ANNUAL REPORT 2020

Shaping the future of animal health

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FINANCIAL REPORT

Our teams, more mobilized than ever

2020, AN EXTRAORDINARY YEAR?
Without a doubt, given the rare natural disasters that affected several parts of the globe and, of course, the Covid-19 pandemic that shook the world. This is why we have been mobilized throughout the year to protect the health and safety of our employees and to ensure the best possible continuity of our commitments to animal health.

WHAT DOES THIS MEAN?
With an increase in pet adoptions around the world since the first lockdown, taking care of the animals that share our homes, especially those of people in isolation, was more important than ever. Our teams have, therefore, been at the forefront of ensuring dogs and cats continue to eat, by creating webshops in several European countries that facilitate access to our specialized petfood range, particularly suitable for domestic carnivores. In Mexico and China, with the physical integrity of the animals in mind, we have provided owners with an alternative to surgical castration via our implant for the reversible neutering of dogs, already available throughout Europe. Finally, in 2020, we opened a new route in the treatment of canine cancers thanks to a new injectable solution against mast cell tumors, the second most commonly diagnosed cancer in dogs.

AND ON THE FOOD PRODUCING ANIMAL SIDE?
The level of mortality and morbidity in farms is still very high, especially considering that these structures are a major source of protein intake to ‟feed″ the populations of today and tomorrow. In 2020, we made our vaccine against porcine circovirus type 2 available in Vietnamese and Thai farms, helping to limit its impact in one of the largest production areas of the world. In Australia, we are moving forward with the management of parasiticide resistance in cattle with an effective innovation against multi-resistant parasites. Finally, with the acquisition of a range of vaccines for tilapia from Ictyogroup and the launch of an anesthetic in Norway, the number one country in the world’s salmon

R&D CENTERS ON 5 CONTINENTS

SALES SUBSIDIARIES IN 33 COUNTRIES

PRODUCTION SITES IN 10 COUNTRIES

4,900 EMPLOYEES

production, we now offer our aquaculture solutions on all continents and for the most promising species (salmon, tilapia, shrimp) to respond to the global food challenges.

WHAT ABOUT THE PROTECTION OF VIRBAC TEAMS?

In 2020, more than ever, we placed our people at the heart of our concerns. The strict health measures implemented very early in our various subsidiaries are proof of this. Despite a complicated healthcare context, several Great Place to Work initiatives have emerged around the world. In France, for example, we have deployed a manager's charter and integrated the employee's feedback to the manager in the annual appraisal. So many initiatives and good practices that continue to make Virbac, day after day, a great place to work. The times of crisis are also a strong indicator of our values and our strengths. Throughout the year, we saw an unwavering commitment from our teams, around the world, and I sincerely wanted to thank them all for this. This unique corporate culture is amongst what drives us every day and what also makes us want to go further to shape the future of animal health.

HOW?

Within our new Group executive committee, we are working closely to adapt our strategy to a world in constant motion. This is the best way to optimize its robustness and thus sustain the company's future. As the health and economic crisis is in full swing, we have continued to invest during 2020 in the rollout of Workday, our new HR system, within the context of a program to improve the employee experience. We have also given new impetus to the transformation of our industrial operations to make them more competitive in the coming years with significant investments planned, including in the digital field, particularly as it relates to France and the United States.

WHAT IS THE OUTLOOK?

We will soon achieve our entry into the American food producing animal market and continue to roll out our petfood range in two major markets, the United States and China. In the medium term, our goal is to provide products with high added value for those who take care of animals around the world. This is why in 2020 we signed several agreements on innovative molecules or technologies protected by patents in biology, reproduction or in the field of antibiotic substitutes. Finally, in 2021, we launched a vast program, "Virbac 2030", which aims to define the type of company that we wish to build in the next ten years, in connection with our sustainable development approach.

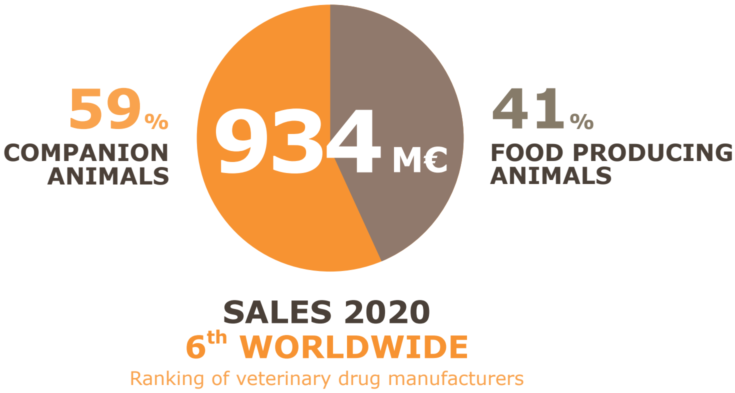
WITH WHICH COMMITMENTS?

In view of the health context, our priority remains to preserve the health and well-being of our employees, while allowing them to explore new areas serving animal health, an essential activity for the balance of ecosystems and the protection of the living as a whole. We will also continue our efforts to preserve the environment by working, for example, on products that are even more environmentally friendly. And more generally, continue to make responsible choices for a sustainable future by giving all levels of the company the means to contribute to an increasingly sustainable approach to our activity.

A healthy company

WHAT MADE THIS YEAR SO REMARKABLE?

First of all, because despite the Covid-19 crisis, 2020 continued the strong growth we have seen over the past two years. It also marks a real turning point for the Group and its financial position with the sale of our SENTINEL® brands parasiticides to MSD Animal Health.



HOW DO YOU EXPLAIN THESE RESULTS IN THE MIDST OF A HEALTH CRISIS?

Our industry has weathered this crisis very well, because taking care of animals remains an essential activity for the planet. Throughout the year, our Virbac teams have demonstrated exceptional resilience and adaptability. This engagement has enabled us to achieve one of the highest growth rates in recent years (+5.7% at constant exchange rates and scope).

WHAT WERE THE GROWTH FACTORS?

Our sales growth was driven as much by companion animal activities as by food producing ones, in all of our geographical areas except for the United States. It is the result of the geographic expansion strategy of our products, particularly our specialized pet food range and our neutering implant. The launch of new products also contributed positively to our 2020 sales.

AND IN TERMS OF FINANCIAL INDICATORS?

Beyond our performance, we stepped up our cost-control efforts and our expenses were reduced due to Covid-19. These efforts increased our adjusted Ebit, which, in terms of sales ratio and constant rates, amounted to 14.4%, an improvement of 1.4 points compared to 2019. Even if the sale of the SENTINEL® brands corresponds to a negative impact of approximately 3 points on our Ebita-to-sales ratio, on a *pro forma* basis over a full year at the time of the sale, it will have allowed us to completely eliminate our debt in 2020. This allows us to look at other possible external growth operations to supplement our product portfolio and/or our presence in certain markets.

WHAT IS THE OUTLOOK FOR 2021?

As in previous years, we aim to grow at a faster rate than the market. Through our commitments to animal health, our growth is expected to continue in all regions, with the possible exception of Chile, where aquaculture activity has been more severely affected by the health crisis.







Committed governance to support the Virbac group's development

Our governance is based on principles that contribute to maintaining the balance required for the Virbac group's performance and successful development.

Separation of powers and collegiality
Since December 2020, we have adopted an organization integrating a general management and a board of directors, today the most common form of governance for French listed companies. This organization meets the desire to establish a balance of power between the executive and supervisory functions. It involves a regular and effective dialogue between the general management and the board of directors, as well as mutual trust.

Collegiality is a key organizational principle in our governance. The operation of these two entities, the board of directors and the general management, is based on the search for a position shared by their respective members and on collective decisions, the result of genuine teamwork. This organization guarantees efficiency and responsiveness while being in line with the governance codes in force and in particular the Afep-Medef Code, which we use as a reference to regularly improve our practices in this area.

Committed and experienced management
Our governance is based on focused governing bodies, composed of members with a strong and long-term level of commitment. Their professional experience covers many of the aspects involved in the day-to-day management of a major international group. All but one of the board of directors are senior executives with extensive operational management experience of international companies.

The members of the governing bodies, whether the board directors or the general management, are committed to providing sustained support for the Group's long-term strategy. Moreover, the involvement of the board of directors members and the non-voting advisor is not limited to their participation in formal board debates. It also takes the form of regular informal discussions and periodic *ad hoc* meetings if circumstances so require.

GENERAL MANAGEMENT

The general management of the company is entrusted to Virbac chief executive officer, Sébastien Huron. His mission is to assume the strategic and operational management of the Group. He is assisted by two deputy chief executive officers and is supported by a Group executive committee. The general management reports to the board of directors on its strategic choices and results.

Group executive committee
The Group executive committee is made up of seven members who work closely together and take decisions on a collegial basis. This encourages joint reflection and teamwork. Whether for the long-term vision or operational needs, exchanges between members of the Group executive committee are frequent, enabling a high level of responsiveness in decision-making.

Sébastien Huron
Chief executive officer, Virbac group

Habib Ramdani
Chief financial officer and deputy chief executive officer

Marc Bistuer
Head of Global Industrial Operations & Corporate Quality Assurance and deputy chief executive officer - qualified person

Hubert Trentesaux
Head of Global Business Operations

Nathalie Pollet
Global Marketing & Business Optimization director

Bertrand Havrileck
Director pharmaceutical & biological R&D

Francesca Cortella
Head of Corporate Human Resources

BOARD OF DIRECTORS

Marie-Hélène Dick-Madelpuech
Chairwoman

Solène Madelpuech
Member

Sylvie Gueguen
Employee representative

Pierre Madelpuech
Vice-chairman

Olivier Bohuon
Permanent representative of the company OJB Conseil, independent member

Philippe Capron
Independent member

Cyrille Petit
Permanent representative of the company Cyrille Petit Conseil, independent member

Xavier Yon
Permanent representative of the company Xavier Yon Consulting Unipessoal Lda, non-voting advisor

The board of directors determines the orientations of the company's activity and supervises their implementation. It ensures the permanent control of the company management led by the general management, and the regular review of the accounts and of all major projects and investments. The board of directors comprises seven members including three independent members.

The board of directors is supported in its work by two subcommittees, the audit committee and the compensation and appointment committee. It is assisted by a non-voting advisor, Xavier Yon, which has a consultative voice.

Audit committee

The audit committee is responsible for:
- controlling the monitoring of the financial reporting process and the review of the annual financial statements;
- controlling the existence and effectiveness of the internal control and risk management systems;
- issuing a recommendation on the statutory auditors proposed for appointment by the shareholders' meeting;
- monitoring the achievement by the statutory auditors of their duties;
- ensuring that the statutory auditors comply with the conditions of independence;
- approving the provision by the statutory auditors of non-prohibited services other than certifying accounts;
- reporting to the board of directors on the performance of its duties.

It is comprised of Philippe Capron, chairman, Cyrille Petit and Pierre Madelpuech.

Compensation and appointment committee

The compensation and appointment committee is responsible for:
- formulating proposals and examining applicants for the positions of administrators or members of the general management;
- ensuring the implementation of a succession plan for the members of the general management;
- drawing up recommendations and proposals regarding the compensation of the members of the general management;
- remaining informed about the Virbac group's general human resources policy and more specifically, the compensation policy for the Virbac group's main executives;
- reviewing proposals and conditions relating to stock grants;
- drawing up proposals regarding the amounts of directors' fees to be paid to the members of the board of directors.

It is composed of Marie-Hélène Dick, chairwoman, Olivier Bohuon and Philippe Capron.

Non-voting advisor

Xavier Yon, permanent representative of the company Xavier Yon Consulting Unipessoal Lda.

STATEMENT
OF NON-FINANCIAL PERFORMANCE

Integral part of the management report

Editorial

“ We do not inherit the Earth from our ancestors;
we borrow it from our children ”
(attributed to Saint-Exupéry).

This awareness should be the driving force behind the actions of humans on earth.
We have understood this correctly.

Making our development sustainable is a natural process, for several reasons. We are a group whose capital is controlled by one family, that of its founder, Dr Pierre-Richard Dick, whose profoundly human values have left their mark on the company and remain the foundation on which the company's strategy has been built.

As with many family businesses, the ability to plan for the long-term and act accordingly is part of our genetic capital. The fact of being a listed company does not contradict this orientation, as more and more shareholders favor companies whose strategies incorporate sustainable development goals that do not impede but, on the contrary, favor its economic performance.

> Our mission — to create, manufacture and sell veterinary medicines and, more generally, animal health products — puts our company at the heart of the food chain and the "One Health" ecosystem, where it is recognized that the health of all living beings on Earth is intrinsically linked.

Our customers, veterinarians, farmers and animal owners are becoming increasingly concerned of their impact on the environment and human health. We are therefore, naturally led to direct our activities accordingly.

The growth of our Group in France and internationally leads to additional requirements. We are deeply rooted in our home territory, the French Riviera. With the increase in our workforce and investments in this basin, our visibility is growing and making us an example in terms of our teams and our community, both socially and environmentally.

At the same time, we have also become a global company that derives nearly 60% of its revenue from outside Europe and whose subsidiaries are located in 33 countries across every continent. Our company must ensure that this development complies with our common principles, regardless of the territories in which it operates, particularly in the economic, social and environmental spheres.

In the social sphere, respect for human beings was one of the key values of our founder: maintaining real social dialogue, proper remuneration and social coverage policy for employees at the lower end of the salary scale, and the trust and attention given to every employee are thus part of our traditional values. We are committed to preserving this legacy and building on it by complementing it with ambitious skill development policies.

In the environmental sphere, the company's operations guarantee strict quality requirements: for example, by compliance with Good manufacturing and laboratory practices. In addition, several years ago we embarked on a continuous improvement strategy designed to consistently cut waste and optimize the use of resources. The search for energy efficiency and environmental friendliness are increasingly being systematically integrated into our key decisions (investment, transportation, product design, *etc.*).

In the financial sphere, our objective is to pursue the consistent and profitable growth experienced almost every year since it was founded. This development is based mainly on solid organic growth, driven by innovation and quality of relationships with our customers. We regularly supplement this growth with targeted acquisitions carried out while maintaining an acceptable degree of debt.

We are pursuing this strategy within the framework of simple and clear governance guaranteeing shareholders with a high level of transparency. Without overdoing the communication, we are carrying out a genuine approach, targeting long-term development that respects our customers, employees, shareholders, partners and our environment.

Sébastien Huron
Chief executive officer, Virbac group

OUR VISION

Our purpose
- Better feed the planet
- Protect the living
- Promote animal welfare

OUR STRATEGIC AREAS OF FOCUS

Choosing sustainability (better balance between economic growth, respect for people and the environment)

Ensuring the well-being of our employees (high EHS standards, transparent governance, sharing value created through bonuses)

Expanding internationally (USA, China, Brazil, India, innovative products & services: busters, vaccines, pet care)

Improving the competitiveness of our industrial production and systems

Key animal health sector issues

Animal welfare

Feeding the planet (food security & food safety)

Digitalization and Big Data

Consolidation

Regulations

Quality

One Health

Diversification

OUR VALUE CREATION MODEL

CREATE

Sustainable innovation based on technological advances and listening to caregivers

R&D CENTERS IN 8 COUNTRIES
- France
- United States
- Australia
- Mexico
- Vietnam
- Taiwan
- Chile
- Uruguay

4 SPECIALIZED SEGMENTS
- Companion animals
- Ruminants
- Aquaculture
- Swine

PARTNERSHIPS

Universities
Laboratories
Biotech

RDL INVESTMENT

Approx. **8%** of sales revenue

MAKE

Production facilities that meet the highest international quality standards

PLANTS IN 10 COUNTRIES

100% GMP-certified sites

RAW MATERIALS + PACKAGING

800 suppliers
120 M€ in purchases

SUBCONTRACTED PROCESSING

75 subcontractors
78 M€ in purchases

PURCHASES OF FINISHED GOODS

56 suppliers
46 M€ in purchases

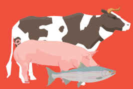
4,900 EMPLOYEES in 38 countries

SELL

A personalized relationship with veterinarians, farmers, and owners in each country

ANIMALS

59% companion animals



41% food producing animals

CUSTOMERS

Users

- Veterinarians
- Farmers
- Integrators
- Owners

Intermediaries

- Purchasing groups
- Distributors
- Wholesalers

DISTRIBUTION CENTERS

Internal

In countries with industrial facilities

External

Around the world

8,545 REFERENCES

Vaccines, antibiotics, parasiticides, anti-inflammatory drugs, dermatology, dental, specialties, diagnosis, nutrition

OUR ACCOMPLISHMENTS

HUMAN

85% of employees trained

79% of employees proud to say they work at Virbac

FINANCIAL

+3.2% organic growth at constant rates

Ebita **+1.4 pt** at constant rates

432 M€ debt relief

INTELLECTUAL

Animal health awards

INDUSTRIAL

Virbac plants helped generate **64%** of Group revenue

SOCIAL AND SOCIETAL

Regionalized R&D Virbac Foundation projects

OUR VALUE SHARING

934M€

2020 REVENUE

EMPLOYEES

Remuneration **209.3 M€**

STOCKHOLDERS

49.7% founder's family
50.3% other

2020 change in share price: **+0.6%**

ABILITY TO FUND FUTURE GROWTH

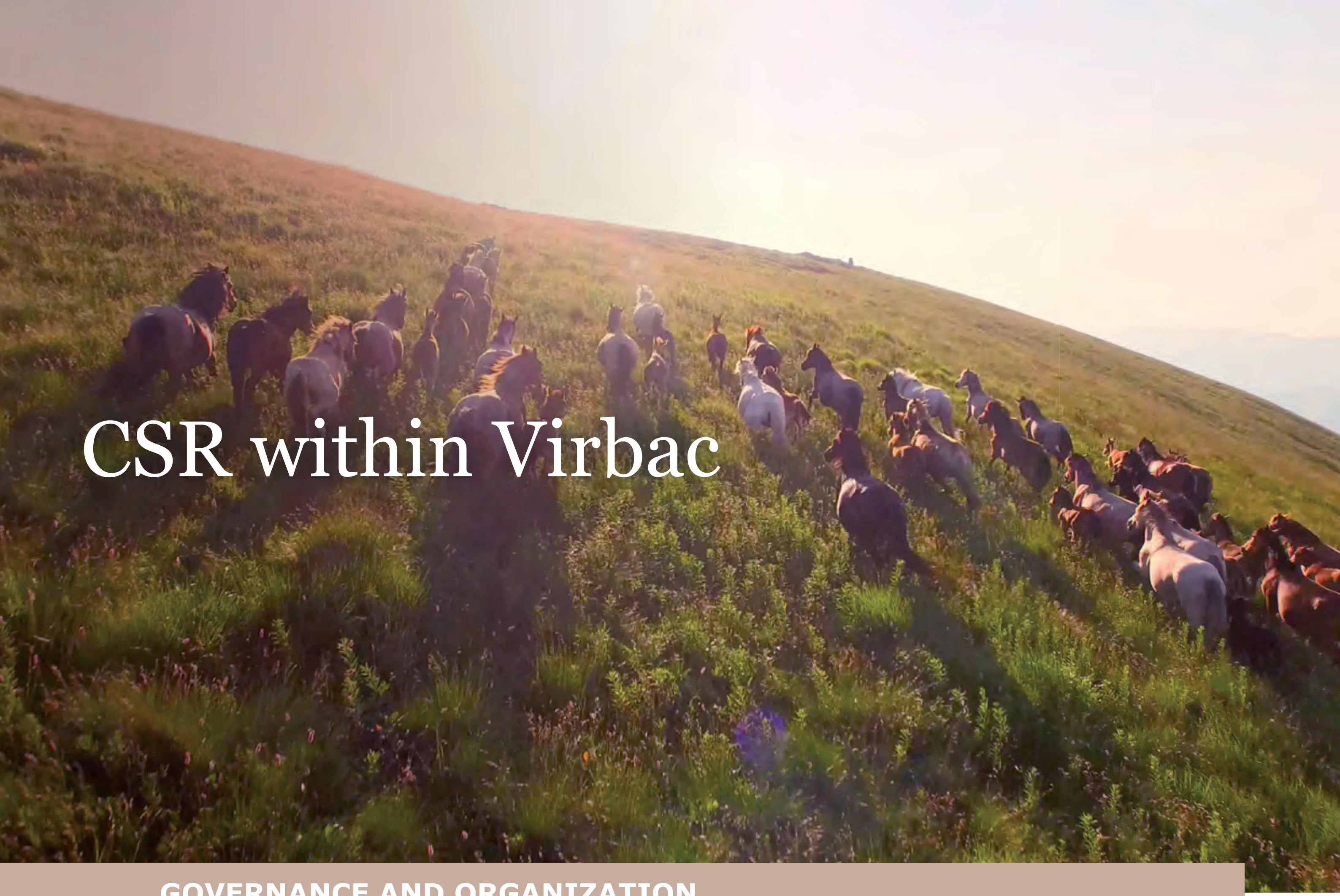
Operating cash flow **171.4 M€**

BANKS/DEBT

Interest on debt **8.7 M€**

SUPPLIERS

338.8 M€ in purchases Group-wide



CSR within Virbac

GOVERNANCE AND ORGANIZATION

At Virbac, we feel that Corporate social responsibility (CSR) must be managed jointly by the departments that deal with the various economic, environmental and social issues. In conjunction with the Communications department, the Innovation, Hygiene-Safety-Environment, Financial Affairs, Legal and Human Resources departments are responsible for presenting these topics at the Group's strategic committee meetings and reporting them to the chief executive officer of Virbac.

Because sustainable development has been a theme that has been close to our hearts for many years, we also set up an internal sustainable development working group headed by the CEO of Virbac more than ten years ago. Within this task force, all the company's departments are represented: Human Resources, Finance, Marketing, Risk, Security, Regulatory, Sourcing, Legal, Communications, *etc*. In 2020, this working group focused on the precision of quantified commitments reflecting the company's CSR ambitions.

In terms of data collection, we rely on an optimized production process, thanks in particular to the formalization of the indicators and their scope within a dedicated reference system deployed in the major subsidiaries of the Group. This optimization also applies to the organization and training of a network of local correspondents specifically assigned to the major areas of sustainable development: environmental, social and economic.

A CORPORATE RESPONSIBILITY POLICY BASED ON A STRONG ETHICAL COMMITMENT

Our Group is a bearer of strong values that are widely communicated on all our sites and are recalled at every major event in the life of the company. In particular, they are explained during a presentation systematically given by one of the Group's managers to all newcomers. During this presentation, entitled "Virbac culture", not only the company's values are presented but also our purpose and the key strategic principles, implemented across the Group's various entities.

At the same time, and for several years now, we have been running several legal compliance programs to ensure proper compliance throughout the Group with internationally recognized standards for the prevention of the risk of corruption and processing of personal data.

In 2015, we implemented a code of conduct, drafted in 16 languages and disseminated to all of the Group's employees. This code of conduct, about thirty pages in length, describes the standards and rules to be adhered to in the main areas related to the life of the company, grouped under four main themes: conducting business, protection of assets, business and privacy and social responsibility of the company. At the end of 2019, we began updating this code of conduct to make it more educational and understandable, and allowing better ownership by the teams.

Our code of conduct gives a specific email address for each topic broached, allowing employees to confidentially contact a senior executive who is specialized in the field concerned. The code of conduct is preceded by an introduction by the CEO of Virbac inviting employees to contact the departments mentioned in the document should they have any questions or should they witness behavior that breaches the rules defined in the code of conduct.

Our management's commitment to the implementation of legal compliance programs was reflected in 2020 by the decision to recruit a Group Legal Compliance director who will take up his duties in early 2021. This recruitment will enable us to have a resource entirely dedicated to the implementation and monitoring of legal compliance programs (mainly anti-corruption programs and the compliance program with the European data protection regulation), enabling the strengthening of the efforts undertaken by the Group for several years, without conflict of priority with the other objectives. This Group Legal Compliance director will also be supported by all of our legal teams, particularly in subsidiaries abroad.

Prevention of corruption and influence-peddling

From 2016, we formalized specific challenges of the fight against corruption. During that year, we deployed a Group anti-corruption policy, now available in ten languages. Members of the Group executive committee, the French executive committee, the general managers of the subsidiaries and their executive board signed a document formalizing their commitment to comply with this policy. Our new employees of the Group's subsidiaries must also undertake to comply strictly with this anti-corruption policy through their employment contract, which expressly refers to it.

In order to comply with the requirements of the Sapin II law of December 9, 2016, we approved an action plan aimed at setting up a program to prevent the risk of corruption, which led, for instance, to the integration of our anti-corruption policy into the internal regulations of French companies.

In 2018, we finalized our corruption risk mapping using the Group's global risk mapping tools. This map was updated in 2020 and its content was validated by management. This work made it possible to update the list of priority subsidiaries in terms of preventing corruption: a pilot project was conducted with a Latin American subsidiary in order to develop a corruption risk map specific to this subsidiary. This approach will be extended in 2021 to other priority subsidiaries.

In 2019, we strengthened our whistleblowing system by designing a dedicated portal that allows us to collect reports from employees worldwide on an anonymous basis. The mechanism, created in compliance with the protection of whistle-blowers and human rights, was the subject of a favorable opinion from the Social & economic committee (*CSE*) in February 2020. The completion of the project was slowed down by the Covid-19 crisis and will be postponed until early 2021.

Our employees were trained on corruption issues in 2019, either in face-to-face, or e-learning format (146 senior managers trained during the last quarter of 2019, all the main departments). This training effort continued to be deployed in 2020 to the most at-risk subsidiaries or to the exposed functions, in the context of interventions carried out by members of the legal teams in video-conference, given the restrictions on travel and face-to-face meetings imposed by the Covid-19 pandemic. These pedagogical efforts resulted in several escalations, which were the subject of internal investigations and in-depth audits by local specialized firms in two cases, which resulted in the implementation of action plans to reduce the risks identified.

In order to assess the controls to be put in place to detect non-compliant situations, in 2019 we engaged the services of a specialized external consultant, who confirmed the adequacy of a number of controls already in place and the need to strengthen other controls. Its analysis resulted in a specific action plan whose implementation was initiated in 2020 and will continue in 2021, targeting the most at-risk situations.

An initial control system for the most at-risk partners, involving legal teams around the world, has also been put in place in 2019. This control system will be strengthened in 2021, as part of a multi-function project to validate the Group's partners involving the Legal, Finance and Corporate Sourcing departments.

Respect for human rights

We are sensitive to the risks associated with non-compliance with human rights and in particular with regard to modern slavery, child labor and other related topics. We are vigilant about the application of the provisions of international conventions on this subject and are in compliance with local regulations on these subjects in all countries where special prevention measures apply to our business. The regulatory framework in which Virbac operates at the global level (Good laboratory, clinical or manufacturing practices) that precisely and under the control of agencies, the skills and training of the staff involved in our activities, seems to us to be conducive to very broadly preventing the use of illegal work such as child labor or modern slavery.

International sanctions

We are very concerned by the proper compliance with international sanction systems and also care to provide our products, essential for animal health and the protection of populations against zoonoses, in countries subject to sanction when authorized. This is why we have worked with a consultant to implement the processes and procedures necessary to ensure proper compliance with the sanction procedures. However, these are long-term projects that are currently struggling with the difficulties of receiving payments from some of the countries concerned.

Protection of personal data

We have also initiated an action plan to bring our personal data processing into compliance with the European regulation n°2016/679 known as GDPR (General data protection regulation). As part of this process, in 2018, we trained employees likely to be involved in data processing and drew up a map of data processing carried out in France and, by extension, data processing carried out at the Group level.

As a result of this first step, in 2018 we have established an action plan and set up working groups to correct existing discrepancies relating to the most sensitive processing operations. We have also set up a network of "data champions" with the representatives of the European subsidiaries in charge of these matters to share best practices in this area.

In 2019 and 2020, we continued to upgrade its main processing operations by working on informing data subjects, and particularly employees, personal data policies and the strengthening of data security.

We have also integrated a privacy by design approach on the proper compliance of new processing resulting from our digitalization plan, and the implementation of merchant sites intended for non-professionals in certain countries.

In 2020, we began implementing a tool to enable the decentralized maintenance of our data processing register and to organize and document GDPR compliance. This tool has been configured to meet the needs and organizations of French subsidiaries and two pilot European subsidiaries and will be gradually deployed in 2021 to other European subsidiaries. It will also be made available to subsidiaries outside Europe with legislation inspired by the GDPR.

The executive board is regularly informed of the progress of these various compliance programs. A complete review of the objectives and progress on these compliance programs was also carried out before the audit committee in December 2020.

Responsible tax policy

We apply the laws and regulations in force in the countries where we operate. We file the required tax returns on time with the various tax authorities, and the amount due is paid.

We created the position of Tax Compliance officer in early 2019 to ensure that all entities comply with their tax obligations and that the tax due in each of the subsidiaries is properly accounted for. To do so, it relies on local financial directors, regional financial controllers and, in some countries, on tax consulting firms, and prepares a report for the audit committee.

In the area of transfer pricing, we apply OECD principles and the regulations in force in the countries of residence to our intra-group operations and aim for appropriate remuneration for all Group entities. Virbac's transfer pricing policy is documented and made available to the various tax authorities.

We strive to maintain transparent and constructive relations with tax or governmental authorities by submitting our "country-by-country reporting" to the French authorities on an annual basis. Our tax strategy, which is based on the reality of our operations, is aligned with our values, which preclude tax evasion. Income taxes are treated in accordance with international accounting rules in the consolidated financial statements and are commented on in the notes to the consolidated accounts.

Integration of corporate responsibility issues into stakeholder relationship

Innovating, producing and marketing responsibly cannot be done consistently without our entire ecosystem being associated with it through regular dialogue: customers, employees, suppliers, scientists, local residents, representatives of public authorities and non-governmental organizations.

The stakeholders with whom we are actively involved are identified by factors such as:

- their contribution to a better definition of needs within the Group's areas of activity;
- their alignment with the company's strategy and their added value;
- their expertise in the field;
- staff involvement in the company's operations;
- their perception of the Group's activities and products.

Stakeholders	Approach and frequency of dialogue
Veterinarians **Farmers** **Pet owners** **Distributors**	Continuous product information via advertising Continuous information on specific animal diseases Continuous support programs for veterinarians and farmers Technical call centers in France, United States, *etc.* Conferences, specialized trade shows, scientific conferences Permanent websites Market research Social media platforms
Financial community **Investors** **Analysts** **SRI funds**	Meetings between analysts and investors Annual shareholders' meeting Website including all regulatory information Multi-platform financial bulletins
Suppliers **Partners**	Regular monitoring of the Group's main suppliers (annual meetings) Audit plan for the Group's main suppliers Formal exchanges with each call for tender and for main suppliers about financial, environmental, ethical and quality criteria
Public authorities **Regulatory authorities** **Associations of animal health professionals**	Regular communication with regulators and decision-makers on critical issues that affect the pharmaceutical industry, the scientific community and Virbac customers Participation in industry-specific working groups
Civil society **Journalist** **Non-governmental organizations**	Multiple contact options via the Group's website Transparency of and accessibility to the Group's official reports Local contributions to NGO initiatives
Scientific community **Research partners** **Opinion leader** **Universities/veterinary schools**	Establishment of research partnerships Contributing to scientific education programs Organizing technical symposia
Employees **Applicant**	Intranet, presentations and internal display networks Loyalty programs for employees and newcomers Plenary meetings or web conferences managers and employees Internal opinion survey and global feedback Recruitment websites, professional forums and corporate culture on the Internet Partnership with schools and universities Social media platforms

The relationship with our suppliers is part of this continuity, with regular exchanges, favoring proximity with local suppliers. Our policies and tools make it possible to ensure responsible purchasing practices consistent with the Group's guiding principles: supplier charter, assessment questionnaires integrating CSR criteria, targeted audits, follow-up on indicators related to CSR themes, *etc.*).

For every invitation to tender and for the main suppliers, we administer a questionnaire evaluating their compliance with the environmental and social standards in force. Since 2015, new framework contracts have included a provision requiring compliance with these standards. In 2019, our assessment process carried out with its new suppliers did not identify any risks in the area. If we were to identify a non-compliant supplier, we would require it to comply or risk terminating its contract. In 2020, we selected a platform that allows for a more refined management of suppliers (including the collection of their certifications) that will be gradually deployed starting in 2022.

MAIN CSR RISKS AND OPPORTUNITIES

We carried out a materiality analysis with a third-party expert in order to assess the priority sustainable development issues: social and environmental consequences of the activity, the effects of the activity on respect for human rights, the fight against corruption and tax evasion. This matrix was updated in 2018, reassessing the key issues and their weighting.

This approach is based on an analysis of credible internal and external sources:

- conducting interviews with industry experts for reflection on key CSR challenges;
- sharing of information about surveys and internal and external communication media;
- review of sectoral documentation;
- media analysis, *etc*.

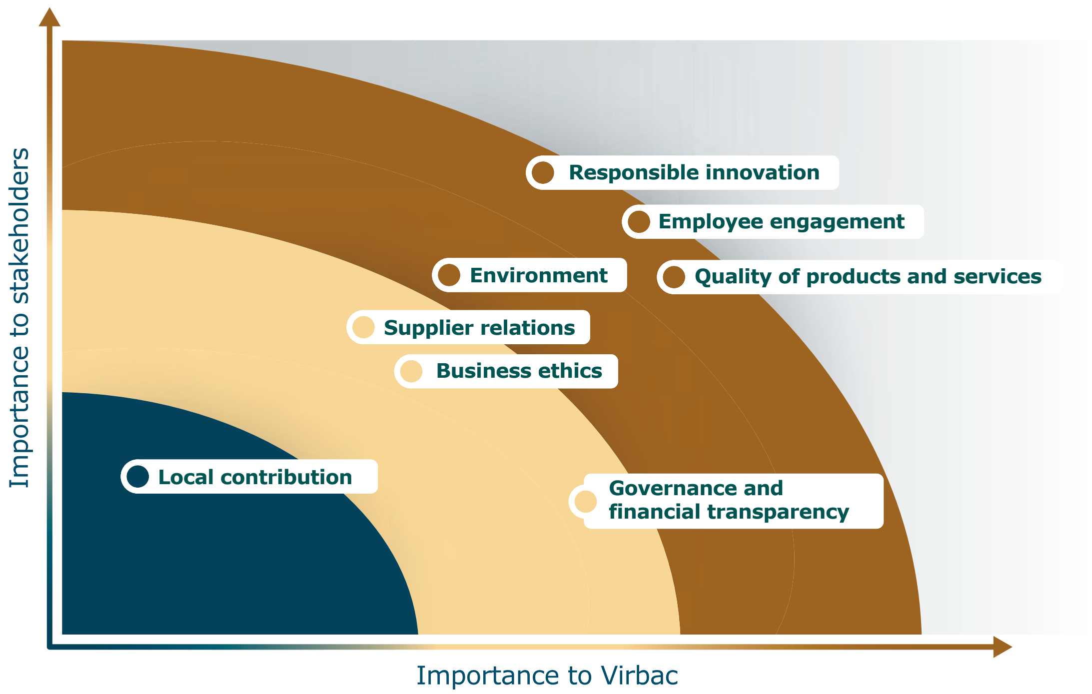
We summarized the results, at the cross-section of internal (impact of issues on the business) and external (importance of stakeholder expectations), and shared them with the chief executive officer of Virbac for validation. The consulting firm specializing in non-financial reporting that supported us throughout the process guaranteed the independence and objectivity of the approach.

We are developing the most material themes below through the Group's four main commitments. We have also reviewed the non-financial topics that are not applicable to our activity, particularly actions to combat food waste, food insecurity, responsible, fair and sustainable food compliance.

OUR COMMITMENTS FOR THE FUTURE

- Innovating responsibly
- Strengthening employee commitment
- Ensuring the quality of products and services
- Protecting the environment

Virbac's matrix of materiality
Main issues



In 2020, the Covid-19 health crisis impacted people and organizations. Regarding Virbac, find out how we dealt with the consequences of this pandemic in the management report (page 50 of the annual report).

