Zealand	2012	3,183	769	—	2,287	**6,239**
Centrovet	2012	18,961	32,306	—	6,918	**58,186**
Multimin	2011-2012	3,314	4,437	—	—	**7,751**
Peptech	2011	968	—	—	—	**968**
Colombia: Synthesis	2011	1,681	—	634	—	**2,315**
Schering-Plough Europe	2008	4,879	62	3,337	—	**8,278**
India: GSK	2006	11,234	—	—	—	**11,234**
Leishmaniosis vaccine	2003	—	1,568	—	—	**1,568**
Others	0	7,015	2,254	4,299	1,043	**14,610**
Total intangible assets		**101,734**	**76,682**	**50,183**	**19,773**	**248,372**

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.

As at December 31, 2020

in € thousand	Intangible assets with indefinite life	Intangible assets with finite life	Total
Brands	53,870	—	**53,870**
Patents and know-how	38,145	12,300	**50,446**
Marketing authorizations and registration rights	2,241	7,314	**9,555**
Customers lists and others	93	8,977	**9,070**
Total intangible assets	**94,348**	**28,593**	**122,940**

As at December 31, 2019

in € thousand	Intangible assets with indefinite life	Intangible assets with finite life	Total
Brands	101,734	—	**101,734**
Patents and know-how	39,911	36,771	**76,682**
Marketing authorizations and registration rights	3,206	46,977	**50,183**
Customers lists and others	56	19,717	**19,773**
Total intangible assets	**144,906**	**103,466**	**248,372**

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

A3. Impairment of assets

At end of the 2020 financial year, we have conducted intangible asset impairment tests. These involve comparing their net carrying amount, including acquisition goodwill, to the recoverable amount of each cash-generating unit.

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

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

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

Future cash flows are flows net of tax and are valued based on cash flow forecasts consistent with the budget and the latest mid-term estimates (business plans).
All of the business plans are validated by our subsidiaries' general management as well as by the Financial Affairs department. The executive board (board of directors since December 15, 2020) formally validates the business plans and main assumptions of impairment tests of the most significant CGUs.
Beyond the finite horizon for forecasting future cash flows set at five years for all the CGUs (the CGU in the United States was also limited to five years this year following the disposal of the Sentinel® ranges), an infinite growth rate is applied to the terminal value.
We have considered a zero infinite growth rate for MA and patents. The infinite growth rate was calculated at 2% for companies based in mature markets such as Europe, North America, Japan and Australia, at 3% for Chile and at 5% for emerging markets such as India.
The discount rates used for these calculations are based on the average weighted cost of the Group's capital. These discount rates are post-tax rates applied to post-tax cash flows.
Since 2019, the calculation of discount rates is performed with the support of a valuation firm.

For the 2020 financial year, the discount rates used are the following:
- 8.4% for the United States;
- 8.3% for Europe;
- 9.5% for Chile and 9.3% for the rest of Latin America;
- 9.7% for India and 8.5% for the rest of Asia;
- 7.9% for Oceania and South Africa.

Following the decision in June to end the production of its Leishmaniosis vaccine, the residual assets related to this CGU were totally impaired. The impairment recognized in the accounts in other non-current income and expenses amounts to €4.5 million, relating to a patent (€1.5 million), industrial equipment (€2.6 million) and consumable inventories (€0.3 million).

Sensitivity tests

We have also performed sensitivity analyses on key utility value assumptions for all of the tested CGUs. Changes in assumptions are as follows:

- increase of 2.0 points in the discount rate;
- decrease of 2.0 points in the infinite growth rate.

These two variations in key assumptions would not result in any impairment of the assets tested.
The three CGUs most sensitive to these sensitivity analyses are Chile, SBC and the United States.

Furthermore, for the five most significant CGUs, namely the United States, Chile, India, New Zealand and Australia (representing 77% of the gross value of intangible assets and goodwill as of December 31, 2020), we have carried out sensitivity tests on a variation in the Ebit ratio after tax on revenue and consisting in varying this ratio by more or less 2 percent and more or less 4 percent compared to the basic scenario, coupled with the changes in discount rate and the infinite growth rate mentioned above. Assuming a drop of 4.0 percent in this ratio and a higher discount rate of at least 2.0 points, the Chile CGU should be impaired by €11.4 million.

Moreover, we also conduct additional sensitivity analyses based on the break-even point for all of the tested CGUs. The "break-even point" refers to the discount rate, combined with a zero perpetual growth rate, on the basis of which Virbac would have to record an impairment.

For the major CGU's, the results of the break-even point are presented below.

in € thousand	Net book value of CGU as at 12/31/2020	Discount rate, combined into a zero perpetual growth rate, from which impairment is established
Chile	141,352	10.3%
Unites States	124,408	14.1%
India	41,909	57.8%
Australia	35,403	34.4%
New Zealand	29,056	18.1%
Uruguay	27,911	20.6%
SBC	22,431	13.5%
Antigenics	14,109	62.4%
Multimin	9,629	84.2%
Schering-Plough Europe	8,483	32.1%
Peptech	7,804	176.3%
Denmark	8,062	63.3%
Leishmaniosis vaccine[1]	—	

[1] Following the decision to end the production of the vaccine, the assets of this CGU are totally impaired as of December 31, 2020.

A4. Tangible assets

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

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

in € thousand	Lands	Buildings	Technical facilities, materials and equipment	Other tangible assets	Tangible assets in progress	Tangible assets
Gross value as at 12/31/2019	**18,443**	**189,068**	**214,390**	**28,429**	**12,475**	**462,804**
Acquisitions and other increases	—	3,148	6,199	1,572	12,233	**23,153**
Disposals and other decreases	—	-676	-8,626	-1,355	-190	**-10,847**
Changes in scope	—	—	—	—	—	**—**
Transfers	—	1,146	3,501	376	-5,130	**-106**
Conversion gains and losses	-687	-4,584	-6,286	-1,392	-557	**-13,506**
Gross value as at 12/31/2020	**17,756**	**188,103**	**209,177**	**27,631**	**18,832**	**461,498**
Depreciation as at 12/31/2019	**—**	**-96,485**	**-121,260**	**-20,267**	—	**-238,012**
Depreciation expense	—	-8,586	-12,935	-2,379	—	**-23,900**
Impairment losses (net of reversals)	—	—	-7,574	—	—	**-7,574**
Disposals and other decreases	—	532	7,128	1,261	—	**8,921**
Changes in scope	—	—	—	—	—	**—**
Transfers	—	27	—	13	—	**40**
Conversion gains and losses	—	1,272	2,680	890	—	**4,842**
Depreciation as at 12/31/2020	**—**	**-103,239**	**-131,961**	**-20,482**	**—**	**-255,682**
Net value as at 12/31/2019	**18,443**	**92,583**	**93,129**	**8,162**	**12,475**	**224,792**
Net value as at 12/31/2020	**17,756**	**84,863**	**77,216**	**7,148**	**18,832**	**205,815**

We have made investments of €23.2 million to strengthen our IT infrastructure, as part of our new IT projects such as our future ERP, a new HRIS tool, but also to renew industrial facilities in France, the United States and develop new R&D laboratories in the aquaculture sector in Taiwan and Vietnam.

Net impairment of €7.6 million included €5.4 million of impairment in the United States on the manufacturing assets of Sentinel® Flavor Tabs®, located at our former CMO (Contract manufacturing organization) facility, and €2.6 million of impairment losses on the industrial equipment of the Leishmaniosis vaccine CGU.

The line "Disposals and other decreases", with a net value of € 1.9 million, mainly concerns the scrapping of obsolete industrial equipment in France and the United States.

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

A5. Right of use

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

Changes in the right of use during 2020 are analyzed as follows:

in € thousand	Right of use
Gross value as at 12/31/2019	**43,891**
Increases	11,458
Decreases	-3,438
Changes in scope	—
Transfers	-28
Conversion gains and losses	-1,961
Gross value as at 12/31/2020	**49,923**
Depreciation as at 12/31/2019	**-9,888**
Allowances	-10,035
Impairment losses (net of reversals)	—
Termination of contracts	2,868
Changes in scope	—
Transfers	77
Conversion gains and losses	557
Depreciation as at 12/31/2020	**-16,421**
Net value as at 12/31/2019	**34,003**
Net value as at 12/31/2020	**33,502**

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

in € thousand	Lands and buildings	Technical facilities, materials and equipment	Transportation equipment	Hardware /software	Office equipment and others	Total
Gross value as at 12/31/2019	**27,883**	**2,431**	**10,471**	**2,465**	**640**	**43,891**
Increases	5,116	1,018	4,036	1,118	171	**11,458**
Decreases	-862	-111	-1,931	-423	-111	**-3,438**
Changes in scope	—	—	—	—	—	**—**
Transfers	—	—	-28	—	—	**-28**
Conversion gains and losses	-1,324	-55	-535	-18	-29	**-1,961**
Gross value as at 12/31/2020	**30,814**	**3,284**	**12,013**	**3,141**	**672**	**49,923**
Depreciation as at 12/31/2019	**-4,141**	**-578**	**-4,203**	**-658**	**-308**	**-9,888**
Allowances	-4,291	-738	-3,862	-919	-224	**-10,035**
Termination of contracts	477	151	1,756	406	78	**2,868**
Changes in scope	—	—	—	—	—	**—**
Transfers	-172	—	220	-1	31	**77**
Conversion gains and losses	293	19	225	10	11	**557**
Impairment as at 12/31/2020	**-7,834**	**-1,146**	**-5,865**	**-1,163**	**-413**	**-16,421**
Net value as at 12/31/2019	**23,743**	**1,853**	**6,268**	**1,806**	**332**	**34,003**
Net value as at 12/31/2020	**22,980**	**2,138**	**6,148**	**1,978**	**259**	**33,502**

Increases in use rights are related to new contracts signed during the period, or renewal options approved by our subsidiaries in 2020. Thus, the main increases for the financial year can be explained by the renewal options for two real estate contracts entered into by our Australian subsidiary, as well as by the contracts relating to the fleet of cars throughout the Group, due to new contracts or extensions made necessary in the event of late delivery of new vehicles.

Allowance for depreciations over the period amounted to €10.0 million.

Analysis of the residual rent liability

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

in € thousand	Residual rental costs
Variable rental costs	-316
Rental costs on short-term contracts	-795
Rental costs on assets of low value	-979
Residual rental costs	**-2,090**

A6. Other financial assets

Change in other financial assets

in € thousand	2019	Increases	Decreases	Transfers	Conversion gains and losses	2020
Loans and other financial receivables	**7,393**	303	-5,066	-6	-139	**2,484**
Currency and interest rate derivatives	**4,668**	—	-1	-4,666	—	**1**
Restricted cash	**89**	30	—	—	-7	**112**
Other	**46**	370	—	—	-34	**382**
Other financial assets, non-current	**12,195**	**703**	**-5,067**	**-4,672**	**-180**	**2,979**
Loans and other financial receivables	**4**	29	-34	6	—	**5**
Currency and interest rate derivatives	**342**	2,382	—	4,666	—	**7,390**
Restricted cash	**—**	—	—	—	—	**—**
Other	**—**	—	—	—	—	**—**
Other financial assets, current	**346**	**2,411**	**-34**	**4,672**	**—**	**7,395**
Other financial assets	**12,541**	**3,114**	**-5,101**	**—**	**-180**	**10,374**

The changes in the line "Loans and other non-current receivables" relate to holdbacks related to factoring contracts, which were repaid following the stand-by period for the programs in Australia (minus €1.6 million) and the United States (minus €3.3 million).

Exchange and rate derivative instruments were reclassified from non-current to current between 2019 and 2020 (at €4.7 million), taking into account the maturity of the cross-currency swap in CLP, at June 2021. The increase in the market value of this €1.6 million instrument between 2019 and 2020 is the result of the depreciation of the Chilean currency. The additional increase of €0.8 million in this item over 2020 is mainly due to hedges committed on more favorable levels than the closing prices.

Other financial assets classified according to their maturity

As at December 31, 2020

in € thousand	Payments			Total
	less than 1 year	from 1 to 5 years	more than 5 years	
Loans and other financial receivables	5	2,484	—	**2,489**
Currency and interest rate derivatives	7,390	1	—	**7,391**
Restricted cash	—	112	—	**112**
Other	—	—	382	**382**
Other financial assets	**7,396**	**2,597**	**382**	**10,374**

As at 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. Information about IFRS 12

Information about non-controlling interests

The information below concerns non-controlling interests in the company Holding Salud Animal (HSA) which are deemed to be significant with respect to the information required by IFRS 12. This group comprises the following entities:

- Holding Salud Animal SA;
- Centro Veterinario y Agricola Limitada;
- Farquimica SpA;
- Bioanimal Corp SpA;
- Productos Quimicos Ehlinger;
- Centrovet Inc.;
- Centrovet Argentina;
- Inversiones HSA Limitada; and
- Rentista de Capitales Takumi Limitada.

The share of non-controlling interests in the group stands at 49%. Equity allocated to non-controlled interests amounts to €34,015,000 including €4,273,000 as profit for the financial year.

The table below provides a summary of the financial position of the HSA sub-group as at December 31, 2020.

	in CLP thousand	in € thousand
Goodwill	23,563,558	27,119
Intangible assets	47,822,870	55,039
Tangible assets	19,075,819	21,954
Right of use	455,202	524
Non-current assets	**90,917,448**	**104,636**
Inventories and work in progress	16,704,913	19,226
Trade receivables	11,348,980	13,061
Other financial assets	2,437,423	2,805
Cash and cash equivalents	1,774,721	2,043
Current assets	**32,266,037**	**37,135**
Assets	**123,183,485**	**141,771**
Equity	**83,928,433**	**96,593**
Non-current financial liabilities	302,110	348
Other non-current liabilities	15,942,455	18,348
Non-current liabilities	**16,244,566**	**18,696**
Current financial liabilities	14,990,543	17,253
Other current liabilities	8,019,943	9,230
Current liabilities	**23,010,486**	**26,483**
Liabilities	**123,183,485**	**141,771**

The net increase in cash position during the financial year amounted to €756,000.
Dividends paid out by the HSA Group in 2020 totaled €7,564,000 (including €3,706,000 paid out to owners of non-controlling interests).

The table below provides a summarized income statement of the HSA sub-group for the 2020 financial year.

	in CLP thousand	in € thousand
Revenue from ordinary activities	**54,383,620**	**60,249**
Other operating income and expenses	-42,848,858	-47,470
Operating result	**11,534,761**	**12,779**
Financial result	-777,301	-861
Profit before tax	**10,757,460**	**11,918**
Income tax	-2,845,339	-3,152
Result for the period	**7,912,122**	**8,765**

Information about equity-accounted companies

	Company's individual accounts using equity method				Consolidated financial statements	
in € thousand	Balance sheet total	Equity	Sales	Result	Share of equity	Share of result
AVF Animal Health Co Ltd	NA	NA	—	—	3,245	306
Share in companies accounted for by the equity method					**3,245**	**306**

During the financial year, we sold the shares of GPM Virbac in Algeria.
AVF Animal Health has also incorporated Shandong Weisheng Biotech Co., Ltd. in China, which it owns at 100%. However, as the impact of equity companies is not considered material to our financial statements, the information required by IFRS 12 is limited to the above items.

A8. Deferred taxes

In accordance with the IAS 12 standard, which allows under certain conditions the offsetting of tax liabilities and receivables, the deferred tax assets and liabilities have been offset by tax entity.
The impact of future changes in the tax rate in France (gradual reduction up to 25% in 2022) was taken into account in the calculation of the deferred tax expense.

Variation in deferred taxes

in € thousand	2019	Variations	Transfers	Conversion gains and losses	2020
Deferred tax assets	**21,823**	5,905	288	-498	**27,518**
Deferred tax liabilities	**43,489**	2,394	-1	-1,785	**44,097**
Deferred tax offset	**-21,666**	**3,511**	**288**	**1,287**	**-16,580**

The variation in deferred taxes presented above includes, for minus €627,000, deferred tax on the effective share of profits and losses on hedging instruments recorded in the other elements of the overall profit. It also includes, for minus €855,000, the deferred tax liability correction on intangible assets recorded by our New Zealand subsidiary in its equity.

Deferred taxes broken down by nature

The table below indicates deferred tax positions as of December 31, 2020, broken down by type:

in € thousand	Deferred tax assets	in € thousand	Deferred tax liabilities
Internal margin on inventories	9,301	Adjustments on intangible assets	27,563
Retirement and end of career severance commitments	5,477	Adjustments on tangible assets	6,239
Sales adjustments (IFRS 15)	722	Adjustments on fiscal provisions	7,739
Inventory adjustments (IAS 2)	855	Activation of expenses linked to acquisitions	815
Other non-deductible provisions	4,429	Other income taxed in advance	1,742
Other charges with deferred deduction	6,733		
Tax loss carryforwards			
Total by nature	**27,518**	**Total by nature**	**44,098**
Impact of compensation by fiscal entity	-13,761	Impact of compensation by fiscal entity	-13,761
Deferred net tax assets	**13,757**	**Deferred net tax liabilities**	**30,337**

Deferred tax asset use horizon

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

en k€	Deferred tax assets as at 12/31/2020	Use horizon		
		less than 1 year	from 1 to 5 years	more than 5 years
Deferred tax on other charges with deferred deduction in Chile	**53**	53	—	—
Deferred tax on retirement and end of career severance commitments	**5,477**	594	586	4,297
Deferred tax on other bases	**21,988**	19,690	140	2,159
Total deferred tax assets	**27,518**	**20,336**	**726**	**6,456**

Our subsidiary Virbac Corporation has a deferred tax receivable on tax loss carryforwards which has been fully impaired since the closing of the 2017 financial statements. This receivable, which is therefore not recognized in our consolidated accounts, amounted to US $32.6 million at the opening of the financial year. During the 2020 financial year, this receivable was used in the amount of US $19.2 million, due to the result of the sale of Sentinel® assets. The balance of this receivable after allocation of the profits for the financial year (i.e. US $13.4 million) remains fully depreciated as of December 31, 2020.

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 [1]	**71,131**	**14,578**	**136,947**	**222,656**
Variations	4,803	2,550	14,038	**21,391**
Changes in scope	-3,594	—	-3,995	**-7,589**
Transfers	—	—	—	**—**
Conversion gains and losses	-2,474	-52	-8,187	**-10,713**
Gross value as at 12/31/2020	**69,866**	**17,075**	**138,803**	**225,745**
Depreciation as at 12/31/2019 [1]	**-5,333**	**-696**	**-10,044**	**-16,073**
Allowances	-2,140	-1,282	-8,553	**-11,975**
Reversals	3,629	696	8,347	**12,672**
Changes in scope	—	—	—	**—**
Transfers	—	—	—	**—**
Conversion gains and losses	191	—	477	**668**
Depreciation as at 12/31/2020	**-3,653**	**-1,281**	**-9,772**	**-14,707**
Net value as at 12/31/2019 [1]	**65,798**	**13,882**	**126,903**	**206,583**
Net value as at 12/31/2020	**66,213**	**15,794**	**129,031**	**211,037**

[1] Following an analytical reallocation, the breakdown at the opening between the gross value and the depreciation of the item "finished products and goods" was modified without impacting the amount of the net inventory.
The amount of €7.6 million shown on the line "Changes in scope" corresponds to the inventories of Sentinel® products sold as part of the sale to MSD Animal Health.

Excluding foreign exchange and scope effects, net inventories increased by €22.1 million. This change is mainly due to the increase in activity in the last quarter, the constitution of inventories for the launch of new products in 2021, and safety stocks, particularly in production sites such as in France, Chile, and in the United States, some related to the Covid-19 pandemic crisis.

A10. Trade receivables

in € thousand	Trade receivables
Gross value as at 12/31/2019	**102,207**
Variations	**7,761**
Changes in scope	**—**
Transfers	**—**
Conversion gains and losses	**-5,385**
Gross value as at 12/31/2020	**104,584**
Depreciation as at 12/31/2019	**-2,822**
Allowances	**-846**
Reversals	**710**
Changes in scope	**—**
Transfers	**—**
Conversion gains and losses	**66**
Depreciation as at 12/31/2020	**-2,891**
Net value as at 12/31/2019	**99,386**
Net value as at 12/31/2020	**101,693**

The trade receivables item is up by €2.3 million. This mainly concerns our subsidiary in Australia (plus €7.1 million) due to a higher level of activity at the end of the year compared to 2019 and a decrease in factoring, as well as our subsidiary in the United States (plus €2.7 million with an increase arising from the stand-by period for the factoring program offset by a decrease related to the sale of Sentinel®). However, this increase is offset by a reduction in receivables in India and Chile, with an end of the year focused on collection, as well as by the conversion differences that impact the item downward for €5.3 million.

It should be noted that receivables deconsolidated as sold under factoring contracts amounted to €19.5 million as of December 31, 2020 (compared with €42.3 million as of December 31, 2019). This variation follows the standby of the factoring program in Australia (minus €6.9 million) and the United States (minus €14.1 million), as well as the decrease in turnover in the United Kingdom.
The credit risk from trade receivables and other receivables is presented in note A33.

A11. Other receivables

in € thousand	2019	Variations	Transfers	Conversion gains and losses	2020
Income tax receivables	**5,914**	589	—	-470	**6,033**
Social receivables	**488**	305	—	-57	**736**
Other receivables from the State	**23,481**	9,657	—	-665	**32,473**
Advances and prepayments on orders	**3,251**	-1,377	—	-229	**1,645**
Depreciation on various other receivables	**—**	—	—	—	**—**
Prepaid expenses	**6,219**	-294	—	-244	**5,681**
Other various receivables	**11,547**	9,753	—	-118	**21,188**
Other receivables	**50,899**	**18,634**	**—**	**-1,784**	**67,755**

The increase in "Other receivables from the State" is explained by the accounting of research tax credit receivables for the financial year 2020 from our subsidiaries in France, Chile, Australia and Brazil, for a total amount of €9.4 million. We have also stopped pre-financing our research tax credit receivables in France since last year. The other receivables from the State at the end of the financial year therefore cover both the receivables for the 2020 financial year and for 2019.

The increase in "other various receivables" mainly corresponds to receivables from factoring companies in Australia, the United Kingdom, and Italy.