Our main CSR risks and opportunities are defined in the table below:

Priority risks and opportunities	Definition
Innovating responsibly	
Development of innovative products and services	The veterinary pharmaceutical industry is very competitive. Each year, in order to respond to market developments and needs, maintain our market share and ensure our development, we devote significant resources to research and development.
Ethics and animal welfare	In an evolving rapidly changing environment, we owe it to ourselves to offer an innovative, safe range of products and services, developed and produced with respect for animal welfare.
Strengthening employee engagement	
Attracting and retaining talent	In France, the key skills sought for core functions (Industry/Quality Assurance/R&D) are in high demand throughout the pharmaceutical, human and veterinary industries. In addition to this competition amongst employers, the geographical location of the head office can represent a limitation to hiring, given the limited pool for spousal employment, coupled with the high cost-of-living in the region, particularly for real estate. At the same time, in emerging countries, the job market is very dynamic, but the size and reputation of Virbac do not always attract the best talent.
Health and safety at work	Given the industrial nature of our activity, the possibility of an accident at work (classic or related to the risk of contamination by the products) cannot be ruled out.
Diversity	Increasing diversity is a way to demonstrate the Group's ability to incorporate differences. We have always considered the contribution of the various generations and cultures of the countries in which we operate to be a real treasure. These qualities must be demonstrated in the organization and in all relationships with stakeholders.
Ensuring the quality of products and services	
Proactive approach right first time	Through our Group quality policy, we are committed to implementing a proactive approach based on doing it right the first time in order to guarantee users safe and effective products.
Controls during the product life cycle	As part of the manufacturing control of our products, we have implemented controls before and after the release of products on the markets in order to reduce the risk of defective products.
Protecting the environment	
Sustainable use of resources (energy, water, material)	Our desire is to optimize the resources employed by the control of consumption (energy, material) used in the manufacturing processes.
Climate change	We place particular importance on measures to mitigate our carbon footprint, thus helping to fight against climate change risks.
Environmental releases (effluents & waste)	As part of our veterinary medicine manufacturing business, we use substances that present health, fire and/or explosion, air pollution and spillage risks during the various phases of development and marketing (R&D, manufacturing, storage and shipping). These risks could, should they materialize, cause damage to persons, property and the environment.

Aims	2018	2019	2020	Progress
Innovating responsibly				
Development of innovative products and services				
Maintain a ratio of RDL biology*/total RDL expenditures > 30%	40.6%	33.0%	32.8%	●●○
Maintain an RDL/total turnover expense ratio > 7%	8.4%	8.1%	7.9%	●●○
Animal ethics and welfare				
Reduce the number of animals used for quality control by 50% by 2025	36,361	27,917	23,377	●●○
Strengthening employee engagement				
Attracting and retaining talent				
Achieve a Great Place to Work (Trust Index) satisfaction rate > 70% by 2025	65%	-	-	●○○
Health and safety at work				
Achieve a workplace accident frequency rate < 5 by 2025	5.61	6.96	4.32	●●○
Ensuring the quality of products and services				
Provision of right first time products				
Limit customer technical complaints to a ratio of less than 5 per million units marketed	4.9	5.1	4.4	●●○
Controls during the product life cycle				
Limit the number of batch recalls to a ratio < 1 per 1,000 batches marketed	0.66‰	0.71‰	0.38‰	●●●
Protecting the environment				
Sustainable use of resources				
Reduce energy consumption (gas and electricity) by 5% by 2025 (MWh)	83,161	79,691	78,499	●●●
Climate change				
Reduce greenhouse gas emissions scope 1 & 2 by 10% by 2025 (CO_2 equivalent tons)	23,681	22,200	21,007	●●●
Releases into the environment				
Reduce by 5% the amount of COD (chemical oxygen demand) generated by 2025 (tons)	121	93	81	●●●
Reduce the volume of ordinary and hazardous industrial waste by 5% by 2025 (tons)	5,236	4,869	5,005	●●○

** Vaccines, immunological and biopharmaceutical products*

Methodological note
The year 2018 serves as a reference year to assess the achievement of the quantified objectives as reflected in the facts and figures above. This report was prepared in compliance with GRI standards: essential compliance option. These standards have been adopted since 2011. The 2020 social scope covers 16 countries and represents 4,104 employees, or 84% of the total workforce. The scope of the principal environmental indicators covers all the production sites, representing nearly 60% of the Group's revenue in 2020: South Africa, Australia, the United States, France, Mexico, New Zealand, Uruguay and Vietnam (excluding Chile, which is a joint-venture).
RDL: Research & development + licensing.

Innovating responsibly

In a rapidly changing environment, we owe it to ourselves to provide an innovative and safe range of products and services, developed and produced with respect for animal welfare. Our customers, veterinarians, farmers and animal owners are becoming increasingly mindful of their impact on the environment and human health. We are, therefore, naturally driven to adapt our activities accordingly.

Thus we focus our research over the long term and offer innovative solutions that address a variety of diseases and production needs, depending on the peculiarities of individual geographic areas in which they appear. Every day, we are committed to the best way to achieve this, while remaining faithful to the quality requirements of health.

DEVELOPMENT OF INNOVATIVE PRODUCTS AND SERVICES

The field of the veterinary pharmaceutical industry is highly competitive, and every year, in order to meet market changes and needs, maintain our market share and ensure our development, we devote significant resources to research and development. We place particular importance on the search for continuous improvement in the innovative solutions proposed and in the way they are developed.

OUR KEY OBJECTIVES

- **Develop alternatives to antibiotics.**
- **Developing modern alternatives to traditional treatments.**
- **Use new environmentally friendly technologies to develop and update our products.**

GOVERNANCE

Our organization in charge of innovation is structured into research centers divided by species and by region of the globe. This closeness with our customers and their needs in the different global markets allows us to have a range of relevant and adapted products and services.

OUR POLICIES AND ACTION PLANS

Develop alternatives to antibiotics

The development of prevention, particularly by vaccination, is one of the ways to reduce the use of antibiotics in animal production. Our recent investments in research and production centers for vaccines intended for production animals in France, Australia, Chile, Uruguay and Taiwan reflect this willingness to strengthen the Group's development in this area. We have also engaged several partnership programs with public research institutes and private companies to advance together in the development of innovative products (immunostimulants, micronutrition, biocides), some of whom may replace antibiotics or promote the reduction of their use.

Developing modern alternatives to traditional treatments

Mindful of ecosystem balance and environmental protection, our goal is to develop alternatives to certain traditional therapies. As part of our responsible innovation process, we have taken a new step forward thanks to the discovery of a new treatment which represents a real alternative to surgical castration in dogs, through hormonal regulation that neutralizes the reproductive capacity of the animal for six months or a year. The animal's well-being is preserved here, any irreversible surgical procedure is currently unnecessary, in the interests of the animal and its owner.

Use new environmentally friendly technologies to develop and update our products

For the development of new products, all Virbac R&D sites worldwide in charge of analyses now use more efficient chromatography and extraction technologies. This approach helps reduce:

- the number of tests necessary for the development of the methods (-50%);
- the amount of organic solvents or materials (between -50 and -90%);
- as well as the energy consumption of the analysis devices (-50%).

The same approach is used with the same benefits throughout the product life cycle, including during regulatory updates of existing products. Beyond the methodologies, whenever a toxic solvent is substituted by an alternative solvent, it is proactively replaced by an equivalent that is more environmentally friendly.

OUR RESULTS

Performance indicators	2018	2019	2020
% of RDL biology expenditure*/total	40.6%	33.0%	32.8%
% of RDL expenses/Group revenue	8.4%	8.1%	7.9%

** Vaccines, immunological and biopharmaceutical products*

ANIMAL ETHICS AND WELFARE

Virbac stakeholders (customers, veterinarians, farmers , employees, *etc.*) are increasingly concerned about the impact of our products on the entire value chain. This is why we conduct our innovation approach and our operations in a strong ethical framework, promoting as much as possible *in vitro* testing and associating our various partners and stakeholders: suppliers, supervisory authorities, professional associations, *etc.*

STUDIES ON ANIMALS

For the evaluation of our products in development or before marketing, our first approach is always to use methods that do not involve animals: bibliographical research, *in vitro* studies, computer modeling, *etc.* In some cases, when no recognized or adapted alternative method is possible, then animal studies of a necessity are conducted in accordance with the applicable pharmaceutical rules.

These animal studies deal with

- Animal protection: verification of the product's safety (non-toxicity, no impact on reproduction, non-carcinogenic, *etc.*) and its efficacy in treating or protecting the target animal.
- Human protection: verification of safety for the product user and the absence of residues in species consumed (meat, milk, eggs).
- Environmental protection: verification of the absence of toxicity for organisms other than the target species that may come in contact with the product.

Preclinical and clinical studies

- Pre-clinical studies (studies carried out in animal units, under standardized and controlled conditions) are governed by regulations that affect every dimension of animal studies: approval of the institutions where the studies are carried out, staff training and qualifications, the provenance of the animals and their traceability, prior ethical evaluation of studies and their follow-up, controls by the authorities, ethics committees, and audits carried out by Virbac teams. These studies make it possible to verify the efficacy and safety of the products under strict conditions.
- Then clinical studies (conducted on owner or farm animals) are intended to confirm the efficacy and safety of the products under field conditions and are subject to a regulatory submission or prior trial authorization (depending on the country) and are conducted under the responsibility of veterinarians.

In the Group's animal units, the different categories of animals were distributed as follows in 2020: rodents 96.5%, rabbits 3.1%, food producing animals 0.3%, domestic carnivores 0.07%.

OUR KEY OBJECTIVES

Reduce the number of animals as part of R&D studies and quality controls, by deleting studies or replacing them with alternative methods. Specifically, Virbac is committed to reducing, by 2025, the number of animals used for quality controls by 18,000 compared to 2018, *i.e.* a 50% reduction.

GOVERNANCE

The Innovation department defines the strategic axes in terms of resources for conducting animal studies and the development of alternative methods. These areas are broken down by the animal ethics corporate management in the form of policies, action plans and control processes; this department is also in charge of promoting and respecting animal ethics and welfare within the Group and its partners.

OUR POLICIES AND ACTION PLANS

An ethical charter and policies to regulate animal studies

The Group has developed an ethical charter relating to animal studies, which is available in ten points and applies to all employees of the Group and its subcontractors. Furthermore, the Group has two policies governing animal studies: Animal ethics committee and Animal welfare.

- The Animal ethics committee policy defines the scope, roles and responsibilities, organization, ethical rules and the functioning of Virbac's ethics committees.
- The Animal welfare policy defines the roles and responsibilities of staff in terms of animal welfare; based on the 3R principles (Reduce, Replace, Refine studies on animals) and the Virbac charter, it describes the standards to be applied to animals, studies and animal units within the Group. These standards are also required from the Group's partners for any animal studies.

Control process

- Ethics committees are set up in all areas where animal studies can be conducted. They are all governed by the same principles of ethics (dependence, impartiality, absence of conflict of interest) and functioning (category of members imposed, ethical evaluation of studies, deliberation, vote, *etc.*); they review 100% of studies, which can only be conducted after obtaining their approval.
- With regard to outsourced studies, the Group imposes the same level of requirement on its partners: CRO (Contract research organizations), universities, *etc.* These requirements include the establishment of an ethics committee within them, the deployment of strict procedures for monitoring their studies and respect for animal welfare and regulations.

Key actions implemented

- The 3R rule, now recognized as the international standard for animal studies, is our guiding principle for the design and conduct of studies in our laboratories and in our partners, but also for promoting alternative methods with regulatory agencies around the world. For example, when possible, carrying out *in vitro* tests in lieu of *in vivo* tests, or by capitalizing on reproducible tests, on bibliographic research or computer modeling.
- The various initiatives (negotiations with regulatory agencies to eliminate routine tests, production of batches dedicated to countries that do not require animal tests, replacement with *in vitro* methods, *etc.*) continue to bear fruit; they have reduced the number of domestic carnivores used to release vaccine batches by 91% and commit to the objective of reducing 50% of animals in quality control.

- In this context, Virbac Australia announced at the end of 2020 the release of its first vaccine batches using *in vitro* activity tests. This is, after several years of development, the first step towards the total elimination of quality control tests on rodents, saving 8,000 animals per year in this territory. To achieve this result, Virbac Australia's initiative led to the first regulatory acceptance of an *in vitro* release test by the Australian veterinary medicine authorities.

The post-study animal adoption program, implemented in 2013, in collaboration with the main French association dedicated to the adoption of laboratory animals, has also been extended and helps maintain our goal of guaranteeing a foster family for 100% of adoptable dogs and cats.

Adoption	2013	2014	2015	2016	2017	2018	2019	2020	Overall total
Dogs	135	183	56	68	50	83	66	54	695
Cats	62	45	1	19	7	6	12	65	217
Total	197	228	57	87	57	89	78	119	**912**

OUR RESULTS

Performance indicators	2018	2019	2020
Number of animals used for R&D studies	5,773	6,664	6,148
Number of animals used for quality controls	36,361	27,917	23,377

Strengthening employee engagement

Our success is inseparable from the commitment of our employees, an engagement commitment that is explained by the place given to women and men who are at the heart of Virbac and its major decisions. Every day, we are committed to evolving our modes of operation and meeting the ongoing challenges of globalization, changing markets and new technologies, while respecting our values of proximity with each of our customers.

In such an environment, the issue of human capital is fully in line with that of the company, our ambition being to support in the development of organizations and professions, as well as the specific needs of the teams, by building a strong partnership with managers and all employees.

GROUP GOVERNANCE AND HR POLICY

Virbac's policy as it pertains to this issue of human capital is based on three complementary tenets:

- training, skills development, performance compensation;
- well-being in the workplace and recognition;
- mobility and diversity aspects that provide a valuable resource for the Group.

We pay attention to the opinion of our employees and we are inspired by them to define our policies and the areas of improvement to target so as to unite employees around strong values, thus increasing the commitment and motivation of all. All employees regularly participate in a satisfaction survey that allows them to confidentially express their expectations on a very broad range of topics, many of which involve the human capital CSR challenge. The last global survey was conducted in 2018 using the Great Place to Work model and the Group achieved a result of 65% under the Trust Index. The calculation of this score is the average of the positive rates for all the questions asked in the survey.

Following the analysis of the survey results, we asked employees to build concrete actions together to improve the sense of belonging and quality of life at work in each country. A short-, medium- and long-term deployment schedule for actions related to the strengths and areas of improvement retained was also defined and communicated to all teams in early 2020.

Among our 2020 actions, we have created a charter of good management practices, revised our management processes in connection with the deployment of the new human resources information system and developed the best practices of feedback from the employee to the manager. To respond to the request to improve proximity with employees in the field, HR presence has also been strengthened thanks to the increased number of on-call staff at the various sites. To strengthen cross-functionality, we have worked on developing inter-departmental meetings to better discuss the various priorities and a project has been launched to promote the sharing of objectives within the various departments.

We also launched a participatory approach in the United States involving production, administrative and sales force employees who chose to focus their attention on three pillars: credibility, pride and respect. Numerous initiatives were proposed to the Group executive committee and several of them were selected and deployed during 2020. In order to be able to progress in the approach despite the constraints related to the health crisis, certain identified actions have been deployed by adapting their implementation in a digital format (videoconference, e-learning, *etc.*)

In our continuous improvement approach, we decided to launch our next opinion survey in 2021.

ATTRACTING AND RETAINING TALENT

In France, the key skills sought for core functions (Industry, Quality Assurance, Research & Development) are in high demand throughout the pharmaceutical, human and veterinary medicine industries. In addition to this competition between employers, the low employment pool for spouses, as well as the region's high cost-of-living, can be a hindrance to hiring. At the same time, in emerging countries, the job market is very dynamic, but the size and reputation of Virbac do not always attract the best talent.

OUR KEY OBJECTIVES

- **Promoting employee commitment and loyalty.**
- **Continuing training actions aimed at improving skills and employability.**

OUR POLICIES AND ACTION PLANS

Recruitment policy

We recruit in all countries and for all jobs in order to support our growth. In order to ensure the consistency and relevance of these recruitments, for several years, the Group has been developing digital tools to allow for better visibility of available professional opportunities. Nevertheless, recruitment remains a highly related activity to the profiles and cultural specificities of each country. For this reason, the search for target profiles is mainly managed by local teams in order to better attract talent in the various markets.

One of the approaches shared within Virbac throughout the world is the involvement of employees in the recruitment of new talent. To reinforce this practice, we have developed, in several countries, co-optation programs that aim to thank employees for their contribution in identifying profiles that may meet our needs.

Skills development policy

We offer a skills development policy with a variety of training courses (management, professional efficiency and business know-how in particular) aimed at maintaining employability and developing skills for all employee categories.

Digital Learning plays a major role in the deployment of training paths, combining online learning and practical activities tracked over time (campus innovation, Virbac Business School, Virbac Quality Academy). For example, training expenses in France this year amounted to 2.29% of payroll, or an investment of €1,603,570.

Developing employees also means offering more career opportunities within the Group. In order to encourage increased internal and international mobility, we have developed a comprehensive and fair international mobility policy aimed at retaining employees worldwide, promoting transversality and efficiency through sharing of inter-cultural and inter-professional experiences, but also securing key positions by leveraging skills and knowledge transfer internally.

Performance evaluation and recognition

At Virbac, we have developed a process for managing the performance and development of employees. It includes several components, including setting individual objectives and evaluating annual achievements by line managers.

In 2020, we evolved our management process at Group level by prioritizing stream simplification through a new digital collaborative tool available in 14 languages and deployed in 33 countries. This tool also includes the possibility of formalizing the employee's feedback to his/her manager.

The objective of this approach is to leave more space for exchanges between employees and their managers in order to improve their quality. We favor physical interviews, which remain privileged and essential moments in the follow-up and support of employees. The vast majority of the Group's employees benefit, at the very least, from an annual interview aimed at evaluating the year's performance, an interview which also allows us to discuss the objectives of the following year as well as the development needs. We are therefore intensifying our desire to make employees play a key role in their performance and development, while responding to business challenges.

Within the annual performance committee, the executive board also shares the assessments, remuneration and professional development assumptions of key individuals in the Group. In France, for example, during the 2020 fiscal year, 100% of employees were compensated at a level above that of the legal minimum wage. The policy for base salaries is set at +5% above the minimum for professional branch for all categories of staff.

Our policy follows a rationale of competitiveness *vis-a-vis* the life sciences market and is generally at the median of this market. In addition to the financial elements related to individual performance compensation, we continue to pay close attention to collective performance compensation plans. For this reason, several mechanisms are already in place, such as a triennial incentive agreement entered into in 2020, and a profit-sharing agreement signed in 2008. The amounts from these agreements or voluntary payments may be invested in mutual funds, in the Group savings plan *(Plan d'épargne entreprise)* or in the Group retirement savings plan *(Plan d'épargne pour la retraite collectif)*. Since 2016, leave days which have not been taken may also be paid into the retirement savings plan, up to a limit of ten days a year.

OUR RESULTS

Performance indicators	2018	2019	2020
Absenteeism	2.68%	2.65%	2.83%
Employee turnover rate	14.08%	13.91%	10.10%
Trust Index Great Place to Work	65%	-	-
Number of employees present on 12/31 who have taken at least one training session/total workforce on 12/31	80%	78%	85%

The value of the 2019 absenteeism rate was adjusted following corrections to the United States data.
The value of the 2020 absenteeism rate includes partial unemployment days worked.

HEALTH AND SAFETY AT WORK

This priority area for the Group has become ingrained in the corporate culture year after year. Our priority actions are to ensure the compliance of industrial equipment and the risks associated with the use of chemical products with the local regulations, and are borne by the HSE management.

In 2020, our absolute priority was to best protect the teams in the face of the Covid-19 crisis. To address this situation, we have set up a dedicated committee that coordinates all positions and maintains contact with all subsidiaries to monitor the situation as it evolves, and to quickly and effectively make the best decisions (Covid unit reachable 24 hours a day, 7 days a week). 7). Measures have also been introduced at various Group sites: communications on how the virus is spread and the barrier gestures to be followed, monitoring symptoms, social distancing and contact prohibition, flow control, moving workstations to different locations (production, R&D, administrative), supervised management of external service providers, physical protective equipment such as masks and gloves for those in the most exposed positions, *etc*. These measures were designed based on recommendations by the World health organization and country-specific health authorities.

OUR KEY OBJECTIVES

To increase the safety of employees in the workplace by implementing action plans such as better protection against potentially hazardous materials, improved ergonomics and psychosocial risk management, which aim to reduce the number of workplace accidents and therefore achieve a frequency of less than five.

GOVERNANCE

Created in 2015, Corporate HSE management has put in place a rigorous policy to identify and assess safety risks and to develop means of prevention and methods of controlling their effectiveness. Severity and frequency criteria have been defined by HSE management to better target the actions to be implemented to reduce the number of accidents, and to integrate human and organizational factors in the in-depth analysis of these events. The objective is to avoid any recurrence of accidents and to develop a safety culture for all Virbac staff, external company staff and temporary workers.

OUR ACTION PLANS

Safety culture

After having started in December 2019 with interviews and field observations, a questionnaire for the entire industrial organization of the Carros sites in France was deployed. Due to the Covid-19 crisis, the resulting support plan was postponed to 2021.

In all countries, we ensure that we implement numerous measures concerning the health and safety of our employees. Multi-year action plans on the compliance of production machines are thus in place in all major industrial sites (Australia, United States, Mexico and of course France). Chemical risk management is also taken into account, from product design, firstly on the choice of components but also on the number and type of analyses that must be performed at the different stages of the process.

Management of psychosocial risks

Concerning the subject of psychosocial risks, the various departments, with the support of the HR teams and defined relays (social partners, occupational medicine, *etc.*), are moving towards a global approach to quality of life at work. Various actions complementary to the Great Place to Work actions related primarily to working conditions, manager training, and the dissemination of good practices, in particular on workload, are being phased-in. These actions also made it possible to finalize an internal "living better together" charter, a company-wide agreement on the right to log-off and a teleworking agreement.

OUR RESULTS

Performance indicators	2018	2019	2020
Frequency of work accidents	5.61	6.96	4.32
Severity rate of work accidents	0.17	0.19	0.18

The frequency rate used is based on French regulations and defined as the number of work accidents that resulted in at least one lost working day, divided by the number of hours worked multiplied by one million.

The severity rate used is based on French regulations and defined as the number of lost days following accidents at work that resulted in at least one lost work day, divided by the number of hours worked, multiplied by one thousand.

The rate of frequency of workplace accidents improved sharply (-38%) over 2020, reaching a historic level of 4.32. This very sharp decline is mainly due to good results in France with a frequency rate of 3.27 (-36%) and especially in India with a decline of nearly 71%. In France, this decline is the result of the underlying actions carried out over the past few years. The Covid crisis with the stoppage of any travel for more than three months is the main explanation of the fall in workplace accidents in India.

The rate of severity of workplace accidents decreases very slightly (-2%) due to prolonged absences of people who suffered accidents in previous years.

DIVERSITY

Increasing diversity within Virbac will allow us to demonstrate our ability to integrate differences. Openness and ability to integrate are fundamental elements for innovation, adapting companies and identifying opportunities. These qualities must be demonstrated in both the organization and the outside world.

OUR KEY OBJECTIVES

Encourage equal treatment and diversity of employees.

GOVERNANCE

For Virbac, job equity between women and men is fundamental and requires that no form of discrimination exists and be tolerated, both in terms of access to employment and promotion, as well as in wage policy and other determinants of working conditions.

OUR POLICIES AND ACTION PLANS

The diversity policy aims to guarantee equal treatment of staff, encourage variety among people and human relationships, maintain worker employability. It is built around three key areas of focus: gender equality, disability, age mix.

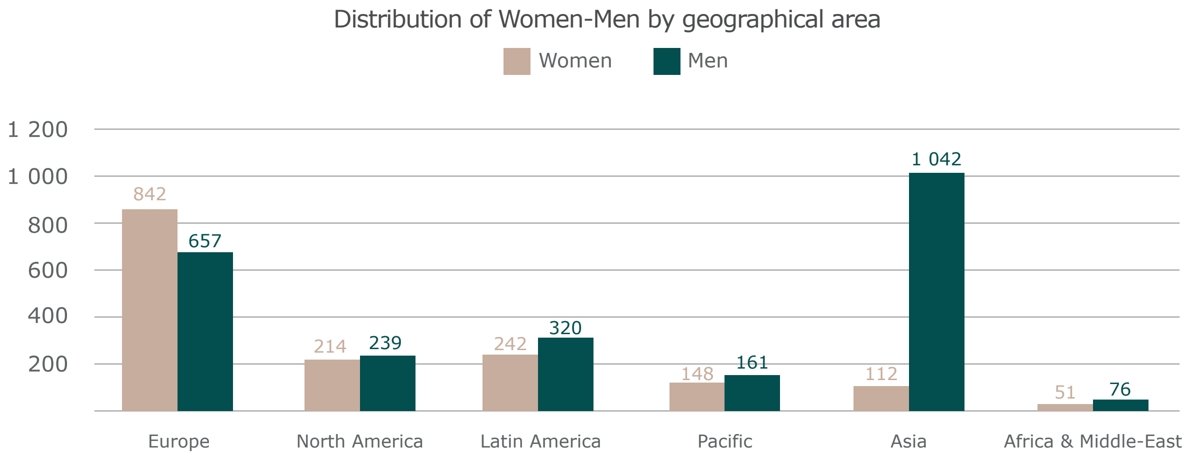
Gender equality

For Virbac, professional equity between women and men is fundamental and requires that no form of discrimination exists and be tolerated, both in terms of access to employment and promotion, wage policy and other determinants of working conditions. Globally, Australia, and especially the United States are the countries with the fewest gender pay gaps for all professional categories. On average, the female/male base salary ratio is equal to 84% for leaders, 92% for managers, 113% for technicians/employees/workers.

When it comes to gender pay equity between men and women, actions are taken to measure gaps, identify causes and take action. In France, for example, we signed a new agreement in 2019 which establishes the principles of equality between women and men in career paths (access to vocational training, equal pay between women and men in an equivalent occupation and for the same level of competence and work-life balance). This agreement reaffirms our willingness to analyze and reabsorb any pay gaps between women and men according to a methodology that makes it possible to study them on the basis of the gender equality index calculated by the Ministry of labor, employment and integration (index which amounts to 87 points out of 100 for our company). At the same time, a specific annual budget dedicated to the resolution of variances makes it possible to implement these salary adjustment measures each year.

In 2020, ten countries were given an internal classification tool (grading) that provides improved management of internal equity and a rational approach to external competitiveness, in addition to establishing compensation and benefits policies. The Group regularly conducts company-wide surveys on compensation in order to ensure that it remains competitive in the job market and adjustments are made if necessary.

With regard to recruiting for key positions, priority is given to internal and local candidates. Recruitment decisions (internal or external) are based exclusively on the skills and qualification criteria for the position. The candidate’s nationality, gender or age does not play a role in the decision. However, to the extent possible, we entrust leadership positions to local managers in order to be as close as possible to customers and the market culture. In 2020, out of the sixteen company subsidiaries within the social scope, 91% of the senior executives were locals and seven subsidiaries have strictly local management.



Europe remains the only geographical area where women are in the majority (56% of the workforce). The Pacific region with 48% and North America with 47% present a very balanced proportion. Latin America with 43% and Africa & the Middle-East with 40% show a more significant imbalance. Asia has the lowest number of women in the workforce (10%). This very low representation is due to India, which has only 15 women for 907 men, or 1.6% of the population. This country remains a special case: the sales teams, for reasons pertaining to local culture, job stress and security (visits to farms on two wheels), are more naturally composed of men. Excluding India, the Asia area accounts for 232 employees and consists mostly of men at 58%.

Disabled workers

For several years, we have been reaffirming our commitment and desire to promote the employment of disabled workers, to ensure their integration and working conditions by applying a set of measures that revolve around five axes.

- Adjusting workstations: certain situations of disability require the use of workstation or organizational arrangements that we take full responsibility for in order to facilitate working conditions. On the occasion of recruitment or a change of position of an employee with a disability, regardless of the cause, the new position is subject to the necessary adjustments prior to taking up the position.

- Support employees in their actions: in order to help and encourage employees with disabilities in their actions with the competent authorities to obtain their recognition of beneficiaries of the employment obligation or their renewal, exceptional leave of absence is granted and remunerated. These employees also receive support from the occupational health team, which is available to support them in their efforts.

- Help employees with a child with disabilities: to reaffirm our support to the employees concerned, we grant one day per year of additional paid leave.

- Allow disabled workers to better reconcile professional and personal life: the development and adaptation of living conditions in the company is an essential factor for the integration and integration of disabled workers in good conditions.

- Participate in the well-being of disabled workers beyond the framework of the company, by granting them one additional day of leave per year, and through the payment of a bonus in order to participate in the development of their living conditions at home that would be necessary due to their disability.

Age and culture diversity

We have always considered the contribution of the various generations and cultures of the countries in which we are established to be a real treasure. Compliance by our employees with the values defined in the code of conduct is a prerequisite for any policy that values human capital. In the context of the extended company, the proper understanding by our partners of the rules related to employment practices is taken into consideration by the departments involved.

OUR RESULTS

Performance indicators	2018	2019	2020
Female/male salary ratio for the leaders category	87%	82%	84%

Ensuring the quality of products and services

In the pursuit of continuous improvement, we place great importance on the quality of our products and services to offer high standards to our stakeholders: veterinarians, farmers and animal owners. The demand for food is increasing worldwide, due to the growing population, which is increasingly concerned about its diet. In the face of this trend, our ambition is to work towards the constant improvement of the health of livestock animals to contribute to a global supply of better quality meat and milk at a lower cost.

Regarding companion animals we are mobilizing to offer veterinarians and animal owners medicines, vaccines, health products and a range of foods that are tailored to carnivorous diet (in keeping with the animals' needs) and make it possible to prolong the lifespan of animals and improve their quality of life. This in turn contributes to the improved well-being of the owners and is of particular benefit to people who live alone.

A GROUP QUALITY POLICY

Our quality policy is the commitment of the Group management committee to mobilize each employee to strengthen the quality culture in our daily activities. It applies to all sites, subsidiaries, subcontractors and suppliers.

The strategy aims to control our activities, comply with current regulations and improve our performance:

- by working on the right first time (each person must ensure that his/her activity is carried out correctly the first time);
- by encouraging continuous improvement and innovative thinking;
- by putting quality at the heart of competitiveness.

PROACTIVE APPROACH RIGHT FIRST TIME

OUR KEY OBJECTIVES

- **Do it right the first time to ensure a high level of customer satisfaction.**
- **Maintain a client technical complaint ratio of less than 5 per million units marketed.**

GOVERNANCE

An organization dedicated to quality

In order to ensure proper application of best practices at various stages of the product life cycle, we have deployed a dedicated quality assurance Group-wide organization ensuring a quality oversight of all activities. This organization comprising more than 100 employees and spread out over various Group sites, this organization implements the Group's quality policy based on three areas of focus: product control, pharmaceutical compliance and sustainable economic output. The goal is to elevate the quality standards in compliance with and in anticipation of regulatory requirements that apply to the various research and production facilities, as well as the commercial subsidiaries, and to ensure the group's sustainability. At the same time, this quality system allows us to efficiently detect, trace and effectively address all quality incidents inherent to the pharmaceutical business.

Regulatory monitoring

We have had an efficient regulatory monitoring system in place for several years, allowing it to stay abreast with regulatory developments applicable to all of our ranges. This monitoring system is carried out through inter-professional organizations:

- at a national level with, for example, the *SIMV* in France (Veterinary medicine industry union), the NOAH in the United Kingdom (National Office of Animal Health), the *BfT* in Germany (*Bundesverband für Tiergesundheit* e.V.), *etc*.;
- regionally with, for example, AnimalhealthEurope, or AHI (Animal Health Institute) in the United States;
- at the global level with HealthforAnimals (Global animal medicines association).

ACTION PLANS

In compliance with the regulations of each country, we meet the highest quality-safety-effectiveness standards applicable. These standards involve every stage in the product life cycle, meaning before they are marketed and after they are placed on the market.

Through our quality policy, we are committed to maintaining a high level of product and service quality in a right first-time approach to reduce waste and destruction from manufacturing to commercialization. Right first time is deployed throughout the organization and is measured at the end customer.

OUR RESULTS

Performance indicators	2018	2019	2020
Ratio of technical complaints per million units marketed	4.9	5.1	4.4

CONTROLS DURING THE PRODUCT LIFE CYCLE

OUR KEY OBJECTIVES

- **Limit the number of product non-compliances on the market (regulation, labeling, promotion).**
- **Maintain batch recalls at less than 1 per 1,000 batches marketed.**

GOVERNANCE

In addition to the inspections regularly carried out by the regulatory authorities, our Production and Quality Control teams present at each of our industrial sites carry out a set of checks throughout the production chain. These checks are necessary before and after marketing of the products.

PRE-MARKETING CONTROLS

Pre-development and development phase

We implement Good laboratory practice (GLP) relating in particular to data traceability, then select CROs working in accordance with these GLPs.

- 100% of products subject to pharmaceutical registration are subject to verification for animal/ human/environmental safety, quality, stability and efficacy.

Purchasing and subcontracting

Systematic qualification by our team of the materials purchased from suppliers (active ingredients, excipients, packaging) in terms of quality and reliability. When possible, several sources are identified to limit the risk of disruptions and prioritize purchases from leaders in pharmaceutical equipment. Finally, we use outsourcing from subcontractors specialized by pharmaceutical form.

- 100% of active ingredient suppliers are qualified and analyzed during certification.

Production phase

During the production phase, we implement current Good manufacturing practices (cGMP) that are applied through the certification of all of our manufacturing sites actions implemented at the production tool level in order to ensure end-of-production-line product quality that is in compliance from the start, thus limiting scrap or destruction of materials or finished products.

- 100% of products subject or not to pharmaceutical registration undergo component and raw material control at every manufacturing stage.
- 100% of Virbac industrial sites are certified.
- 100% of employees are trained in manufacturing processes.

Distribution phase

For the transporting of drugs, we apply Good distribution practices (GDP), such as, for example, compliance with the cold chain, when required by the nature of the products. Regarding the organization of transportation in accordance with regulations governing the shipping of high-risk products, safety data sheets for raw materials and finished products are made available to staff and carriers. Hazardous products are transported in packaging that meets current standards.

Packaging and Promotion

The development or selection of specific packaging is determined on the basis of a product safety assessment. We strive to diagrams and pictograms and appropriate communication media for an optimal understanding of information fundamental to consumer health and safety For all promotional communications, Virbac complies with the scientific and technical claims demonstrated during the development stage of the product. Finally, any product claim is scientifically demonstrated and made available to regulatory agencies in compliance with the requirements defined by national or supranational veterinary pharmaceutical agencies.

- 100% of products, whether or not they require pharmaceutical registration, and nutritional products that do not require pharmaceutical registration are subject to advice and support actions for the product users.

POST-MARKETING CONTROLS

Pharmacovigilance

In accordance with regulatory requirements, we monitor the future of pharmaceutical and nutritional products that we market in terms of safety and efficacy. This is thanks to a dedicated organization comprising a qualified pharmacovigilance person (veterinarian) and an interim qualified person who compiles all the cases, analyses them, and decides whether or not these side effects are attributable to the use of the drug or food in question, and officially reporting these cases to the supervisory authorities when appropriate. Taking account of the pharmacovigilance outcomes allows Virbac to improve knowledge of its products (for example: the addition of precautions for use), thus making their use safer.

- 100% of products, whether or not they require pharmaceutical registration, and nutritional products that do not require pharmaceutical registration are subject to monitoring using the pharmacovigilance and nutrition vigilance mechanism.

Continual research on stability

To ensure the efficacy over time of its pharmaceutical products that require registration, Virbac carries out ongoing research on their stability.

- 100% of products requiring pharmaceutical registration are subject to ongoing stability studies.

Key actions related to the Group's quality strategy

Taking a collaborative approach to designing a quality benchmark that integrates standards for all production and research sites, in all departments and towards all subsidiaries, while taking into account the regulations and the diversity of product and dosage forms.

The Virbac quality system (VQS) was then extended to integrate the Group's organizations, processes, tools and Quality standards (core model),

We have more precise identification and updating of the skills required, acquired and to be developed, so as to provide suitable training plans designed to enhance team skills and embrace a pharmaceutical culture; Finally, we have deployed a multidisciplinary team (research and development, production and quality assurance), aligned to deliver products on time and with the expected level of quality to satisfy our customers' expectations.