A12. Cash and cash equivalents

in € thousand	2019	Variations	Transfers	Change in scope	Conversion gains and losses	2020
Available funds	**48,065**	75,888	—	—	-3,192	**120,761**
Marketable securities	**45,592**	21,176	—	—	-5,637	**61,130**
Cash and cash equivalents	**93,656**	**97,064**	**—**	**—**	**-8,829**	**181,890**
Bank overdraft	**-13,769**	11,464	—	—	—	**-2,305**
Accrued interests not yet matured	**-37**	19	—	—	—	**-18**
Overdraft	**-13,807**	**11,484**	**—**	**—**	**—**	**-2,323**
Net cash position	**79,849**	**108,547**	**—**	**—**	**-8,829**	**179,568**

Following the disposal of rights over the Sentinel® brand, we repaid our bank overdrafts, in particular at the parent company, for a total of €11.5 million. As a result of this debt relief, our available funds across the Group have increased.
The increase in marketable securities mainly concerns India, which has €57,670,000 in term deposits of less than three months at the end of 2020.

A13. Assets classified as held for sale

During the 2020 financial year, and as shared in our half-yearly accounts, the assets relating to the Sentinel® range, which were transferred to MSD Animal Health, were reclassified as assets held for sale. As the transaction was finalized during the year, our statement of financial position no longer presents assets of this nature on the closing date.

A14. Equity

in € thousand	2020	2019
Capital	10,573	10,573
Premiums linked to capital	6,534	6,534
Legal reserve	1,089	1,089
Other reserves and retained earnings	460,968	415,449
Consolidation reserves	56,044	47,364
Conversion reserves	-42,829	-8,986
Actuarial gains and losses	-6,915	-5,789
Result for the period	137,465	51,549
Equity attributable to the owners of the parent company	**622,928**	**517,783**
Other reserves and retained earnings	42,438	43,272
Conversion reserves	-12,492	-12,049
Result for the period	4,304	2,872
Non-controlling interests	**34,250**	**34,096**
Equity	**657,177**	**551,878**

Capital management policy

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

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

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

Treasury shares

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

Shares with double voting rights

Double voting rights are granted to all shareholders whose shares have been registered in their name for at least two years. Of the 8,458,000 shares making up the share capital, 4,316,777 have double voting rights.

Share buyback program

The June 22, 2020 ordinary shareholders' meeting authorized the Virbac parent company to buy back its treasury shares in accordance with Article L225-209 *et seq*. of the French commercial code.
As of December 31, 2020, Virbac owned a total of 21,304 treasury shares acquired on the market for a total amount of €3,294,030 excluding costs, that is, an average cost of €154.62 per share.
During the financial year, the company bought 81,194 treasury shares (at an average price of €194.82) and sold 80,929 treasury shares (at an average price of €197.23) as part of a market-making contract.

In 2020, no shares were purchased or sold as part of performance-related stock grants. Furthermore, the shares of the 2016 performance plan were distributed to the beneficiaries (see note A35).

As of December 31, 2020, treasury shares accounted for 0.25% of Virbac's capital. They are earmarked for market-making and performance-related stock grants, in accordance with the seventeenth resolution adopted by the shareholders' meeting of June 22, 2020.
A resolution will be submitted for the approval of the shareholders' meeting authorizing the company to buy back up to 10% of the capital. Shares may be acquired with a view to:

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

The maximum unit purchase price may not exceed €350 per share. When calculating the maximum number of shares, shares already purchased under the aforementioned prior authorizations will be included, together with those that could be purchased under the liquidity agreement.

A15. Employee benefits

The commitments related to employee benefit schemes are calculated using the projected unit credit method. Future commitments are subject to a provision for expenses.
Where a commitment is pre-financed by payments into a fund, the provision corresponds to the difference between the total commitment at the closing date and the amount of the hedging asset. The hedging asset is made up of the amount of the fund plus the investment income and any contributions paid during the year.
The Group has been applying the revised IAS 19 standard since January 1, 2012.

Change in provisions by country

in € thousand	2019	Allowances	Reversals	Transfers	Equity	Conversion gains and losses	2020
France	**8,977**	878	-388	—	1,622	—	**11,089**
Italy	**946**	82	-291	—	43	—	**779**
Germany	**589**	—	-36	—	—	—	**553**
Greece	**176**	48	-96	—	—	—	**128**
Mexico	**152**	26	-19	—	57	-20	**196**
Korea	**196**	268	-270	—	5	-6	**193**
Taiwan	**1,044**	76	-6	—	-39	-35	**1,040**
Thailand	**1,407**	134	—	—	—	-131	**1,411**
Philippines	**68**	—	-9	—	—	-2	**57**
Uruguay	**567**	58	—	—	—	-116	**510**
Retirement and severance pay allowances	**14,123**	**1,570**	**-1,116**	**—**	**1,687**	**-309**	**15,955**
France	**981**	—	—	—	244	—	**1,225**
Japan	**2,392**	259	-432	—	-103	-76	**2,040**
Defined benefit retirement plans	**3,373**	**259**	**-432**	**—**	**141**	**-76**	**3,265**
South Africa	**883**	75	-56	—	53	-107	**848**
Medical coverage	**883**	**75**	**-56**	**—**	**53**	**-107**	**848**
India	**444**	421	-340	—	103	-57	**571**
Allowances for absence	**444**	**421**	**-340**	**—**	**103**	**-57**	**571**
Australia	**1,368**	158	-154	—	—	9	**1,381**
Austria	**57**	2	-8	—	—	—	**51**
Spain	**47**	8	—	—	—	—	**56**
Other long term benefits	**1,472**	**169**	**-162**	**—**	**—**	**9**	**1,487**
Provisions for employee benefits	**20,294**	**2,494**	**-2,106**	**—**	**1,984**	**-540**	**22,126**

The main equity impacts are in France and are mainly due to actuarial adjustments (updating the data), the decrease in the discount rate and the review of the turnover table, which has an impact of about €1.8 million.

Main commitments

The main employee benefit plans are in France, Japan, Thailand, Australia and Taiwan. As of December 31, 2020, they contributed 56%, 9%, 6% and 5% of provisions for employee benefit plans respectively.

Retirement and severance pay allowances

- **France**

In accordance with the collective agreement, the Group's French companies pay their employees an allowance on their retirement based on their salary and seniority.
The rights vested are as follows:
- executive personnel: 12% of the monthly salary per year of seniority;
- non-executive personnel: 12% of monthly salary per year of seniority (compared to 10% previously).

Defined-benefit retirement plans

- **France**

The plan resulted in the payment of an annuity to the insured, whereby 60% of the annuity continues to the spouse (or ex-spouse) under the following eligibility conditions:

- over ten years service in the Group (including nine years as a member of the executive board or 15 years for a benefit of 10.5% of the reference salary);
- at least 60 years-old;
- ended his/her career in the Group.

- **Japan**

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

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

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

Medical coverage

- **South Africa**

The program implemented by Virbac South Africa stipulates that the company is responsible for handling the contributions paid by retired employees who wish to enroll in voluntary medical insurance.
The eligibility condition is that the employee must have joined the company before April 30, 1995.
The insurance contribution paid by Virbac South Africa is between 50% and 100%, depending on the level of coverage chosen by the beneficiary. In the event that the beneficiary should die, his or her legal successors continue to benefit from the Virbac South Africa holding under certain conditions.
Because the scheme is not restricted only to Virbac South Africa employees, it has been valued based on contributions paid by Virbac South Africa, restated to reflect the inflation rate for medical costs.

Long-service leave

- **Australia**

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

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

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

Calculation parameters of the main personnel benefits schemes in the Group

Assumptions as at December 31, 2020

	Discount rate	Future salary growth
France	0.45%	2.00%
South Africa	9.84%	N/A
Japan	0.50%	3.00%
India	5.80%	7.00%

Assumptions as at December 31, 2019

	Discount rate	Future salary growth
France	0.60%	2.00%
South Africa	9.57%	N/A
Japan	0.30%	3.00%
India	6.70%	7.00%

Discount rates are based on high-quality corporate bond yields with a maturity similar to that of the bond in question. In accordance with IAS 19 revised, the expected return on assets is considered to be equal to the discount rate.
A 0.5-point increase or decrease in the discount rate would entail, respectively, a reduction in the provision for employee benefits of around €815,000 or an increase of approximately €833,000, recognized with a balancing entry in other comprehensive income.

Moreover, a 0.5-point increase or decrease in the future growth rate of salaries would entail, respectively, an increase in the provision for employee benefits of around €824,000 or a reduction of approximately €774,000, which would be recognized with a balancing entry in other in other comprehensive income.

Allowance for the year

in € thousand	2020 allowance
Cost of services rendered	1,849
Financial cost	304
Expected return on assets	-141
Change of scheme	479
Immediate recognition of actuarial gains and losses in the year	—
Administrative costs recognized in expenses	3
Net cost or gain (-) recognized in income	**2,494**

Employer contributions (including benefits paid directly by the employer) in 2020 totaled €2,104,000 and are estimated to reach €3,281,000 in 2021.

Movements of amounts recognized in the statement of financial position

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

in € thousand	Actuarial liability
Present value as at January 1, 2020	**23,050**
Benefits paid by employer	-796
Benefits paid by funds	-987
Cost of services rendered and financial cost	2,153
Termination/end of contract	—
Actuarial gains and losses due to demographic assumptions	1,711
Actuarial gains and losses due to financial assumptions	254
Actuarial experience gains and losses	183
Change of scheme	479
Other variations	—
Transfers	—
Conversion gains and losses	-782
Present value as at December 31, 2020	**25,265**

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

in € thousand	Hedging assets
Fair value as at January 1, 2020	**2,755**
Contributions paid	1,308
Benefits paid by funds	-987
Interest income	141
Actuarial gains and losses	165
Tax on premiums paid	-3
Other variations	—
Conversion gains and losses	-240
Fair value as at December 31, 2020	**3,139**

in € thousand	Employee benefits
Fair value of hedging assets	-3,139
Present value of actuarial liability	25,265
Assets (-) or liabilities recognized in provisions as at December 31, 2020	**22,126**

in € thousand	Employee benefits
Provision to liabilities as at January 1, 2020	**20,294**
Charge or gain recognized in income - allowance	2,494
Amount recognized in equity	1,984
Employer contributions/benefits paid - reversal	-2,104
Other events	—
Transfers	—
Conversion gains and losses	-542
Provision to liabilities as at December 31, 2020	**22,126**

A16. Other provisions

in € thousand	2019	Allowances	Reversals	Changes in scope	Transfers	Conversion gains and losses	2020
Trade disputes and industrial tribunals	**4,693**	930	-1,199	—	—	-218	**4,206**
Fiscal disputes	**742**	1,324	—	—	—	—	**2,065**
Various risks and charges	**3,116**	210	-1,145	—	1	—	**2,183**
Other non-current provisions	**8,551**	**2,464**	**-2,343**	**—**	**1**	**-218**	**8,454**
Trade disputes and industrial tribunals	**439**	150	—	—	—	-42	**547**
Fiscal disputes	**—**	—	—	—	—	—	**—**
Various risks and charges	**615**	123	-261	—	—	-5	**473**
Other current provisions	**1,055**	**273**	**-261**	**—**	**—**	**-47**	**1,021**
Other provisions	**9,606**	**2,737**	**-2,604**	**—**	**1**	**-264**	**9,475**

As part of the dispute with a competitor and both trademark infringement and unfair competition proceedings currently in progress on a national and European scale, the risk stemming from remaining uncertainty was analyzed and a provision recognized in the accounts at the beginning of the year was maintained as at December 31, 2020.