- The Group quality benchmark was built and shared with 100% of the R&D centers and production sites.

OUR RESULTS

Performance indicators	2018	2019	2020
Rate of batch recalls per 1,000 batches marketed	0.66‰	0.71‰	0.38‰
Rate of non-compliance with regulations and voluntary codes for 1,000 batches marketed	0.88‰	1.37‰	0.38‰
Rate of labeling non-conformities per 1,000 product references	0.96‰	1.38‰	1.63‰
Rate of promotional non-conformities per 1,000 product references	0.36‰	1.50‰	0.11‰

No cases of non-compliance with voluntary codes and regulations posed any danger to the health of animals. No packaging non-compliance has had any consequences on the distribution of the products.

Protecting the environment

Protecting the environment is a growing challenge and a priority for our company. Beyond initiatives deployed at the subsidiary level, our ambition lies in our proactive efforts to reduce the environmental footprint of all our activities and products.

GOVERNANCE AND POLICY GROUP ENVIRONMENT

At the organizational level, the creation of a global HSE department, attached to the Group executive committee, supports this trajectory. One of this department's initiatives involves re-framing the scope and reporting methods, a precondition for gaining an overall perspective of exposure to environmental damage risks at Group level.

We have also committed to developing a training and awareness segment dedicated to environmental themes for both existing employees and for the newcomers. External stakeholders were also involved in the effort, with the inclusion of environmental clauses in supplier assessment questionnaires. These initiatives, in conjunction with the roll-out of audits throughout an expanded range of subsidiaries (Mexico, Taiwan, United States, Australia, New Zealand, Uruguay, Vietnam and Chile) demonstrate this move towards consistency in the deployment of a Group-driven strategy.

SUSTAINABLE USE OF RESOURCES

In an effort to optimize the resources we employ, we seek to control the consumption of energy, water and materials used in our manufacturing processes.

OUR KEY OBJECTIVES

- **Reduce energy consumption by 5% by 2025.**
- **Control water intake.**
- **Reduce the overall share of materials, including all packaging placed on the market.**

OUR ACTION PLANS

Energy

For several years, we have been working to reduce energy consumption by carrying out equipment replacement actions for better efficiency, thermal insulation and air conditioning optimization. We have also established consumption indicators that are as close as possible to end users for better control of energy expenses. At all of our industrial sites around the world, whether choosing new equipment or through constant monitoring, we strive to address energy consumption by using the Best available techniques (BAT) applicable to our activity.

Some examples of achievement in 2020:

Virbac in France

In line with the actions taken over the past several years to reduce energy consumption, in 2020 at the Carros site in France, we set up a new recovery refrigeration unit, thanks to the new mode of operation of the main warehouse's heating and cooling system. Thus, consumption decreased again by 3 points (with equivalent activity) in 2020, *i.e.* -40% over the last twelve years.

Virbac in Holland

After the industrial sites of Penrith and Crockwell in Australia, the installation of solar panels continues on the storage buildings of the commercial subsidiary in Barneveld, Holland.

Reducing the energy intensity of our activities and products is clearly a competitiveness lever, placing Virbac on a virtuous path, which will subsequently help reduce our overall emissions of CO_2.

Water

We are also striving to lower water consumption at equivalent activity volumes by setting up recycling or production facilities for various BAT-compliant grades of water. Thus, the reduction of water consumption at French sites (representing more than 50% of the Group's production) reached almost 17% over the past twelve years.

In our analyses we integrate the environmental context of the areas in which we operate. Apart from the site in South Africa, located in a water stress zone according to the criteria of the FAO (Food and agriculture organization) and the WRF (Water risk filter), none of the Group's other production sites are situated in water stress zones identified as such.

Raw materials and packaging

Again with a view to sustainable use of resources, we are committed to strengthening the adjustment as close as possible to our consumption of active ingredients, excipients and packaging items, and thus avoiding the loss of products or the multiplication of packaging and packaging.

With the help of our strategic suppliers, we have also given a new impetus to innovation that can reduce packaging and packaging. This requires optimized supply management to limit warehousing and internal transfers. We are also progressing on optimizing flows and the speed of shipments. Finally, we launched a project to minimize waste at all stages of the industrial process.

Primary packaging that comes in contact with medicines is subject to strict pharmaceutical industry quality standards that limit the use of materials originating from recycling channels. On the other hand, regarding products without an MA for companion animals, we integrate the principles of eco-design as early as possible into the creation process. These same principles are implemented for secondary or tertiary packaging, from the research and development stage, in partnership with our suppliers.

In 2020, this mobilization allowed us to:

- reduce the packaging of our dog and cat food by 40%;
- using plant ink on four major products in our cardboard packaging for companion animals;

- or to use recycled materials for 100% of the overpacking boxes used at the main production sites in France.

Our other actions for the year focused on preparatory work aimed at:

- strengthen the presence of natural ingredients in our products for companion animals;
- raise awareness of the biodegradability of our hygiene and treatment shampoos;
- increase the proportion of recycled or recyclable materials in the packaging of our products for companion animals.

OUR RESULTS

Performance indicators	2018	2019	2020
Gas consumed (MWh)	33,101	32,515	32,338
Electricity consumed (MWh)	50,060	47,176	46,161
Energy intensity	629	600	603
Water sampled by source (m^3)	237,462	234,691	226,608

Energy intensity is the ratio between energy consumption (gas and electricity) and the value added in thousands of Euros at Group level (direct labor costs + indirect production costs).

Gas and electricity consumption fell slightly by 1% and 2% respectively. This decrease in total energy consumption was 1%, which was brought back to business.

Our water consumption at the Group level decreased slightly more significantly, by around 3% (i.e. a decrease of 1% compared to the 2020 activity). This reduction is the result of a decrease in production activity at the St. Louis in the United States, which led to a decrease in water consumption (-16%), and to an optimization of the cleaning of the facilities, which led to a decrease of 12% at the Guadalajara site in Mexico, and 7% at the Carros sites in France. Two of our sites are growing sharply in water consumption, namely the Vietnam and South Africa sites, these increases are directly related to a sharp increase in their production.

DISCHARGES INTO THE ENVIRONMENT

As part of our veterinary medicine manufacturing business, we use substances that present health, fire and/ or explosion, air pollution and spillage risks during the various phases of development and marketing (R&D, manufacturing to storage and shipping).

To limit these risks, which could cause harm to people, assets and the environment, we comply with the safety measures prescribed by the laws and regulations in force, implement Good manufacturing and laboratory practices, and provide training to our employees. Our manufacturing sites and research and development facilities are also regularly inspected by regulatory authorities.

Due to the nature of our pharmaceutical manufacturing activity (especially confining technologies), we do not generate any visual, noise or olfactory pollution. Therefore, we are focusing on the real impacts of its activity, atmospheric emissions, effluents or hazardous waste resulting from our activities or products, by increasingly investing in environmental compliance: taking into account EHS impacts in the management of industrial projects, improvements in the environmental performance of existing facilities, *etc*.

Furthermore, the Group's environmental principles are adapted to countries according to different local regulations. Here again, the objective is to identify good practices at the subsidiary level to be consolidated within the Group context.

OUR KEY OBJECTIVES

- **Limit the volume of water rejected and its COD (Chemical oxygen demand) content.**
- **Reduce the total amount of waste generated by 5% by 2025.**

OUR ACTION PLANS

Effluents

For effluents as well as other environmental releases, our goal is to facilitate consolidation across the Group of the various local initiatives carried out locally and subject to specific regulatory frameworks, in particular on the optimization of the cleaning frequency of our facilities. In this sense, our vigilance translates into conservative guidelines. For example, many sites must recover and treat a large portion of manufacturing water discharges in accordance with related standards for hazardous waste.

In 2020, an incident on part of the industrial water networks of a production building at the Carros site in France required numerous controls and a restoration of all the networks on the site. This work continued in 2021. The studies for the implementation of a new treatment plant at the historic site in Virbac, in Carros, France, were finalized in the fourth quarter of 2020. We plan to install and commission this new station in the last part of 2021. Due to the high level of performance of this facility, we received assistance from the *Agence de l'Eau Rhône, Méditerranée et Corse.*

Hazardous waste

In addition to seeking constant search to control the volumes generated and improve collection for maximum treatment and recycling, we ensure traceability of all our hazardous waste up to the point of disposal: soiled packaging; laboratory, production, medicinal or infectious wastes; and chemical effluents (mostly incinerated and therefore thermally treated or recycled for solvent recovery).

Controlling waste volumes also begins at the research and development stage by considering treatment application methods so as to limit wastage and residues that could harm the environment (targeting/optimizing sprays, for example).

OUR RESULTS

Performance indicators	2018	2019	2020
COD (tons)	121	93	81
Volume of hazardous industrial waste (tons)	2,966	2,493	2,254
Volume of non-hazardous industrial waste (tons)	2,270	2,376	2,751
Intensity of ordinary and hazardous industrial waste	40	37	38

The intensity of industrial waste is the ratio between the waste generated (banal and hazardous) and the added value in thousands of Euros at the Group level (direct labor costs + indirect production costs).

The quantity of COD released through industrial water releases decreased significantly (-13%). This is the consequence of the decrease in water consumption (and therefore discharge as seen above) but also the efforts of our industrial sites on the cleaning procedures for manufacturing tanks.

The total amount of waste generated increases by 3%, which is the result of an increase in production at the Penrith site in Australia and the destruction of finished products at the St. Louis site in the United States. On the other hand, we see a very significant decrease in hazardous industrial waste (-10%) and a significant increase in ordinary industrial waste (+16%). This mix is indeed very impacted by the implementation of a new method of treatment for the washing water of the manufacturing tanks of one of Carros' main industrial sites in France. This new sector has reduced the quantity of hazardous industrial waste generated at the Carros site by 49%. The quantity of hazardous industrial waste at the Penrith site in Australia is increasing sharply (+42%) due to an increase in production.

CLIMATE CHANGE

The risks related to the effects of climate change encourage us to help reduce greenhouse gas emissions. In our company the direct and indirect emissions of greenhouse gases (scope 1 and 2) represent emissions linked to the consumption of various forms of energy (in this case gas and electricity) in all industrial sites worldwide, as well as the greenhouse gas emissions related to refrigerants. Other indirect greenhouse gas emissions (scope 3) reflect emissions linked to the shipping of finished products, from all sites to the end-customer.

OUR KEY OBJECTIVES

- **Reduce greenhouse gas emissions from scopes 1 and 2 by 10% by 2025.**

OUR ACTION PLANS

Effects of greenhouse gas emissions from scopes 1 & 2

Action on direct and indirect emissions (industrial site consumption and GHG related to refrigerant gases):

- optimization of energy consumption: thermal insulation of installations, the energy recovery system on the wastewater treatment station for biological production units (Carros), solar boiler for industrial hot water (Mexico), generalization of replacement plans LED lighting on almost all industrial sites;
- concerning emissions related to refrigerant gases: reinforcement of maintenance plans at industrial sites in Australia and France, but also, a replacement program for the most polluting fluids with low CO_2 emissions.

Direct greenhouse gas emissions of scope 3

Actions on emissions resulting from the transport of finished products:

- new calculation method implemented since 2018 has enabled us to increase the reliability of subsidiary data based on emissions coefficients given by the French environment and energy management agency (*Ademe*), see site www.bilans-ges.ademe.fr);
- shipping of finished products: destination grouping,
- transporting employees: inter-site shuttles, external shuttles, incentive policies to limit the carbon impact of company vehicles, carpooling, *etc*.

OUR RESULTS

Performance indicators	2018	2019	2020
GES scope 1 & 2 (tons of CO_2 equivalent)	23,681	22,200	21,007
GES scope 3 (tons of CO_2 equivalent)	16,927	27,790	11,401
GHG intensity scope 1, 2 & 3	310	376	249

The intensity of greenhouse gases is the ratio between the GHGs issued (scope 1, 2 & 3) and the added value in thousands of Euros at the Group level (direct labor costs + indirect production costs).

Emissions from scopes 1 & 2 decreased by 5% this year. The maintenance plans for facilities using greenhouse gases that have been implemented at our industrial sites, and particularly at the Carros site in France, are the main explanations with a 55% decrease in CO_2 emissions related to these facilities.

The emission coefficients given by the French environment and energy control agency changed in 2020, in particular the emission coefficients of air transport. As a result, the greenhouse gas emissions of scope 3 are in very sharp decline (-58%). Regardless of these coefficient changes, these emissions decreased by 15% for all transportation. This decrease is explained by a 22% decrease in air transport emissions in favor of emissions linked to road transport (+39%) and maritime transport (+47%).

Report of one of the statutory auditors, appointed as independent third party, on the consolidated non financial statement

This is a free translation into English of the statutory auditor's report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

For the year ended December 31, 2020

To the shareholders,

in our capacity as statutory auditor of Virbac, *société anonyme*, appointed as independent third party and accredited by *Cofrac* under number 3-1048 (scope of accreditation available at www.cofrac.fr), we hereby report to you on the consolidated non financial statement for the year ended December 31, 2019 (hereinafter the "Statement"), presented in the group management report pursuant to the legal and regulatory provisions of articles L. 225-102-1, R. 225-105 and R. 225-105-1 of the French commercial code (*Code de commerce*).

Company's responsibility

The board of directors is responsible for preparing a Statement pursuant to legal and regulatory provisions, including a presentation of the business model, a description of the main extra-financial risks, a presentation of the policies implemented with respect to these risks as well as the results of these policies, including key performance indicators. The Statement has been prepared by applying the company's procedures (hereinafter the "Guidelines"), summarized in the Statement and available on the company's website or on request from its headquarters.

Independence and quality control

Our independence is defined by the requirements of article L. 822-11-3 of the French commercial code and the French code of ethics for statutory auditors (*Code de déontologie*). In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with the ethical requirements, French professional standards and applicable legal and regulatory requirements.

Responsibility of the statutory auditor appointed as independent third party

Based on our work, our responsibility is to express a limited assurance conclusion on:

- the compliance of the Statement with the requirements of article R. 225-105 of the French commercial code;
- the fairness of the information provided pursuant to part 3 of sections I and II of article R. 225-105 of the French commercial code, *i.e.* the outcomes of policies, including key performance indicators, and measures relating to the main risks, hereinafter the "Information."

However, it is not our responsibility to provide any conclusion on the company's compliance with other applicable legal and regulatory provisions, particularly with regard to the duty of vigilance, anti-corruption and taxation nor on the compliance of products and services with the applicable regulations.

Nature and scope of procedures

We performed our work in accordance with articles A. 225-1 et *seq*. of the French commercial code defining the conditions under which the independent third party performs its engagement and the professional guidance issued by the French institute of statutory auditors (*Compagnie nationale des commissaires aux comptes*) relating to this engagement and with ISAE 3000 (*Assurance engagements other than audits or reviews of historical financial information*).

We conducted procedures in order to assess the Statement's compliance with regulatory provisions, and the fairness of the Information:

- we familiarized ourselves with the Group's business activity and the description of the principal risks associated;
- we assessed the suitability of the Guidelines with respect to their relevance, completeness, reliability, neutrality and clarity, taking into account, where appropriate, best practices within the sector;
- we verified that the Statement covers each category of information stipulated in section III of article L. 225-102-1 governing social and environmental affairs, as well as in the second paragraph of article L. 22-10-36 regarding the respect for human rights and the fight against corruption and tax evasion;
- we verified that the Statement provides the information required under article R. 225-105 II of the French commercial code, where relevant with respect to the principal risks, and includes, where applicable, an explanation for the absence of the information required under article L. 225-102-1 III, paragraph 2 of the French commercial code;
- we verified that the Statement presents the business model and a description of principal risks associated with all the entity's activities, including where relevant and proportionate, the risks associated with its business relationships, its products or services, as well as its policies, measures and the outcomes thereof, including key performance indicators associated to the principal risks;
- we referred to documentary sources and conducted interviews to
  - assess the process used to identify and confirm the principal risks as well as the consistency of the outcomes, including the key performance indicators used, with respect to the principal risks and the policies presented, and
  - corroborate the qualitative information (measures and outcomes) that we considered to be the most important[1] ; concerning certain risks (Attracting and retaining talent; Animal ethics and welfare), our work was carried out on the consolidating entity, for the others risks, our work was carried out on the consolidating entity.
- we verified that the Statement covers the consolidated scope, *i.e.* all companies within the consolidation scope in accordance with article L. 233-16, with the limits specified in the Statement;
- we obtained an understanding of internal control and risk management procedures the entity has put in place and assessed the data collection process to ensure the completeness and fairness of the Information;

- we carried out, for the key performance indicators and other quantitative outcomes[2] that in our judgment were of most significance:
  - analytical procedures that consisted in verifying the correct consolidation of collected data as well as the consistency of changes thereto;
  - substantive tests, on a sampling basis, that consisted in verifying the proper application of definitions and procedures and reconciling data with supporting documents. These procedures were conducted for a selection of contributing entities[3] and covered between 27% et 80% of the consolidated data for key performance indicators and outcomes selected for these tests;
- we assessed the overall consistency of the Statement in relation to our knowledge of the company.

We believe that the procedures we have performed, based on our professional judgment, are sufficient to provide a basis for a limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures.

Means and resources

Our work engaged the skills of six people between December 2020 and April 2021.

To assist us in conducting our work, we referred to our corporate social responsibility and sustainable development experts. We conducted around ten interviews with people responsible for preparing the Statement.

Conclusion

Based on our work, nothing has come to our attention that causes us to believe that the non financial statement does not comply with the applicable regulatory provisions and that the Information, taken as a whole, is not fairly presented in accordance with the Guidelines.

Comment

Without qualifying the conclusion expressed above and in accordance with article A. 225-3 of the French commercial code, we make the following comment:

as stated in the Declaration, the reporting scope of social results and key performance indicators represents 84% of the total workforce. As for the environmental results and key performance indicators, the reporting perimeter covers major production sites and represents nearly 60% of the total revenues of the Group.

Paris-La Défense, April 6, 2021

One of the statutory auditors,

Deloitte & Associés

Philippe Battisti - Partner

Eric Dugelay - Partner, Sustainability Services

[1] **Qualitative information selected:** Trust Index Great Place to Work; an ethical charter and policies to manage animal studies.

[2] **Quantitative social information selected:** staff turnover rate; number of employees present on December 31 who have taken at least one training session/total staff on december 31; female to male salary ratio for the leaders category; frequency and severity rate of work accidents; absenteeism rate.

Quantitative environmental information selected: water withdrawn by source; COD content; volume of hazardous waste; volume of non-hazardous waste; gas consumption; electricity consumption; direct and indirect greenhouse gas emissions (scope 1, 2 & 3).

[3] **Selected entities:** Virbac, *société anonyme,* Virbac France, Virbac Colombia (social indicators), Virbac Uruguay (environmental indicators).

FINANCIAL REPORT

Covid-19 - Virbac status report

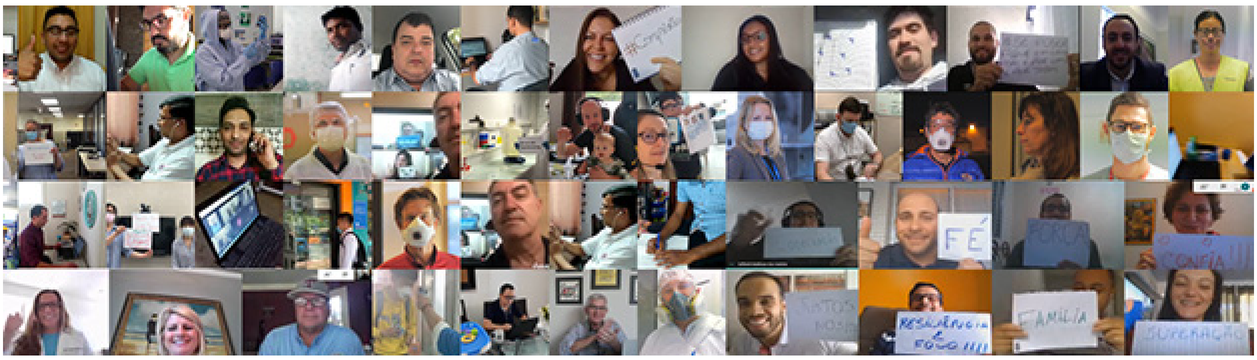
Situation as of April 15, 2021

The beginning of 2020 was marked by the Covid-19 health crisis, which spread throughout the world and continues to affect many geographic areas where we operate. Our thoughts go out to people around the world who are directly or indirectly affected by this coronavirus pandemic (Covid-19). Our top priority is the health and safety of our employees, and we are following the evolution of this pandemic very closely so that we can adapt all of our protective measures accordingly. As animal health is at the heart of public health, we also make every effort to ensure the best possible continuity of our commitments to veterinarians, farmers and animal owners who, every day on the front line, continue their essential work to care for and raise those animals.

To address this situation, we quickly assembled a dedicated committee that coordinates all positions and maintains contact with all subsidiaries to monitor the situation as it evolves, and to quickly and effectively make the best decisions. Measures have been introduced at various Group sites: communications on how the virus is spread and the safety measures to be followed, staff training, sharing of best practices, temperature and symptom self-monitoring, social distancing and contact prohibition, flow control, adaptation of work stations in different environments (production, R&D, administrative), guided management of outside providers, personal protective equipment such as masks and gloves for those in the most exposed positions, *etc*. These measures were designed based on recommendations by the World health organization and country-specific health authorities.
Our business continuity plans have been triggered. A new work organization has been implemented, splitting teams into smaller units, spreading out work hours to avoid any overlap, and lastly using remote work for all eligible positions. Our remote communication channels have also been strengthened to better communicate with veterinarians and farmers as well as with employees, all to ensure continuity in our activity and our commitments to our customers in the animal care and feeding chain.

In 2020, we did not experience any supply difficulties that could have had a significant impact on our sales. During some lockdown periods, some of our production sites were unable to operate at 100% of their capacity due to workplace absences and the reorganization required to implement much more restrictive safety measures. These situations have occasionally caused delivery difficulties for certain products. We now have a standardized production situation across all our sites; however, the reconstitution of our safety stocks is still ongoing, especially for vaccines at the Carros site. This situation has resulted in shortages, which persist for certain products, including vaccines. In addition, while sales in some countries have been affected temporarily and in different ways, the mobilization of our staff, the launch of certain products, accelerated sales growth via the digital channel, increased geographic and product diversity, as well as the resilience of our sector, have generated high-growth revenue overall at constant rates. Furthermore, we benefited from cost savings that improved our profit for 2020. Lastly, given the good performance of our business, we have only had to make very limited use of business assistance programs around the world.

The health crisis could have an impact on our activities in 2021, depending on its duration, geographic expansion and the resulting economic and social consequences. However, and as explained previously, we have implemented a set of measures and daily management in order to prevent and limit potential impacts (crisis management system, supply chain and inventory management policies, readjustment of the targets for our safety stocks, business continuity plans at our 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.



Management report

2020 KEY EVENTS

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 been 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 not deemed to be material at the Group level.

Transfer of Sentinel® trademarks to MSD Animal Health

Under an agreement signed in May 2020, we transferred to MSD Animal Health in July 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 the one 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 deploy 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.

EVENTS SUBSEQUENT TO DECEMBER 31, 2020

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 animal 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.

RESEARCH & DEVELOPMENT ACTIVITY

We base product innovation on:

- an analysis of future market needs and trends based on ongoing, sophisticated customer feedback. Product development times require us to anticipate future markets as well as societal and regulatory changes in order to provide customers and markets with products that are adapted to future contexts;
- technological advances: the scientific world is advancing at an increasingly rapid pace and offers possibilities for treatment and prevention in the health field. We seek to use these possibilities to meet these needs. Today, we have access to technological solutions that were not even being considered just five to ten years ago. These solutions can dramatically change existing prevention or treatments and may, at times, offer solutions to incurable diseases. We have permanent access to these technological solutions through numerous partnerships with local universities and biotechnology companies.

In addition to the projects resulting from this synergy between needs and technologies and developments by R&D teams around the world, we also have an active business development and commercial licensing policy to enhance our product offering.

Our R&D centers are located on all five continents so as to be as close as possible to production centers. These centers have specialized teams and, when necessary, work collaboratively with other Virbac R&D centers to broaden their skills in specific areas. Their activity is supported by dedicated laboratory facilities (analytical, formulation, biological, process, *etc*.) operating either in the biological field or in the pharmaceutical field, or both. Study opportunities are broadened by the regular use of external research & development centers to which these studies can be entrusted.

In addition to these R&D centers, we have regulatory units dedicated to the domestic, and sometimes regional, registration of products developed by the Virbac group. Teams in these units are smaller and mainly focused on regulatory affairs. These centers have neither a laboratory nor a production unit but can subcontract developments to Contract research organizations (CRO) if specific local studies must be added to the main project file.

Since 2012, using regional R&D centers located around the world, we have adopted both a Corporate Biological R&D organization and a Pharmaceutical R&D organization. This global structuring makes it possible to allocate all the resources and skills of the R&D centers for major projects, boost exchanges and ensure a global vision in terms of regulations and R&D quality. The products developed mirror the Group’s strategic sectors: companion animals, ruminants, swine and aquaculture. The innovative products developed for these sectors can then be marketed in the countries and meet customers’ expectations.

ANALYSIS OF CONSOLIDATED FINANCIAL STATEMENTS

Performance of revenue

In 2020, our consolidated revenue reached €934.2 million, down 0.4% from the year before and at actual exchange rates but up 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 temporarily affected certain countries to varying degrees, the mobilization of our teams, the launch of certain products, our accelerated sales development via the digital channel and the geographic and product portfolio diversification, along with the resilience of our sector, globally generated high-growth revenue at constant rates.

Performance by segment

in € million	2020 revenue at actual rates	Growth by segment at constant exchange rates and perimeter					
		> -5%	- 5% to 0%	0% to + 5%	+5% to +10%	+10% to +15%	> 15%
Parasiticides	129.4				8.1%		
Immunology	62.1	-16.2%					
Antibiotics/dermatology	83.2			4.3%			
Specialties	86.8						16.0%
Equine	27.6			4.1%			
Specialized petfood	63.0						26.5%
Others	88.7			1.7%			
Companion animals	**540.8**				**5.5%**		
Bovine parasiticides	50.1					12.2%	
Bovine antibiotics	68.5				8.3%		
Other ruminants products	147.5					10.3%	
Pig/poultry antibiotics	34.0			0.7%			
Other pig/poultry products	30.6			2.2%			
Aquaculture	47.3		-4.9%				
Food producing animals	**378.0**				**6.6%**		
Other businesses	**15.4**	**-10.9%**					
Revenue	**934.2**				**5.7%**		

Companion animals

In 2020, this business line represented 57% of revenue, up 5.5% at constant exchange rates and scope compared with 2019.
The strongest increases come from specialized petfood ranges, specialties and parasiticides. On the other hand, sales in the vaccine range decreased by €13.4 million (€12.2 million at constant rates), particularly following the temporary shutdown of the global production site for cat and dog vaccines.

Food producing animals

In 2020, this business line represented 41% of revenue, up 6.6% at constant exchange rates and scope compared with 2019.
Growth is driven by the ruminant segment, which grew globally by 10.2% at constant exchange rates and scope, particularly thanks to the parasiticides, food supplements and antibiotics ranges. The industrial farming sector (swine and poultry) is relatively stable compared to 2019 (+1.4% at constant exchange rates and scope), with the growth of vaccines being mitigated by the stability of the other ranges. On the other hand, aquaculture showed a decline of -4.9% at constant exchange rates and scope, strongly impacted by the fall in vaccine sales over the year.

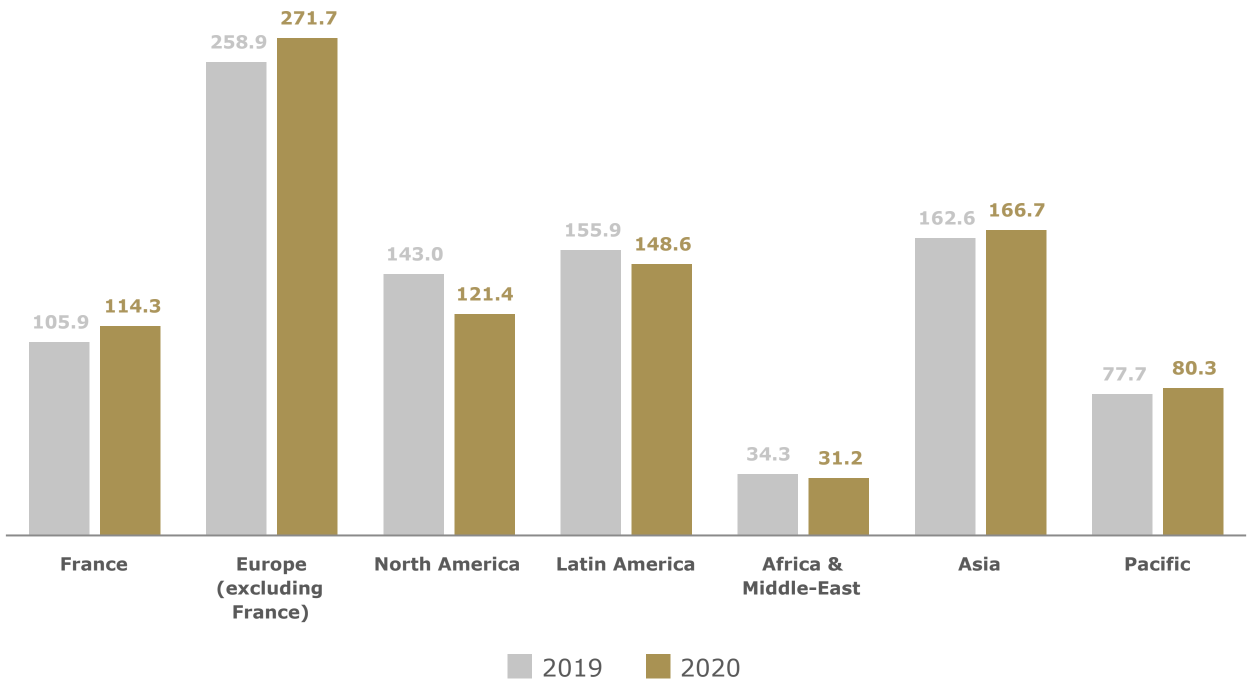
Other business lines

These business lines, which represent 2% of consolidated revenue in 2020, correspond to markets of lesser strategic importance for the Group, and which mainly include the molding produced for third parties in the United States, including the sales of Sentinel® Spectrum® to MSD Animal Health, and in Australia.

Performance by geographic regions

Overall, contributions at constant exchange rates are positive across all geographic areas, with the exception of North America, which is slightly down outside of Sentinel® (-0.8%), and despite the impact of the cat and dog vaccine shortages, which generated a drop in sales over the year. The Europe and Asia-Pacific zones are leading our annual growth, with activities up respectively by +5.9% at constant exchange rates (+5.8% at actual rates), and +6.9% at constant rates (+2.7% at actual rates). Nonetheless, one country was more affected by the health crisis (United Kingdom), whose decline in activity (-7.6% at constant rates) is largely offset by strong contributions from India, France, Benelux and China. Latin America grew by 7.1% at constant exchange rates (-4.7% at actual rates), buoyed by a high level of activity in Brazil, Mexico and Colombia over the period. Finally, North America posted a change of -14.3% (-15.1% at constant rates) in actual scope, mainly due to the sale of rights to the Sentinel® range. Excluding Sentinel®, the change at constant rates is -0.8%, due to the decrease in activity of the dental and antibiotic ranges, caused by restrictions related to Covid-19.

in € million



The major contributions by geographical area are as follows:

France

In 2020, activity in France increased by 7.9% compared to 2019, driven by growth in specialized petfood in the companion animal segment, as well as external parasiticides and specialties. The food producing animal segment is declining, particularly impacted by shortages over the year.

Europe (excluding France)

Business in Europe grew over the period by 5.0% at actual rates and 5.1% at constant rates. This growth was driven by good performances in the Benelux, Poland, Spain and in the export areas, offsetting the difficulties in the United Kingdom caused by Covid-19.

- **Benelux**

The area grew by 14.5%, thanks to specialized petfood, specialties, food supplements and internal parasiticides. The food producing animal segment is also growing, thanks to parasiticides and antibiotics for cattle.

- **Poland**

Once again this year, the country recorded sustained growth of 31.2% at constant rates, led by the success of Suramox in the food producing animal segment. The companion animal segment is also progressing, particularly with Milpro, internal parasiticides, specialties and specialized petfood.

- **Spain**

The country achieved growth of 8.2% in 2020. The food producing animal segment showed double-digit growth, thanks to the success of the Bovigen Scour vaccine. The companion animal segment is also growing, thanks mainly to specialized petfood and anti-emetics with Vetemex, despite the decline in vaccine sales.

- **Export area**

The export zone posted an increase of 15.7% over 2020, showing strong growth in Central and Eastern Europe. The food producing animal segment is mainly supported by parasiticides, and the companion animal segment by specialized petfood and internal parasiticides.

- **United Kingdom**

The country recorded a drop in revenue of 7.6% at constant rates in 2020 (-8.2% at actual rates), with the companion animal segment particularly affected by the repercussions of Covid-19. The food producing animal segment is growing, thanks to food supplements with Multimin, and antibiotics.

North America

North America showed a -14.3% drop at constant rates (-15.1% at actual rates) primarily due to the sale of rights to the Sentinel® ranges in July 2020. Excluding Sentinel®, growth at constant rates is -0.8%, primarily impacted by the decline in the dental and antibiotic ranges, particularly due to restrictions linked to Covid-19.

Latin America

In 2020, Latin America recorded a growth of 7.1% at constant exchange rates (-4.7% at actual rates), mainly driven by Mexico, Brazil and Colombia.

- **Brazil**

Brazil recorded growth at constant rates of 10.2%. The ruminant segment is leading this growth, particularly vaccines, parasiticides and food supplements.

- **Mexico**

Mexico posted growth of 9.2% at constant exchange rates, driven by the food producing animal segment, particularly the cattle parasiticides. The companion animal segment is also progressing, thanks to specialized petfood, Zoletil and Nutriplus Gel.

- **Colombia**

The country grew by 16.6%. The two segments recorded double-digit growth in the financial year, with companion animals, thanks to internal parasiticides, dermatology and specialized petfood, and food producing animals, thanks to the growth of all ranges.

- **Chile**

Business in Chile was relatively stable over the financial year (+0.3% at constant exchange rates), with the increase in antibiotic sales following the launch of Veterin 80% being partially offset by the decrease in vaccine sales.

Asia

In this region, revenue increased to 7.1% at constant rates, mainly due to the very good performances of India and China, and to a lesser extent, to the sustained activity of Thailand and Vietnam.

- **India**

Despite a difficult start to the year, which was strongly impacted by the consequences of the health crisis, the country experienced a 6.7% growth at constant rates. The rapid reorganization of the distribution channel of our products in the second half of the year has led to a significant rebound in sales and market share.

- **China**

In 2020, the country recorded growth of 17.3% at constant exchange rates, thanks among other things to online sales in the companion animal segment, led by Zoletil in the specialties range and Epiotic in the dermatology range. The food producing animal segment is also progressing, mainly thanks to Virbagest.

- **Thailand**

Thailand had a very good year, rising by 17.7% at constant exchange rates. Two segments are growing well, that of food producing animals (thanks to industrial farming, including antibiotics) and vaccines (with Suigen PCV2). The companion animal segment is also growing, driven by Zoletil sales.

- **Vietnam**

Vietnam posted growth of 18.6% at constant rates, driven by the food producing animal segment, including industrial farming with Virbagest and the Suigen PCV2 vaccine. The companion animal segment also showed a drop in revenue, particularly Zoletil and vaccines (related to supply disruptions at the Carros site).

Africa & Middle-East

The 4.5% growth at constant rates in this region is generated by South Africa, mainly thanks to the food producing animal segment, with the sheep and cattle parasiticides range, as well as antibiotics. The companion animal segment is also progressing, thanks to Milpro (internal parasiticide).