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

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

Contingent liabilities

No provisions are established if the company deems that the liabilities are contingent (as defined by IAS 37). Only one provision reflecting an estimate of the cost of proceedings was recognized in certain cases (see note A39).

A17. Lease liability

Change in lease liability

in € thousand	2019	New contracts and renewals	Repayments and cancellations	Transfers	Conversion gains and losses	2020
Lease liability - Non-current	26,090	9,049	-683	-6,529	-1,124	**26,803**
Lease liability - Current	8,573	2,029	-8,798	6,524	-361	**7,968**
Lease liability	**34,663**	**11,078**	**-9,481**	**-5**	**-1,485**	**34,771**

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

Lease liabilities classified according to their maturity

in € thousand	Payments: less than 1 year	Payments: from 1 to 5 years	Payments: more than 5 years	Total
Lease liability - Non-current	—	17,587	9,215	**26,803**
Lease liability - Current	7,968	—	—	**7,968**
Lease liability	**7,968**	**17,587**	**9,215**	**34,771**

Information related to financial activities

in € thousand	2019	Cash flows: Repayments	Non-cash flows: Increase	Non-cash flows: Decrease	Non-cash flows: Transfers	Non-cash flows: Conversion gains and losses	2020
Lease liability	34,663	-9,291	11,458	-570	-5	-1,485	**34,771**
Lease liability	**34,663**	**-9,291**	**11,458**	**-570**	**-5**	**-1,485**	**34,771**

Decreases correspond to early terminations with no cash impact.

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

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

A18. Other financial liabilities

Change in other financial liabilities

in € thousand	2019	Increase	Decrease	Changes in scope	Transfer	Conversion gains and losses	2020
Loans	**305,362**	40	-248,477	—	-3,910	-2,421	**50,594**
Employee profit sharing	**8**	4	—	—	—	—	**12**
Currency and interest rate derivatives	**1,499**	—	-421	—	—	—	**1,078**
Other	**—**	—	—	—	—	—	**—**
Other non-current financial liabilities	**306,869**	**44**	**-248,898**	**—**	**-3,910**	**-2,421**	**51,684**
Loans	**105,457**	44,219	-124,401	—	3,910	-1,460	**27,725**
Bank overdrafts	**13,769**	—	-11,464	—	—	—	**2,306**
Accrued interests not yet matured	**37**	—	-19	—	—	—	**18**
Employee profit sharing	**604**	734	-455	—	—	-70	**814**
Currency and interest rate derivatives	**683**	—	476	—	—	—	**1,158**
Other	**6**	—	-5	—	—	-1	**—**
Other current financial liabilities	**120,556**	**44,953**	**-135,868**	**—**	**3,910**	**-1,531**	**32,021**
Other financial liabilities	**427,425**	**44,997**	**-384,766**	**—**	**—**	**-3,952**	**83,705**

The sale of Sentinel® for US $410 million has enabled us to repay our US $ drawdowns and our net cash position became positive.
After having repaid our $90 million financing contract to the European investment bank (EIB) in advance, we still have the following financing to cover our working capital needs, any external growth operations and various projects:

- a syndicated loan of €420 million, drawn in euros and US dollars, contracted with a pool of banks and repayable in full on the initial maturity in April 2020, extended to April 9, 2022;
- market-based contracts (*Schuldschein*) in euros and in dollars for a total of €21.5 million, composed of three installments, with maturities April 2022 and April 2025, at a fixed rate;
- financing contracts with Bpifrance, for €22.1 million, depreciable and maturing in November 2023 and September 2024.

As of December 31, 2020, the funding position is as follows:
- the syndicated loan was drawn for US $20 million;
- market-based contracts amounted to €15 million and $8 million;
- the Bpifrance financing amounted to €22.1 million.

These funding instruments include a financial covenant compliance clause that requires us to adhere to the following financial ratios based on the consolidated accounts and reflecting consolidated net debt(1) for the period in question on the consolidated Ebitda(2) for the same test period.
It should be noted that since January 1, 2019, we have been applying the IFRS 16 standard, relating to the accounting treatment of lease contracts, which impacts the income statement accounting items used to determine the Ebitda and the liability items on the balance sheet. The calculation of the financial covenant is performed by integrating the impacts of this new standard.
As at December 31, 2020, we are in compliance with the financial ratio covenants, which is -0.29, thus placing it below the contractual financial covenant limit of 3.75.

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

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

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

Other financial liabilities classified according to their maturity

As at December 31, 2020

	Payments			Total
in € thousand	less than 1 year	from 1 to 5 years	more than 5 years	
Loans	27,725	50,594	—	**78,319**
Bank overdrafts	2,306	—	—	**2,306**
Accrued interests not yet matured	18	—	—	**18**
Employee profit sharing	814	12	—	**826**
Currency and interest rate derivatives	1,158	1,078	—	**2,236**
Other	—	—	—	**—**
Other financial liabilities	**32,021**	**51,684**	**—**	**83,705**

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

As at December 31, 2019

in € thousand	Payments: less than 1 year	from 1 to 5 years	more than 5 years	Total
Loans	105,457	224,270	81,092	**410,820**
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**	**225,777**	**81,092**	**427,425**

Information related to financial activities

in € thousand	2019	Cash flows: Issuance	Cash flows: Repayments	Non-cash flows: Fair value	Non-cash flows: Transfers	Non-cash flows: Conversion gains and losses	2020
Non-current financial liabilities	**305,362**	40	-248,477	—	-3,910	-2,421	**50,595**
Current financial liabilities	**105,457**	44,219	-124,401	—	3,910	-1,460	**27,724**
Employee profit sharing	**611**	738	-455	—	—	-70	**826**
Currency and interest rate derivatives	**2,181**	—	—	55	—	—	**2,236**
Others	**6**	—	-5	—	—	-1	**—**
Other financial liabilities	**413,617**	**44,997**	**-373,338**	**55**	**—**	**-3,952**	**81,381**

A19. Other payables

in € thousand	2019	Variations	Change in standard	Transfers	Conversion gains and losses	2020
Income tax payables	**—**	—	—	—	—	**—**
Social payables	**—**	—	—	—	—	**—**
Other fiscal payables	**—**	—	—	—	—	**—**
Advances and prepayments on orders	**—**	—	—	—	—	**—**
Prepaid income	**1,357**	1	—	—	-72	**1,286**
Various other payables	**1,071**	1,202	—	—	-368	**1,905**
Other non-current payables	**2,427**	**1,204**	**—**	**—**	**-440**	**3,191**
Income tax payables	**11,656**	7,459	—	1	-304	**18,812**
Social payables	**48,003**	5,296	—	—	-1,459	**51,841**
Other fiscal payables	**11,133**	564	—	—	-408	**11,289**
Advances and prepayments on orders	**1,225**	-1,205	—	342	-31	**332**
Prepaid income	**1,113**	61	—	—	-26	**1,148**
Various other payables	**73,407**	10,371	—	-342	-1,432	**82,003**
Other current payables	**146,538**	**22,545**	**—**	**1**	**-3,660**	**165,425**
Other payables	**148,966**	**23,749**	**—**	**1**	**-4,100**	**168,616**

Our “Other payables” item increases due to the increase in income tax liabilities, particularly in France (€5.7 million).
It should be noted that the entry into force of the interpretation of IFRIC 23 has led the company, in connection with its tax advisors, to reassess, at the end of the financial year, the risks and uncertainties relating to corporate tax in all Group entities and thus to recognize liabilities of €578,000 as of December 31, 2020.
This liability is based on situations that could involve a fiscal dispute risk in the event of an audit that would encompass previous periods not yet audited or under audit at the beginning of the financial year. Each situation was analyzed and documented, and the risk was assessed.

The “Various other payables” line, which constitutes the main cause of the increase in the “Other payables” item, mostly includes liabilities on contracts entered into with customers.

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

in € thousand	2019	Variations	Changes in scope	Transfers	Conversion gains and losses	2020
Advances and prepayments on orders	**1,225**	-1,205	—	342	-31	**332**
Customers - credits to be issued	**68,687**	9,243	—	-342	-1,088	**76,500**
Customer liabilities	**69,913**	**8,038**	**—**	**—**	**-1,119**	**76,832**

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 main increases are in France (€6.0 million) and Australia (€2.0 million).

A20. Trade payables

in € thousand	2019	Variations	Changes in scope	Transfers	Conversion gains and losses	2020
Current trade payables	**90,066**	9,643	—	-13	-3,157	**96,539**
Trade payables - suppliers of intangible assets	**2,244**	2,359	—	—	-18	**4,586**
Trade payables - suppliers of tangible assets	**3,459**	695	—	—	-25	**4,129**
Trade payables	**95,769**	**12,698**	**—**	**-13**	**-3,200**	**105,254**

This item amounted to €105.3 million at the end of 2020, compared to €95.8 million at the end of 2019. The increase in this item is particularly marked in France, due to a postponement of projects following the slowdown in activity in the second and third quarters of 2020 connected to the health crisis, and an increase in activity in the last quarter of 2020.

A21. Revenue from ordinary activities

in € thousand	2020	2019	*Change*
Sales of finished goods and merchandise	1,073,595	1,069,373	0.4%
Services	146	45	*225.6%*
Additional income from activity	1,667	2,435	*-31.5%*
Royalties paid	434	382	*13.6%*
Gross sales	**1,075,842**	**1,072,235**	***0.3%***
Discounts, rebates and refunds on sales	-114,995	-109,764	*4.8%*
Expenses deducted from sales	-18,645	-17,728	*5.2%*
Financial discounts	-6,624	-6,386	*3.7%*
Provisions for returns	-1,379	-15	*9239.0%*
Expenses deducted from sales	**-141,643**	**-133,893**	***5.8%***
Revenue from ordinary activities	**934,198**	**938,342**	***-0.4%***

The expenses presented within the revenue are mainly made up of the following elements:

- amounts paid under commercial cooperation contracts (commercial communication actions, provision of statistics, etc.);
- cost of business operations (including loyalty programs), the amount of which is directly related to the revenue generated.

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

Performance

In 2020, the Group's consolidated revenue stood at €934.2 million, marking a slight decline of 0.4% at actual exchange rates, but achieving an increase of 3.2% at constant rates. At constant rates and scopes (excluding Sentinel®), growth rose to 5.7%.

While the situation linked to the Covid-19 health crisis has affected some countries temporarily in a contrasted manner, the launch of certain products, the accelerated sales development via the digital channel, the geographic and product portfolio diversification, as well as the resilience of our sector, have globally generated high-growing revenue at constant rates.

Overall, contributions at constant exchange rates are positive for activities as a whole, except for the United States which has fallen slightly excluding Sentinel®, and the impact of shortages of dog and cat vaccines, which resulted in a loss of activity over the year. The exact amount is difficult to assess given the disruptions in demand in the context of Covid-19, but we note, however, a decrease of €12 million in our revenue from dog and cat vaccines in 2020, excluding CaniLeish. Europe and the Asia-Pacific region drove annual growth at +5.8% (+5.9% at constant rates), and +2.7% (+6.9% at constant rates) respectively, although one country was more affected by the health crisis (United Kingdom), whose under-performance is largely offset by strong contributions in India, France, Benelux and China. Latin America changed by -4.7% (+7.1% at constant rates), driven by a high level of activity in Brazil, Mexico and Colombia over the period. Lastly, North America shows a 15.1% drop (-14.3% at constant rates) primarily due to the divestment of the Sentinel® ranges. Excluding Sentinel®, growth at constant rates is -0.8%, primarily impacted by the decline in the dental and antibiotic ranges.

A22. Purchases consumed

in € thousand	2020	2019	*Change*
Inventoried purchases	-310,517	-298,050	*4.2%*
Non-inventoried purchases	-24,491	-22,108	*10.8%*
Supplementary charges on purchases	-4,309	-4,367	*-1.3%*
Discounts, rebates and refunds obtained	506	646	*-21.7%*
Purchases	**-338,811**	**-323,879**	***4.6%***
Change in gross inventories	21,199	7,016	*202.2%*
Allowances for depreciation of inventories	-11,697	-7,891	*48.2%*
Reversals of depreciation of inventories	12,673	9,948	*27.4%*
Net variation in inventories	**22,175**	**9,073**	***144.4%***
Consumed purchases	**-316,636**	**-314,805**	***0.6%***

The increase in purchases is observed mainly in France, particularly to limit the risk of inventories shortages and to secure future sales, within the context of the Covid-19 situation.
The variation in inventories is mainly due to the establishment of safety stocks in production sites, particularly in France, Chile, and the United States, due to the Covid-19 pandemic crisis and the reconstitution of vaccine inventories, which were low at the end of 2019.

A23. External costs

External costs were down by 8.3% at actual rates compared to 2019. This decline is due to significant reductions in expenditures initiated or incurred by the Group in response to the Covid-19 pandemic crisis. Cost reductions are essentially related to travel and commercial expenses.

A24. Depreciation, impairment and provisions

in € thousand	2020	2019	*Change*
Allowances for depreciation of intangible assets[1]	-5,377	-5,196	*3.5%*
Allowances for impairment of intangible assets	-600	-120	*400.0%*
Allowances for depreciation of tangible assets	-23,900	-24,066	*-0.7%*
Allowances for impairment of tangible assets	-16	-604	*-97.3%*
Allowances for depreciation of right of use	-10,035	-10,455	*-4.0%*
Reversals for depreciation of intangible assets	—	—	*—%*
Reversals for impairment of intangible assets	120	260	*-53.8%*
Reversals for depreciation of tangible assets	—	34	*-100.0%*
Reversals for impairment of tangible assets	472	536	*-100.0%*
Depreciation and impairment	**-39,336**	**-39,610**	***-0.7%***
Allowances of provisions for risks and charges	-2,737	-2,208	*24.0%*
Reversals of provisions for risks and charges	1,823	3,705	*-50.8%*
Provisions	**-913**	**1,497**	***-161.0%***
Depreciations and provisions	**-40,249**	**-38,113**	***5.6%***

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

Allowances for depreciation of intangible assets arising from acquisitions

in € thousand	2020	2019
United States: Sentinel	-3,996	-10,216
SBC	-57	-62
Uruguay: Santa Elena	-143	-145
Australia: Axon	-119	-123
New Zealand	-397	-411
Centrovet	-2,069	-2,378
Multimin	-495	-531
Colombia: Synthesis	-92	-105
Schering-Plough Europe	-1,016	-1,078
Depreciations of intangible assets arising from acquisitions	**-8,384**	**-15,048**

The decrease in this item is mainly related to Sentinel® assets that have ceased to be depreciated as soon as they have been reclassified as assets available for sale as of June 30, 2020, and then sold in early July 2020.

A25. Other operating income and expenses

in € thousand	2020	2019	*Change*
Royalties paid	-3,305	-3,427	-3.6%
Grants received (including research tax credit)	9,738	7,445	*30.8%*
Allowances for depreciation of receivables	-846	-1,023	*-17.3%*
Reversals of depreciation of receivables	710	1,447	*-50.9%*
Bad debts	-136	-1,411	*-90.4%*
Net book value of disposed assets	-3,526	-4,801	*-26.6%*
Income from disposal of assets	346	7,304	*-95.3%*
Other operating income and expenses	-962	-1,328	*-27.6%*
Other operating income and expenses	**2,020**	**4,207**	***-52.0%***

The amount of research tax credits posted as subsidies for the financial year ending December 31, 2020 was €9,375,000.
The capital loss on disposal in 2020 of €3.2 million mainly concerns the United States, which was impacted by the scrapping of intangible and tangible assets.
As a reminder, in 2019, the sales, which show a capital gain of €2.5 million, mainly concern the United States, where we recorded the sale of the Fort Worth administrative building, as well as the sale of company vehicles.

A26. Other non-current income and expenses

As of December 31, 2020, this item breaks down as follows:

in € thousand	2020
Disposal of the US rights of the Sentinel® trademarks	69,643
Impairment of the Leishmaniosis vaccine CGU	-4,472
Other non-current income and expenses	**65,171**

The impact on the result of the sale of the US rights of the Sentinel® trademarks in the United States has been reclassified as other non-current profits. The proceeds of the sale include the following elements: the sale price paid by the purchaser, in cash, for US $410.2 million, minus the net value of the assets sold (goodwill and intangible assets) which amounted to US $315.6 million, of the net value of the inventories sold for an amount of US $8.6 million, as well as the impairment of tangible assets intended for the manufacture of products used by our former CMO for US $6.1 million, and finally the miscellaneous costs related to the transaction (fees, salary allowances, *etc.*) for an amount of US $1.3 million.

Following the decision taken by the Group to end the production of its leishmaniosis vaccine, the residual assets related to this CGU were totally impaired. The impairment recognized in the accounts in other non-current income and expenses amounts to €4.5 million, relating to a patent (€1.5 million), industrial equipment (€2.7 million) and consumable inventories (€0.3 million).

A27. Financial income and expenses

in € thousand	2020	2019	*Change*
Gross cost of financial debt	-10,716	-17,803	*-39.8%*
Income from cash and cash equivalents	2,019	2,101	*-3.9%*
Net cost of financial debt	**-8,697**	**-15,702**	***-44.6%***
Foreign exchange gains and losses	-2,115	-7,245	*-70.8%*
Changes in foreign currency derivatives and interest rate	452	2,644	*-82.9%*
Other expenses	-158	-124	*27.9%*
Other income	94	128	*-24.8%*
Other financial income or expenses	**-1,725**	**-4,597**	***-62.5%***
Financial income and expenses	**-10,425**	**-20,298**	*-48.7%*

Pursuant to the IFRS 16 standard that came into force on January 1, 2019, the cost of financial debt now includes the interest cost on lease liabilities, which amounts to €1,439,000 as of December 31, 2020.
The €7.0 million decrease in the cost of net debt is related to the significant reduction in gross debt, a large part of which was made possible by the proceeds from the sale of Sentinel®, enabling us to repay our bank financing.
The financial income linked to investments remains almost stable despite the rise in cash investments due to the drop in the rates of the country concerned and the low rates of remuneration on term deposits in euros.

Debt repayment has resulted in the de-qualification of certain interest rate derivatives. This de-qualification impacts the profit negatively for €1,230,000.

A28. Income tax

in € thousand	2020 Base	2020 Tax	2019 Base	2019 Tax
Profit before tax	**175,237**		**77,672**	
Adjustment for tax credits	-9,376		-7,426	
Adjustment of non-recurring items	-47,610		11,048	
Profit before tax, after adjustments	**118,251**		**81,294**	
Tax currently payable for French companies		-9,399		-5,078
Tax currently payable for foreign companies		-27,658		-23,070
Tax currently payable		**-37,057**		**-28,149**
Deferred tax for French companies		815		3,250
Deferred tax for foreign companies		2,468		1,461
Deferred tax		**3,283**		**4,711**
Tax accounted for		**-33,774**		**-23,438**
Restatement of adjustments on tax currently payable		532		416
Restatement of adjustments on deferred tax		393		37
Depreciation of deferred tax assets		—		—
Tax after restatements		**-32,849**		**-22,985**
Effective tax rate		*27.78%*		*28.27%*
Theoretical tax rate		*32.02%*		*34.43%*
Theoretical tax		**-37,864**		**-27,990**
Difference between theoretical tax and recorded tax		**-4,090**		**-4,552**

The theoretical tax rate considered by the Group is the corporate tax rate in effect in France (including the additional contribution of 3.3%).
The effective tax rate decreased very slightly in 2020, as it went from 28.27% to 27.78%.
This decline is explained by the good performance achieved by our subsidiaries located in countries applying corporate tax rates lower than the parent company’s tax rate, such as India or Chile, but also by the reduction of the tax rate in France.

Restated profit before tax

The pre-tax profit and the tax charges have been the subject of the restatements described below in order to determine the effective tax rate for the 2020 financial year. These restatements are as follows:

Adjustment for tax credits

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

Adjustment for tax bases related to non-taxable items

This amount mainly includes:

- accounting income or expenses with no tax impact, including in particular permanent differences in entities in France and abroad (-€11.9 million);
- as well as the profit of Virbac Corporation for the financial year 2020 (€61.6 million), following the sale of the Sentinel® assets, while no deferred tax was recognized as at December 31, 2019 for these tax losses that could be carried forward.

Tax after restatements

Adjustments to the tax charges are described below.

Neutralizing the adjustments for the tax currently payable

This amount mainly corresponds:

- to adjustments to expenses and tax income for previous years (plus €1.2 million);
- to the neutralization of the minimum tax remaining due from Virbac Corporation after allocation of the losses carried forward (minus €1.6 million).

Neutralizing the adjustments for the deferred tax expense

This amount represents tax expenses or income without any accounting basis. It is:

- the effect of tax reforms on the deferred tax bases at the beginning of the financial year;

- the change in the bases or rates of deferred tax assets and liabilities at the beginning of the financial year (change in estimates).

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

in € thousand	Net result IFRS	Impairment of assets	Restructuring costs	Sale of assets	Non-current tax expense	Net result from ordinary activity
Revenue from ordinatry activities	**934,198**	—	—	—	—	**934,198**
Current operating profit before depreciation of assets arising from acquisitions	**128,875**	—	—	—	—	**128,875**
Depreciation of intangible assets arising from acquisitions	-8,385	—	—	—	—	-8,385
Operating profit from ordinary activites	**120,491**	—	—	—	—	**120,491**
Other non-current income and expenses	65,171	4,471	—	-69,643	—	—
Operating result	**185,662**	**4,471**	—	**-69,643**	—	**120,491**
Financial income and expenses	-10,425	—	—	—	—	-10,425
Profit before tax	**175,237**	**4,471**	—	**-69,643**	—	**110,066**
Income tax	-33,774	-1,432	—	3,149	—	-32,057
Share from companies' result accounted for by the equity method	306	—	—	—	—	306
Result for the period	**141,769**	**3,040**	—	**-66,494**	—	**78,314**

Net profit from ordinary activities equates to net profit restated for the following items:
- the “Other non-current income and charges” item, the details of which are presented in the A26 note;
- non-current tax, which includes the tax impact of “Other non-current income and expenses”, as well as all non-recurring tax income and expenses.