Pacific

The Pacific region ended the year with 6.6% growth at constant rates, a rebound after a difficult 2019 year for the two countries in this area.

■ **Australia**

Australia recorded a 4.4% increase, driven by the performance of the sheep range in food producing animals and by most companion animal ranges.

■ **New Zealand**

New Zealand posted a 14.8% growth over 2020, thanks to the performance of the intramammary range of food producing animals, but also thanks to better sales of nutritional products with Multimin, and products intended for sheep. The companion animal segment also experienced growth, driven by Evicto sales (parasiticide launched this year in the country).

2020 major launches

The major product launches and ranges in 2020 are:

- Senergy: this generic internal and external selamectin-based parasiticide for domestic dogs and cats was launched in 2020 in North America and Australia;
- Tramvetol: injectable solution for dogs to reduce post-operative mild pain;
- Stelfonta: product indicated for the treatment of non-resectable mastocytomes in dogs;
- Tulissin: antibiotic for cattle, swine and sheep, treating respiratory pathologies;
- Cydectin Platinum: parasiticide for cattle combining moxidectin and levamisole, made available to Australian farmers;
- Optomease: aquaculture product launched in Norway, based on benzocaine and with effects on stress;
- Suigen PCV2: in September, this vaccine against porcine circovirosis developed over seven years by the Virbac teams with the genotype 2 of the virus, was made available to Vietnamese and Thai farmers. It also obtained a Marketing authorization (MA) in the Philippines and was incorporated by several porcine integrators in the region;
- Fosfosan: this multimineral solution, intended for the prevention and treatment of deficiencies in cattle and swine, entered Colombia;
- Suprelorin: this implant inducing a reversible neutering in male dogs was launched in China and Mexico.

Analysis of the results

Changes in results

in € million	2020	%	2019	%	*Variation*
Revenue from ordinary activities	**934.2**	**100.0**	**938.3**	**100.0**	***-0.4%***
Margin on purchasing costs	**617.6**	**66.1**	**623.5**	**66.5**	**-1.0%**
Current operating expenses	448.4	48.0	463.0	49.3	-3.1%
Depreciations and provisions	40.2	4.3	38.1	4.1	5.6%
Current operating profit before depreciation of intangible assets arising from acquisitions	**128.9**	**13.8**	**122.4**	**13.0**	**5.2%**
Depreciations of intangible assets arising from acquisitions	8.4	0.9	15.0	1.6	-44.3%
Operating profit from ordinary activities	**120.5**	**12.9**	**107.4**	**11.4**	**12.2%**
Other non-current income and expenses	-65.2		9.4		-791.2%
Operating profit	**185.7**	**19.9**	**98.0**	**10.4**	89.5%
Financial income and expenses	10.4	1.1	20.3	2.2	-48.6%
Profit before tax	**175.2**	**18.8**	**77.7**	**8.3**	**125.6%**
Income tax	33.8		23.4		44.1%
Including non-current tax expense	*1.7*		*-0.5*		*-474.1%*
Share from companies' result accounted for by the equity method	-0.3		-0.2		62.9%
Net result from ordinary activities	**78.3**	**8.4**	**63.4**	**6.8**	**23.5%**
Result for the period	**141.8**	**15.2**	**54.4**	**5.8**	160.5%
Net result attributable to the non-controlling interests	4.3		2.9		49.8%
Net result attributable to the owners of the parent company	**137.5**	**14.7**	**51.5**	**5.5**	**166.7%**

Margin on purchasing costs

The margin on purchasing costs is down by 1.0% at actual rates. This decrease in margin is mainly related to the impact of the sale of Sentinel® from July.

Current operating expenses

Current net operating expenses amounted to €448.4 million in 2020, a decrease at actual rates of €14.6 million (-3.1%) compared to 2019.

This change is mainly related to a decrease in travel, seminar and advertising costs of €14.7 million, particularly following the restrictions imposed in the context of managing the Covid-19 health crisis, with main impacts in France, the United States and India. Personnel-related costs are also down by €2.3 million. In this context, recruitment was more progressive and the choice was to accelerate the digital transformation, thus leading to an increase in the capitalization of personnel costs. In addition, an insurance product of an amount of €3.6 million was recorded as compensation for the operating loss suffered during the temporary shutdown of the global vaccine production site in April 2020.

Current operating profit before depreciation of intangible assets arising from acquisitions

Operating profit from ordinary activities before depreciation of intangible assets arising from acquisitions increased by 5.2% compared with the previous year, rising from €122.4 million at the end of 2019 to €128.9 million on December 31, 2020. Operating profit from ordinary activities before depreciation of assets arising from acquisitions expressed as a percentage of revenue was 13.8% in 2020 at actual exchange rates, and 14.4% at constant exchange rates. This is an increase of 1.3 point at constant exchange rates compared to 2019, driven by the growth in revenue at constant rates and actual scope (3.2%), as well as a reduction in costs, particularly for travel, in the context of Covid-19.

Apart from the United States, which fell due to the sale of rights to the Sentinel® range, all areas contribute positively to our operating profit, including Europe with France, Benelux, Spain and Poland, India, New Zealand, Asia, India, Colombia, Uruguay, Chile, and Brazil. Exchange rates had a negative impact of €10.5 million on the operating profit from ordinary activities before depreciation of intangible assets arising from acquisitions.

Allowance for depreciations of intangible assets resulting from acquisitions

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.

Other non-current income and expenses

Other non-current income and expenses represented a net profit of €65.2 million in 2020, compared to a net expense of €9.4 million in 2019. They consist of the proceeds from the sale of rights to the Sentinel® assets for €69.6 million, as well as the additional impairment of the Leishmaniosis vaccine CGU at the amount of €4.5 million, following the decision to stop the production of the vaccine during the first half year of 2020.

Financial income and expenses

Net financial expenses were €10.4 million, compared to €20.3 million in the previous financial year. The cost of net financial debt decreased from €15.7 million in 2019 to €8.7 million in 2020, due to the repayment of loans and lines of credit after receiving the proceeds from the sale of rights to the Sentinel® range. Debt repayment has resulted in the de-qualification of some interest rate derivatives. This de-qualification negatively impacted the profit by -€1.2 million. The effects of exchange rates, mainly from the Chilean peso, had a very slight negative impact on the 2020 financial result by -€0.4 million, compared to -€4.5 million in 2019.

Taxes for the financial year

The 2020 tax expense amounted to €33.8 million, compared to €23.4 million at the end of 2019, due to the profits achieved by our subsidiaries. Nonetheless, the tax expense for the financial year is strongly impacted by the use of losses carried forward by our U.S. subsidiary Virbac Corporation (in the amount of US $19.2 million). It should be noted that these deferrable losses were depreciated in our accounts over the last few years, in application of IFRS standards, and therefore their recognition in 2020 is deducted from their use.

Corrected mainly for this impact, the Group's effective tax rate decreased from 28.27% in 2019 to 27.78% in 2020. The change in this rate is explained in consolidated accounts note A28.

Net result

The net profit - Group share amounted to €137.5 million in 2020, compared to €51.5 million in the previous year, *i.e.* an improvement of €86 million at actual rates, mainly explained by the divestment of Sentinel®, as well as good operational performance in 2020.

The profit attributable to the non-controlling interests amounted to €4.3 million in 2020 compared with €2.9 million in 2019. This increase is explained by the stronger contribution by Chilean entities.

Bridge from net result to net result from ordinary activities

Since 2018, we use a new performance indicator: net result from ordinary activities, corresponding to the consolidated net profit, restated from other non-current income and expenses, as well as non-current taxes, which include the tax impact of "Other non-current income and expenses", as well as all non-recurring tax income and expenses. The reconciliation of the net profit with the current net profit for the period is shown below.

in € million	Net result IFRS 2020	Impairment of assets	Restructuring costs	Disposal of assets	Non-current tax expense	Net result from ordinary activities 2020
Revenue from ordinary activities	**934.2**					**934.2**
Current operating profit before depreciation of intangible assets arising from acquisitions	**128.9**					**128.9**
Depreciations of intangible assets arising from acquisitions	-8.4					-8.4
Operating profit from ordinary activities	**120.5**	**—**	**—**	**—**	**—**	**120.5**
Other non-current income and expenses	65.2	4.5		-69.6		-0.0
Operating profit	**185.7**	**4.5**	**—**	**-69.6**	**—**	**120.5**
Financial income and expenses	-10.4					-10.4
Profit before tax	**175.2**	**4.5**	**—**	**-69.6**	**—**	**110.1**
Income tax	-33.8	-1.4		3.1		-32.1
Share from companies' result accounted for by the equity method	0.3					0.3
Result for the period	**141.8**	**3.0**	**—**	**-66.5**	**—**	**78.3**

Analysis of the financial situation

Consolidated balance sheet

in € million	2020	2019
Net assets	535.3	859.7
Operating WCR	120.4	125.1
Invested capital	**655.7**	**984.9**
Equity attributable to the owners of the parent company	622.9	517.8
Non-controlling interests and provisions	96.2	98.7
Net debt	-63.4	368.4
Financing	**655.7**	**984.9**

Net assets
The elements making up this item and their variations are detailed hereafter.

- **Goodwill**

This item amounted to €134.8 million at the end of 2020, compared to €312.9 million at the end of 2019. The change in this item is mainly related to the sale of the U.S. rights on the Sentinel® brands to MSD Animal Health.

- **Intangible assets**

This item amounted to €147.6 million at the end of 2020, compared to €272.1 million at the end of 2019. The €124.5 million decrease can be mainly explained by the sale of rights to the Sentinel® brands for €109.9 million. The investments accounted for a total amount of €10.5 million, mainly relate to IT projects at Virbac (parent company) and in the United States, and are offset by depreciation and impairments, which amount to €15.7 million. This includes an impairment recorded at the amount of €1.5 million on indefinite assets, relating to a patent of the Leishmaniosis vaccine CGU, following the decision to end the production of this vaccine

- **Tangible assets**

This item amounted to €205.8 million at the end of 2020, compared to €224.8 million at the end of 2019. This decrease is mainly due to the mechanical effect of depreciation (-€23.9 million) and impairments (-€7.6 million, of which -€5.4 million are for assets intended for the manufacture of Sentinel® Flavor Tabs®, located at our former CMO (Contract manufacturing organization) and -€2.7 million for industrial equipment for the Leishmaniosis vaccine CGU (completely depreciated during the fiscal year), but also an exchange rate effect of €-8.7 million.
We also made investments of €23.2 million to strengthen our IT infrastructure, as part of our new IT projects, but also to renew industrial facilities in France and the United States and develop new R&D laboratories in Taiwan and Vietnam. The disposals and scrapping, with a net asset value of €1.9 million, mainly relate to the scrapping of obsolete industrial equipment in France and the United States.

- **Right of use**

This item, which corresponds to the activation of lease contracts according to the IFRS 16 standard, amounted to €33.5 million at the end of 2020, compared to €34.0 million at the end of 2019.

- **Other financial assets and shares in companies accounted for by the equity method**

This item amounted to €13.6 million at the end of 2020, compared to €15.9 million at the end of 2019. This mainly includes loans granted and other fixed receivables (€2.5 million), foreign exchange and interest rate derivatives (€7.4 million) and investments accounted for by the equity method (€3.2 million). The decrease in this item is explained by putting factoring programs in Australia and the United States on standby, which generated a decrease in the associated security deposits (-€4.9 million), partially offset by the revaluation of the cross currency swap in CLP (€1.6 million), caused by the impairment of this currency.

Elements of WCR (Working capital requirements)

The elements comprising this item and their variations are described below.

- **Inventories and work in progress**

This item amounted to €211.0 million at the end of 2020, compared to €206.6 million at the end of 2019. Excluding exchange rate effects and the impact of the sale of Sentinel®, net inventories increased by €22.1 million, mainly due to the increase in activity in the last quarter, the build-up of inventories for the launch of new products in 2021, and back-up inventories, particularly in production sites such as in France, Chile, and the United States, some related to the consequences of the Covid-19 pandemic.

- **Trade receivables**

This item amounted to €101.7 million at the end of 2020, compared to €99.4 million at the end of 2019. The increase in trade receivables of €2.3 million is due in part to the decrease in deconsolidated receivables following the suspension of the factoring program in Australia and the United States. This increase is offset by a reduction in receivables in India and Chile, with a year-end focus on cash receipts.
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 and the United States, as well as the decrease in revenue in the United Kingdom.

- **Trade payables**

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 large in France, due to delayed projects that led to strong activity in the last quarter of 2020.

- **Other elements of WCR**

On December 31, 2020, this item represented a net liability of €100.9 million, compared to €98.1 million on December 31, 2019. The increase in this liability is mainly related to the year-end discounts granted to customers (+€7.8 million compared to the previous year).

Net debt

The calculation of the net debt is presented hereafter:

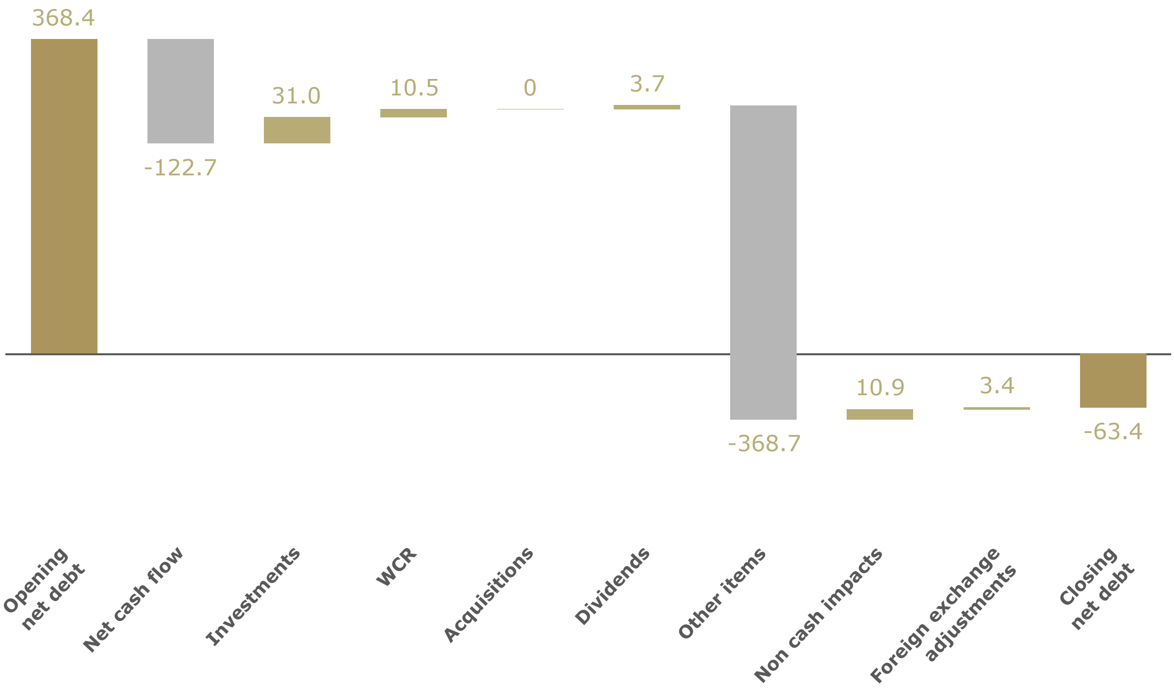
in € million	2020	2019
Loans	78.3	410.8
Bank overdrafts	2.3	13.8
Lease liabilities	34.8	34.7
Exchange rate and interest rate derivatives	2.2	2.2
Other elements of financial debt	0.8	0.7
Treasury and treasury equivalents	-181.9	-93.7
Net debt	**-63.4**	**368.5**
Equity attributable to the owners of the parent company	622.9	517.8
Net debt ratio	**-10.2%**	**71.2%**

Changes in net debt are presented in the graph of the "Financing" section, hereafter.

Financing

Changes in net debt

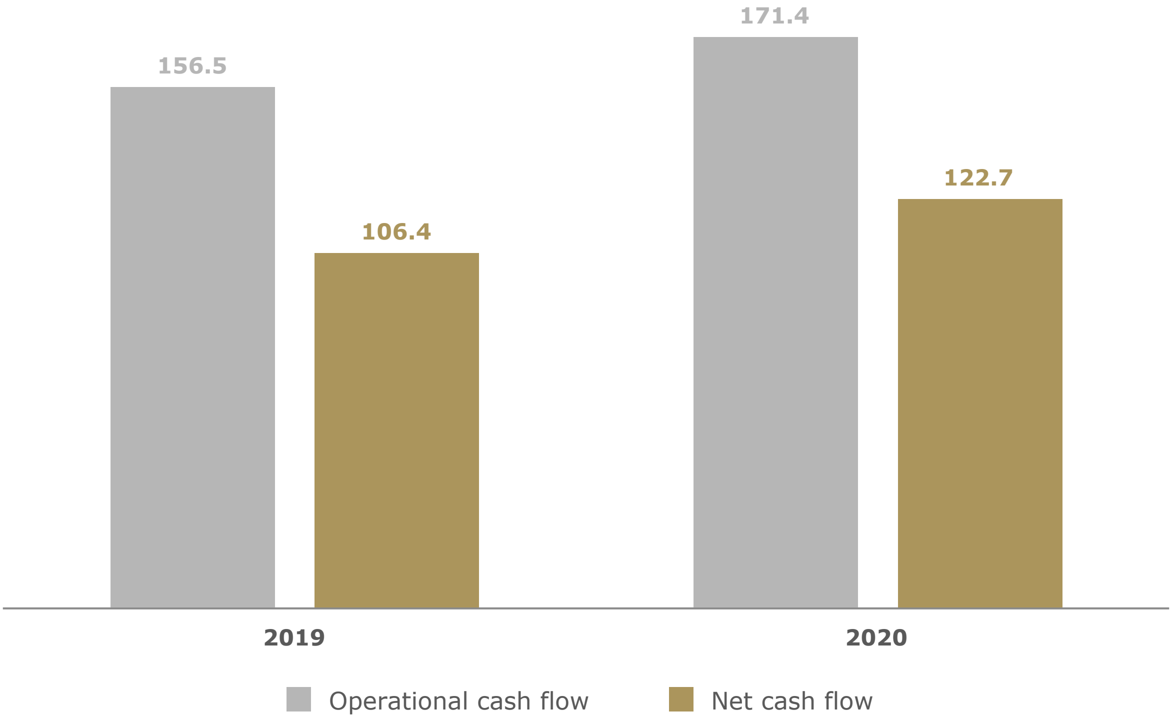
in € million



The decrease in net debt in 2020 was made possible by the proceeds from the sale of Sentinel®, enabling us to repay our bank financing.
The effect of foreign exchange on net debt was unfavorable. At constant exchange rates, the net debt amount as of December 31, 2020 would amount to -€66.8 million.

Changes in cash flow

in € million



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 US $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.

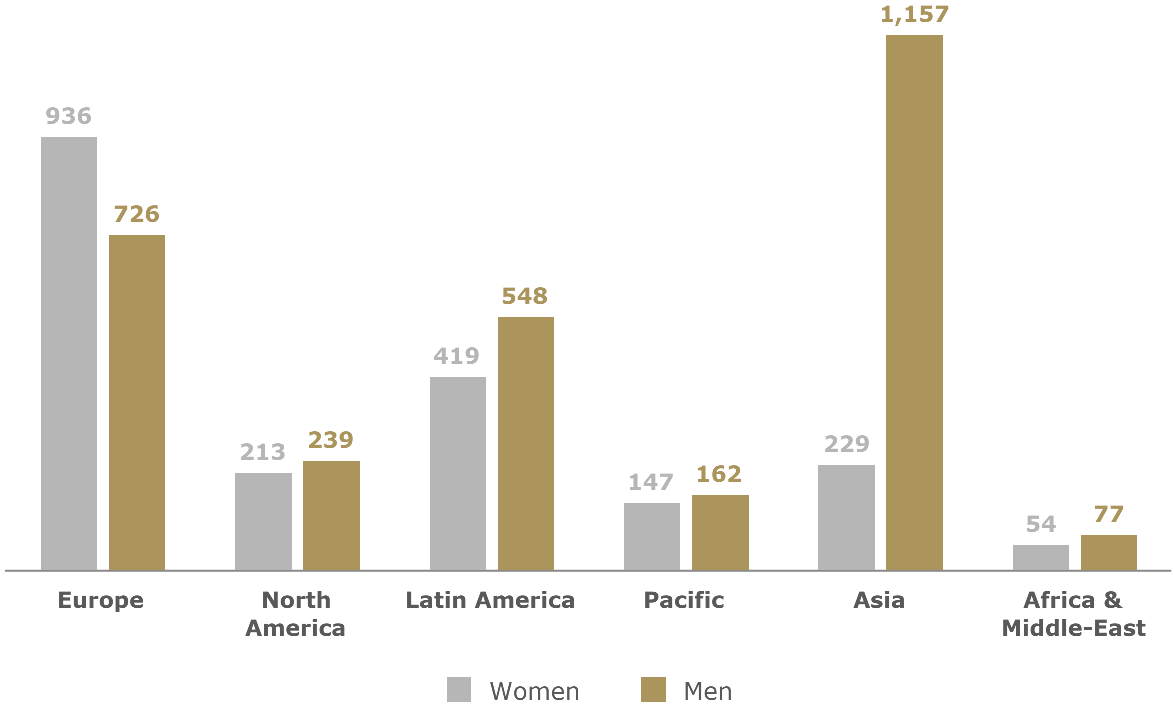
These funding instruments include a financial covenant compliance clause that requires us to adhere to the following financial ratios based on the consolidated accounts and reflecting consolidated net debt[1] for the period in question on the consolidated Ebitda[2] for the same test period.
It should 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] The 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.

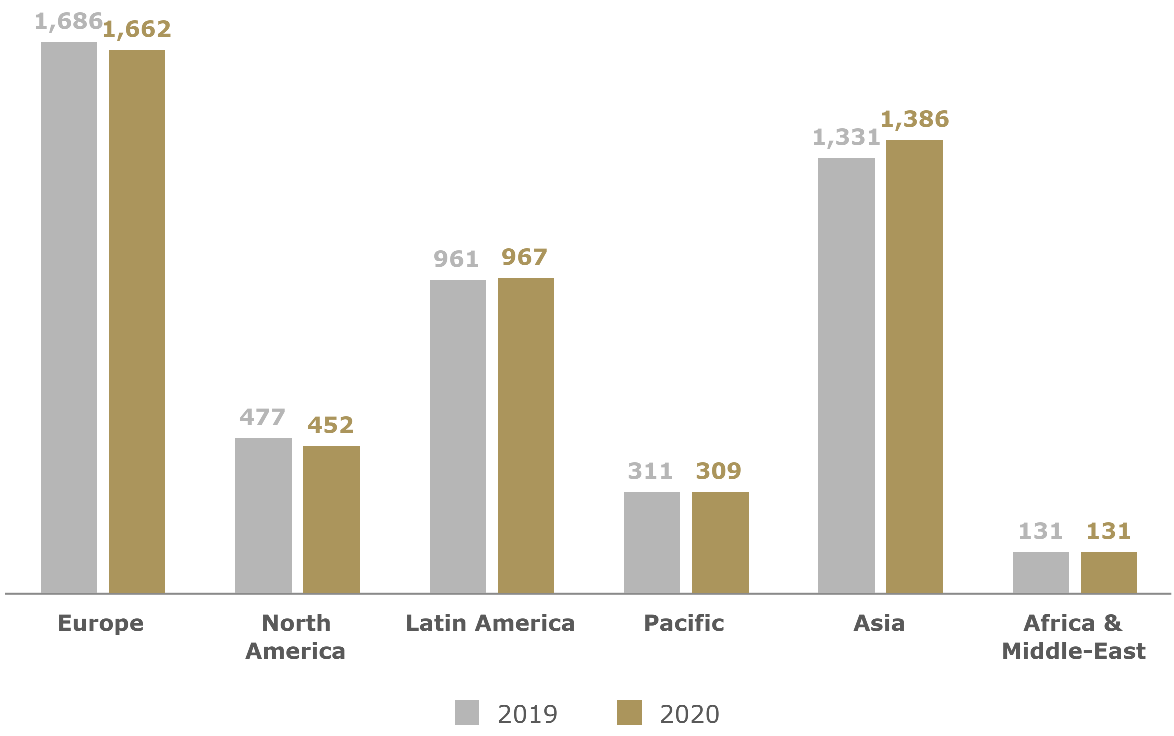
Group workforce

As of the end of December 2020, Virbac had 4,907 employees in 38 countries: 1,998 women (40.7%) and 2,909 men (59.3%).
33.9% of our workforce are in Europe, of which 1,309 are in France, that being 26.7%.

The workforce as of December 31, 2020 increased by 0.2% compared with the one as of December 31, 2019.



Changes in Group employee numbers by region



Changes to employee numbers by function

	2020		2019	
Production	1,679	34.2%	1,749	35.7%
Administration	665	13.6%	561	11.5%
Commercial & marketing	2,080	42.4%	2,042	41.7%
Research & development	483	9.8%	545	11.1%
Total	**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.

ANALYSIS OF THE ACCOUNTS OF THE PARENT COMPANY

Statutory accounts

As of December 31, 2020, revenue for Virbac's parent company amounted to €293.6 million compared with €276.1 million in 2019, showing an increase of €17.5 million (6.3%).

The share of the revenue achieved by Virbac with the Group's subsidiaries accounted for 91.2% of its total sales. The remaining 8.8% involved direct sales by Virbac in countries where the company does not have a subsidiary.
In 2020, the companion animal segment grew, particularly thanks to the range of specialties with Suprelorin, and the dental range with Veggiedent Fr3sh. The food producing animal segment also grew, thanks to the swine and poultry segment, as well as ruminant vaccines, with Bovigen Scour.

As of December 31, 2020, the financial result was up €103.3 million (+247.5%) compared with 2019. This change is due to the €110.5 million increase in dividends received. We also noted a €5 million decrease in interest expenses on loans and lines of credit. This is linked to the sharp decrease in our gross debt and the repayment of our bank financing, made possible by receiving the proceeds from the sale of Sentinel® by our American subsidiary and passed on to Virbac through the repayment of the Group loan, reducing revenue from receivables by €6 million.
This year, a net expense of €5 million was also recorded in the profit statement concerning the provisions for impairment of equity interests, which was mainly related to the production stoppage of our leishmaniosis vaccine.

The company posted a net non-recurring loss of €3.5 million in 2020, reducing by €2.6 million compared with the 2019 fiscal year.
We noted a reduction in allowances related to regulated provisions generating net proceeds of €2.8 million, compared to 2019. Impairment of intangible assets were recorded over the financial year for a total net amount of €4.2 million following the discontinuation of our leishmaniosis vaccine. An increase of €0.9 million in the allowance for provisions for end-of-career compensation was also noted during the fiscal year.

Table of net result over the previous five fiscal years (Virbac parent company)

in €	2016	2017	2018	2019	2020
Financial position at year end					
Share capital	10,572,500	10,572,500	10,572,500	10,572,500	10,572,500
Number of existing shares	8,458,000	8,458,000	8,458,000	8,458,000	8,458,000
Overall results from operations					
Revenue excluding taxes	256,691,480	264,200,946	266,519,766	276,148,677	293,640,198
Earnings before tax, employee profit sharing, depreciations and provisions	61,235,284	44,522,664	53,987,017	56,521,273	170,788,570
Income tax payable	-7,932,626	-9,688,591	-8,872,185	-7,731,676	-5,708,101
Employee profit sharing	—	—	—	—	—
Allowances for depreciations and provisions	21,490,116	19,676,178	26,662,243	19,196,160	25,373,801
Earnings after tax, employee profit sharing, depreciations and provisions	47,677,793	34,535,077	36,196,959	45,056,789	151,122,870
Earnings distributed	—	—	—	—	—
Result from operations per share					
Earnings after tax, employee profit sharing, before depreciations and provisions	8.18	6.41	7.43	7.60	20.19
Earnings after tax, employee profit sharing, depreciations and provisions	5.64	4.08	4.28	5.33	17.87
Dividend per share	—	—	—		
Personnel					
Average number of employees	1,178	1,170	1,138	1,114	1,106
Total payroll	57,130,754	58,060,578	58,794,511	59,941,993	59,029,640
Total benefits paid (social security, other employee benefits, *etc.*)	27,095,012	27,353,031	27,583,283	28,818,016	29,132,678

There was no dividend paid for the last four years.

Non-deductible expenses

Non tax-deductible expenses, in the sense of article 39-4 of the French general tax code, consisting of vehicle rentals, amounted to €411,005 for the 2020 financial year.

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 of the French commercial code.

On December 31, 2020, Virbac held a total of 21,304 treasury shares, acquired on the market for a total of €3,294,030 excluding fees, for an average price 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.
The 2016 performance plan expired during the financial year and 50% of the plan was allocated to the employees concerned, taking into account the previously established performance criteria. This year, a new performance plan was created taking into account the share price as of December 31, 2020 (see note B10 of the statutory accounts).

Payment periods

According to articles L441-6-1 and D441-4 of the French commercial code, the information on payment periods of suppliers and customers of the Virbac parent company is shown below.

Supplier payment terms

As at December 31, 2020

in €	0 day (as indication)	1 to 30 days	31 to 60 days	61 to 90 days	91 days and over	Total (1 day and over)
	Article D. 4411.-1 : received invoices not paid at the closing date of the period, for which the maturity date has expired					
[A] Portion in delay of payment						
Number of related invoices	3,688					696
Amount excluding tax of related invoices	17,250,144	988,049	358,884	113,517	404,559	1,865,009
Percentage of total purchases (excluding tax) for the period	5.4%	0.3%	0.1%	0.0%	0.1%	0.6%
[B] Excluded invoices from [A] linked to contentious or non booked receivables						
Number of excluded invoices	119					
Total amount of excluded invoices	319,429					
[C] Used reference payment terms						
Payment terms used for the calculation of payment delays	Contractual terms : terms granted to the suppliers (agreements/invoices) Legal terms : -					

As at December 31, 2019

in €	0 day (as indication)	1 to 30 days	31 to 60 days	61 to 90 days	91 days and over	Total (1 day and over)
	Article D. 4411.-1 : received invoices not paid at the closing date of the period, for which the maturity date has expired					
[A] Portion in delay of payment						
Number of related invoices	3,203					461
Amount excluding tax of related invoices	16,709,084	329,114	255,061	69,206	125,025	778,406
Percentage of total purchases (excluding tax) for the period	7.2%	0.1%	0.1%	0.0%	0.1%	0.3%
[B] Excluded invoices from [A] linked to contentious or non booked receivables						
Number of excluded invoices	132					
Total amount of excluded invoices	301,798					
[C] Used reference payment terms						
Payment terms used for the calculation of payment delays	Contractual terms : terms granted to the suppliers (agreements/invoices) Legal terms : -					

Customer payment terms

As at December 31, 2020

in €	0 day (as indication)	1 to 30 days	31 to 60 days	61 to 90 days	91 days and over	Total (1 day and over)
	Article D. 4411.-2 : issued invoices not paid at the closing date of the period, for which the maturity date has expired					
[A] Portion in delay of payment						
Number of related invoices	1,105					173
Amount excluding tax of related invoices	58,737,030	1,153,507	278,784	489,509	3,585,298	5,507,098
Percentage of total purchases (excluding tax) for the period	19.4%	0.4%	0.1%	0.2%	1.2%	1.8%
[B] Excluded invoices from [A] linked to contentious or non booked receivables						
Number of excluded invoices	20					
Total amount of excluded invoices	342,576					
[C] Used reference payment terms						
Payment terms used for the calculation of payment delays	Contractual terms : terms granted to the customers (agreements/invoices) Legal terms : -					

As at December 31, 2019

in €	0 day (as indication)	1 to 30 days	31 to 60 days	61 to 90 days	91 days and over	Total (1 day and over)
	Article D. 4411.-2 : issued invoices not paid at the closing date of the period, for which the maturity date has expired					
[A] Portion in delay of payment						
Number of related invoices	915					189
Amount excluding tax of related invoices	47,526,484	903,944	768,243	512,791	5,893,487	8,078,465
Percentage of total purchases (excluding tax) for the period	16.2%	0.3%	0.3%	0.2%	2.0%	2.8%
[B] Excluded invoices from [A] linked to contentious or non booked receivables						
Number of excluded invoices	10					
Total amount of excluded invoices	183,905					
[C] Used reference payment terms						
Payment terms used for the calculation of payment delays	Contractual terms : terms granted to the customers (agreements/invoices) Legal terms : -					

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS

In accordance with Order n°2017-1162 of July 12, 2017, as well as Decree n°2017-1174 of July 18, 2017 on various measures to simplify and clarify the obligations of information for which companies are responsible, our description of internal control and risk management systems are now included in the management report. This report has been drawn up based on contributions from several departments, in particular our Financial Affairs, Legal and Human Resources departments as well as the Group Risk Management department, and has been reviewed by our general management, which has confirmed the validity of its content. We then subsequently communicated the entire report to the statutory auditors and to the audit committee for review before final approval by our board of directors.
This report was approved by the board of directors at its meeting on March 16, 2021.

Definition and aims of internal control and risk management

Framework

We have drawn on the reference framework and its application guide, first published in January 2007 and updated on July 22, 2010 by the *AMF* (French financial markets authority), in order to define its internal control and risk management framework so as to structure its approach. In accordance with a recommendation from *AMF* report 2010-15 dated December 7, 2010, we decided to present the different information requested pursuant to the plan specified in the reference framework.

Scope

The scope of the internal control and risk management systems includes the parent company and the companies included in the Group's consolidated accounts.
The list of our subsidiaries is given in note A40 of the consolidated accounts.

Objectives and principles of the internal control and risk management system

Our risk management system sets out to identify, prioritize, process and manage the Group's key risk exposures.

In this capacity, the risk management system assists in:
- creating and preserving our Group’s value, assets and reputation;
- providing a secure basis for decision-making in support of our strategic, operational and financial objectives;
- deploying a culture of risk in our organization by engaging all stakeholders.

Internal control sets out to ensure that:
- our economic and financial objectives are achieved in compliance with applicable laws and regulations;
- the orientations determined by our executive board are implemented;
- our capital is enhanced and our assets are protected;
- the integration of acquired companies is carried out in accordance with our Group rules;
- and that our financial and accounting information depicts a true and fair view.

The internal control and overall risk management system must promote and secure our Group’s industrial and economic development by helping to prevent and control the risks to which it is exposed, all within an environment of control which is suited to its business areas and their respective issues.
In line with the fixed objectives, our internal control and risk management system of the Virbac group is based on the following structuring elements:
- appropriate and sustainable organization;
- internal distribution of reliable and targeted information;
- implementation of this system;
- suitable control activities that help to prepare and process accounting and financial information;
- continuous management and formalization of the areas of improvement.

Limits

An internal control system can only provide reasonable assurance and never an absolute one as regards overall risk control and limitation of obstacles to achieving our objectives. The probability of actually achieving these objectives is subject to the limits inherent in any internal control system, whether potential failings in the decision-making process are concerned, or the need for reviewing the cost/profit ratio before implementing controls, or the malfunctions that may occur on account of a failure or human error.

An appropriate and sustainable governance

System components

The control environment which is essential for the internal control system, for good risk management and for the application of procedures, is based on a specific organization of behavioral and human aspects.

Organization

Our internal control organization is based first of all on key factors that are anchored deep within our company's culture and which have formed the basis of its success, such as taking the initiative, placing trust in our Group’s workers and providing them with a sense of responsibility. Our operational organization of internal control is

structured around three levels: Group, areas and subsidiaries. Each level is directly involved and is given responsibility for designing and implementing the control in accordance with the level of centralization desired by our executive board. At each of these three levels, our internal control is broken down into specific organizational procedures, delegation of responsibilities, raising awareness and training of staff which are consistent with our Group’s general framework. It requires heavy involvement on the part of each operational or functional manager by expecting them to adopt the policies and procedures defined at our Group level, play a role in implementing and complying with them and finalize them via measures that are adapted to the special nature of the business activities or the areas under their responsibility.
The control system implemented within our Group is also based on a stronger governance structure, which guarantees that decisions are transparent and traceable, while still preserving the principles of subsidiarity and decentralization that are viewed as essential and necessary for optimum management of industrial and commercial activities in the Group.