For the record, the operating net profit for the 2019 financial year was as follows:

in € thousand	Net result IFRS	Impairment of assets	Restructuring costs	Other items	Non-current tax expense	Net result from ordinary activity
Revenue from ordinary activities	**938,342**	—	—	—	—	**938,342**
Current operating profit before depreciation of assets arising from acquisitions	**122,447**	—	—	—	—	**122,447**
Depreciation of intangible assets arising from acquisitions	-15,048	—	—	—	—	-15,048
Operating profit from ordinary activities	**107,399**	—	—	—	—	**107,399**
Other non-current income and expenses	-9,429	9,653	—	-244	—	—
Operating result	**97,970**	**9,653**	—	**-244**	—	**107,399**
Financial income and expenses	-20,298	—	—	—	—	-20,298
Profit before tax	**77,672**	**9,653**	—	**-244**	—	**87,101**
Income tax	-23,438	-2,493	—	—	2,034	-23,897
Share from companies' result accounted for by the equity method	188	—	—	—	—	188
Result for the period	**54,422**	**7,159**	—	**-244**	**2,034**	**63,391**

In 2019, the non-recurring tax charges corresponded to the impairment of the deferred tax receivable on losses carried forward generated during the financial year by our subsidiary Virbac Corporation.

A30. Earnings per share

	2020	2019
Profit attributable to the owners of the parent company	**€137,464,878**	**€51,549,499.00**
Total number of shares	8,458,000	8,458,000
Impact of dilutive instruments	0	0
Number of treasury shares	21,304	26,178
Outstanding shares	8,436,696	8,431,822
Profit attributable to the owners of the parent company, per share	**€16.29**	**€6.11**
Profit attributable to the owners of the parent company, diluted per share	**€16.29**	**€6.11**

A31. Operating segments

In accordance with IFRS 8, we provide information by segment as used internally by the Group executive committee, which is now the chief operating decision maker (CODM) following the change of governance in December 2020.

Our level of segment information is the geographic sector. The breakdown by geographic area covers seven sectors, according to the place of establishment of our assets:

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

The Group's operating activities are organized and managed separately, according to the nature of the markets.

The two market segments are companion animals and 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;
- customer type or category: the distinction is between the ethical (veterinary) and OTC (Over the Counter) sectors;
- internal organization: our management structures are organized by geographic zone. Throughout the Group, there is no management structure based on market segments;
- distribution methods: the main distribution channels depend more on the country than the market segment. In certain cases, the sales forces may be the same for both market segments;
- nature of the regulatory environment: the regulatory bodies governing market authorizations are identical regardless of the segment.

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

As at December 31, 2020

in € thousand	France	Europe (excluding France)	Latin America	North America	Asia	Pacific	Africa & Middle East	Total
Revenue from ordinary activities	147,731	247,751	148,885	121,332	162,291	80,670	25,538	**934,198**
Current operating profit before depreciation of assets arising from acquisitions	30,292	19,752	29,401	441	27,443	17,130	4,416	**128,875**
Result attributable to the owners of the parent company	13,781	14,590	13,637	59,390	21,926	11,105	3,036	**137,465**
Non-controlling interests	1	—	4,303	—	—	—	—	**4,304**
Group consolidated result	**13,782**	**14,590**	**17,940**	**59,390**	**21,926**	**11,105**	**3,036**	**141,769**

in € thousand	France	Europe (excluding France)	Latin America	North America	Asia	Pacific	Africa & Middle East	Total
Assets by geographic area	766,577	55,648	200,180	-160,857	142,117	100,029	7,767	**1,111,461**
Intangible investment	7,980	131	112	1,918	334	1	2	**10,478**
Tangible investment	12,299	430	1,799	2,256	5,407	717	244	**23,152**

No customer achieves more than 10% of revenue.
Non-controlling interests almost exclusively reflect the contribution from the Chilean entities (HSA group), in which we hold a 51% stake.
The French net profit includes an impairment of tangible and intangible assets in the amount of €3.0 million net of taxes.
The "North America" net profit includes the profit from the sale of the Sentinel® range for an amount net of tax of €66.5 million.

As at December 31, 2019

in € thousand	France	Europe (excluding France)	Latin America	North America	Asia	Pacific	Africa & Middle East	Total
Revenue from ordinary activities	139,104	236,754	156,665	142,938	156,908	78,554	27,419	**938,342**
Current operating profit before depreciations of assets aring from acquisitions	17,194	15,414	26,234	14,152	24,455	20,691	4,307	**122,447**
Profit attributable to the owners of the parent company	4,339	11,094	8,001	-7,933	19,726	13,391	2,931	**51,549**
Non-controlling interests	-3	—	2,875	—	—	—	—	**2,872**
Consolidated profit	**4,337**	**11,094**	**10,875**	**-7,933**	**19,726**	**13,391**	**2,931**	**54,422**

in € thousand	France	Europe (excluding France)	Latin America	North America	Asia	Pacific	Africa & Middle East	Total
Assets by geographic area	678,720	48,856	210,402	159,607	130,577	87,269	7,828	**1,323,259**
Intangible investment	5,468	24	108	790	123	157	—	**6,669**
Tangible investment	9,635	262	4,006	3,155	1,189	823	166	**19,237**

A32. Financial assets and liabilities

Breakdown of assets and liabilities measured at fair value

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

- level 1: the fair value is based on (unadjusted) quoted prices in active markets for identical assets or liabilities;
- level 2: the fair value is based on data other than the quoted prices mentioned in level 1, which are directly or indirectly observable for the asset or liability in question;
- level 3: the fair value is based on inputs relating to the asset or liability which are not based on observable market data, but on internal data.

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

Financial assets

The different asset classes are as follows:

As at December 31, 2020

in € thousand	Financial assets at amortized cost	Financial assets at fair value through income	Financial assets at fair value through equity[2]	Total	Fair value hierarchy
Non-current derivative financial instruments	—	—	1	**1**	2
Other non-current financial assets	2,978	—	—	**2,978**	—
Trade receivables	101,693	—	—	**101,693**	—
Other receivables[1]	56,041	—	—	**56,041**	—
Current derivative financial instruments	—	690	6,700	**7,390**	2
Other current financial assets	5	—	—	**5**	—
Cash and cash equivalents	120,761	61,129	—	**181,890**	1
Financial assets	**281,477**	**61,819**	**6,701**	**349,997**	

As at December 31, 2019

in € thousand	Financial assets at amortized cost	Financial assets at fair value through income	Financial assets at fair value through equity[2]	Total	Fair value hierarchy
Non-current derivative financial instruments	—	—	4,668	**4,668**	2
Other non-current financial assets	7,527	—	—	**7,527**	—
Trade receivables	99,386	—	—	**99,386**	—
Other receivables[1]	38,766	—	—	**38,766**	—
Current derivative financial instruments	—	209	133	**342**	2
Other current financial assets	3	—	—	**3**	—
Cash and cash equivalents	48,065	45,592	—	**93,656**	1
Financial assets	**193,747**	**45,800**	**4,801**	**244,348**	

[1] Excluding prepaid expenses and income tax receivables.
[2] Hedge accounting is used to record changes in fair value in equity.

Financial assets at amortized cost

These assets are non-derivative financial assets, of determined or determinable payments, which are not listed. The elements in this category are described below.

- **Loans and other long-term financial receivables**

These are mainly security deposits, other advance rental payments and escrow accounts, as well as loans granted (notably to personnel).

- **Trade receivables**

These are recognized at the initial amount of the invoice, minus provisions for impairment.

- **Current receivables**

These are mainly receivables *vis-à-vis* tax (excluding corporation tax) and social security authorities, as well as advances and prepayments on orders.

- **Cash and cash equivalents**

Cash equivalents include items that are nearly as liquid as cash, such as term deposits with maturities of three months or less at the time of purchase, and held by highly-rated financial institutions.

Financial assets at fair value through income statement

Interest or exchange rate derivative instruments designated as fair value hedges and financial derivatives not designated as hedges are classified as financial assets at fair value through the income statement.
This category also includes marketable securities acquired by us for sale or redemption in the short term. They are measured at fair value at the balance sheet date, and any fair value changes are recognized in income. The fair values of marketable securities are mainly determined with reference to the market price (buying or selling price as applicable).

Financial liabilities

The different classes of financial liabilities are as follows:

As at December 31, 2020

in € thousand	Loans and debts	Financial liabilites at fair value through income	Financial liabilities at fair value through equity[2]	Total	Fair value hierarchy
Non-current derivative financial instruments	—	655	423	**1,078**	2
Other non-current financial liabilities	50,607	—	—	**50,607**	—
Trade payables	105,254	—	—	**105,254**	—
Other payables[1]	147,370	—	—	**147,370**	—
Current derivative financial instruments	—	847	311	**1,158**	2
Bank overdrafts and accrued interests not yet matured	2,306	18	—	**2,324**	2
Other current financial liabilities	28,539	—	—	**28,539**	—
Financial liabilities	**334,075**	**1,520**	**734**	**336,329**	

As at December 31, 2019

in € thousand	Loans and debts	Financial liabilites at fair value through income	Financial liabilities at fair value through equity[2]	Total	Fair value hierarchy
Non-current derivative financial instruments	—	—	1,499	**1,499**	2
Other non-current financial liabilities	305,370	—	—	**305,370**	—
Trade payables	95,769	—	—	**95,769**	—
Other payables[1]	134,840	—	—	**134,840**	—
Current derivative financial instruments	—	383	299	**682**	2
Bank overdrafts and accrued interests not yet matured	13,769	37	—	**13,807**	2
Other current financial liabilities	106,067	—	—	**106,067**	—
Financial liabilities	**655,815**	**420**	**1,798**	**658,033**	

[1] excluding prepaid income and income tax liabilities.
[2] Hedge accounting is used to record changes in fair value in equity.

As of December 31, 2020, the cost of gross financial indebtedness was €10,716,000, compared to €17,803,000 as of December 31, 2019.

A33. Risk management associated with financial assets and liabilities

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

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

Credit risk

- **Risk factors**

Credit risk may arise when we grant credit to customers on payment terms. The risk of insolvency, or even default by some of them, may result in non-payment and thus negatively impact our income statement and net cash position.
Trade receivables are subject to impairment, corresponding to the estimated expected losses, determined by application of an impairment matrix (application of the simplified impairment model provided for by the IFRS 9

standard). This approach consists of applying, per tranche ageing analysis, an impairment rate based on the history of credit losses, adjusted, if applicable, to take into account elements of a prospective nature.
As of December 31, 2020, the Group's maximum exposure to credit risk was €101,693,000, which represents the amount of trade receivables as presented in our consolidated accounts.

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

- **Risk management mechanisms**

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

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

As at December 31, 2020

in € thousand	Receivables due	Receivables overdue for				Impaired	Total
		< 3 months	3-6 months	6-12 months	> 12 months		
France	19,638	551	26	22	—	694	**20,932**
Europe (excluding France)	15,884	2,719	392	—	—	1,557	**20,552**
Latin America	22,466	2,997	84	—	—	338	**25,885**
North America	5,946	186	—	—	—	1	**6,134**
Asia	11,326	902	189	—	—	295	**12,713**
Pacific	14,911	133	2	—	—	3	**15,049**
Africa & Middle East	3,003	314	—	—	—	2	**3,319**
Trade receivables	**93,174**	**7,802**	**694**	**22**	**—**	**2,891**	**104,584**

As at 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	**21,800**
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**	**102,207**

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

Counter-party risk

- **Risk factors**

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

- **Risk management mechanisms**

We pay particular attention to the choice of financial institutions we use, and we are even more critical when it comes to investing available cash.
Nevertheless, we consider our exposure to counterparty risk to be limited, considering the quality of our major counterparties. In fact, investments are only made with first-class banking entities.

As regards other financial assets and particularly liquid assets, when possible the cash position surpluses of the subsidiaries are generally pooled by the parent company, which is in charge of managing them centrally, in the form of short-term interest-bearing deposits. We only work with leading banking counterparties.

Liquidity risk

- **Risk factors**

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

- **Risk management mechanisms**

Our policy of pooling surplus cash positions and funding needs in all areas helps to refine our net position and to optimize the management of investments and funding requirements, thus ensuring our ability to meet our financial commitments and maintain an optimal level of availability commensurate with our size and needs.
In respect to our specific review of the liquidity risk, we regularly carry out a detailed review of our outstanding amounts, thus ensuring compliance with our financial covenant (liabilities covenant).
As of December 31, 2020, the ratio amounted to -0.29, which is below the contractual financial covenant threshold of 3.75. This ratio is calculated by taking into account the application of the IFRS 16 standard (see notes A18).
In addition, we have a credit line revolving of €420 million maturing in 2022, and drawn for €16 million as of December 31, 2020.
In the context of the Covid crisis, we do not note at this stage a significant impact on the cost or access to financing given the Group's very good financial situation. In addition, in 2020 we have not had to modify our funding and have not used funding measures put in place by governments.

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

Fraud risk

- **Risk factors**

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

- **Risk management mechanisms**

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

Market risks

<u>Exchange rate risk</u>

- **Risk factors**

The currency risk arises from the impact of fluctuations in exchange rates on our financial flows when carrying out our activities. Due to our strong international presence, we are exposed to the foreign exchange risk on transactions, and the foreign exchange risk on the conversion of the financial statements of our foreign subsidiaries.
We carry out transactions in currencies other than the euro, our reference currency. The exchange rate risk is monitored using dashboards generated by the IT system (ERP). The items are updated based on *ad hoc* reports.
The majority of our exchange rate risk is centralized on the parent company, which invoices its subsidiaries in their local currency. In the case of sales to countries with exotic currencies, the invoices are denominated in euros or American dollars.
Taking into account our purchases and sales in other currencies, we are exposed to exchange rate risks mainly for the following currencies: US dollar, pound sterling, Swiss franc and various currencies in Asia, the Pacific, and Latin America.
Given our exchange rate risk exposure, currency fluctuations have a significant impact on our income statement, both in terms of conversion and transaction risk.

- **Risk management mechanisms**

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

Accordingly, we use various instruments available on the market and generally employ foreign exchange forwards or options.

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

in € thousand	2020	2019
Fair value hedges	528	-93
Cash flow hedges	98	-146
Net investment hedges	—	—
Derivatives not qualifying for hedges	-109	-80
Derivative financial exchange instruments	**517**	**-320**

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

Interest rate risk

- **Risk factors**

Our income statement may be impacted by the interest rate risk. Indeed, unfavorable rate changes can thus have a negative impact on our financing costs and future financial flows.
Our exposure to interest rate risk results from the fact that our main lines of credit are at variable rates; therefore, the cost of debt may increase in the event of a rise in interest rates.
Our exposure to interest rate risk results mainly from variable-rate credit lines implemented at Virbac, the amount of which is not significant as of December 31, 2020. These lines are indexed to the Euribor and US $ Libor rates.
The credit lines in the United States are indexed to the Libor US $ but not drawn as of December 31, 2020.

We currently have financing contracts and hedging contracts whose interest rates are indexed to Libor. Following the announcement by the FCA (UK Financial Conduct Authority) of its intention to no longer compel banks to contribute to the Libor quotations after December 31, 2021, our financial teams are in charge of managing the disappearance of the Libor indices in order to ensure the continuity of our financial and commercial activities. We will retain the market practice that will be required both in terms of the substitution of indices for existing contracts and in terms of the new indices to be used for new contracts. We cannot predict the impact this will have on the cost of our financing in the currencies concerned.

The current amount on the credit lines is the following:

	2020		2019	
in € thousand	Average real interest rate	Book value	Average real interest rate	Book value
Chile	1.5%	16,987	3.1%	23,971
Uruguay	—	—	5.4%	2,753
France	2.1%	40,708	2.1%	44,468
Fixed rate debt		**57,695**		**71,193**
Vietnam	2.7%	252	2.2%	215
France	0.3%	19,841	2.0%	298,015
United States	—	—	3.6%	32,936
Turkey	11.3%	378	—	—
Australia	—	—	1.9%	8,128
Philippines	7.9%	152	7.6%	158
Other	—	1	—	173
Variable rate debt		**20,624**		**339,626**
Bank overdrafts	—	2,306	—	13,770
Loans and bank overdrafts		**80,625**		**424,589**

- **Risk management mechanisms**

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

Interest rate derivatives are shown below, at market value:

in € thousand	2020	2019
Fair value hedges	—	—
Cash flow hedges	5,869	3,148
Net investment hedges	—	—
Derivatives not qualifying for hedges[1]	-1,230	—
Derivative financial rate instruments	**4,639**	**3,148**

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

Specific impacts from hedging exchange rate and interest rate risks

- **Risk factors**

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

- **Risk management mechanisms**

We only engage in hedging transactions designed to hedge actual or certain exposure; therefore, we do not create any speculative risk.
Financial derivatives are designated as hedges when the hedging relationship can be demonstrated or documented.
The exchange rate derivatives used for cash flow hedging generally mature within one year at most.
The interest rate derivatives are intended to hedge credit lines and loans. Their maturity is backed by the hedged item, with the exception of €1,230,000 for which the debt was repaid early following the receipt of the proceeds from the sale of Sentinel®.

As of December 31, 2020, the unrealized gains and losses in equity for the period accounted for a net cost of €603,000. The ineffective portion recognized in the income statement in respect of cash flow hedges represents income of €1,050,000 (foreign exchange hedging for €1,067,000 and interest rate hedging for minus €17,000).

in € thousand	Nominal 2020	Nominal 2019	Positive fair value 2020	Positive fair value 2019	Negative fair value 2020	Negative fair value 2019
Forward exchange contract	58,761	48,477	938	227	328	467
OTC option exchange	35,683	29,621	161	92	254	173
Exchange instrument	**94,443**	**78,098**	**1,098**	**319**	**582**	**640**
Swap rate	81,900	100,362	1	39	1,588	1,386
Interest rate options	47,000	105,606	—	1	66	156
Cross currency swap	44,423	44,423	6,291	4,650	—	—
Interest rate instruments	**173,323**	**250,391**	**6,293**	**4,690**	**1,654**	**1,542**
Derivative financial instruments	**267,766**	**328,489**	**7,391**	**5,010**	**2,235**	**2,181**

Supply risks

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

To limit these risks, we take a broad approach to identifying as many diversified suppliers as possible, and may in certain cases secure our supply chain by acquiring the technologies and capacities we lack and that create too high a dependency. An example of this was the acquisition of the intellectual property and industrial facilities for the production of the protein used for manufacturing the leading cat vaccine.

The year 2020 has been marked by the Coronavirus health crisis. This situation is very much evolving throughout the world, and while at this stage we have not detected any material effects, it is very difficult to predict how the supply chain might be impacted by the end of the pandemic.

A34. Composition of Virbac share capital

	2019	Increase	Decrease	2020
Number of authorized shares	**8,458,000**	—	—	**8,458,000**
Number of shares issued and fully paid	**8,458,000**	—	—	**8,458,000**
Number of shares issued and not fully paid	**—**	—	—	**—**
Outstanding shares	**8,431,822**	86,094	-81,220	**8,436,696**
Treasury shares	**26,178**	81,220	-86,094	**21,304**
Nominal value of shares	**€1.25**	—	—	**€1.25**
Virbac share capital	**€10,572,500**			**€10,572,500**

A35. Performance-related stock grant plans

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

Fair value of performance-related stock grant plans

In accordance with IFRS 2, these plans were valued in our consolidated accounts based on the allocated shares' fair value on their allocation date.
50% of the shares in the 2016 performance-related stock grants plan, which were allocated on 15 September 2016 and valued at €2,248,358 (*i.e.* 12,150 shares for €185.05) were distributed during the 2020 financial year, for an updated valuation of €955,413 (*i.e.* 5,163 shares for €185.05).
The 2018 performance-related stock grants plan, allocated on August 1, 2018, is valued at €1,788,000, which translates into 15,000 shares for €119.20 each. This amount was deferred over a vesting period of 41 months. The impact recognized in the income statement as of December 31, 2020 amounts to €680,000, including social security contributions.
The 2019 performance-related stock grants plan, allocated on June 30, 2019, is valued at €672,800, which translates into 4,000 shares at €168.20 each. This amount was deferred over a vesting period of 24 months. The impact recognized in the income statement as of December 31, 2020 amounts to €432,000, including social security contributions.
The 2020 performance-related stock grants plan, allocated on July 1, 2020, is valued at €312,000, which translates into 1,600 shares for €195. This amount was deferred over a vesting period of 12 months. The impact recognized in the income statement as of December 31, 2020 amounts to €194,000, including social security contributions.

A36. Dividends

In 2020, no dividends were distributed to the owners of the parent company.
For the financial year 2020, a proposal will be made to the shareholders' meeting to allocate a net dividend of €0.75 per share, with a nominal value of €1.25.

A37. Workforce

Evolution of workforce by geographic area

	2020	2019	*Variation*
France	1,309	1,323	*-1.1%*
Europe (excluding France)	353	363	*-2.8%*
Latin America	967	961	*0.6%*
North America	452	477	*-5.2%*
Asia	1,386	1,331	*4.1%*
Pacific	309	311	*-0.6%*
Africa & Middle-East	131	131	*—%*
Workforce	**4,907**	**4,897**	***0.2%***

Distribution of workforce by position

	2020		2019	
Manufacturing	1,679	34.2%	1,749	35.7%
Administration	665	13.6%	561	11.5%
Business	2,080	42.4%	2,042	41.7%
Research & Development	483	9.8%	545	11.1%
Workforce	**4,907**	**100.0%**	**4,897**	**100.0%**

As part of the implementation of our new HR information system, we reviewed the reporting of certain employees, which resulted in changes in scope between 2019 and 2020, in particular from production and research and development functions to administrative and business functions.

A38. Information on related parties

Compensation of supervisory board members

	2020		2019	
	Compensation	Directors' fees	Compensation	Directors' fees
Marie-Helene Dick	€95,000	€22,400	€95,000	€16,500
Pierre Madelpuech	—	€22,400	—	€16,500
Solene Madelpuech	—	€22,400	—	€22,000
Philippe Capron	—	€25,600	—	€25,000
Company OJB Conseil represented by Olivier Bohuon	—	€22,400	—	€22,000
Cyrille Petit	—	—	—	€11,000
Company Cyrille Petit represented by Cyrille Petit	—	€22,400	—	—
Company Galix Conseils represented by Grita Loebsack	—	—	—	€22,000
Non-voting advisor Company XYC Unipessoal Lda represented by Xavier Yon	—	€22,400	—	€22,000
Total	**€95,000**	**€160,000**	**€95,000**	**€157,000**

Compensation of executive board members

As at December 31, 2020 - Gross amount due

	Fixed compensation (including benefit in kind)	Compensation linked to terms of office for administrator on Group companies	Variable compensation	Total compensation
Sebastien Huron	€356,738	€35,000	€188,100	**€579,838**
Christian Karst	€287,136	€45,000	€165,000	**€497,136**
Habib Ramdani	€222,297	€0	€88,800	**€311,097**
Total	**€866,171**	**€80,000**	**€441,900**	**€1,388,071**

As mentioned in the significant events of the financial year, our governance was modified on December 15, 2020. However, the remuneration elements remain identical for the new positions of the members of the executive board.