Delegations of powers
Our subsidiaries are almost all directly or indirectly wholly owned by the Virbac group. Special attention is paid to the composition of the boards of directors of our subsidiaries. Each appointment or change of a director must be validated by the members of our executive board.
For companies which are not wholly owned, the rules of governance are defined and governed by shareholders' agreements.

Code of conduct
Since June 2015, our core commitments in the industries in which we operate have been incorporated into our code of conduct. This document replaces the code of ethics adopted in 2004. More comprehensive and more responsive to the priorities of our Group, this document, written in sixteen languages and available on our Intranet, is distributed to all our employees. Our code of conduct includes our fundamental principles regarding business conduct, safeguarding assets, and our corporate approach to privacy and social responsibility. This document formalizes the ethical values and operating principles of our company. In publishing our code of conduct, we undertake to adhere and ensure adherence by our partners and suppliers to the regulations and standards that apply to our activities, as well as in the areas of finance, competition and in the social sphere.

Reference documents
We have provided employees with other reference documents describing practical rules applicable to specific areas covered by our code of conduct. These documents are available on our Intranet and are listed below.

- **Supplier charter**

Our supplier charter aims to define the rules governing our relationships with our suppliers, as well as the guiding principles that we expect to see applied by our suppliers in the conduct of their business.

- **Group anti-bribery policy**

Our anti-bribery policy describes the appropriate conduct governing relations between us and our third parties, either in the public or private sector. It specifies, among other things, the conditions under which it is possible to offer or accept gifts and invitations. In 2016, we implemented a new Group anti-bribery policy. All of our general managers, the members of the France committee, as well as our members of the executive board, signed a commitment to comply and ensure compliance with this policy.

- **Market abuse prevention policy**

With the entry into force on July 3, 2016 of European regulation 596/2014 of April 16, 2014 on market abuse, of act 2016-819 of June 21, 2016 on reforming the sanctions system for dealing with market abuse and of act 2016-1691 of December 9, 2016 on transparency, the fight against corruption and modernizing the economy, we implemented a market abuse prevention policy (thereby replacing our stock market charter of ethics). One of the aims of our policy is to increase employees' awareness of the notion of insider information and sensitive information, the obligations of employees who have access to insider or unreleased sensitive information (blackout period), sanctions incurred for breaches of confidentiality related to the holding of this type of information.

- **Group ethics charter**

In keeping with regulations and the focus of providing safe and effective products, we, like any pharmaceutical company, must resort to animal testing in very specific cases: when they are necessary and if, at this stage, there is no other alternative method available that has been approved by the authorities. However, we will give preference to all alternative methods available and actively encourage any initiatives to replace, reduce, or improve animal testing. To ensure implementation of these founding principles, we have developed an ethical charter that applies to all of our employees and our external partners.

- **Group social networking principles**

This document describes rules throughout our company governing social networking for personal use.

Procedures and standards governing activities
Our functional departments have defined Group policies for all processes supplying the financial statements, in particular sales, purchases and stock and property management. They lay down Group policies which define the organization, responsibilities and particular operating and reporting principles in the respective area of expertise under their responsibility. These policies are then broken down into specific procedures for monitoring, rule validation, authorization and accounting.

For example, we have implemented the following policies:
- a purchasing policy which determines our rules, our aims and best practices related to purchasing and ethics;
- a policy for securing payment methods which defines the methods that must be implemented in order to limit the risks of fraud;
- a policy for protecting individuals aimed at providing the same level of protection to all our employees, whether they are expatriates, local or on special assignments;
- a safety and environmental policy which lays down the rules of conduct for a permanent reduction in the risks inherent in any industrial activity;
- an investment policy, which is validated by our executive board when the strategic plans and then the budgets are drawn up. Any major investment foreseen in these budgets is still subject to a further validation by our Global Industrial Operations department or by our executive board. Any change that may occur during the financial year relating to projects that have been budgeted is subject to special prior authorization.

In parallel with this body of procedures in general internal by-laws, we comply with the different frames of reference that apply within the pharmaceutical industry. These texts outline the management operations for each stage, whether at the research and development method level or at the level of drug and vaccine manufacturing standards, packaging, distribution, sales and marketing or promotion.

Human resources management policy
Human resources management plays a part in our internal control system and allows us to ensure that our employees have a suitable skills level in relation to the roles and responsibilities entrusted to them, and that they are aware of their responsibilities and their limits, in addition to being aware of and complying with our Group rules.

- **Recruitment and development policy**

We recruit in all countries and for all jobs in order to support our growth. Our Human Resources department defines standards and verifies practices in order to ensure the consistency and relevance of the recruitment process.
In parallel, we have implemented an employee performance and development management process known as Perf (covering performance, evaluation, compensation and training). This process comprises of several different parts, which include setting individual objectives and annual achievements assessed by line managers.
Within the annual performance committee, our executive board shares the assessments, remuneration and professional development possibilities of the 60 key individuals in the Group, as well as the potential top performers identified through the Perf process.

- **Remuneration policy**

We carry out an annual salary review, particularly concerning base salaries and individual and collective bonuses. The salary review is carried out in accordance with an overall policy aimed at strengthening the competitiveness, consistency and development of our employees within the Group. The bonus practices applicable in the Group are otherwise consistent and are based mainly on comparable criteria in terms of value and type.

Main players

As stated in the "Major events from the year", on December 15, 2020, our governance changed from an organization with an executive board and a supervisory board to an organization with general management (relying on a Group executive committee) and a board of directors. Below is a presentation of the means of governance applied throughout most of 2020. The new governance is detailed in the Corporate Governance Report, pages 99 to 109.

Supervisory board and its special committees
Our supervisory board carries out ongoing monitoring over the Group management led by the executive board. Within this framework, it is informed in particular by our executive board about the internal control systems set up in the Group. The board has set up two special committees to help in its task: the compensation committee and the audit committee.

The role of our compensation committee is to establish and review the overall remuneration policy for members of our executive board, taking the Afep-Medef Code recommendations into consideration.
To comply with the latest recommendations of this Code, details of the individual remuneration of members of our executive board are given in the report on corporate governance on pages 120 to 131, in the form of summary tables and remuneration tables based on the presentation indicated in the Code.
Moreover, in accordance with the new measures specified in the Afep-Medef Code, shareholders are consulted each year on aspects of executive board remuneration due or assigned for the fiscal year ended.
The audit committee is responsible for:
- ensuring monitoring of the financial reporting process and, if applicable, makes recommendations for guaranteeing its integrity;
- ensuring the existence and efficiency of internal control and risk management as well as, if applicable, internal audit systems in respect of the procedures for the reporting and processing of accounting and financial information, without its independence being undermined;
- making a recommendation about the statutory auditors put forward for appointment by the shareholders' meeting. This recommendation to our supervisory board is developed in accordance with the provisions of article 16 of (EU) regulation 537/2014. It also makes a recommendation to this body when renewal of the terms of office for the statutory auditors is being considered in accordance with the conditions set forth in article L823-3-1;
- monitoring the performance by our statutory auditors of their duties. It takes into account the findings and conclusions of the Audit office control board (H3C) following audits;

- ensuring compliance by our statutory auditors with the independence requirements defined in Book VII, Part II, Chapter II, section 2 of the French commercial code. Where appropriate, it takes the action needed to enforce paragraph 3 of article 4 of the aforementioned (EU) regulation 537/2014 and ensures compliance with the requirements referred to in article 6 of the same regulation;
- approval for the provision by our statutory auditors of non-prohibited services other than certifying financial accounts;
- reporting on the performance of their duties to our supervisory board. It also reports on results of the certification assignment conducted on the financial statements, on how this assignment contributed to the integrity of the financial information and on the role it plays in this process. It provides prompt notification of any problems encountered.

Executive board

Our executive board has operational and functional responsibility in all Group activities for implementing the strategy that has been previously discussed in the strategic committee and approved by our supervisory board. In particular, it is responsible for the effective implementation of internal control and risk management systems within our Group. In this capacity, the executive board is directly involved in the Group's risk map updating (identification and prioritization) phases. Furthermore, the results of each mapping conducted within our subsidiaries are reported to the executive board. Responsibilities are distributed among its members as described below.
Our chairman of the executive board is responsible for supervising and coordinating the activities of all executive board members. He performs all the legal functions of a company head and takes responsibility accordingly. He represents the company and acts on its behalf in all circumstances and particularly before the courts. In the company's internal organization, he supervises the global sales and marketing operations, human resources, communications, the HSE function and the board office.
Our general manager holds the position of qualified person for Virbac in line with articles L5142-1 *et seq* of the French public health Code. In the company's internal organization, he supervises innovation, industrial and quality assurance, business development, corporate sourcing, public affairs and the CreA function.
The director of Financial Affairs is responsible for the Group's financial policy and supervises the finance, legal, IT systems and risk management functions.
The mission of the Virbac Corporate Foundation, chaired by Xavier Yon, is first of all to raise awareness, educate and inform the public about respect for and responsibility towards animals; and secondly, to support programs that place animal health at the center of a healthy ecosystem by protecting and promoting healthcare for pets or wild animals in their natural habitat, implementing educational or awareness-raising campaigns among local communities and rolling out animal health initiatives that protect the environment and human health. The foundation fulfills its objectives by developing initiatives and partnerships with health professionals, veterinary practices, regional and local authorities and French and international institutions.

Strategic committee

Our strategic committee is chaired by the chairman of the executive board and comprises the following departments, represented as follows:
- Global Business Operations department;
- area directors: Europe, North America, Latin America, the Apisa area (Asia-Pacific-India-South Africa), and the director of the Aquaculture division;
- Corporate Financial Affairs department;
- Corporate Development department;
- Corporate Human Resources;
- Global Industrial and Corporate Quality Assurance department;
- Corporate Product Innovation;
- Group Legal department;
- Corporate Sourcing;
- Corporate Business Development department;
- Group Information Systems department;
- Corporate Communications department;
- Global Marketing and Business Optimization department.

Our strategic committee helps draw up and implement the Group's major strategic decisions that are presented and approved by our supervisory board: strategy by business, job and major project. In this capacity, the members of the strategic committee are actively involved in providing the Group with major risk map updates on a regular basis.

France committee

Our France committee is chaired by the chairman of the executive board and comprises the following departments:
- Global Business Operations department;
- Corporate Financial Affairs department;
- Corporate Human Resources;
- French Industrial Operations department;
- Global Industrial Operations & Corporate Quality Assurance department;
- Corporate Communications department;
- Group Information Systems department;
- Virbac France;
- Group Pharmaceutical R&D department;
- Group Biology R&D department;
- Corporate Sourcing;
- Group Legal department;
- Creations and Regulatory Affairs department.

Our France committee is primarily responsible for decision-making, coordination and reporting on all issues affecting our French companies and represents a platform from which to disseminate information to the various departments.

Operational departments

In accordance with the operational decentralization principles within our Group, the managers of each business activity have the necessary powers for organizing, directing, managing and delegating the operations for which they are responsible.

Each activity favors the organization which is best suited to its markets, taking into account its specific sales, industrial and geographic features. The managers are responsible for adopting internal control systems consistent with their organizations as well as our Group principles and rules. For example, for our subsidiaries whose risk management system has been deployed, each director is in charge of monitoring its subsidiary's risks. The same goes for each regional director with the various mappings being conducted in the area.

Functional departments

Our central functional departments (Finance, Legal, Human Resources, Product Innovation, Communications, Information Systems, Sourcing, and Health, Safety and Environment) have a dual task: organization and control of Group operations falling within their respective skills area and technical assistance with operational activities in these areas where required. As for the risk management system, our operational departments are in charge of coordinating all actions related to Group-wide risk identification.

The presence of the central functions and their organization play a significant role in Group internal control systems. The managers of these functions exercise, in particular, functional authority over all managers who carry out tasks falling within their skills area in the operational activities.

Risk Management department

Since its creation at the end of 2009, our Risk Management department has become a full participant in the Group risk management and internal control system. Reporting directly to the chief financial officer (member of the executive board) with a dotted line (functional reporting) to the executive board, the Risk Management director is responsible for defining and implementing risk management systems. He coordinates risk analysis, makes a contribution across the organization and contributes in sharing best practices between Group entities and departments, thereby helping to develop a risk management culture across the Group. His roles and responsibilities are shown in detail on page 73 of this report.

Internal distribution of reliable and targeted information

Information and communication are connected with the information flows which support the internal control procedures, from the orientations expressed by our management through to action plans. They contribute to the control environment being implemented, as well as to the distribution of an internal control culture and the promotion of relevant control activities that play a part in risk control.

There are different aims:

- informing all our employees and making them aware of the implementation of best practices;
- sharing experiences so as to promote the use of these best practices, including internal control and risk management systems.

Special communication tools that we deploy encourage the achievement of these aims. Tools such as the Intranet allow our Group policies and procedures to be distributed. We also strive to provide each of its newly recruited managers with a view over our entire Group and its organization, main business areas and strategy. Induction sessions for new recruits, which we either organize at the head office or locally, are part of this effort. Finally, in addition to the training sessions organized by the operational divisions, our seminars allow employees to improve certain professional skills (finance, marketing, human resources, project management, *etc*.) and encourage an exchange of best practices.

The information and the communication channels also rely on our information systems. Our Group Information Systems department is responsible for all Group information systems. It is made up of departments that are the direct responsibility of the Group Information Systems department and of decentralized departments within the operational divisions. The role of these Group departments is to define information system policies, to coordinate the processes for managing the information systems function and to manage global IT infrastructure and services in line with Group priorities. The decentralized departments develop and manage the specific applications within their divisions, as well as the dedicated IT infrastructure and services.

Upward and downward information channels have been defined so as to allow the timely transmission of relevant and reliable information.

In terms of information feedback, accounting and financial information is processed in accordance with processes and with collaborative reporting and control tools (collaborative reporting and consolidation software shared throughout our Group under the authority of the Financial Affairs department).

For downward information flows, resolutions from the decision-making bodies are relayed via the relevant departments. Any change in the regulatory framework relating to any matter whatsoever is communicated to the relevant entities and departments in an appropriate manner.

Finally, our communications aimed at stakeholders is governed by the appropriate systems for the sake of guaranteeing the quality of the information.

In addition, we have distributed a crisis management procedure to our subsidiaries whose objective is, as far as possible, to anticipate the potential occurrence of any crises through deployment of management and alert principles covering all areas and activities of our Group.

Implementation of the risk management system

Aims

The Risk Management department was set up at the end of 2009 in order to strengthen our ability to forecast, analyze and prioritize risks of any kind and to ensure the suitability of our Group's development in relation to these risks.
Our Risk Management department structured its methodology framework in line with market standards and best practices, notably the *AMF* reference framework on risk management and internal control.

The aims of our Risk Management department are based on the following areas:

- know and anticipate: ensure that there is constant monitoring of the risks within our Group in order to guarantee that none are forgotten or underestimated and to forecast any development in their nature or intensity;
- organize: ensure that the main risks identified are actually taken into account by our organization, at the most appropriate level. Numerous operational risks are managed by our subsidiaries; head office takes charge of other risks which require special skills or that have an essentially cross-organizational or strategic component;
- control: ensure that the organizations and methods in place are effective in reducing the risks identified;
- train: gradually develop a risk management culture among all relevant managers and do so through appropriate training in France and internationally;
- inform: notify the executive board of any changes in the situation.

Regular structured analysis of the main Group risks

The risk management system is based on the internal control environment and is part of a continuous process for identifying, assessing and managing risk factors that are likely to have an impact on the aims being achieved and the opportunities that could improve performance. Providing an awareness of the responsibilities related to identifying, assessing and managing risks should be spread out through all appropriate levels of our organization.
A formal and more accurate report of the main risks for the Group and the methods of management and control of these is shown in the chapter on "Risk factors" on pages 76 *et seq* of this report.
Thanks to a structured process aimed at understanding and analyzing our main risks, we are able to assess the adequacy of the existing internal control systems, implement relevant action plans for their improvement and, more generally, to provide increased protection for our Group's enterprise value in compliance with applicable laws and regulations.

Risk management system

The risk management system is based on a clearly defined risk management process and organization:

- the organization is the responsibility of our Risk Management department, which is supported by three committees (the executive board, the strategic committee and the France committee) which validate our risk management policy and the processes used to identify, assess and address risks. The organization also includes "risk owners", whose role is to define and oversee the action plans for the Group's major risks;
- the risk management process in place since 2010 is based on:
  - identifying risks: through the risk map of the Group's major risks, its main exposures can be assessed;
  - assessing risks: senior managers play an active role in assessing and prioritizing the risks identified. These managers have extensive experience in the animal health sector and the company itself, which represents an asset with regard to ascertaining the impact, the occurrence and the management of each risk;
  - addressing risks: each risk classified as a major risk has been analyzed and prioritized. A risk owner has been appointed for each major risk. The risk owners are mainly the senior managers who are members of the three committees referred to above. Their role is to design and implement action plans in coordination with the different operational and functional organizations, in order to limit the company's exposure to the risks for which they are responsible;
  - monitoring action plans: our Risk Management department coordinates the whole process in partnership with the risk owners.

For Virbac, risk management forms part of a continuous improvement cycle of the internal control system by becoming engrained in company processes and consistently taking the fundamental issues into account that can be found in our organization, whether operational, legal, regulatory or related to governance.

Suitable control activities that aid in the process of preparing and processing accounting and financial information

Our system not only covers the processes for preparing financial information, but also all the upstream operational processes that help to produce this information. Internal control in all its forms, but especially that related to finance and operations, is essential for our company. Our ongoing aim is to maintain the balance between the decentralization required for our activities, better operational and financial control and the dissemination of skills and best practices.

Dedicated financial organization

Our control system and our procedures for producing accounting and financial information are consistent within our Group. Our system is made up of a cross-functional accounting organization throughout our Group, uniform accounting standards, one single consolidated reporting system and quality control of the financial and accounting information produced.

Accounting and financial operations are managed by our Group Financial Affairs department. In 2019, the Financial Affairs department decided to make some organizational changes so as to be more efficient and further optimize its resources.
This organization now includes:

- a Financial Affairs department that oversees the following activities:
  - all accounting services (accounts receivable, accounts payable and general accounting). These services are grouped under the same management, which will increase synergies and cross-functionality;
  - the Treasury and Financing department, which is mainly responsible for coordinating and monitoring our Group's financial debt and financial result reporting. With regard to exposure to exchange rate risks in particular, the guidelines of the Financial Affairs department forbid speculation and only allow for the hedging of positions that, whether current or future, are certain;
  - the Consolidation and Reporting department: resulting from a merger of the statutory and management teams, this new department aims to streamline the preparation of financial information and analyses and improve data production times, both current and forecasted; it now handles statutory consolidation as well as management consolidation, which allows for monitoring and analysis of the company's internal performance;
  - the Accounting and Tax Standards department: this department, also newly-established, serves as an expert in international accounting and tax standards. It strengthens headquarters' presence within our subsidiaries to help them face ever-increasing regulatory challenges;
- a Management Control department responsible for the reporting and analysis of Business, Industrial, R&D and support services activities;
- a Financial Studies and Projects department: among other things, this department is responsible for ensuring financial support for acquisition projects. It is also responsible for system implementation and transformation, in partnership with the Information Systems department. Lastly, it plays a major role in monitoring our external financial communications and our investor relations.

The financial directors of each subsidiary exercise a key role on account of the decentralized organization of the accounting and finance functions. They are mainly responsible for ensuring that all internal accounting and finance control procedures are applied correctly on the ground. Each subsidiary financial director reports functionally to an area financial controller who operates at the area level. On a functional level, it reports to a Group manager of Management Control.

Suitable tools: procedures and reference frameworks

The accounting and finance rules set out in the special instructions drafted by our Group Financial Affairs department apply to all operational and legal entities in the Group. In compliance with the IFRS (International financial reporting standards) adopted in the European Union, these rules include the following factors:

- a reminder of the general accounting principles and instructions that must be followed;
- a detailed chart of accounts;
- a confirmation of the Group accounting methods applicable for the most significant items and/or transactions;
- control procedures for the largest account categories, and in particular the main reconciliations to be carried out for controlling the information produced;
- rules defining the framework of the management information known as financial handbook;
- rules to be followed in order to manage cash flow requirements and financing thereof, investments of cash surpluses, hedging of exchange rate risks.

Our financial affairs department regularly updates these documents, in particular each time new accounting standards are modified or applied. We have set up a reporting system, which has been deployed in all our entities in order to ensure the quality and reliability of the financial information. It is supplied via the local accounting data, either by an interface, by drawing the required data from the ERP (Enterprise resource planning) financial modules available to our entities, or by manual entry.
We have defined special procedures for off-balance sheet commitments. These latter items stem essentially from guarantees provided by our company. The provision of securities, deposits and guarantees is subject to the following controls:

- for our parent company, special authorizations from the supervisory board whenever such guarantees exceed the annual authorization limits given to the executive board;
- for our subsidiaries, material off-balance sheet commitments must be reviewed in advance by the parent company.

Formal processes

The financial processes we have implemented contribute to the quality and reliability of the accounting and financial information.
Accounting (statutory) and management consolidation processes are now the responsibility of the single Consolidation and Reporting department.

Accounting consolidation process

Information is generated via the half-yearly and annual consolidation process underpinned by accounting principles applicable to all of our subsidiaries, thereby ensuring consistency of methodology.

Management consolidation process and reporting

Our Consolidation and Reporting department coordinates the monthly budgetary consolidation and reporting process within our Group, using information provided by our different operational departments and our affiliates. Concordance between the management information from reporting and the accounting data constitutes the key principle of control for ensuring the reliability of accounting and financial information. The management reporting system is used to monitor the monthly results and the main management indicators and to compare them with the

budget and with the results from the previous financial year. The management indicators are explained and analyzed by our consolidation and reporting department in collaboration with our local financial directors.
Each month, the executive board examines the summaries from the management reporting, analyzes the significant variations and decides on any corrective actions to be implemented where necessary.

Treasury process
A process for establishing an annual treasury plan was also implemented across the Group, making it possible to control and consolidate the forecasting of cash movements of our subsidiaries, a sign of the accuracy of sales and expenditure forecasts and of working capital requirement management: customer collection, stock management and supplier payment terms.
Our policy of pooling excess cash and financing requirements daily in the euro zone allows us to reduce our net positions and manage our deposits or financings in an optimized way. Outside Europe, our policy of cash pooling was also implemented in order to limit counterparty risks and to optimize the use of lines of credit.

Items likely to have an impact in the event of a public offer

Pursuant to article L225-100-3 of the French commercial Code, the items likely to have an impact in the event of a public offer, *i.e.* the existence of a double voting right granted to all shares registered in the name of the same shareholder for at least two years, are set out in the annual report on page 132.
Thus our main shareholder, the Dick family group, holds 49.7% of shares and 65.5% of voting rights.

Management of systems and areas for improvement

Actions to monitor and improve systems

We implement continuous improvement actions for our risk management and internal control systems under the supervision of our executive board and the France committee, as well as under the supervision of the audit committee and the supervisory board.

Supervisory board
The role of our supervisory board and its special committees is described on pages 70-71 of this report.

Executive board
Our executive board is responsible for defining and managing the approach to internal control and risk management, relying on our different operational departments to implement these measures *(see pages 71-72 of this report)*. Our functional departments carry out investigations into operations in their respective areas through their network of experts or via regular audits (*see page 72 of this report*).

Statutory auditors
All the accounting and financial elements prepared by our consolidated subsidiaries are subject to at least a limited audit during half-yearly closing for the most significant entities, and to an audit carried out by our external auditors when the year closes. The audit tasks in the different countries are given to the members of our Group's network of statutory auditors. They certify the regularity, sincerity and fair view presented by the consolidated accounts and the individual statutory accounts. They are informed of the key factors in the financial year ahead in the process of preparing the financial statements and they present a summary of their work to the Group accounting and financial managers and to the audit committee at the half-yearly stage and when the year closes.

Financial communication

The importance and increasing role of communication and the need to deliver comprehensive, quality financial information have led us to acquire the functions and skills required to present this information and to control risks to the corporate reputation.

Annual report and periodic financial information
Our Financial Affairs department is responsible for preparing our annual report and periodic financial information, working closely with our Corporate Communications department, which involves, in particular:

- defining and validating information in the annual document, the half-year report and periodic financial announcements;
- supervising the work carried out by the annual report steering committee;
- distributing financial information;
- applying the stock market regulations regarding financial communication and managing relations with the *AMF*.

Press releases
Our Corporate Communications department is responsible for media activities which could have an impact on the image, reputation and integrity of the Virbac brand name. To achieve this, it works very closely with the Financial Affairs department, in particular in activities and by distributing information which could have an impact on Virbac's share price.

RISK FACTORS

Like any organization, our Group is prompted to take risks, look for opportunities and create value. The issue of our Group's general risk management mechanism lies in its ability to identify risks, whether they are recurrent or emerging, and to control them over time.
Throughout 2020, we continued our efforts with the roll-out of our general risk management process through reliance on our risk management information system that was implemented in 2014.
Generally speaking, each risk identified is described in detail and assigned to a risk owner in charge of providing follow-up as well as defining and managing the implementation of adequate control measures.
We presented the organization and methods for how the tool was implemented within our Group in detail in the preceding paragraph of the report.
As part of it major risk mapping update performed in 2015, we have conducted a review of risks that could have a significant adverse effect on our business, our financial situation or our profit and considers that so far there are no significant risks other than those shown in this report.
However, certain risks not detailed here or not identified to date may potentially affect our Group's results, objectives, image or share price.

Risks related to the Group's business activities and strategy

The animal health market has undergone significant changes over recent years which have given rise to new challenges for the animal health sector which our Group has taken into account in its strategy (by market and by species).

Risks related to innovation process (research, development and licensing) and product registration

Risk factors

The field of the veterinary pharmaceutical industry is highly competitive, and every year, in order to meet changing market needs, maintain our market share and ensure our development, we devote significant resources to research and development.
In 2020, we committed 7.9% of our revenue to our RDL. The R&D process usually extends over several years and has various stages for testing, among other things, the efficacy and safety of products. In each of these stages, there is a risk that the objectives are not met and that a project where large amounts were invested is abandoned, including at an advanced stage of development.
Once the research and development phase is complete, as a veterinary pharmaceutical company, we must obtain, where necessary, all the administrative authorizations required, the MAs, to market our products. This phase is often long and complex, and we have no guarantee of success. Indeed, the filing of a registration dossier with the appropriate authority provides no automatic guarantee that the authorization to market the product will be granted. Such authorization may be only partial, *i.e.* limited to certain countries or indications. Once a Marketing authorization has been obtained, products are subject to ongoing controls and their marketing may potentially be restricted, or they may be withdrawn from the market. Our products placed on the market may also be subject to regulatory developments, which in some cases could require a new registration and therefore the performance of new clinical trials.
Consequently, the current investments in respect of the development and launch of future products may involve costs that will not necessarily generate additional revenue for us.
Along with in-house R&D projects which are the subject of extremely defined processes and regular monitoring of the various projects underway, we also pursue a license acquisition policy allowing us to have access to new products ready to be marketed or projects under development that we oversee to completion. In the same way as with in-house R&D projects, there is always a risk that these projects will not be successful or that the commercial potential will prove to be less attractive than expected, possibly resulting in these assets being impaired.

Risk management mechanisms

We seek to limit these risks by first employing stringent selection criteria for the research and development projects in which we invest (likelihood of success, as measured by a combination of technical, regulatory and marketing factors, of over 50%). Similarly, we use in-depth research to target the products for which licenses must be granted. Finally, we rely on the expertise of our Regulatory Affairs department which is responsible for filing, monitoring and renewing Marketing authorizations.
The animal health market is highly regulated and we display a very strong commitment to compliance by putting in place all necessary means to achieve it.

Risks associated with the emergence of a pandemic

Risk factors

Like all companies, we have been exposed to the Covid-19 pandemic.
Some of our suppliers or production sites may be in areas with a higher circulation of the virus, which thus impacts our production level. The same goes for our head office and our subsidiaries, where certain processes or the health of our employees could have been affected. Lastly, our business could also be affected by a global slowdown or economic standstill caused by the emergence of Covid-19. This could occur, for example, due to a drop in visits to veterinarians or to a strain on the distribution of products.

Risk management provisions

A crisis unit has been set up to monitor the situation and make the necessary decisions.
Very strict health measures have been deployed in all our units, aimed primarily at safeguarding the health of our employees. Teleworking has been massively deployed in all activities that do not require an on-site presence. For other activities (Production, R&D, *etc*.), critical processes have been reviewed to maintain our activity levels and to meet the medicinal needs of our customers. We have also reviewed stock levels, identified risk areas and prepared to activate alternative sources, where applicable.

Risks associated with product compliance

Risk factors

Our Group may also be exposed to a temporary or permanent suspension of the operation of its products if they present, in the opinion of the competent authorities, a critical deviation from the regulations in force concerning them.

Risk management mechanisms

Our Group strives to ensure that our factories and manufacturing processes meet the highest level of compliance with existing benchmarks (Good manufacturing practices and others). We have defined and rolled out a quality management mechanism in all our manufacturing facilities worldwide. This mechanism helps to flag and correct any identified deviation between a manufactured product and its regulatory framework. The Quality Assurance department is responsible for defining and rolling out this system throughout our Group, and ensures proper implementation of the system by conducting its own audits. It also provides follow-up on action plans related to recommendations it may be called upon to make.
In parallel with this recurring process, six years ago the Group began a strategic project aimed at securing the major projects within the Group. 2020 saw the completion of the project with the end of the last actions that were implemented.

Risks associated with product liability

Risk factors

Our product liability may be questioned if adverse side effects from drugs occur (not detected during clinical trials prior to MA) or if any default in quality should occur. The consequences of such events could be the recall of marketed batches, or loss, temporary or permanent, of the MA. If our liability were to be confirmed relative to major claims, our financial position could be greatly affected, as well as our reputation. Drug recall costs would also be added in the event of a quality problem.

Risk management mechanisms

We constantly strengthen our pharmacovigilance procedures and our quality checks on all products that we market.
In the context of pharmacovigilance procedures, we conduct a systematic review and regular analysis of the safety profile of our products to ensure the safe use of drugs by monitoring the side effects attributable thereto.
Moreover, we have product liability insurance that applies to all subsidiaries.

Risks associated with the distribution channels

Risk factors

we operate in a large number of countries, either through our subsidiaries or through distributors in those countries in which we have no subsidiary. We have numerous distribution channels, and their characteristics depend on the country of marketing. However, our products are primarily distributed through wholesalers and purchasing groups which supply veterinarians. Despite the supervision of these relationships by contracts that are regularly revised, this distribution mode could create for our Group some dependency or insufficient control of our presence and our development.
Moreover, in certain countries the animal health sector has shown for some years now a trend towards the concentration of distributors and veterinarians in large clinics. Likewise, new distribution channels, such as the Internet, for example, have appeared. We remain vigilant about these developments and of the impact they may have on our revenue and our margins.

Risk management mechanisms

To reduce our dependence on distributors and reduce the effects of potential consolidation, we have implemented a policy of securing our margins and consolidating our market positions. This policy involves systematically studying the possibility of bringing distribution in-house whenever sales are of a sufficient size in a given market. We then opt for the most appropriate solution, either acquiring our distributor or establishing a new distribution business.
In more general terms, we strive to constantly adapt our marketing strategy in order to limit associated risks, and to take advantage of the opportunities which arise from these changes.

Risks related to increased competition

Risk factors

The animal health sector has become increasingly competitive. Our products are sold in competitive markets in terms of pricing, financial conditions and product quality.
We often face strong competitors larger than ourselves or with greater resources. A consolidation trend has emerged in the past few years as some laboratories joined forces (by merger or acquisition) and major pharmaceutical laboratories partially or completely entered the animal health market. New forms of competition can

also be seen, such as the verticalization of activities among certain large distributors, local development of innovative players in niche markets, or even new strategic partnerships between smaller market players. These developments could alter our competitive environment, thereby impacting volumes and/or prices.

Risk management mechanisms

We analyze and constantly monitors the movements of our competitors across all markets. We have a policy of external growth through acquisitions and/or partnerships, particularly enabling us to participate in the on-going consolidation in the sector.
Furthermore, we remain on the lookout for opportunities that could arise from mergers between major players (divestment of businesses).

Risks related to the external growth policy of the Group

Risk factors

Since our inception,we have pursued an active external growth policy that has led us to be present today in many countries and to have a wide range of products. We aim to continue this policy in the future to bolster our geographic presence and product offerings.
This choice of growth through acquisition entails financial and operational risks, especially related to the valuation of assets and liabilities and the integration of personnel, activities and products purchased.
These acquisitions involve, in particular, the following uncertainties:

- the assumptions of future profitability taken into account in valuations that could not be verified;
- we may not successfully integrate acquired companies and their product ranges.

This external growth can sometimes take the form of a partnership (joint-venture) whereby we do not directly or solely engage in managing the operations of the businesses in which we have invested. This situation may result in governance issues if the various shareholders are not aligned on strategic objectives.

Risk management mechanisms

We have defined a rigorous process for mergers and acquisitions to cover the analysis of potential targets and the integration of acquired companies:

- applying strict criteria for investment profitability;
- establishing expert, multidisciplinary teams, supported where necessary by outside consultants, in charge of implementing in-depth due diligence.

This process requires the approval of the executive board and/or the supervisory board prior to any acquisition.
We now have experience gained from past acquisitions which allows us to understand a wide variety of situations related to this type of partnership.

Risks associated with the ability to attract and retain key talent

Risk factors

In France, the key skills sought for core functions (Industry/Quality Assurance/R&D) are in high demand throughout the pharmaceutical, human and veterinary medicine industries. In addition to competition amongst employers, the geographical location of the head office can represent a limitation to hiring, given the limited pool for spousal employment, coupled with the high cost-of-living in the region, particularly for real estate.
Meanwhile, in emerging countries, the job market is very dynamic, and our size and reputation cannot always attract the best talent.

Risk management mechanisms

The ability to identify, recruit, integrate, develop and retain the key talent we need in order to achieve our development plan is a major challenge for our Group, not to mention a priority for the Human Resources department, which serves as a liaison with the main functional and operational departments in question.
With that in mind, the HR talent management strategy consists of repeatedly and continually pointing out the dynamic and competitive nature of our Group from a standpoint of career development and compensation, while stepping up our presence in schools and universities, as well as partnerships with major employment stakeholders in the industry.
So as to reinforce this strategy, over the last few years, we have developed an employer offering which formalizes internal and external communication in the Group as an employer. We now have a strong employer message to support our growth both in France and abroad by making retention of key talent one of our priorities.

Country risk

Risk factors

We are an international group, which may have to operate in countries subject to certain geopolitical and economic instability and in which we have production units.

Risk management mechanisms

We remain vigilant, and closely follow the level of political or economic instability in certain countries to anticipate possible response or prevention methods if the level were to reach a magnitude that could have a major impact on employees, assets or our operations.
Additionally, we use *Coface* hedging, the leading French insurance company specializing in export credit insurance to secure our operations in certain regions.

Industrial and environmental risks

Because of our activities carried out in various strategic sites worldwide, we are subject to industrial and environmental risks which could result in significant additional operating costs and liability in case of fire or explosion.
The ultimate risk would be temporary or permanent closure of a site for non-compliance with certain rules or following a major incident.
However, we grants particular attention to industrial risk prevention and environmental protection, in line with our social and environmental policy.
The responsibility for industrial risk management falls mainly to the line managers, who monitor compliance with regulations and standards in this field by implementing operating procedures, quality systems and a series of security measures, as defined and dictated by our Group, in cooperation with our insurers.
More information regarding the industrial and environmental risk factors related to our activities can be found in the Statement of non-financial performance on pages 8 *et seq.*

Risks related to the use of hazardous materials

Risk factors

As part of our veterinary medicine manufacturing business, we use substances that present health, fire and/or explosion, air pollution and spillage risks during the various phases of the production and marketing processes (R&D, manufacturing, storage and transport). These risks could, should they materialize, cause damage to persons, property and the environment.

Risk management mechanisms

To limit these risks, we comply with the safety measures required by the laws and regulations in force, implement Good manufacturing and laboratory practices, and ensure that our employees are trained. Our manufacturing sites and research and development facilities are also regularly inspected by regulatory authorities.

Risk of business interruption due to equipment or strategic facilities losses or downtime

Risk factors

Like any industrial activity, our production sites are exposed to the possibility of unforeseen incidents that could result in the temporary suspension of production or permanent closure of the site.
These potential incidents are of various types: fire, machine breakdown, explosion, natural disaster, contamination, malicious acts or storage of hazardous materials.
Furthermore, considering the specific nature of the pharmaceutical industry, a national health authority may be called upon in certain situations to impose an administrative business suspension. This may affect our ability to achieve our goals, depending on the potential length of such a suspension.

Risk management mechanisms

We have developed a process to ensure safety in our industrial facilities. The probability of such events occurring and any related potential impact production levels and profits are therefore limited by the following measures:

- buildings are in compliance with regulatory safety requirements (e.g. standardized fire detection systems on the sites);
- annual audits of facilities are performed;
- insurers make preventive visits and audits;
- ongoing investments are made to improve and secure production-related operations activities.

In 2013, we set up a new structure by creating a Global Industrial and Corporate Quality Assurance department that aims to develop and sustain the production tool over time. This allows, on the one hand, to comply with all applicable local regulations, and on the other, to create conditions for greater flexibility and synergy with our different production sites. Additionally, in the past few years, we have significantly enhanced our industrial and quality assurance processes at the St. Louis site in the United States, which led the FDA in 2019 to confirm the GMP status of this site after an audit. Finally, we have taken out operating loss insurance, which also covers for losses which take place with our suppliers.

HSE risks (Health, safety and environment)

Risk factors

As part of our activities, we are subject to a set of regulations related to health, safety and environmental issues.
The majority of the production sites in France are subject to operating regulations issued by the supervisory authorities.
These regulations include requirements that our sites must meet regarding environmental matters, including waste management, the volume and quality of water discharges, and safety and risk prevention rules.
The operating regulations to which our sites are subject are at declaration or authorization level. No site is subject to regulation of the European Seveso directive.
Failure to comply with these regulations could result in fines and financial burden and potentially lead to the closure of a site by the administrative authorities.
Meanwhile, given the nature of our activity, we may have an impact on the environment even if it does not cause visual, noise or odor pollution.
Finally, given the nature of our industrial activities, the possibility of an accident occurring at the workplace (either conventional or related to the risk of contamination by products) cannot be ruled out, even if the dangerousness of such activities must be appreciated with regard to other industries considered more dangerous.

Risk management mechanisms

Protecting the environment and the safety of our employees are among our key priorities.
We pays special attention to ensure that our different sites comply with existing regulations. We have an HSE department whose mission is to guide and assist the operational departments in developing and maintaining an adequate level of protection for people and the environment.
In tangible terms, the exposure of employees is covered by specific measures presented on pages 31-32 of the annual report:

- defining a clear and precise safety organization;
- establishing a prevention policy and a continuous improvement approach.

For this purpose, we have pursued the implementation of tools and means of support for all teams thanks to:

- the Reflex Prevention approach (awareness-raising and training of personnel in work safety);
- the analysis of accidents in the workplace as a performance indicator;
- medical evaluation before each recruitment (for instance in the United States).

Finally, we take HSE problems into account during the due diligence of acquisition of new sites.
Information related to the HSE topic is provided on page 40 *et seq.* of the Statement of non-financial performance.

Risks associated with the effects of climate change

We have not identified any significant financial risk associated with the short-term effects of climate change.
Currently, only three subsidiaries are more exposed in their activity to the effects of the climate. These are South Africa, India and Australia: long periods of drought, or alternatively floods, could impact the financial situation of their customers (mainly the farmers), resulting in repercussions on the food producing animal activity of these subsidiaries.

Risk management mechanisms

Generally speaking, we are strongly committed to preserving the environment. We therefore place particular importance on measures to reduce our carbon footprint, particularly in terms of energy consumption *(see Statement of non-financial performance pages 44 and 45*).

Legal risks

We give special importance to legal risk management, particularly given the complexity and growing intensity of the competitive and regulatory environment and our growth. The Legal department oversees the prevention and management of legal risks in conjunction with other departments and operational teams.

Risks related to the maintenance of intellectual property rights

Risk factors

Our success rests largely on our ability to obtain and effectively protect our intellectual property rights and, in particular, our brands, our registration files, formulae, technology and our trademarks.
We incur a dual risk: the risk of a competitor attacking or exploiting its intellectual property rights, and the risk of being sued for infringement by third party rights holders.

Risk management mechanisms

The protection of our intellectual property relies on two departments working in close collaboration.
Within the R&D department, the role of the patents team includes:

- drafting and filing patent applications related to innovative techniques or products;
- monitoring the competition in order to guard against abusive use of rights by a third party;
- analyzing third party patents from the development phase of new products in order to avoid exposure to a possible infringement situation.

The Legal department oversees, across the Group, the selection, registration and protection of the various brands and registered domain names, opposes third-party brands that could be infringing on the Group's rights and manages all disputes related to intellectual property.

Risks related to regulatory changes

Risk factors

Regulatory risks arise from our exposure to changes in laws and regulations, particularly those regarding public health policies. Any changes in legislation may impact our profits and financial position.
We must obtain and retain Marketing authorizations required for the manufacture and sale of our products. Given our international presence, those regulatory authorizations are issued by authorities or agencies in several countries. Withdrawal of a previous authorization or not obtaining authorization for a new product may have an adverse effect on our operating profits.
It should be noted that the pharmaceutical industry is subject to increased attention from authorities and the public, which results in the regular issuance of tougher rules which govern it.

Risk management mechanisms

Each of our functional and operational department is responsible for implementing an ongoing monitoring mechanism in order to identify or anticipate any regulatory change which could impact our activities.
Where appropriate, each department may be required to rely on local experts in those countries where our group distributes its products.

By way of example, a Group Regulatory and Public Affairs department provides permanent monitoring of the pharmaceutical regulations to which our Group is subject.

Risk of legal action

Risk factors
Our company is established worldwide. In the conduct of our business, we may become involved in disputes, legal, arbitration or administrative proceedings and group actions anywhere in the world. All significant disputes are routinely assessed and managed by the Legal department, with the assistance, where necessary, of external consultants.

Risk management mechanisms
We consider that the provisions recorded in the accounts in respect of these disputes are sufficient to cover the exposed financial risk if convicted.
As of the date of this annual report and to our knowledge, there is no current legal proceeding in which our company would be threatened that could have significant effects on the financial position or profitability of the Group.

Operational risks

By their very nature, our different activities, encompassing the entire value chain in the sector, expose us to varied operational risks. The Global Industrial Operations and Corporate Quality Assurance department, as well as Corporate Sourcing, contribute to securing the associated risks.

Risks of dependence on third parties for supply or manufacturing of certain products

Risk factors
The majority of raw materials and active ingredients forming the composition of products that our company manufactures are provided by third parties.
In certain cases, we also use contract manufacturing organizations or industrial partners who have production capacities or expertise in particular technologies.
But there are, for certain supplies or certain technologies, situations where diversification is difficult if not impossible, which could then result in a risk of shortages or price pressures. These single-sourcing cases are structural and characteristic of the pharmaceutical industry.

Risk management mechanisms
The selection of suppliers is performed according to strict criteria and, to the extent possible, we diversify our sources by referencing multiple vendors, while ensuring that these sources provide sufficient characteristics of quality and reliability. To limit these risks, we have broadened our approach to identify 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.
Whatever the solution adopted, we systematically ensure upstream the sustainability of the source. In addition, we have regularly updated the mapping of our major suppliers, including contract reviews and an analysis of possible alternative sources.

Risks related to safety and reliability of information systems

Risk factors
Our business is based in part on highly integrated information systems. Failure of these systems could directly impact our business and our profit. Other risk factors may be considered, such as intrusion, piracy, theft of knowledge, know-how or confidential information, system shut-down of one or more systems following a computer failure, obsolescence of a part of the IT system (application, server, *etc*.) as well as regulatory developments particularly linked to the Internet (licenses and copyright, personal data, *etc*.).

Risk management mechanisms
Our Group Information Systems department (ISD) ensures the ongoing security of the information systems and networks. The areas covered are:

- organization and general security of information systems;
- physical security (intrusion, accidents);
- networks (local, remote, internet);
- the availability of applications and data.

The ISD regularly develops and updates all measures to preserve the confidentiality of data, protect information systems against intrusion and minimize the risk of interruptions of service (backup, redundancy and server backup procedures, disaster recovery plan, and so forth).
In addition, an IT systems-use code is applied to all our employees.

Financial risks

The financial risk management policy is controlled centrally by our 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 our 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.

Market risks

Currency exchange risks

- **Risk factors**

The currency risk arises from the impact of fluctuations in exchange rates on the Group's 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.

- **Risk management mechanisms**

Our policy is to hedge foreign currency risk on transactions when the extent of exposure and the risk of currency fluctuations are high. Accordingly, we use various instruments available on the market and generally employ foreign exchange forwards or options. The details associated with this risk are presented in note A33 of the consolidated accounts.

Interest rate risks

- **Risk factors**

Our income statement may be impacted by the interest rate risk. In fact, unfavorable rate changes can thus have a negative impact on our financing costs and future cash flows.
Our exposure to the interest rate risk arises from the fact that our main lines of credit are at variable rate; therefore the cost of debt may increase in the event of a rise in interest rates.

- **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 the actual commitments. The details associated with this risk are presented in note A33 of the consolidated accounts.
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, at this moment, the impact this will have on the cost of our financing in the currencies concerned.

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**

The policy of pooling surplus cash and funding needs in all areas helps to refine our net position and to optimize the management of investments and funding requirements, ensuring Virbac's ability to meet its financial commitments and maintain an optimal level of availability commensurate with its size and needs.
We ensure that our financing resources and surpluses cover our cash requirements and ensure compliance with our financial covenant (debt covenant).

Other financial risks

Fraud risks

- **Risk factors**

The Group could still be the victim of internal or external fraud that could lead to financial losses and affect our reputation.

- **Risk management mechanisms**

We are committed to strengthening internal control and give particular importance to making our employees aware of these issues. Our hed office teams regularly give strong guidance and guidelines on this subject. Segregation of duties, as well as a central, regional and local management control mechanisms 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 underscores our commitment to pursue our activities in accordance with the law and ethics, and also defines the nature of the relationships Virbac we wish to have with our partners.

Credit risk

- **Risk factors**

Credit risk may arise when the Group grants 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 the Group's income statement and net cash position.

- **Risk management mechanisms**

The Group limits this type of risk thanks to the very high fragmentation and dispersal of its customers throughout all of the countries in which we operate. Based on the regulations in force, the Treasury department recommends the uses, the ratings, the credit-insurance limits, the maximum payment periods and sets credit limits for customers to be applied by operational entities. 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. Furthermore, there is a credit insurance group framework contract for which any subsidiary is or may be eligible when it comes to this kind of risk. The details associated with this risk are presented in note A33 of the consolidated accounts.

Counterparty risk

- **Risk factors**

The Group is exposed to counterparty risk within its contracts and financial instruments that we buy, in the event that the debtor refuses to honor all or part of his commitment or finds himself *in fine* unable to do so.

- **Risk management mechanisms**

We pay particular attention to the choice of financial institutions we use, and 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 counter-parties. In fact, investments are only made with first-class banking entities. The details associated with this risk are presented in note A33 of the consolidated accounts.

Insurance and risk coverage

General coverage policy

The Group's insurance policy is underpinned by a risk prevention and protection approach specific to our activities.
We regularly review our insurable risks and financial coverage with the assistance of an international broker who is part of an integrated network. In this regard, all contracts have been harmonized at Group level, and the parent company provides assistance and support to the subsidiaries as part of its international insurance programs for the establishment of local insurance policies.
The broker ensures coordination and control of these programs in conjunction with its local contacts.
Insurable risks are covered by our Group insurance policies with a level of coverage that we deem appropriate, given our circumstances, barring any wholly unforeseeable events.

Insurance programs

The international damage and operational losses insurance program, as well as the general third-party liability and product liability international insurance program, cover our entire Group.
A single Group-wide international transport insurance program covers all goods transported across the globe under the responsibility of Virbac or its subsidiaries.
We use leading insurers for all insurance programs. The coverage levels were set on the basis of our risk profile. Despite unequal local resources, this centralization of risks provides a better level of protection for all our entities, while realizing economies of scale.
Property, buildings and equipment are insured against damage based on full replacement value, purchase price or production cost of merchandise and operating losses based on the loss of gross margin.
Our main production facilities are subject to an inspection and prevention program conducted by the leading insurance company's Risk Studies and Prevention department as part of the damage and operational losses program.
We do not have a captive insurance or reinsurance company.

STATEMENT OF NON-FINANCIAL PERFORMANCE

Following the transposition into French law of the European directive 2014/95/EU of October 22, 2014 on the disclosure of non-financial information (by ordinance 2017-1180 of July 19, 2017 and decree 2017-1265 of August 9, 2017), Virbac publishes its Statement of non-financial performance on pages 8 to 47 of the annual report. This statement presents the Group’s values and rules of conduct in social and societal fields, human rights, the fight against corruption, tax evasion, and the environment.

2021 OUTLOOK

As a continuation of the execution of our strategic plan, in 2021, we anticipate a growth in revenue at constant rates and scope of between 3% and 5% (*i.e.* between 0% and 2% at constant rates and real scope), as well as a ratio of “current operating income, before depreciation of assets arising from acquisitions” over “revenue” which should be between 10% and 12% at constant exchange rates. Lastly, as indicated in September, 2020, we are starting a transition phase over the 2021-2022 period. Our investment level could be around €60 million per year over these two financial years. However, we remain vigilant to developments in the Covid-19 pandemic in the coming months and to the impacts on our business.

PROVISIONAL TIMETABLE FOR FINANCIAL COMMUNICATION

The provisional timetable for 2021 is as follows:

- January 19, 2021 after the close of trading: communication of 2020 annual revenue;
- March 17, 2021 after the close of trading: communication of 2020 annual profit;
- April 15, 2021 after the close of trading: communication of revenue for the first quarter of 2021;
- June 21, 2021: annual shareholders' meeting;
- July 20, 2021 after the close of trading: communication of revenues for the second quarter of 2021;
- September 15, 2021 after the close of trading: communication of first half profits for 2021;
- October 18, 2021 after the close of trading: communication of revenues for the third quarter of 2021;
- January 19, 2022 after the close of trading: communication of 2021 annual revenue.

FEES OF THE STATUTORY AUDITORS AND MEMBERS OF THEIR NETWORKS BORNE BY THE GROUP

As at December 31, 2020

	Deloitte					Novances - David & Associes Nexia network				
in € thousand	Audit		Network		Total	Audit		Network		Total
Issuer	108.2	100%	—	—%	**108.2**	53.2	100%	—	—%	**53.2**
Consolidated subsidiaries	—	—%	699.0	100%	**699.0**	—	—%	22.9	100%	**22.9**
Audit and limited review of the individual and consolidated accounts	**108.2**	**81%**	**699.0**	**96%**	**807.2**	**53.2**	**100%**	**22.9**	**100%**	**76.1**
Issuer	25.0	100%	—	—%	**25.0**	—	—%	—	—%	**—**
Consolidated subsidiaries	—	—%	27.9	100%	**27.9**	—	—%	—	—%	**—**
Other services	**25.0**	**19%**	**27.9**	**4%**	**52.9**	**—**	**—%**	**—**	**—%**	**—**
Total fees	**133.2**	**100%**	**727.0**	**100%**	**860.2**	**53.2**	**100%**	**22.9**	**100%**	**76.1**

As at December 31, 2019

	Deloitte					Novances - David & Associes Nexia network				
in € thousand	Audit		Network		Total	Audit		Network		Total
Issuer	123.0	100%	—	—%	**123.0**	52.9	100%	—	—%	**52.9**
Consolidated subsidiaries	—	—%	688.9	100%	**688.9**	—	—%	22.7	100%	**22.7**
Audit and limited review of the individual and consolidated accounts	**123.0**	**83%**	**688.9**	**98%**	**811.9**	**52.9**	**100%**	**22.7**	**100%**	**75.6**
Issuer	25.0	100%	—	—%	**25.0**	—	—%	—	—%	**—**
Consolidated subsidiaries	—	—%	12.0	100%	**12.0**	—	—%	—	—%	**—**
Other services	**25.0**	**17%**	**12.0**	**2%**	**37.0**	**—**	**—%**	**—**	**—%**	**—**
Total fees	**148.0**	**100%**	**700.9**	**100%**	**848.9**	**52.9**	**100%**	**22.7**	**100%**	**75.6**

The services other than the certification of the accounts provided by the statutory auditors to the issuer, consolidating entity, and to its affiliates correspond to the following elements:

- certificate relating to the Statement of non-financial performance;
- certificates relating to the calculation of the financial ratio (banking covenants).

Report on corporate governance

The shareholders' meeting held on December 15, 2020, decided that, as of that day, our company's management and administrative structure would be changed to that of a public limited company with a board of directors as per the stipulations set out in articles L225-17 to L225-56 of the French commercial code, this in place of a supervisory board and executive board.

The shareholders' meeting also appointed all former members of the supervisory board as members of the new board of directors.

The first board of directors meeting, held immediately after the shareholders' meeting, decided unanimously to separate the functions of the chairman of the board of directors and that of chief executive officer. The board of directors then appointed the former chairman of the executive board as chief executive officer (Mr. Sébastien Huron) as well as a former member of the board as deputy chief executive officer (Mr. Habib Ramdani). The board also appointed a new deputy chief executive officer/qualified person (Mr. Marc Bistuer), following the decision of the former member of the executive board, general manager and qualified person (Mr. Christian Karst) to not apply for a new term of office due to his forthcoming retirement in 2021.

This report will mention the terms of office exercised by the members of the supervisory board and the executive board until December 15, 2020, as well as the new terms exercised by the members of the board of directors and the general management since December 15, 2020.

This report was submitted to the audit committee, whose recommendations were taken into account, and was unanimously adopted by the board of directors at its meeting held on March 16, 2021.

The report refers to the recommendations of the corporate governance code for listed companies drawn up and consolidated by Afep-Medef (Afep-Medef Code), which was adopted by the former supervisory board as its code of reference. This choice was not challenged by the board of directors. The Afep-Medef Code can be consulted online at the following address: www.medef.com.
Following recommendations from the *AMF* (French financial markets authority), a summary table on page 109 lists the Afep-Medef Code measures that the company has decided not to implement and provides the reasons.

COMPANY OFFICERS UNTIL DECEMBER 15, 2020

		Public limited company with a supervisory board and an executive board
Executive officers	Executive officers	. Chairman of the executive board: Sébastien Huron . Members of the executive board : - Christian Karst, general manager; - Habib Ramdani.
Non-excutive officers	Non-executive officer	. Chairwoman of the supervisory board: Marie-Hélène Dick-Madelpuech
	Members of the supervisory board	. Members of the supervisory board: - Pierre Madelpuech, vice-chairman; - Olivier Bohuon, permanent representative of the company OJB Conseil; - Philippe Capron; - Solène Madelpuech; - Cyrille Petit, permanent representative of the company Cyrille Petit Conseil; - Sylvie Gueguen, employee representative.

COMPANY OFFICERS AS OF DECEMBER 15, 2020

		Public limited company with a board of directors
Executive officers	Executive officers	. Chief executive officer Sébastien Huron . Deputy chief executive officer: Habib Ramdani . Deputy chief executive officer: Marc Bistuer
Non-excutive officers	Non-executive officer	. Chairwoman of the board of directors: Marie-Hélène Dick-Madelpuech
	Members of the board of directors	. Members of the board of directors: - Pierre Madelpuech, vice-chairman; - Olivier Bohuon, permanent representative of the company OJB Conseil; - Philippe Capron; - Solène Madelpuech; - Cyrille Petit, permanent representative of the company Cyrille Petit Conseil; - Sylvie Gueguen, employee representative.

I – CORPORATE GOVERNANCE UNTIL DECEMBER 15, 2020

The supervisory board until December 15, 2020

Responsibilities of the supervisory board

Until December 15, 2020, the company had a dual governance structure with an executive board and supervisory board. The supervisory board was responsible for supervising the management activities of the executive board. It exercised its supervisory powers by meeting every quarter to examine, in particular,r the company's and Group's performance indicators and the annual and interim financial statements presented to it by the executive board. Where necessary, it carried out its responsibilities by obtaining information from the statutory auditors. It also reviewed in more detail any proposed acquisitions based on analyses drawn up by the executive board.

Meetings of the supervisory board

The statutory auditors were invited to all supervisory board meetings. The documents, technical material and information necessary for the performance of the duties of board members relating to items on the agenda were sent out by courier as early as possible before the meeting. Supervisory board meetings are generally held at Virbac head office. Throughout 2020, meetings were held both face-to-face and via videoconference in light of the current global health scenario.
In accordance with the company articles of association, the supervisory board met per quarter at a minimum. Supervisory board members also met several times informally during the year for informal works and discussion sessions. During its meetings, the supervisory board reviewed the annual and interim financial statements, quarterly revenue, the budget, the reports by the executive board on the Group’s business activities, profit, performance and forecasted outlook, as well as developments in each of the Group’s major operational areas and its outlook, strategic plans and proposed acquisitions. Depending on the content of the meetings, all or some of the executive board members were present, and the Group’s area directors or functional directors may have been invited on an *ad hoc* basis.

The terms of office held by the members of the supervisory board in other companies are listed on pages 90 to 95.

In accordance with the provisions of the Afep-Medef Code, the supervisory board conducts an annual assessment of its operations in order to improve the effectiveness of its work, and at least once every three years, a formal assessment, which may be carried out with the assistance of an external consultant.

Pursuant to Act n°2018-727 of May 23, 2019, an action plan for business growth and transformation regulation (known as the “PACTE” Law), the supervisory board implemented an internal control procedure for agreements related to routine transactions entered into under normal conditions in order to regularly assess whether these agreements meet and continue to meet these conditions (new paragraph 2 of article L225-87 of the French commercial code).

The procedure for assessing whether agreements qualify as normal and ordinary agreements applies when an agreement has been entered into directly or through an intermediary:

- between the company and a member of the executive board or supervisory board or between the company and a shareholder holding more than 10% of voting rights, or in the case of a shareholder company, the company controlling it within the meaning of article L233-3 of the French commercial code;
- between the company and an enterprise, if one of the members of the executive board or supervisory board of the company is the owner, partner with unlimited liability, manager, director, supervisory board member or, generally speaking, the head of that company;
- between two Group companies, except those wholly owned by the parent company.

The methodology used to assess whether these agreements are routine transactions entered into under normal conditions is as follows:

- the Financial Affairs department and the Legal department meet whenever necessary to review these new agreements and the relevance of the criteria used for the distinction between routine and regulated agreements, and with regard to current agreements, consider whether or not to reclassify them due to circumstances that may result in modification of the criteria used upon conclusion;
- if agreements are classified as regulated agreements, the procedure provided by law shall be applied under the supervision of the Legal department;
- the list and information regarding these current routine agreements are conveyed annually to the supervisory board to allow it to assess, when deemed necessary, whether the agreements remain in compliance with these normal and routine conditions;
- pursuant to the law, individuals directly or indirectly involved in any of these agreements do not participate in its evaluation.

Policy of staggered terms for members of the supervisory board

Since 2014, supervisory board members' terms have been staggered to comply with the recommendations of the Afep-Medef Code.

Special committees

■ Compensation committee

The compensation committee is chaired by the chairwoman of the supervisory board. The company has considered it preferable for the compensation committee to be chaired by a member of the supervisory board who represents the family majority shareholder. It should be noted that based on the division between the executive board and the supervisory board, the compensation committee acts independently of the executive board members whose compensation it discusses.
The compensation committee met once in 2020.
All members of the compensation committee attended this meeting.
At this meeting, the topics covered were the following:

- review of executive board member performance in 2019 in relation to their variable compensation;
- compensation of executive board members in 2020;
- review of compensation paid to the Group's key management;
- review of the free share plan introduced in 2018 and 2019.

■ Audit committee

The audit committee, chaired by Philippe Capron, an independent member of the supervisory board, met four times during 2020 with the chairman of the executive board, the chief financial officer and, when necessary, with the statutory auditors in attendance. All the members of the audit committee attended all the meetings.

Over the course of 2020, the audit committee reviewed the 2019 annual financial statements and the 2020 interim financial statements.
It checked the financial information and decided upon the accounting treatment for the financial year's major transactions, submitted either by the statutory auditors or by the members of the executive board. It also noted the efforts made by the executive board to ensure the establishment and effectiveness of internal control procedures, to identify risks and implement the measures considered necessary to manage them. It also reviewed the corruption risk prevention plan and the GDPR (General data protection regulation) compliance plan.

PERSONAL INFORMATION OF THE MEMBERS OF THE SUPERVISORY BOARD

	Personal information of the members of the supervisory board				Position on the supervisory board			Participation in board committees
	Age	Gender	Nationality	Number of shares	indepen-dence	Initial date of appointment	Term of office expires	
Marie-Hélène Dick-Madelpuech Chairwoman of the supervisory board	56 years	Female	French	1,635		Year of 1st appointment: 1998	2022	Compensation committee
Pierre Madelpuech Vice-chairman	60 years	Male	French	110		Year of 1st appointment: 1995	2021	Audit committee
Olivier Bohuon Permanent representative of OJB Conseil	62 years	Male	French	10	Independent member	Year of 1st appointment: 2011 Permanent representative of OJB Conseil since December 2018	2020	Compensation committee
Philippe Capron	62 years	Male	French	442	Independent member *	Year of 1st appointment: 2004	2022	Audit committee Compensation committee since 2020
Solène Madelpuech	27 years	Female	French	10		Year of 1st appointment: 2017	2020	
Cyrille Petit Permanent representative of Cyrille Petit Conseil	50 years	Male	French	10	Independent member	Year of 1st appointment: 2019 Permanent representative of Cyrille Petit Conseil since March 2020	2020	Audit committee
Sylvie Gueguen Employee representative	56 years	Female	French	38	N/A	Year of 1st appointment: 2018	2021	
Non-voting advisor								
Xavier Yon Permanent representative of Xavier Yon Consulting Unipessoal Lda Non-voting advisor	80 ans	Male	French	N/A	N/A	Year of 1st appointment: 2014 personally and as permanent representative of Xavier Yon Consulting Unipessoal Lda since December 2017	2020	

* Philippe Capron see pages 103 and 104 criteria of independence

Profile, experience and positions of the members of the supervisory board until December 15, 2020, who became members of the board of directors starting December 15, 2020 – situation as of December 31, 2020

Marie-Hélène Dick-Madelpuech, chairwoman of the supervisory board until December 15, 2020, and chairwoman of the board of directors since December 15, 2020

• Age and nationality	56 years, French
• First appointment	1998
• Current term ends	2022
• Number of shares held	1,635

• Chairwoman of the compensation committee

Veterinary doctor and MBA graduate from HEC (business school), Marie-Hélène Dick-Madelpuech was appointed chairwoman of Virbac's supervisory board in April 2006.

Head of the Panpharma Group, which specializes in the field of injectable medicines for healthcare establishments.

List of positions

Current positions	Expired positions
Positions in Group companies: · vice-chairwoman of the *Fondation d'entreprise* Virbac (corporate foundation) (France). **Positions in companies outside of the Group:** · chairwoman and general manager of the company Okelen, SA (France); · permanent representative of the company Okelen, charing Panmedica, SAS (France); · chairwoman of the board of directors of Panpharma, SA (France); · associate manager of the *société civile* Ilouet (France); · officer of Panpharma Australia Pty Limited (Australia); · officer of Panpharma UK Limited (United Kingdom); · co-manager of the *société civile immobilière*[1] Samakeur MH (France); · manager of the *société civile* Investec (France); · co-manager of the *société civile* Du Regard (France). None of these companies are listed on a stock exchange.	Non-Group positions and functions exercised over the past five years but no longer in effect: none

[1] Property partnership incorporated under civil law

Pierre Madelpuech, vice-chairman of the supervisory board until December 15, 2020, and vice-chairman of the board of directors since December 15, 2020

• Age and nationality	60 years, French
• First appointment	1995 (personally) and 2005 (as permanent representative of the company Asergi).
• Current term ends	2022
• Number of shares held	110

Member of Virbac's supervisory board acting as vice-chairman, appointed by decision (co-optation) by the supervisory board on September 5, 2017, to replace the company Asergi, which resigned.

Previously permanent representative of Asergi, member of Virbac's supervisory board until September 5, 2017.

• Member of the audit committee

ENSAM engineer and MBA graduate from HEC (business school).

List of positions

Current positions	Expired positions
	Non-Group positions and functions exercised over the past five years but no longer in effect: none
Positions in Group companies:	
None	
Positions in companies outside of the Group:	
. manager of the company Asergi, SARL (France); . director of the company Panpharma, SA (France); . director of the company Okelen, SA (France) ; . general manager of the company Panmedica, SAS (France); . manager of the company Arteis Développement, SARL (France); . general manager of the company RPG, SAS (France); . associate manager of the *société civile immobilière* Igresa (France); . manager of the company Art'Pro, SARL (France); . manager of the company Crearef, SARL (France); . manager of the company Crea Négoce, SARL (France); . manager of the company Color'I, SARL (France); . manager of the *société civile* P2LM (France); . chairman of the company Fra Angelico, SASU (France); · associate manager of the *société civile* Du Regard (France) ; . associate manager of the *société civile immobilière* Okolline (France).	

None of these companies are listed on a stock exchange.

Olivier Bohuon, permanent representative of the company OJB Conseil, member of the supervisory board until December 15, 2020, and member of the board of directors since December 15, 2020

• Age and nationality	62 years, French
• First appointment	2011
• Current term ends	2023
• Number of shares held by the company	10

Permanent representative of OJB Conseil, a company appointed by decision (co-optation) of the supervisory board on December 14, 2018, following the resignation of Olivier Bohuon in his personal capacity.

Member of Virbac's supervisory board, in a personal capacity, until December 14, 2018, the date of his resignation.

Holding a doctorate in pharmacy and an MBA from HEC (business school), Olivier Bohuon is a member of the French National Academy of Pharmacy and the French Academy of Technology.

List of positions

Current positions	Expired positions
	Non-Group positions and functions exercised over the past five years but no longer in effect:
Positions in Group companies:	
None	. director of Smith&Nephew PLC (United Kingdom);
Positions in companies outside of the Group:	. director of the company Shire PLC (Ireland);
· chairman of the company OJB Conseil SAS (France);	. director of Smiths Group (United Kingdom);
· director of Takeda PLC (Japan), company listed on the Tokyo et New-York stock exchanges;	. director of Biotech Promise SCA SICAV-SIF (Luxembourg).
· chairman of the board of directors of the company Leo Pharma A/S (Denmark).	

Philippe Capron, member of the supervisory board until December 15, 2020, and member of the board of directors since December 15, 2020

• Age and nationality	62 years, French
• First appointment	2004
• Current term ends	2022
• Number of shares held	442

• Chairman of the audit committee and member of the compensation committee since 2020

A graduate of HEC (business school) and the Institut d'Études Politiques de Paris, Philippe Capron is an ENA (National School of Administration) alumnus and served as Financial Inspector. Since 2018 Philippe Capron has been a Partner in the Investment Bank Perella Weinberg Partners France S.A.S.

List of positions

Current positions	Expired positions
Positions in Group companies:	Non-Group positions and functions exercised over the past five years but no longer in effect:
None	. director of the company Veolia Energie International (France);
Positions in companies outside of the Group: none	. chairman of the board of directors of the company Veolia Environnement Serves Re (France); . member of the supervisory board of the company Veolia Eau-Compagnie Générale des Eaux (France); . director of the Institut Veolia (France); . director of the company Véolia Environnement UK Ltd (United Kingdom); . chairman of the board of directors of the company Veolia North America Inc (United States); . director of the *Fondation d'Entreprise* Veolia Environnement (corporate foundation) (France); . director of Econocom Group SA/NV (Belgium), a company listed on the Euronext.

Solène Madelpuech, member of the supervisory board until December 15, 2020, and member of the board of directors since December 15, 2020

• Age and nationality	27 years, French
• First appointment	2017
• Current term ends	2021
• Number of shares held	10

Member of the supervisory board of Virbac, appointed by decision (co-optation) of the supervisory board of September 5, 2017 as a replacement of Jeanine Dick, who resigned.

Graduated with a BSc in management from Warwick business school and a Master in management from London business school. Head customers succes at Sight Diagnostics.

List of positions

Current positions	Expired positions
Positions in Group companies:	Non-Group positions and functions exercised over the past five years but no longer in effect:
None	· general manager UK of Sight Diagnostics (United Kingdom)
Positions in companies outside of the Group: · co-manager of the *société civile immobilière* Samakeur MH (France); · member of the supervisory board of the *société civile* Investec (France); None of these companies are listed on a stock exchange.	

Cyrille Petit, permanent representative of the company Cyrille Petit Conseil, member of the supervisory until December 15, 2020, and member of the board of idirectors since December 15, 2020

• Age and nationality	49 years, French
• First appointment	2019 (personally)
• Current term ends	2022
• Number of shares held by company	260

• Member of the audit committee	Personally until his resignation and since March 19, 2020 as legal representative of the company Cyrille Petit Conseil

A graduate of HEC-Paris (business school), his professional experience is as follows:

. since 2019: development and Strategy director (Bracco Group)

· 2019 strategy and mergers & acquisitions consulting

· 2012-2018: director of Development and chairman of Global Business Services and member of the executive committee (Smith & Nephew plc)

· 2008-2012: director of World Development and member of the board of management (General Electric Transportation).

· 2002-2008: director of Development (General Electric Healthcare)

List of positions

Current positions	Expired positions
	Non-Group positions and functions exercised over the past five years but no longer in effect: N/A

Positions in Group companies:

None

Positions in companies outside of the Group:

· president of the company Cyrille Petit Conseil, SAS (France);

· director of the company Reapplix A/S (Denmark);

· director of the company Flowonix Inc (United States);

· manager of the *société civile immobilière* Caducée (France);

· manager of the *société civile immobilière* Berteaux 2000 (France);

· manager of the *société civile immobilière* Familiale du Manoir de Kerminizy (France);

· director of the company Blue Earth Diagnostics Ltd (United kingdom);

· director of the company Blue Earth Diagnostics Inc (United States);

· director of Polerean Imaging PLC (United Kingdom);

· manager of SCI Happy Family (France).

None of these companies are listed on a stock exchange.

Sylvie Gueguen, member of the supervisory board, employee representative until December 15, 2020, and member of the board of directors employee representative since December 15, 2020

• Age and nationality	56 years, French
• First appointment	2018
• Current term ends	October 30, 2021
• Number of shares held	38

Director of Virbac's Preclinical and Clinical Biological Product Development department.

List of positions

Current positions	Expired positions
	Non-Group positions and functions exercised over the past five years but no longer in effect: none

Positions in Group companies:

None

Positions in companies outside of the Group:

None

Changes that have occurred within the membership of the supervisory board and committes during the 2020 financial year Situation as as of December 15, 2020	Departure[1]	Appointment	Reappointment
Supervisory board	. Marie-Hélène Dick-Madelpuech, chairwoman; . Pierre Madelpuech, vice-chairman; . Philippe Capron; . Solène Madelpuech; . OJB Conseil represented by Olivier Bohuon, permanent representative; . Cyrille Petit Conseil represented by Cyrille Petit, permanent representative.	. Cyrille Petit Conseil represented by Cyrille Petit, permanent representative appointed by co-optation on March 5, 2020.	. Solène Madelpuech . OJB Conseil represented by Olivier Bohuon.
Audit committee	Cyrille Petit	Cyrille Petit Conseil	
Compensation committee		Philippe Capron	

[1] End of term following change of governance structure

Attendance of supervisory board members in 2020 until December 15, 2020

Meetings until December 15, 2020	Supervisory Board attendance	Audit Committee attendance	Compensation Committee attendance
Marie-Hélène Dick-Madelpuech	100% present at meetings	N/A	Present at the meeting
Pierre Madelpuech	100% present at meetings	100% present at meetings	N/A
Olivier Bohuon, permanent Rrepresentative of OJB Conseil	100% present at meetings	N/A	Present at the meeting
Philippe Capron	100% present at meetings	100% present at meetings	Present at the meeting
Cyrille Petit, permanent representative of Cyrille Petit Conseil, co-opted by the board on March 19, 2020, ratified by the meeting on June 22, 2020	100% present at meetings after co-optation	100% present at the three meetings after co-optation	N/A
Sylvie Gueguen, employee Rrepresentative	100% present at meetings	N/A	N/A

The executive board until December 15, 2020

Executive board meetings

As required by the law, executive board members convened to report to the supervisory board on a quarterly basis and whenever business so required. In the course of 2020, the executive board held five formal meetings.