As at December 31, 2019 - Gross amount due

	Fixed compensation (including benefits in kind)	Compensation linked to terms of office for administrator on Group companies	Variable compensation	Total compensation
Sebastien Huron	€340,361	€35,000	€180,000	**€555,361**
Christian Karst	€275,184	€45,000	€159,000	**€479,184**
Habib Ramdani	€213,570	—	€85,200	**€298,770**
Jean-Pierre Dick	€16,460	—	—	**€16,460**
Total	**€845,575**	**€80,000**	**€424,200**	**€1,349,775**

Compensation paid for the 2020 financial year represents fixed compensation paid in 2020, compensation paid in 2020 in relation to terms of office for directors in Group companies, variable compensation paid in 2021 in relation to 2020 and benefits in kind granted in 2020 (company car).

Calculation criteria for the variable portion

Each executive board member has a variable compensation target, which is a percentage of his/her fixed compensation.

The variable compensation for members of the executive board is essentially based on the following objectives:

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

Other benefits
In addition to the various compensation items, executive board members enjoy the benefits described below.

- **Company vehicle**

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

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

Executive board members and the chairman of the executive board have the same health insurance, maternity benefits and pension and retirement plans as those provided to all the company's executives, under the same contribution and benefit conditions as those defined for the other company executives.

- **Unemployment insurance plan**

The chairman of the executive board is covered by the private GSC (*Garantie Sociale des Chefs d'Entreprise* [Unemployment Insurance for Corporate Directors]) plan, which is based on the 70-for-one-year formula, in accordance with this organization's general conditions, and whose contributions will be entirely paid by the company, but will be claimed as a benefit in kind for the chairman of the executive board. The amount of the annual contributions over time shall not exceed €15,000.
The other executive board members have the same unemployment insurance plan as that provided to the company's employees.

- **Additional pension plan**

Following the decision of the supervisory board dated March 12, 2019, an amendment to the defined-benefit pension plan for members of the executive board was signed on June 14, 2019. This amendment redefines the beneficiaries of the plan and the new applicable annuity rate.
The allocation conditions are now as follows:

- over ten years service in the Group (including nine years as a member of the executive board or 15 years for a benefit of 10.5% of the reference salary);
- at least 60 years-old;
- ended his/her career in the Group.

- **Forced retirement severance pay**

The chairman of the executive board, Sébastien Huron, shall benefit from commitments made by the company in the event of termination of his office, by virtue of a decision made by the supervisory board on December 20, 2017.
In the event of the forced termination of the office of the chairman of the executive board, he/she shall receive severance pay, the amount of which will be subject to the achievement of the Group's operating profit from ordinary activities to net revenue ratio (Ratio = Operating profit from ordinary activities/revenue excl. tax) over the last two and/or last four half-year periods, and may range from between 0 to €700,000.
The commitments made by the company in the event of the termination of the office held by Christian Karst, member of the executive board and general manager, were renewed by the supervisory board on March 13, 2018. The compensation would amount to €326,000. The fulfillment of the severance pay performance criteria may be assessed against the two half-year periods that precede a director's departure, and not a minimum of two years, as stipulated in the Code. However, the amount of this severance pay is substantially lower than the limit of two years of compensation provided under the Code and the performance criteria are demanding (operating profit from ordinary activities to revenue from ordinary activities ratio higher than or equal to 7%).
Severance pay shall only be paid out in the event of a forced departure at the company's initiative. It will not be owed in the event of resignation, full pension retirement, retirement once the age limit for being a member of the executive board is reached or in the event of dismissal for gross negligence.

- **Non-competition payments**

Sébastien Huron agreed to a non-competition commitment in the event he leaves office, in consideration of which a non-competition payment is provided for.
In consideration of the non-competition obligation, Sébastien Huron will receive each month, during the entire competition ban period, a payment in an amount equal to 80% of his fixed gross monthly compensation received for the company's last financial year-end (including directors' fees and any other compensation related to his functions within the Virbac group). This payment will be limited, for this 18-month period, to a maximum gross amount of €500,000.

- **Performance-related stock grant plans**

Since 2006, the executive board, in accordance with the authorization from the shareholders' meeting, has allocated performance-related stock grants to certain executives of Virbac and of its subsidiaries. These allocations are subject to meeting a performance target linked to the profitability and net debt of the Group.

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

	Number of shares 2016 Plan	Number of shares 2018 Plan	Number of shares 2019 Plan	Number of shares 2020 Plan
Sebastien Huron	1,000	1,600	—	—
Christian Karst	1,000	1,200	4,000	1,600
Habib Ramdani	400	1,000	—	—
Total	**2,400**	**3,800**	**4,000**	**1,600**

During the 2020 financial year, 50% of the performance-related stock grants of the 2016 Plan were acquired by the beneficiaries in accordance with the plan's regulations.

A39. Off-balance sheet commitments

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

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

in € thousand	Guarantee provided with	Validity limit date	2020	2019
PP Manufacturing Corporation	NDNE 9/90 Corporate Center LLC	09/30/2026	4,698	5,984
Virbac Uruguay	Banco de la Republica Oriental del Uruguay	—	3,260	3,561
Guarantees given			**7,958**	**9,545**

- **Contingent liabilities**

Virbac and its subsidiaries are at times involved in disputes, or other legal proceedings, generally linked to disputes related to intellectual property rights, disputes involving competition law and tax matters.
Each situation is analyzed under IAS 37 or IFRIC 23 when it concerns relative uncertainty surrounding tax treatment. No provision is made when the company considers a liability to be potential, and information is provided in the notes to the financial statements.
This was particularly the case in 2014 when a competitor of the Group made a request to seek compensation for alleged damages relating to a use patent. Since management considered the risk of resource outflows to be very low, no provision was recognized.
As for pending tax disputes involving Virbac and its subsidiaries, a provision has been recognized in accordance with current standards (see note A19). Where the company deems that an adjustment proposal is unwarranted and that it has a strong enough case in this regard, it treats each of these cases as a potential liability.

A40. Scope of consolidation

Company name	Locality	Country	2020		2019	
			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	—	—	100.00%	Full
Virbac Nutrition	Vauvert	France	100.00%	Full	100.00%	Full
Bio Veto 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 Espana SA	Barcelona	Spain	100.00%	Full	100.00%	Full
Virbac Osterreich GmbH	Vienna	Austria	100.00%	Full	100.00%	Full
Virbac de Portugal Laboratorios Lda	Almerim	Portugal	100.00%	Full	100.00%	Full
Virbac Hayvan Sagligi Limited 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		2019	
			Control	Consolidation	Control	Consolidation
Latin America						
Virbac do Brasil Industria e Comercio Ltda	Sao Paulo	Brazil	100.00%	Full	100.00%	Full
Virbac Mexico SA de CV	Guadalajara	Mexico	100.00%	Full	100.00%	Full
Laboratorios Virbac Mexico SA de CV	Guadalajara	Mexico	100.00%	Full	100.00%	Full
Virbac Colombia Ltda	Bogota	Colombia	100.00%	Full	100.00%	Full
Laboratorios Virbac Costa Rica SA	San Jose	Costa Rica	100.00%	Full	100.00%	Full
Virbac Chile SpA	Santiago	Chile	100.00%	Full	100.00%	Full
Virbac Patagonia Ltda	Santiago	Chile	100.00%	Full	100.00%	Full
Holding Salud Animal SA	Santiago	Chile	51.00%	Full	51.00%	Full
Centro Veterinario y Agricola Limitada	Santiago	Chile	51.00%	Full	51.00%	Full
Farquimica SpA	Santiago	Chile	51.00%	Full	51.00%	Full
Bioanimal Corp SpA	Santiago	Chile	51.00%	Full	51.00%	Full
Productos Quimicos Ehlinger	Santiago	Chile	51.00%	Full	51.00%	Full
Centrovet Inc	Allegheny	United States	51.00%	Full	51.00%	Full
Centrovet Argentina	Buenos Aires	Argentina	51.00%	Full	51.00%	Full
Inversiones HSA Ltda	Santiago	Chile	51.00%	Full	51.00%	Full
Rentista de capitales Takumi Ltda	Santiago	Chile	51.00%	Full	51.00%	Full
Virbac Uruguay SA	Montevideo	Uruguay	99.17%	Full	99.17%	Full
Virbac Latam Spa	Santiago	Chile	100.00%	Full	100.00%	Full
Asia						
Virbac Trading (Shanghai) Co. Ltd	Shanghai	China	100.00%	Full	100.00%	Full
Virbac H.K. Trading Limited	Hong Kong	Hong Kong	100.00%	Full	100.00%	Full
Asia Pharma Ltd	Hong Kong	Hong Kong	100.00%	Full	100.00%	Full
Virbac Korea Co. Ltd	Seoul	South Korea	100.00%	Full	100.00%	Full
Virbac (Thailand) Co. Ltd	Bangkok	Thailand	100.00%	Full	100.00%	Full
Virbac Taiwan Co. Ltd	Taipei	Taiwan	100.00%	Full	100.00%	Full
Virbac Philippines Inc.	Taguig City	Philippines	100.00%	Full	100.00%	Full
Virbac Japan Co. Ltd	Osaka	Japan	100.00%	Full	100.00%	Full
Virbac Asia Pacific Co. Ltd	Bangkok	Thailand	100.00%	Full	100.00%	Full
Virbac Vietnam Co. Ltd	Ho Chi Minh Ville	Vietnam	100.00%	Full	100.00%	Full
Virbac Animal Health India Private Limited	Mumbai	India	100.00%	Full	100.00%	Full
SBC Virbac Limited	Hong Kong	Hong Kong	—%	—	100.00%	Full
SBC Virbac Biotech Limited	Taïpei	Taiwan	—%	—	100.00%	Full
AVF Animal Health Co Ltd Hong-Kong	Hong Kong	Hong Kong	50.00%	Equity	50.00%	Equity
AVF Chemical Industrial Co Ltd China	Jinan (Shandong)	China	50.00%	Equity	50.00%	Equity
Shandong Weisheng Biotech Co., Ltd	Jinan (Shandong)	China	50.00%	Equity		
Pacific						
Virbac (Australia) Pty Ltd[1]	Milperra	Australia	100.00%	Full	100.00%	Full
Virbac New Zealand Limited	Hamilton	New Zealand	100.00%	Full	100.00%	Full
Africa & Middle East						
Virbac RSA (Proprietary) Ltd[1]	Centurion	South Africa	100.00%	Full	100.00%	Full
GPM Virbac	Constantine	Algeria	—%	—	42.85%	Equity

[1] Pre-consolidated levels