The distribution of functions and tasks among the members of the executive board was as follows:

- Sébastien Huron served as executive board chairman, thus overseeing global marketing and commercial operations; human resources; communications; health, safety and environment (HSE); and the board office;
- Christian Karst served as general manager and qualified person. He was also director of Development. Karst oversaw innovation, industrial and quality assurance, business development, corporate sourcing and the creative and regulatory affairs function (CreA);
- Habib Ramdani served as chief financial officer and was responsible for Group financial policy. He oversaw financial and legal duties as well as information systems and risk management.

Personal information of the members of the executive board

	Personnal information of the members of the executive board				Position within the executive board	
	Age	Gender	Nationality	Number of shares	Initial date of appointment	End of term
Sébastien Huron Chairman of the executive board	50 years	Male	French	1,469	Year of the 1st appointment: . as chairman: 2017 . as member of the executive board: 2012	December 15, 2020
Christian Karst General manager	62 years	Male	French	6,075	Year of the 1st appointment: . as member of the executive board: 1996 . as general manager: 2013	December 15, 2020
Habib Ramdani	45 years	Male	French	200	Year of the 1st appointment: 2016	December 15, 2020

Profile, experience and positions of the members of the executive board

Sébastien Huron, chairman of the executive board until December 15, 2020

• Age and nationality	50 years, French
• First appointment	. as chairman: 2017 . as member of the executive board: 2012
• Current term ends	December 15, 2020
• Number of shares held	1,469

Veterinary doctor, he joined the Virbac group in 2006. He has been a member of the executive board since December 2012.

List of positions

Current positions

Positions in Group companies:

. director of the company Holding Salud Animal S.A. (Chile);
. director of the company Bioanimal Corp S.A. (Chile);
. director of the company Productos Quimicos Ehlinger S.A. (Chile);
. director of the company Virbac Limited (United Kingdom).

Positions in companies outside of the Group:

. manager of the company société civile immobilière P.A.T.H. (France);
. manager of Société Civile Immobilière P.A.P.S. (France).
None of these companies are listed on a stock exchange.

Expired positions

Non-Group positions and functions exercised over the past five years but no longer in effect: none

Christian Karst, member of the executive board and general manager until December 15, 2020

• Age and nationality	62 years, French
• First appointment	. as member of the executive board: 1996 . as general manager: 2013
• Current term ends	December 15, 2020
• Number of shares held	6,075

Veterinary doctor, he joined Virbac in 1984.

List of positions

Current positions	Expired positions
Positions in Group companies:	Non-Group positions and functions exercised over the past five years but no longer in effect: none
· director of the company Holding Salud Animal S.A. (Chile);	
. director of the company Bioanimal Corp. S.A. (Chile);	
. director of the company Productos Quimicos Ehlinger S.A. (Chile);	
. director of the company Virbac Limited (United Kingdom);	
. director of the company Asia Pharma Limited (Hong-Kong).	
Positions in companies outside of the Group:	
. manager of the company société civile immobilière Karst (France);	
. manager of the company société civile immobilière SCI Pierre Karst (France).	
None of these companies are listed on a stock exchange.	

Habib Ramdani, member of the executive board until December 15, 2020

• Age et nationality	45 years, French
• First appointment	as member of the executive board: June 2016
• Current term ends	December 15, 2020
• Number of shares held	200

Graduate of Centrale Paris, he was appointed deputy director of Financial Affairs effective February 1, 2016 and subsequently chief financial officer effective April 1, 2016.

List of positions

Current positions	Expired positions
Positions in Group companies:	Non-Group positions and functions exercised over the past five years but no longer in effect: none
. director of the company Asia Pharma Limited (Hong Kong);	
· chairman of the company Interlab, SAS (France) ;	
. permanent representative of Virbac, director of the company Virbac Chile Spa (Chile);	
. permanent representative of Virbac, director of the company Virbac Patagonia Limitada (Chile);	
. director of the company Virbac Corporation (United States).	
Positions in companies outside of the Group:	
None	

Changes that occurred within the membership of the executive board Situation as of December 15, 2020

	Departure	Appointment	Reappointment
Executive board	. Sébastien Huron ; . Christian Karst ; . Habib Ramdani.	N/A	N/A

Organization and representation of women and men on leadership committees

The strategic committee

The strategic committee, chaired by the chairman of the executive board, comprised of the following departments, represented as follows:

- Global Business Operations department;
- Corporate Financial Affairs department;
- Corporate Development department;
- Corporate Human Resources department;
- Global Industrial Operations and Corporate Quality Assurance department;
- Corporate Product Innovation department;
- Group Legal department;
- Corporate Sourcing department;
- Corporate Business Development department;
- Group Information Systems department;
- Corporate Communications department;
- Global Marketing and Business Optimization (GMBO) department;
- area directors: Europe, North America, Latin America, the Apisa area (Asia-Pacific-India-South Africa), and the director of the Aquaculture division.

The strategic committee's mission was to help develop and implement the Group's major strategic decisions, presented and approved by the supervisory board: strategy by business, by function and by major project. In this capacity, the members of the strategic committee were actively involved in providing the Group with major risk map updates on a regular basis.
The strategic committee consisted of four women and thirteen men.

The France committee

The France committee is chaired by the chairman of the executive board and comprises the following departments, represented as follows:

- Corporate Financial Affairs department;
- Corporate Human Resources department;
- French Industrial Operations department;
- Global Industrial Operations and Corporate Quality Assurance department;
- Corporate Communications department;
- Group Information Systems department;
- Virbac France;
- Group Pharmaceutical R&D department;
- Group Biology R&D department;
- Corporate Sourcing department;
- Group Legal department;
- Creations and Regulatory Affairs department;
- Global Marketing and Business Optimization (GMBO) department;
- Corporate EHS department.

The France committee was primarily responsible for decision-making, coordination and reporting on all issues affecting the Group's French companies and acts as a relay for the dissemination of information to the various departments.
The France committee is composed of five women and ten men.

At its meeting on September 15, 2020, the supervisory board noted, with regard to the company's policy on gender equality in the workplace, and more specifically with respect to the percentage of positions held by women and on promotions, training and compensation of women, that the indicators are good, with the exception of the most senior employees, where women are under-represented, a point which the company has undertaken to improve.

For several years, the company has been working to improve the percentage of women on its committees by helping female executives to reach positions of responsibility in the company and, in particular, to take the helm when there is a change of director or a reorganization of departments.

In France, the percentage of women in the top 10% of management positions is 33%. The company is aware that an effort must be made to improve the rate of representation of women among the 10% of positions with greater responsibilities and that this will be a key issue in coming years.

II – CORPORATE GOVERNANCE SINCE DECEMBER 15, 2020

Our governance is based on principles that provide the necessary balance required for the Virbac group's performance and successful development.

Separation of powers and collegiality

On December 15, 2020, the company adopted an organizational structure that integrates general management with the board of directors, now the most common form of governance for French listed companies. This organization meets the desire for a balance of power between executive and supervisory functions. It involves regular and effective dialogue between the general management and the board of directors, as well as mutual trust.

Collegiality is a key organizational principle in our governance. The operation of these two entities, the board of directors and the general management, is based on the search for a position shared by their respective members, and on collective decisions, the result of genuine teamwork. This organization guarantees efficiency and responsiveness while being with current governance codes in force, and in particular the Afep-Medef Code, which we use as a reference to regularly improve our practices in this area.

Committed and experienced management

Our governance is based on focused governing bodies, composed of members with a strong and long-term level of commitment. Their professional experience covers many aspects involved in the day-to-day management of a major international group. All but one of the members of the board of directors are senior executives with extensive operational management experience of international companies.

The members of governing bodies, whether the board directors or the general management, are committed to providing sustained support for the Group's long-term strategy. Moreover, the involvement of the board of directors members and the non-voting advisor is not limited to active participation in formal board debates. It also takes the form of regular informal discussions and periodic a*d hoc* meetings if circumstances so require.

THE BOARD OF DIRECTORS

Composition of the board of directors since December 15, 2020

	Personal information of the members of the board of directors				Position on the board of directors			Participation in board committees
	Age	Gender	Nationality	Number of shares	indepen-dence	Initial date of appointment	Term of office expires	
Marie-Hélène Dick-Madelpuech Chairwoman of the board	56 years	Female	French	1,635		Year of 1st appointment: 1998	2021	Appointments and compensation committee
Pierre Madelpuech Vice-chairman	60 years	Male	French	110		Year of 1st appointment: 1995	2022	Audit committee
Olivier Bohuon Permanent representative of OJB Conseil	62 years	Male	French	10	Independent member	Year of 1st appointment: 2011 Permanent representative of OJB Conseil since December 2018	2023	Appointments and compensation committee
Philippe Capron	62 years	Male	French	442	Independent member[1]	Year of 1st appointment: 2004	2023	. Audit committee . Appointments and compensation committee
Solène Madelpuech	27 years	Female	French	10		Year of 1st appointment: 2017	2021	
Cyrille Petit Permanent representative of Cyrille Petit Conseil	50 years	Male	French	10	Independent member	Year of 1st appointment: 2019 Permanent representative of Cyrille Petit Conseil since March 2020	2022	Audit committee
Sylvie Gueguen Employee representative	56 years	Female	French	38	N/A	Year of 1st appointment: 2018	October 2021	
Non-voting advisor								
Xavier Yon Permanent representative of Xavier Yon Consulting Unipessoal Lda Non-voting advisor	80 ans	Male	French	N/A	N/A	Year of 1st appointment: 2014 personally and as permanent representative of Xavier Yon Consulting Unipessoal Lda since December 2017	2021	

[1] First appointment to the supervisory board that preceded the board of directors established on December 15, 2020.

Organization of the board of directors

The company is managed by a board of directors composed of seven directors, including one employee representative.
The rules for appointing members of the board of directors correspond to the legal and statutory rules set out in article 10 of the articles of association, the main aspects of which are described herein below.
The directors shall be appointed by the ordinary shareholders' meeting, and who may be dismissed at any time.
A director, who is a natural person, cannot be appointed, nor can their respective term of office be renewed once they have reached the age of 70.
Each director must hold, or come to hold, within three months of their appointment, of at least ten (10) shares in a duly registered form.
The term of office of the directors is three years. Terms of office shall be renewed on a rotational basis in order to ensure the regular renewal of board members in the most equal proportion possible. On an exceptional basis, the ordinary shareholders' meeting may, in order to set up a such rotational system, appoint a Director for a term of one, two or three years. By way of derogation, the first directors may be appointed for a different term, subject to the stipulation that this term does not exceed three years.
Any outgoing member may be re-elected.

In the event of a vacancy due to the death or resignation of one or more directors, the board of directors may, in the interim of two general meetings, make temporary appointments, the same which shall be subject to ratification at the next ordinary shareholders' meeting.

Each director undertakes to comply with the obligations incumbent upon her or him in this capacity and, in particular, those relating to limits on the number of corporate terms of office they may hold.

The board of directors shall comprise, in addition to the directors whose number and method of appointment are set out in articles L225-17 and L225-18 of the French commercial code, one or two employee representative directors pursuant to the respective applicable provisions set out under law.
The number of employee representative directors shall be equal to two (2) when the number of directors referred to in articles L225-17 and L225-18 of the French commercial code is greater than eight (8), and one (1) if it is equal to or less than eight (8).

The employee representative director(s) shall be appointed by the Economic and social committee, in accordance with the legal and regulatory provisions.

Operation of the board of directors

The board of directors shall meet at least once every quarter and as often as the interests of the company may require, either at headquarters or at any other place indicated in the notice of meeting, or, may convene via teleconference.
Such shall be convened by the chairman, or vice-chairman in case of impediment of the chairman, or by the chief executive officer in case of impediment of the chairman and vice-chairman, by any means, even verbally.
In the event that the duties of the chief executive officer and the chairman of the board of directors are separate, the chief executive officer may also request that the Chairman convoke the board of directors as per a set agenda, or order of the day.
When the same has not met for more than two months, at least one-third of the board of directors may request that the chairman call a meeting as per a determined agenda.

The meetings of the board of directors shall be presided over by the chairman of the board of directors or, failing that, the vice-chairman. In the absence of both the chairman and vice-chairman, the board of directors shall designate, for each session, one of its members to chair the meeting.

To calculate the quorum and the majority, directors participating in the meeting by means of videoconference, conference call or any other means duly recognized under applicable legislation or statutes, except for the preparation of annual and consolidated accounts and the management report, are deemed to be present, within the limits provided under the law.
A director may be represented at a meeting by another director, the same who cannot hold more than one term of office.

Documents enabling the directors to make fully-informed decisions as to the items on the agenda shall be communicated to the directors within a reasonable period of time before the board meeting is held, except in the event of an emergency, or due to the need to maintain complete confidentiality.
The board of directors may, at each of its meetings, in the event of an emergency, and further to the proposal of the president, deliberate on matters not included in the agenda that have been communicated to it.

Outside of meetings, directors shall receive all important information relating to the company.

The board of directors shall meet in the presence of the chief executive officer as well as the chief financial officer in order to receive all information required in respect of the agenda. In the event that the board of directors must deliberate on matters concerning members of general management, said members shall be requested to excuse themselves from the meeting so that the board can debate and deliberate without their presence. In December 2020, part of the board meeting was held without the presence of the chief executive officer and the deputy chief executive officer.

In accordance with the provisions of the Afep-Medef Code, the board of directors shall conduct an annual assessment of its operations in order to improve the effectiveness of its work, and, at least once every three years, a formal assessment shall be performed, which may be carried out with the assistance of an external consultant.

The board of directors shall review its composition, organization and operation, and conducts a similar review of its committees.

Once a year, the board of directors shall devote an item on the agenda of one of its meetings to a discussion of its operations.
The purpose of this formal evaluation is threefold:
- to take stock of how the board and its committees operate;
- to verify that important issues are properly prepared and discussed;
- to assess the effective contribution of each director to the work of the board.

On March 16, 2021, the board meeting discussed the functioning of the supervisory board up to December 15, 2020, as well as that of the board of directors since December 15, referencing the formal evaluation carried out with the help of a detailed questionnaire. This evaluation shows that the board of directors and its committees function satisfactorily. Its members participate actively and express themselves freely, information flows smoothly, and its members work well as a team.

Pursuant to Act n°2018-727 of May 23, 2019 for business growth and transformation (the "PACTE" Law), the board of directors has implemented an internal control procedure for agreements related to routine transactions entered into under normal conditions in order to regularly assess whether these agreements meet and continue to meet these conditions (new paragraph of article L225-87 of the French commercial code).
The procedure for assessing whether agreements can be regarded as routine and normal is applied when an agreement has been entered into either directly or through an intermediary:
- between the company and its chief executive officer or one of its deputy chief executive officers, one of its directors, or between the company and a shareholder holding more than 10% of the voting rights or, in the case of a shareholder company, the company controlling it within the meaning of article L233-3 of the French commercial code, or between the company and a corporation, if the chief executive officer, one of the deputy chief executive officers or one of the directors of the company is an owner, partner with unlimited liability, manager, director, member of the supervisory board or, in general, a manager of this corporation;
- between two Group companies, except those wholly owned by the parent company.

The methodology used to assess whether these agreements are routine transactions entered into under normal conditions is as follows:
- the Financial Affairs department and the Legal department meet whenever necessary to review new agreements and the relevance of the criteria used for the distinction between routine and regulated agreements, and, with regard to current agreements, to consider whether or not to reclassify these due to circumstances that may result in modification of the criteria used upon conclusion;
- if agreements are classified as regulated agreements, the procedure provided by law shall be applied under the supervision of the legal department;
- the list and information regarding the current routine agreements are conveyed annually to the board of directors to allow it to assess, when deemed necessary, whether the agreements remain in compliance with normal and routine conditions;
- pursuant to the law, individuals directly or indirectly involved in any of these agreements shall not participate in its evaluation.

Policy of staggered terms for the board of directors
Terms of office for members of the board of directors have been staggered to comply with the recommendations of the Afep-Medef Code.

Responsibilities of the board of directors
The board of directors deliberates on all the relevant questions of its legal and regulatory responsibilities.
The board of directors strives to foster the creation of long-term value of and by the company, by taking into account the social and environmental challenges of its business activities. The board of directors can propose, if necessary, any changes to the articles of association that it considers appropriate.

The board of directors determines the strategic direction of the company's activities, decides on major operations and ensures their implementation. With the exception of the powers expressly attributed to shareholders' meetings and within the limits of the company's purpose, the board takes up any issue involving the proper operation of the company and settles matters concerning it through its deliberations.
It shall also carry out the checks and verifications that it deems appropriate.

The board of directors performs the following principal functions:
- it chooses its governance structure (separation or unification of the functions of chairman and chief executive officer);
- it appoints and dismisses the company officers;
- it establishes the compensation of the chairman, chief executive officer and deputy chief executive officers;
- it authorizes the granting of sureties, endorsements and guarantees;
- it authorizes, prior to their conclusion, the regulated agreements;
- it establishes a procedure for regularly assessing whether current agreements entered into under normal conditions meet these conditions;

- it approves the annual statutory and consolidated financial statements, the interim financial statements, and the forecast management documents;
- it approves the terms of the management report and the report on corporate governance;
- it convenes and approves the agendas for shareholder general meetings;
- it approves the annual budget;
- it verifies the quality and fairness of the information provided to shareholders as well as to the financial market, in particular through financial statements and the annual report;
- it expresses its opinion on all decisions relating to the company's major strategic, economic, social, financial and technological orientations and ensures their implementation by general management;
- it remains continually informed of market trends, the competitive environment and the main challenges facing the company, including in the area of social and environmental responsibility;
- it regularly examines, in relation to the defined strategy, opportunities and risks such as financial, legal, operational, social and environmental risks, as well as the measures taken in respect thereof;
- it ensures, where appropriate, that a system for the prevention and detection of corruption and influence-peddling is in place and receives all information necessary for this purpose;
- it shall also ensure that the executive officers implement a policy of non-discrimination and diversity, in particular with regard to the balanced representation of women and men in management bodies;
- it deliberates on the company's policy in terms of professional and salary equality between all employees and between women and men;
- it establishes, further to the recommendation of general management, targets for gender diversity within the management bodies. It also describes the gender diversity policy applied to the management bodies in the corporate governance report, as well as the objectives of this policy, the procedures for implementing it and the profit obtained during the past financial year, and, where appropriate, the reasons why the objectives were not achieved, and the measures taken to remedy the situation;
- it decides on the creation of committees;
- it is consulted for prior approval of any operation deemed to be major at the Group level, involving investment, organic growth, external acquisition, disposals or internal restructuring, particularly if it falls outside the company's announced strategy.

Prior authorizations from the board of directors
Notwithstanding the legal provisions relating to the authorizations that must be granted by the board (regulated agreements, endorsements and guarantees), the following are subject to prior authorization by the board due to their nature or their significance:

- acquisitions or disposals of assets, or investments not included in the annual investment budget involving amounts more than 30 million euros each, or, for investments below this threshold, leading to a cumulative multi-year budget in excess of 30 million euros for a single project;
- issues and/or operations substantially affecting the Group's strategy, financial structure or scope of activity;
- financial transactions with a material impact on the Group's statutory accounts or consolidated accounts, and in particular (within the framework of the authorizations that may be granted by the shareholders' meeting) the issuing of securities that give access to capital or market debt instruments;
- the allocation of incentive instruments to employees, thus granting access to the company's capital, in particular shares subject to performance conditions (within the framework of authorizations that may be granted by the meeting of shareholders).

Each year, the board of directors shall determine the number of permanent authorizations granted to the chief executive officer and which relate to sureties, endorsements, guarantees and securities granted by Virbac (within the Group or granted in order to guarantee the obligations of French or foreign third parties).

Board of directors' internal company bylaws

The board of directors appointed by the shareholders'meeting of December 15, 2020, adopted its internal bylaws at its first meeting held on December 15, 2020. The internal bylaws govern the operation of the board and its committees, as well as the board's duties and powers. The internal bylaws also specify the rights and duties of the board of directors and, in particular, the code of ethics that applies to board members. In accordance with the recommendations of the Afep-Medef Code, it establishes rules for cases requiring prior approval by the board. The internal bylaws are published on the website https://corporate.virbac.com/en/home.html.

Criteria for director independence

At its meeting on March 16, 2021, the board of directors reviewed the independence criteria for its members in view on the criteria set out in the Afep-Medef Code.

Criteria for independent directors set out in the Afep-Medef Corporate governance code:

Criterion 1: employee corporate officer within the past five years
Not to be and not to have been within the previous five years: • an employee or executive officer of the company; • an employee, executive officer or director of a company consolidated within the corporation; • an employee, executive officer or director of the company's parent company or a company consolidated within this parent company.
Criterion 2: cross-directorships
Not to be an executive officer of a company in which the corporation holds a directorship, directly or indirectly, or in which an employee appointed as such or an executive officer of the corporation (currently in office or having held such office within the last five years) holds a directorship.
Criterion 3: significant business relationships
Not to be a customer, supplier, commercial banker, investment banker or consultant: • that is significant to the corporation or its group; • or for which the corporation or its group represent a significant portion of its activity. The evaluation of the significant otherwise of the relationship with the company or its group must be debated by the board, and the quantitative and qualitative criteria that led to this evaluation (continuity, economic dependence, exclusivity, *etc.*) must be explicitly stated in the annual report.
Criterion 4: family ties
Not to be related by close family ties to a company officer.
Criterion 5: auditor
Not to have been an auditor of the corporation within the previous five years.
Criterion 6: period of office exceeding twelve years
Not to have been a director of the corporation for more than twelve years. Loss of the status of independent director occurs on the date of the 12th anniversary.
Criterion 7: status of non-executive officer
A non-executive officer cannot be considered independent if he or she receives variable compensation in cash or in the form of securities or any compensation linked to the performance of the corporation or group.
Criterion 8: status of the major shareholder
Directors representing major shareholders of the corporation or its parent company may be considered independent, provided that these shareholders do not take part in the control of the company. Nevertheless, beyond a 10% threshold in capital or voting rights, the board, upon a report from the nominations committee, should systematically review the qualification as independent, in the light of the make up of the corporation's capital and the existence of a potential conflict of interest.

The board of directors noted that Philippe Capron's term of office had reached twelve years as of August 2016 but considered that the criterion of more than twelve years of service as member of the supervisory board, who has become a member of the board of directors since December 15, 2020, would not automatically entail the loss of independence of said board member.
Wherefore, the board considers:

- that seniority, even if more than twelve years, may enable a member of the board of directors to strengthen his or her ability to question the executive officers and may be accompanied by a greater degree of independence. It is this capacity that the board is asked to assess on a case-by-case basis in order to determine the independence of its members;
- that it is important for board members to have a good understanding of the Group, with the ability to stand back and make informed judgments about major strategic orientations and to put these into perspective in the light of past decisions and actions;
- that the executive functions currently performed or which have been performed by board members in companies other than Virbac bolster their authority whilst constituting a guarantee of the independence of their judgments.

In addition, the board of directors discussed whether significant ties existed between the members considered to be independent and the company or one of the Group's companies.
The board of directors noted that none of these members had a direct or indirect business relationship with the company, or the Group and, in particular, that none of the aforementioned members was a "customer, supplier, corporate banker or investment banker" of the company or Group and that none of these members had established any particular interest or special relationship with the Group or its officers.

Accordingly, the board of directors declared that three members of the board, apart from the member of the board representing the employees, namely:

- Philippe Capron;
- Olivier Bohuon, permanent representative of OJB Conseil;
- Cyrille Petit, permanent representative of Cyrille Petit Conseil;

meet all the independence criteria of the Afep-Medef Code, with the exception of the criterion of seniority as regards Mr. Capron, but decided not to retain the criterion of more than twelve years of seniority as a criterion which would automatically cause Philippe Capron to lose his independence status and has therefore confirmed the independence of all three of the members mentioned herein above.
As regards the diversity of its composition, the board of directors policy aims to maintain the current level of corporate diversity, particularly with regard to the skills of its members.
Lastly, it should be noted that no member of the board of directors combines his or her mandate with an employment contract within the Virbac group.

Attendance of members of the board of directors

First meeting of the board of directors on December 15, 2020	Board of directors attendance	Audit committee attendance	Appointments and compensation committee attendance
Marie-Hélène Dick-Madelpuech	Present at the meeting	N/A	N/A
Pierre Madelpuech	Present at the meeting	N/A	N/A
Olivier Bohuon, permanent representative of OJB Conseil	Present at the meeting	N/A	N/A
Philippe Capron	Present at the meeting	N/A	N/A
Cyrille Petit, permanent representative of Cyrille Petit Conseil, co-opted by the board on March 19, 2020, ratified by the meeting on June 22, 2020	Present at the meeting	N/A	N/A
Sylvie Gueguen, employee representative	Present at the meeting	N/A	N/A

Changes that occurred within the membership of the board of directors and committees during the 2020 financial year. Situation as of December 31, 2020	Departure	Appointments on December 15, 2020	Reappointment
Board of directors		. Marie-Hélène Dick-Madelpuech, chairwoman; . Pierre Madelpuech, vice-chairman; . Philippe Capron; . Solène Madelpuech; . OJB Conseil represented by Olivier Bohuon, permanent representative; .Cyrille Petit Conseil represented by Cyrille Petit, permanent representative; . Sylvie Gueguen[1].	
Audit committee		. Philippe Capron, chairman; . Pierre Madelpuech; . Cyrille Petit, permanent representative of Cyrille Petit Conseil.	
Appointments and compensation committee		. Marie-Hélène Dick-Madelpuech; . Philippe Capron; . Olivier Bohuon, permanent representative of OJB Conseil.	

[1] Continuation of the mandate previously exercised within the supervisory board

Summary table of criteria applied to each member of the board of directors

Criteria[1]	Marie-Hélène Dick-Madelpuech	Pierre Madelpuech	Solène Madelpuech	Philippe Capron	Olivier Bohuon, permanent representative of OJB Conseil	Cyrille Petit permanent representative of Cyrille Petit Conseil
Criterion 1: employee corporate officer within the past five years	✓	✓	✓	✓	✓	✓
Criterion 2: cross-directorships	✓	✓	✓	✓	✓	✓
Criterion 3: significant business relationships	✓	✓	✓	✓	✓	✓
Criterion 4: family ties	X	X	X	✓	✓	✓
Criterion 5: auditor	✓	✓	✓	✓	✓	✓
Criterion 6: period of office exceeding twelve years	✓	✓	✓	✓[2]	✓	✓
Criterion 7: status of non-executive officer	✓	✓	✓	✓	✓	✓
Criterion 8: status of the major shareholder	X	✓	✓	✓	✓	✓

[1] In this table, "✓" signifies that a criterion for independence is satisfied and "X" signifies that a criterion for independence is not satisfied
[2] See above explanations

Committees of the board of directors

The board of directors is assisted in its work by two committees, an audit Committee and an appointments and compensation committee, which have advisory powers and carry out their activities under the responsibility of the board of directors, which alone has the legal power to make decisions and remains ultimately accountable for the performance of its duties.

The committees may request external technical studies on subjects within their competence, at the company's expense, after informing the chairman of the board of directors or the board of directors and reporting to the board.

Acting within its area of competence, each committee shall issues proposals, recommendations and opinions as appropriate, and report on its tasks to the next meeting of the board of directors.

Audit committee

The audit committee is responsible for:

- controlling the monitoring of the financial reporting process and the review of the annual financial statements;
- controlling the existence and effectiveness of the internal control and risk management systems;
- issuing a recommendation on the statutory auditors proposed for appointment by the shareholders' meeting;
- monitoring the achievement by the statutory auditors of their duties;
- ensuring that the statutory auditors comply with the conditions of independence;
- approving the provision by the statutory auditors of non-prohibited services other than certifying accounts;
- and reporting to the board of directors on the performance of its duties.

On December 15, 2020, the board of directors decided to appoint as member of the audit committee:
- Philippe Capron, chairman;
- Pierre Madelpuech;
- Cyrille Petit permanent representative of Cyrille Petit Conseil.

Compensation and appointment committee
At its meeting on December 15, 2020, the board of directors decided to entrust the compensation committee with new tasks relating to the appointment of members of the board of directors and executive officers. Consequently, this committee is now called the "compensation and appointment committee".

The main tasks of the compensation and appointment committee are the following:
- formulating proposals and examining applicants for the positions of administrators or members of the general management;
- ensuring the implementation of a succession plan for the members of the general management;
- drawing up recommendations and proposals regarding the compensation of the members of the general management;
- remaining informed about the Virbac group's general human resources policy and more specifically, the compensation policy for the Virbac group's main executives;
- reviewing proposals and conditions relating to stock grants;
- drawing up proposals regarding the amounts of directors' fees to be paid to the members of the board of directors.

The board of directors has appointed as members of the compensation and appointment committee:
- Marie-Hélène Dick-Madelpuech, chairwoman;
- Philippe Capron;
- Olivier Bohuon, permanent representative of OJB Conseil.

The non-voting advisor

Xavier Yon Consulting Unipessoal Lda, represented by Xavier Yon, a non-voting advisor, was re-nominated as a non-voting advisor at the shareholders'meeting held on December 15, 2020.

The non-voting advisor shall attend board meetings in an advisory and non-decision-making capacity.
The non-voting advisor is bound by the same confidentiality obligations as a director. He receives all documents and notices communicated to the members of the board of directors.

Xavier Yon permanent representative of the company Xavier Yon Consulting Unipessoal Lda, non-voting advisor

• Age and nationality	80 years, French
• 1st appointment	2014
• Current term ends	2021

Graduate of the Faculté des Sciences de Paris and the Harvard business school, formely president and CEO of Laboratoires Galderma. Since June 2019 he acts as president of the Fondation d'Entreprise Virbac (corporate foundation).
He as been member of the supervisory board, either personally or as a legal representative of the XYC company, from 2004 until the end of 2013.
Since 2014 he is permanent representative of the company XYC, and then of the company Xavier Yon Consulting Unipessoal Lda, acting as non-voting advisor.

GENERAL MANAGEMENT

The general management of the company'is assumed by a chief executive officer who is not a member of the board of directors. His mission is to ensure the strategic and operational management of the Group.
The chief executive officer is assisted by two deputy chief executive officers and is supported by a Group executive committee. The general management reports on its strategic choices and performance to the board of directors.

At its December 15, 2020 meeting, the board of directors appointed:
- Sébastien Huron, chief executive officer;
- Habib Ramdani, deputy chief executive officer;
- Marc Bistuer, deputy chief executive officer – qualified person.

The veterinary pharmaceutical activity carried out by our company is governed by the provisions of the French public health code and, in particular, by article L5142-1 of the French public health code, according to which any company manufacturing, importing, exporting or wholesaling veterinary drugs must be owned by a pharmacist, a veterinarian or a company in whose administration or general management a pharmacist or veterinarian is involved. Pharmacists or veterinarians are called in this context "qualified persons".

In accordance with the provisions set out in article R5142-33 of the French public health code, the qualified person must be, in the context of public limited companies, the chairman of the board of directors who holds the status of general manager, or the chief executive officer or a deputy chief executive officer.

Distribution of responsibilities between the chief executive officer and the deputy chief executive officers

At its meeting of December 15, 2020, the board of directors approved the distribution of functions and responsibilities between the chief executive officer and the deputy chief executive officers as follows:

- Sébastien Huron serves as chief executive officer and in this capacity oversees innovation, the creations and regulatory affairs function, the aquaculture division, communications, and the board office's administration;
- Habib Ramdani is deputy chief executive officer and chief financial officer and is responsible for the Group financial policy. He oversees the finance, corporate sourcing (purchasing), legal, information systems and risk management;
- Marc Bistuer is deputy chief executive officer and Virbac's qualified person. He oversees the Group industrial operations, quality assurance and HSE.

General management personal information

	General management personal information				Position within General management	
	Age	Gender	Nationality	Number of shares	Initial date of appointment	End of term
Sébastien Huron Chief executive officer	50	Male	French	1,469	Date of appointment: December 15, 2020	December 2023
Habib Ramdani Deputy chief executive officer	45	Male	French	200	Date of appointment: December 15, 2020	December 2023
Marc Bistuer Deputy chief executive officer	59	Male	French	6,900	Date of appointment: December 15, 2020	December 2023

Group executive committee

The Group executive committee is composed of seven members:the chief executive officer and the deputy chief executive officers and four other members appointed by the general management. These members work closely together and take decisions on a collegial basis. This manner of co-operation encourages joint reflection and teamwork; Whether for long-term vision or operational needs, exchanges between the members of the Group executive committee are frequent, enabling a high level of responsiveness in decision making. It is made up of two women and five men.

The Group executive committee is composed of the following members:

- Sébastien Huron, chief executive officer;
- Habib Ramdani, deputy chief executive officer;
- Marc Bistuer, deputy chief executive officer;
- Francesca Cortella, head of Group Human Resources;
- Bertrand Havrileck, director of Pharmaceutical and Biological R&D;
- Nathalie Pollet, director, Global Marketing and Business Optimization;
- Hubert Trentesaux, director of Global Commercial Operations.

The France executive committee

The France executive committee is composed of fifteen members: the chief executive officer and one deputy chief executive officer and thirteen other members appointed by general management. This committee is responsible for decision-making, coordination and reporting on all issues affecting the Group's companies in France, and represents a platform from which information is disseminated to the various departments. It is constituted by five women and ten men.

The France executive committee is composed of the following members:

- Sébastien Huron, chief executive office;
- Habib Ramdani, deputy chief executive office;
- the director of Corporate Quality Assurance;
- the director of French Industrial Operations;
- the chairwoman of Virbac France;
- the director of Corporate Communications;

- the director of Group Human Resources;
- the director of Pharmaceutical & Biological R&D;
- the director of Corporate Industrial department;
- the chief information officer;
- the director of Group HSE;
- the director of Global Marketing and Business Optimization;
- the director of the Group Legal department ;
- the director of Corporate Sourcing;
- the director of the Creations and Regulatory Affairs department.

With regard to the policy of gender diversity in management bodies, the board of directors, acting further to a proposal from general management, has established a gender diversity objective for the above-mentioned management bodies according to which 30% of the total number of seats in these two bodies shall be held by women. As this objective is currently exceeded (ratio of 32%), it will be up to general management to ensure that this quota is maintained.

SUMMARY TABLE OF EXCEPTIONS TO THE RECOMMENDATIONS OF THE AFEP-MEDEF CODE

Recommendations of the Afep-Medef Code (The "Code")	Company practices and justifications	Reference
Member of the board of directors qualified as independent (article 9.5.6 to the Code) The loss of independent (director) status occurs on the twelve-year anniversary date	Philippe Capron reached twelve years' seniority in August 2016. The board of directors considers that the length of tenure criterion of more than twelve years for a member of the board does not automatically lead to the loss of independence of said board member. Indeed, the board of directors considers: · that seniority, even of more than twelve years, may enable a member of the board of directors to strengthen his or her ability to question general management and may be accompanied by a greater degree of independence. It is this capacity that the board is asked to assess on a case-by-case basis to determine the independence of its members, it being specified: -that it is important for board members to have a good understanding of the Group, with the ability to stand back and make informed judgments about major strategic orientations and to put them into perspective with decisions and actions taken in the past; · that the leadership functions exercised by members of the board of directors in companies other than Virbac strengthen their authority and constitute a guarantee of the independence of their judgment. Nevertheless, given the presence of two other independent members on the board, which has six members, apart from the director representing the employees, the proportion of independent directors amounts to one-third even without taking into account the presence of Mr. Capron.	pages 103 and 104
Compensation and appointment committee – Committee overseeing compensation chaired by an independent member (article 18.1 of the Code)	The company has deemed it preferable that the compensation committee be chaired by a member of the board of directors who represents the family majority shareholder. It should be noted that because of the division between the board of directors and general management, the committee acts independently of executive officers whose compensation it discusses.	page 107
Non-competition clause (article 24.3 of the Code) The board provides for a stipulation authorizing it to waive the implementation of this agreement upon the departure of the chief executive officer	Given the scope of the non-competition clause, Sébastien Huron's length of service with the company and his profession as a veterinarian, the board agreed not to waive the non-competition clause in the event of the chief executive officer leaving the company before the age of 60.	page 115

SPECIAL PROCEDURES REGARDING SHAREHOLDER PARTICIPATION AT SHAREHOLDERS' MEETINGS

Shareholders' meetings are called and deliberate in the legally required manner. Meetings are either held at the head office or at any other place specified in the meeting notice. Meetings are chaired by the chairwoman of the board of directors. The roles of scrutineers are filled by the two members of the shareholders' meeting with the highest numbers of votes and who accept this position. The meeting's board appoints the secretary, who needs not be a shareholder.

The company reserves the right to modify these terms and conditions for the shareholders' meeting to be held in 2021 as a result of the Covid-19 pandemic, in accordance with the legislative and regulatory provisions made to take account of these exceptional circumstances.

The main powers of the ordinary shareholders' meeting consist of the right to approve or reject the parent statutory accounts and the consolidated accounts, to allocate profits, to decide on the distribution of dividends, to appoint or dismiss the members of the board of directors and to appoint the statutory auditors. The ordinary shareholders' meeting also has the right to vote on the compensation of company officers. Decisions by the ordinary shareholders' meeting are made by a majority of the votes of shareholders present or represented.

The extraordinary shareholders' meeting may make decisions such as amending the articles of association, authorizing financial transactions that may change the share capital, approving or rejecting proposed mergers or spin-offs and granting or refusing shares subscription or purchase options plans or performance-related stock grants. Decisions of the extraordinary shareholders' meeting are made by a two-thirds majority of the votes of the shareholders present or represented.

Irrespective of the number of shares he or she owns, any shareholder is entitled to attend the shareholders' meeting or to be represented there by another shareholder, a spouse, the partner with whom he or she has entered into a civil solidarity pact under French law as well as by any other individual person or legal entity of his or her choice, or alternatively to vote by mail. Legal entity shareholders attend general shareholders' meetings through their legal representatives or any person they appoint for the purposes thereof. In line with the law, the entitlement of shareholders to attend shareholders' meetings in person, by proxy or by mail is subject to the registration of the shares in the name of the shareholder or in the name of the intermediary acting on his behalf, on the second business day prior to the meeting, no later than midnight Paris time, either in the registered share accounts administered for the company by its agent or in the bearer share accounts held by the authorized banking or financial intermediary, acting as security custodian.
The registration of shares in the bearer share accounts held by the authorized intermediary must be confirmed by a certificate issued by the latter, attached to the postal voting or proxy form or admission card request filled out in the name of the shareholder or on behalf of the shareholder represented by the registered intermediary. To be valid, postal voting or proxy forms must have been effectively received at the company's headquarters or the location specified in the meeting notice at the latest three days prior to the date set for the shareholders' meeting, except where a shorter period is specified in the meeting notice.
Each shareholder is entitled to exercise as many votes as the shares they hold or represent without limitation. Nevertheless, a double voting right is granted to all fully paid-up shares that have been registered in the name of the same shareholder for at least two years.

COMPENSATION OF COMPANY OFFICERS

The legal regime governing the compensation of company officers was amended by the Act n°2019-486 of May 22, 2019, known as the "PACTE law", and for its implementation, by Ordinance n°2019-1234 of November 27, 2019 and Decree n°2019-1235 of the same day.

In accordance with article L22-10-8 of the French commercial code, the board of directors, on the recommendation of the compensation and appointment committee, establishes a policy for the compensation of company officers.

The principles and criteria for determining, allocating and granting the fixed, variable and exceptional components of the total compensation and benefits of any kind attributable to directors and officers are presented below.

The board of directors and the compensation and appointment committee take into account and apply the principles recommended by the Afep-Medef Code, *i.e.* comprehensiveness, balance between the elements of compensation, comparability, consistency, understandability of the rules and proportionality. They ensure that the compensation policy is in line with the company's interests, contributes to its sustainability and is consistent with its business strategy.

The shareholders' meeting will be asked to vote on the compensation policy for company officers for their term of office, for the 2021 financial year, as described below, and to approve the compensation components paid or allocated to company officers for the 2020 financial year.

COMPENSATION POLICY FOR EXECUTIVES AND NON-EXECUTIVE OFFICERS

On December 15, 2020, the company adopted an organization that includes a general management and a board of directors.

General principles
In the interests of the company and its shareholders, the board of directors defines a compensation policy that achieves the following objectives:
- attract and retain the best talent, essential to the company's development. The proposed compensation must therefore be competitive, in line with the skills required by the company and in line with market practices;
- define a balanced compensation structure that reflects the executive's level of responsibility;
- promote performance and long-term growth and align the interests of company officers with those of the company and its shareholders. As such, the compensation of company officers is subject to performance conditions;
- take into account the conditions of compensation and employment of Virbac employees;
- take into account the company's social and environmental objectives. The performance criteria include non-financial objectives in the social and environmental fields in order to promote the company's development in an environmentally friendly manner and with a long-term approach.

The compensation policy for company officers is established by the board of directors, on the recommendation of the appointments and compensation committee.

With regard to the members of the board of directors, the shareholders' meeting determines the annual total amount allocated to the members of the board of directors as compensation for their director duties. The board of directors shall then determine the rules for the distribution of this annual aggregate amount among the directors.

With regard to non-executive officers (chairwoman of the board of directors) and executive officers (chief executive officer and deputy chief executive officers), the compensation and appointment committee assesses the compensation policy on an ongoing basis and examines any adjustments to be made to this policy.

In order to prepare the compensation policy for company officers, the appointments and compensation committee conducts an analysis of the applicable governance rules and developments in this area and takes note of the expectations expressed by investors.

The compensation policy for company officers is determined taking into account the compensation and employment conditions of the company's employees. The compensation and appointment committee and the board of directors establish a compensation structure for company officers that is consistent with that applicable to the company's and the Group's main executives.

At the beginning of the year, the compensation and appointment committee reviews the compensation policy for directors, the chairwoman of the board, the chief executive officer and the deputy chief executive officers. It determines the various components of the compensation policy in light of the principles set out above, in particular the fixed and variable components of compensation.

The compensation and appointment committee also assesses the achievement of the various objectives set for the previous year. The variable portion due for fiscal year N is paid, if applicable, during fiscal year N+1 after the shareholders' meeting, subject to a favourable vote by the shareholders.

Long-term compensation, if any, takes the form of performance-related stock grants, for which the appointments and compensation committee proposes ambitious performance criteria. It proposes the number of performance-related stock grants to be allocated to company officers.

On the basis of the work of the compensation and appointment committee, the board of directors:
- defines the compensation policy for company officers for the current financial year;
- evaluates the performance of executive officers and approves the annual variable compensation for the previous financial year;
- approves, where appropriate, the terms of the long-term incentive plans and grants performance-related stocks for the current financial year.

The decision-making process followed for the determination of the compensation policy is also applicable in case of review.

In order to prevent conflicts of interest, the chairwoman of the board of directors, who presides over the compensation and appointment committee, does not take part in the work of this committee or in the vote in the board of directors concerning her own compensation.

Directors are required to disclose to the board any situation of conflict of interest, even potential in nature, in accordance with article 4.4 of the board of directors' internal bylaws, an extract of which is reproduced below.
"Each director must act in all circumstances in the interest of the company, regardless of any other interest.
Each director must ensure not to engage in any activity that would place him or her in a situation of conflict of interest *vis-a-vis* the company.
In a situation where a conflict of interest arises or may arise between the company's interests and his or her direct or indirect personal interest, or that of the shareholder or group of shareholder s/he represents, the director concerned must :
- inform the board of directors as soon as he or she becomes aware of the situation;
- as well, draw the consequences in respect of his/her mandate. As appropriate, s/he must:
  - abstain from participating in the vote of the corresponding deliberation,
  - or, not attend the board meeting in which the member finds him/herself in a conflict of interest situation.

A director who feels that he or she is no longer able to fulfill his or her role on the board must resign."

These rules also apply to the non-voting advisor.

All elements of the compensation policy for company officers will be submitted to a vote at the following meeting of shareholders of Virbac.

Compensation policy for members of the board of directors and the non-voting advisor

Fixed and variable compensation

The meeting of shareholders shall establish the maximum annual amount that may be allocated to the members of the board of directors as well as to the non-voting advisor as compensation for the fulfilment of their respective mandate.

The directors' compensation policy sets out the criteria for the allocation of this amount. The method of distribution of compensation takes into account the actual participation of the directors in the board and in the committees. The compensation of directors includes a variable component.

The following criteria are taken into account to determine the distribution of the maximum annual global amount set by the shareholders' meeting between the directors and the non-voting advisor:
- attendance at formal meetings;
- presence or absence at board committees;
- participation in preparatory meetings for formal meetings.

This policy encourages attendance and effective participation of board members in the board and committee work. Board members' involvement in the company's management activities is not limited to their participation in periodic formal board discussions. The length of board meetings, which last for over half a day, makes it possible to affirm that the current allocation mechanism guarantees the attendance of the board members.

On March 16, 2021, the board of directors decided that the amount of compensation paid to each member of the board of directors could vary according to his or her participation in board meetings (based on four meetings per year) as follows:
- attendance at least 75% of the board meetings will result in 100% compensation;
- attendance at 50% of the board meetings will result in 75% compensation;
- attendance at 25% of the board meetings will result in 50% compensation.

The shareholders' meeting held on June 22, 2020, allocated to the members of the supervisory board and to the non-voting advisor the total sum of €160,000.

A proposal will be made at the meeting of shareholders on June 21, 2021, to vote on the allocation of a total amount of €178,500 to the members of the board of directors and the non-voting advisor for the year 2021. This sum will be distributed by the board of directors between its members and the non-voting advisor according to the criteria described in this section.

Extraordinary compensation

Extraordinary compensation may be granted to certain members of the board of directors for any specific duties entrusted to them by the board of directors. The board of directors determines its amount.

Contract of employment or services concluded with the company

No employment or service contract has been concluded between the company and the members of the board of directors and the non-voting advisor.

Compensation policy for the chairwoman of the board of directors

Compensation of the chairwoman of the board of directors consists of:
- a fixed amount in respect of her directorship, the amount of which is calculated in accordance with the criteria applicable to all directors as presented above;
- a fixed amount for her duties as chairwoman, the amount of which is decided by the board of directors.

No fixed or variable compensation other than that mentioned above is paid by the company to the chairwoman of the board of directors.

In accordance with the recommendations of the Afep-Medef Code, the compensation of the chairwoman of the board of directors consists solely of a fixed salary. The chairwoman of the board of directors does not receive any variable compensation (annual or long-term incentive), nor does she have any retirement or pension benefits, nor does she receive a post-mandate compensation (severance pay or non-competition pay) of any kind.
On September 15, 2020, the board of directors decided to maintain the amount of compensation of its chairwoman at €95,000 (unchanged since 2013).

Compensation policy for company officers

Chief executive officer compensation policy

The compensation policy for the chief executive officer provides for a balanced distribution between the three components of total annual compensation: fixed compensation, variable compensation and long-term compensation.

The board of directors reserves the right, in the event that a new chief executive officer is appointed, to allow him or her to benefit from a severance payment and/or performance-related stock grants to compensate for the loss of the benefits that he or she previously enjoyed, pending approval by the shareholders' meeting of a new compensation policy.

All elements of the chief executive officer's compensation policy will be submitted to the vote at Virbac's next shareholders' meeting.

Employment contract

The chief executive officer does not have an employment contract.

Fixed compensation

The fixed compensation of the chief executive officer reflects the responsibilities, experience and missions entrusted to him.

On March 16, 2021, the board of directors decided to increase the gross annual amount to €383,700 for 2021.

Variable compensation

The chief executive officer has a variable compensation target that represents a percentage of his or her fixed compensation. It takes into account the missions entrusted to him as well as his responsibilities and experience. This variable compensation is consistent with the company's compensation practices.

The board sets out the financial and non-financial criteria for determining the chief executive officer's variable compensation and the targets to be reached. It ensures that the criteria and targets are aligned with Virbac's strategic key issues and annual priorities. It gives precedence to quantitative criteria over qualitative criteria that, when these exist, suggest a limited portion of the variable compensation. Finally, the board of directors is careful to ensure that the criteria are simple and easy to understand.

The amount actually attributable to the chief executive officer in respect of a given financial year will depend on the extent to which the objectives for that year are achieved, as defined by the board of directors, which meets each year in March, following the advice of the appointments and compensation committee. The degree to which each of these objectives can be achieved at 100% is strategic information that cannot be made public for confidentiality reasons.

On March 16, 2021, the board of directors decided to set the variable compensation of the chief executive officer for the 2021 financial year on the basis of a gross target bonus of €203,400 (corresponding to 100% of the objectives achieved).

The actual amount of gross annual variable compensation paid for 2021 will depend on the extent to which quantitative and qualitative targets, including a CSR criterion, are met. This is determined as follows:

Criteria	Weighting (if all objectives are 100% achieved)
Group revenues as budgeted	37.70 %
Ebita before RDL (localized disposable income) as budgeted	42.40 %
Level of debt relief as budgeted	14.10 %
CSR objective	5.70 %

The CSR objective will be determined 50% on the implementation of a policy applicable to the French vehicle fleet favoring hybrid and electric vehicles with a view to reducing CO_2 emissions, and 50% on the implementation of a detailed roadmap aimed at sustaining the improvement in the accident frequency rate of recent years.

The variable compensation allocated for the 2021 financial year will be determined a posteriori by a decision of the board of directors after consultation with the compensation and appointment committee, taking into account the rules below.

The rules for allocation in relation to the percentage of the objective actually achieved are as follows:

- Group revenues: no bonus below 95% of the objective. 100% of the objective bonus, linearity between the two;
- Ebita before RDL: no bonus below 95% of the objective. 100% of the objective bonus, linearity between the two;
- debt relief: no bonus below 100% of the objective;
- CSR objective: no bonus below 100% of the objective.

It is specified that in the event that 85% of the Ebita objective before RDL is not achieved, or in the event of negative net profit - Group share, all of the above bonuses may be cancelled, even if certain objectives are achieved, at the discretion of the board of directors on the recommendation of the compensation and appointment committee.

The board of directors may use its discretionary power to adapt and/or modify the criteria and/or their calculation grid, either upwards or downwards, on the recommendation of the compensation and appointment committee should special circumstances arise. Under no circumstances may these adjustments result in an increase in the ceiling of the annual variable compensation compared to the fixed compensation.

Overall, Sébastien Huron’s variable compensation is capped at 53% of his annual fixed compensation.

In any event, payment of the variable compensation will take place, if applicable, after and subject to approval by the shareholders’ meeting to be held in 2022.

Long-term compensation

In accordance with the authorization of the shareholders’ meeting, certain employees and managers of Virbac and its subsidiaries have received long-term compensation in the form of performance-related stock grants since 2006. The goal of these compensation mechanisms is not only to encourage executives to plan their work for the longer term, but also to bring their interests into line with the company’s corporate interest and the interest of shareholders.

The chief executive officer is eligible for the award of performance-related stock grants.
These awards are contingent on the achievement of a performance target. The performances taken into account are not linked to the performance of other companies or a benchmark sector because there are very few reliable comparisons. The majority of companies with an activity and size similar to that of Virbac are either unlisted or are divisions or spin-offs of large listed pharmaceutical groups.

It should be pointed out that the performance conditions to be met for the acquisition of granted performance-related shares are measured against the internal objectives of consolidated operating profit and the Group’s consolidated net debt as per the close of the second full financial year following the plan’s start date. These elements therefore take into account the Group’s performance over more than two financial years.

If the target is met, all of the shares in question are vested. In the event that it is not met and for certain plans, terms and conditions are provided for allowing the acquisition of a lesser number of shares depending on the percentage of the target achieved.

On March 16, 2021, the board of directors decided to open a new performance-related stock grants plan. Under this new performance-related stock grants plan, a maximum of 950 shares may be granted to Sébastien Huron.

Conditions of the plan:

- beneficiaries: the chief executive officer of Virbac and employees of the Virbac Group;
- retention period: minimum period of two years (except in the case of disability or death) during which the acquired shares must be retained and therefore cannot be sold;
- performance indicator: formula linked to the adjusted consolidated operating profit (Ebita) and the consolidated net debt (net debt) for the financial year ended December 31, 2023. This indicator, equal to [(10 x Ebita) – net debt], will be calculated on the basis of the audited consolidated accounts approved by the board of directors in early 2024. The level given as a target for this indicator as at December 31, 2023, is strategic information that cannot be made public for confidentiality reasons.
  - if 100% of the objective is reached by the end of 2023, the conditions for the acquisition of the shares will be fulfilled, and the shares will be delivered as soon as possible to the beneficiaries;
  - if 95% or less of this objective is achieved by the end of 2023, the acquisition conditions will not be met;
  - between 95% and 100%, 20% of the planned shares will be delivered by reaching 1% above 95% (*i.e.*, as an illustration, 20% of the planned shares for a 96% achievement, 50% of the planned shares for a 97.5% achievement and 100% of the planned shares for a 100% achievement).

The plan may provide for adjustments to the calculation of the indicator based on the exchange rates of the principal currencies.

The terms of the holding period for the chief executive officer are as follows: 35% of the shares acquired by the chief executive officer may not be sold as long as he or she is employed by the Group. This constraint will nevertheless be lifted in the event that the chief executive officer has built up a portfolio of Virbac shares representing three years of annual target compensation (fixed and variable target gross compensation).

Extraordinary compensation
In the event of special circumstances and subject to justification, the board of directors reserves the right to pay extraordinary compensation.

Other benefits
In addition to the various components of compensation, the chief executive officer receives the benefits listed below.

■ **Company vehicle**

The chief executive officer receives a company vehicle, in accordance with the policy defined by the compensation committee.

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

The chief executive officer is covered by the health, maternity, provident and pension insurance schemes available to all the company's executives, under the same conditions of contributions and benefits as those defined for the company's other executives.

■ **Unemployment insurance plan**

The chief executive officerr is covered by a private unemployment insurance plan for company directors (*Garantie sociale des chefs d'entreprise - GSC*), which is based on the 70-for-one-year formula, the amount of annual contributions of which shall not exceed €15,000.

Forced retirement severance pay

The board of directors may decide to grant an indemnity in the event of the termination of the duties of a corporate officer.

The compensation that Sébastien Huron, chief executive officer, could receive is determined on the basis of the following objectives:

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

In addition, the conditions for payment or non-payment of this severance pay are as follows:

- the severance pay may only be paid in the event of a forced departure, initiated by the company, including in the context of a non-renewal of the term of office at its end date, or of a renewal of the term of office under conditions that are less favorable than those applicable before the renewal (with regard to his fixed compensation and the percentage of his target variable compensation and his severance pay in case of forced departure) causing a departure from the company;
- it will not be owed in the event of resignation, full pension retirement, retirement once the age limit for being a chief executive officer is reached or in the event of dismissal for gross negligence.

Non-competition payments

The board of directors may decide to grant compensation in return for the non-competition commitment of the chief executive officer.

Sébastien Huron, chief executive officer, shall not work directly or indirectly for or hold any corporate office or otherwise engage in any activity in any group or company directly or indirectly involved in the research, development, manufacture and/or marketing of animal health products in countries where Virbac has a subsidiary or other interest.

This non-competition obligation applies until the end of a period of eighteen months following the effective cessation of his corporate mandate within the company and shall give rise to the payment of a non-competition indemnity.

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 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.

The company's board of directors reserves the right to waive compliance with this non-competition clause by the chief executive officer upon the termination of his corporate mandate, but this waiver may not be exercised by the board of directors prior to the chief executive officer's sixtieth birthday; too, notice shall be given by registered letter with acknowledgment of receipt or through any other written means to the chief executive officer within a maximum period of three months from the announcement of this resignation in the event of resignation initiated by him, or immediately in the other cases, at the time of the effective termination of the mandate. In the event of renunciation of the non-competition clause under these provisions, no compensation shall be payable. In all other cases, the compensation will be due throughout the eighteen-month period.

The cumulative amount of the non-competition indemnity calculated on the basis of the fixed compensation for 2021 and the forced retirement severance pay (in any event) shall not exceed that amount corresponding to two years' compensation (fixed and variable) of the chief executive officer (on the basis of his 2020 compensation).

Compensation policy for deputy chief executive officers

The compensation policy for deputy chief executive officers provides for a balanced distribution between the three components of total annual compensation: fixed compensation, variable compensation and long-term compensation.

Employment contract

The deputy chief executive officers have an employment contract under which they receive their full compensation. The duties of the deputy chief executive officers under their employment contracts are distinct from their duties as company officers. They do not receive any other compensation for their mandate.

The board of directors reserves the right, in the event that new deputy chief executive officers are appointed, to allow them to benefit from a severance payment and/or exceptional performance-related stock grants to compensate for the loss of the benefits they previously enjoyed, pending the approval by the shareholders' meeting of a new compensation policy.

Fixed compensation

The fixed compensation of the deputy chief executive officers reflects the responsibilities, experience and missions entrusted.

Variable compensation

Each deputy chief executive officer has a target variable compensation that represents a percentage of his or her fixed compensation. This target takes into account the missions entrusted to him or her as well as his or her responsibilities and experience. This variable compensation is consistent with the company's compensation practices.

The board sets out the financial and non-financial criteria for determining the deputy chief executive officers' variable compensation and the targets to be reached. It ensures that the criteria and targets are aligned with Virbac's strategic key issues and annual priorities. It gives precedence to quantitative criteria over qualitative criteria that, when they exist, suggest a limited portion of the variable compensation. Finally, the board of directors is careful to ensure that the criteria are simple and easy to understand.

The amount actually attributable to each deputy chief executive officer in respect of a given financial year will depend on the extent to which the objectives for that year are achieved, as defined by the board of directors, which meets each year in March, further to the advice of the compensation and appointment committee. The degree to which each of these objectives can be achieved at 100% is strategic information that cannot be made public for confidentiality reasons.

Long-term compensation

In accordance with the authorization of the shareholders' meeting, certain employees and managers of Virbac and its subsidiaries have received long-term compensation in the form of performance-related share grants since 2006. The goal of these compensation mechanisms is not only to encourage executives to plan their work for the longer term, but also to bring their interests into line with the company's corporate interest and the interest of shareholders.

Deputy chief executive officers are eligible for the award of performance-related stock grants.

These awards are contingent on the achievement of a given performance target. The performance indicators taken into account are not linked to the performance of other companies, or a benchmark sector, because there are very few reliable comparisons. The majority of companies with an activity similar to that of Virbac are either unlisted, or are divisions, or spin-offs, of larger listed pharmaceutical groups.

It should be pointed out that the performance conditions to be met for the acquisition of performance-related share grants are measured against the internal objectives of consolidated operating profit and the Group's consolidated net debt at the close of the second full financial year following the plan's start date. These elements therefore take into account the Group's performance over more than two financial years.

If a given target is met, all of the shares in question are allocated. In the event that it is not met, and for certain plans, terms and conditions are provided for allowing the acquisition of a smaller number of shares depending on the percentage of the target achieved.

The terms of the holding period for the deputy chief executive officers are as follows: 25% of the shares acquired by the deputy chief executive officers may not be sold as long they are employed by the Group. This constraint will nevertheless be lifted in the event that the deputy chief executive officers have built up a portfolio of Virbac shares representing two years of annual target compensation (gross salary plus target bonus).

Other benefits

In addition to the various components of compensation, deputy chief executive officers receive the benefits listed below.

- **Company vehicle**

Deputy chief executive officers receive a company vehicle in accordance with the policy defined by the compensation and appointment committee.

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

Deputy chief executive officers are covered by the health, maternity, provident and pension insurance schemes available to all the company's executives, under the same conditions of contributions and benefits as those defined for the company's other executives.

■ **Unemployment insurance plan**

Deputy chief executive officers are covered by the unemployment insurance plan for company employees.

■ **Forced retirement severance pay**

The deputy chief executive officers do not receive any extra-legal severance pay, but may be entitled to severance pay under their employment contract (for more information, see employment contract of each deputy chief executive officer).

■ **Non-competition payments**

Deputy chief executive officers are not subject to any non-competition commitments in connection with their office or their employment contract and are therefore not entitled to receive any non-competition indemnity.

Extraordinary compensation

In the event of special circumstances and subject to justification, the board of directors reserves the right to pay out extraordinary compensation.

Compensation policy for Habib Ramdani

Employment contract

The employment contract was concluded for an indefinite period.

The notice period in case of departure (especially in case of dismissal) is three months.

The amount of severance pay is set in accordance with the applicable collective agreement, as follows:

- before five years of presence, the legal indemnities apply;
- between five and ten years of presence: 0.3 months of reference salary per year included in the bracket;
- from eleven years onwards, the indemnity is calculated by cumulative seniority bracket, as follows:
  - for the bracket ranging from eleven to fifteen years of presence: 0.6 months of reference salary per year included in the bracket,
  - for the bracket beyond sixteen years of presence: 1.2 months of reference salary per year included in the bracket.

The reference salary is that defined according to the legal provisions in force.

Fixed and variable compensation

On March 16, 2021, the board of directors decided to set Habib Ramdani's gross annual fixed compensation under his employment contract at €226,440 for the 2021 financial year.

The board of directors has set the amount of Habib Ramdani's gross annual variable compensation for the 2021 financial year at €90,576, based on 100% achievement of the objectives set, *i.e.* 40% of his fixed compensation.

The actual amount of gross annual variable compensation paid for 2021 will depend on the achievement of quantitative targets determined as follows for 2021:

Criteria	Weighting (if all objectives are 100% achieved)
Group revenues as budgeted	40 %
Ebita before RDL as budgeted	45 %
Level of debt relief as budgeted	15 %

The variable compensation actually awarded in respect of the 2021 financial year will depend on the extent to which the objectives are achieved and will be determined a posteriori under a decision of the board of directors following consultation with the compensation and appointment committee, taking into account the rules set out herein below.

The rules for allocation in relation to the percentage of the objective actually achieved are as follows:

- Group revenues: no bonus below 95% of the objective. 100% of the objective bonus, linearity between the two;
- Ebita before RDL: no bonus below 95% of the objective. 100% of the objective bonus, linearity between the two;
- debt relief: no bonus below 100% of the objective.

It is specified that in the event that 85% of the Ebita objective before RDL is not achieved, or in the event of negative net profit - Group share, all of the above bonuses may be cancelled, even if certain objectives are achieved, at the discretion of the board of directors further to the recommendation of the compensation and appointment committee.

The board of directors can use its discretionary power to adapt and/or modify the criteria and/or their calculation grid, either upwards or downwards, on the recommendation of the appointments and compensation committee should special circumstances arise. Under no circumstances may these adjustments result in an increase in the ceiling of the annual variable compensation compared to the fixed compensation.

Overall, Habib Ramdani's variable compensation is capped at 40% of his fixed annual compensation.

In any event, payment of the variable compensation will take place, if applicable, after and subject to approval by the shareholders' meeting to be held in 2022.

Long-term compensation
On March 16, 2021, the board of directors decided to open a new performance-related stock grants plan. Under this new performance-related stock grants plan, a maximum of 475 shares may be granted to Habib Ramdani.

Conditions of the plan:
- beneficiaries: the Virbac group's chief executive officers and employees;
- retention period: minimum period of two years (except in the case of disability or death) during which the acquired shares must be retained and therefore cannot be sold;
- performance indicator: formula linked to the adjusted consolidated operating profit (Ebita) and the consolidated net debt (net debt) for the financial year ended December 31, 2023. This indicator, equal to [(10 x Ebita) – net debt], will be calculated on the basis of the audited consolidated accounts approved by the board of directors in early 2024. The level given as a target for this indicator as at December 31, 2023, is strategic information that cannot be made public for confidentiality reasons;
  - if 100% of the target is reached by the end of 2023, the conditions for the acquisition of the shares will be fulfilled, and the shares will be delivered as soon as possible to the beneficiaries;
  - if 95% or less of this objective is achieved by the end of 2023, the acquisition conditions will be considered to not have been met;
  - between 95% and 100%, 20% of the planned shares will be delivered by reaching 1% above 95% (*i.e.*, as an illustration, 20% of the planned shares for a 96% achievement, 50% of the planned shares for a 97.5% achievement and 100% of the planned shares for a 100% achievement).

The plan may provide for adjustments to the calculation of the indicator based on the exchange rates of the principal currencies.

Other benefits
In addition to the various components of compensation, Habib Ramdani shall receive the benefits listed above on pages 116 and 117.

Compensation policy for Marc Bistuer

Employment contract
The employment contract has been concluded for an indefinite period.

The period of notice in case of departure (especially in case of dismissal) is three months.

The amount of severance pay is set in accordance with the applicable collective agreement, as follows:
- up to five years of presence, legal indemnities apply;
- between five and ten years of presence: 0.3 months of reference salary per year included in the bracket;
- from eleven years onwards, the indemnity is calculated by cumulative seniority bracket, as follows:
  - for the bracket ranging from eleven to fifteen years of presence: 0.6 months of reference salary per year included in the bracket,
  - for the bracket beyond sixteen years of presence: 1.2 months of reference salary per year included in the bracket.

The reference salary is that one defined according to the currently applicable legal provisions in force at the time.

Fixed and variable compensation
On March 16, 2021, the board of directors decided to establish Marc Bistuer's gross annual fixed compensation under his employment contract at €228,522 for the 2021 financial year.

The board of directors set Marc Bistuer's gross annual variable compensation for the 2021 financial year at €68,556, based on 100% achievement of the objectives set, *i.e.* 30% of his fixed compensation.

The actual amount of gross annual variable compensation paid for 2021 will depend on the achievement of quantitative targets determined as follows:

Criteria	Weighting (if all objectives are 100% achieved)
Group revenues as budgeted	32%
Ebita before RDL as budgeted	36%
Level of debt relief as budgeted	12%
Supply chain for companion animal vaccines: production and release of budgeted dose quantities for the year	10%
Backorders/direct orders: average rate provided for in the budget	10%

The variable compensation actually awarded in respect of the 2021 financial year will depend on the extent to which the objectives are achieved and shall be determined a posteriori by decision of the board of directors following consultation with the compensation and appointment committee, in respect of the rules set out below.

The rules for allocation in relation to the percentage of the objective actually achieved are as follows:
- Group revenues: no bonus under 95% of the objective. 100% of the objective bonus, linearity between the two;
- Ebita before RDL: no bonus under 95% of the objective. 100% of the objective bonus, linearity between the two;
- debt relief: no bonus under the budgeted figure;
- vaccine supply chain: no bonus under the budgeted figure;
- backorders/direct orders: no bonus under the budgeted figure.

It is specified that in the event that 85% of the Ebita objective before RDL is not achieved, or in the event of negative net profit - Group share, all of the above bonuses may be cancelled, even if certain objectives are achieved, at the discretion of the board of directors as per the recommendation of the compensation and appointment committee.

The board of directors may use its discretionary power to adapt and/or modify the criteria and/or their calculation grid, either upwards or downwards, further to the recommendation of the compensation and appointment committee should special circumstances arise. Under no circumstances may these adjustments result in an increase to the ceiling of the annual variable compensation as compared to the fixed compensation.

Overall, Marc Bistuer's variable compensation is capped at 30% of his annual fixed compensation.

All elements of the compensation policy for the deputy chief executive officer will be submitted to a vote at Virbac's next shareholders' meeting.

In any and all events, payment of the variable compensation will take place, if applicable, follow, and subject to, approval by the shareholders' meeting to be held in 2022.

Long-term compensation
On March 16, 2021, the board of directors decided to open a new performance-related stock grants plan. Under this new performance-related stock grants plan, a maximum of 300 shares may be granted to Marc Bistuer.

Conditions of the plan:
- beneficiaries: the Virbac Group's chief executive officer and employees;
- retention period: minimum period of two years (except in the case of disability or death) during which the acquired shares must be retained and therefore cannot be sold;
- performance indicator: formula linked to the adjusted consolidated operating profit (Ebita) and the consolidated net debt (net debt) for the financial year ended December 31, 2023. This indicator, equal to [(10 x Ebita) – net debt], will be calculated on the basis of the audited consolidated accounts approved by the board of directors in early 2024. The level given as a target for this indicator as at December 31, 2023, is strategic information that cannot be made public for confidentiality reasons.
  - if 100% of the objective is reached by the end of 2023, the conditions for the acquisition of the shares will be fulfilled, and the shares will be delivered as soon as possible to the beneficiaries;
  - if 95% or less of this objective is achieved by the end of 2023, the acquisition conditions will not be met;
  - between 95% and 100%, 20% of the planned shares will be delivered by reaching 1% above 95% (*i.e.*, as an illustration, 20% of the planned shares for a 96% achievement, 50% of the planned shares for a 97.5% achievement and 100% of the planned shares for a 100% achievement).

The plan may provide for adjustments to the calculation of the indicator based on the exchange rates of the principal currencies.

Other benefits
In addition to the various components of compensation, Marc Bistuer shall receive the benefits listed above on pages 116 and 117.

COMPENSATION OF EXECUTIVES AND NON-EXECUTIVE OFFICERS FOR THE 2020 FINANCIAL YEAR

In December 2020, the company adopted an organization that includes a general management and a board of directors. The compensation components for the 2020 financial year described below were paid or allocated to executives and non-executive officers regardless of the governance structure adopted.

The compensation components paid in the 2020 financial year or awarded in respect of the same financial year to executives and corporate officers will be submitted to a vote at the shareholders' meeting.

Compensation of the members of the board of directors and the non-voting advisor for the 2020 financial year

The shareholders' meeting of June 22, 2020, approved the payment of a total of €160,000 as compensation to the members of the supervisory board, and at the shareholders'meeting of December 15, 2020, it was decided to extend this same policy to the members of the board of directors.

Attendance of supervisory board members in 2020, until December 15, 2020

Meetings until December 15, 2020	Supervisory Board attendance	Audit committee attendance	Compensation committee attendance
Marie-Hélène Dick-Madelpuech	100% present at meetings	N/A	Present at the meeting
Pierre Madelpuech	100% present at meetings	100% present at meetings	N/A
Olivier Bohuon, permanent representative of OJB Conseil	100% present at meetings	N/A	Present at the meeting
Philippe Capron	100% present at meetings	100% present at meetings	Present at the meeting
Cyrille Petit, permanent representative of Cyrille Petit Conseil co-opted by the board on March 19, 2020, ratified by the meeting of June 22, 2020	100% present at meetings after co-option	100% present at the three meetings after co-option	N/A
Sylvie Gueguen, employee representative	100% present at meetings	N/A	N/A

At its meeting on September 15, 2020, the supervisory board, taking into account the high attendance rates of directors at formal meetings, their presence or absence from board committees, and their participation in preparatory meetings, decided to distribute this amount among its members and to compensate the non-voting advisor as follows:

In €	Amounts allocated for the 2020 financial year (paid in 2021)	Amounts allocated for the 2019 financial year (paid in 2020)
	Compensation	Compensation
Marie-Hélène Dick-Madelpuech	22,400 €	16,500 €
Pierre Madelpuech	22,400 €	16,500 €
Solène Madelpuech	22,400 €	22,000 €
Philippe Capron[1]	25,600 €	25,000 €
OJB Conseil, represented by Olivier Bohuon	22,400 €	22,000 €
Cyrille Petit	—	11,000 €
Cyrille Petit Conseil, represented by Cyrille Petit	22,400 €	—
Galix Conseils, represented by Grita Loebsack	—	22,000 €
Non-voting advisor, XYC Unipessoal Lda, company represented by Xavier Yon	22,400 €	22,000 €
Total	**160,000 €**	**157,000 €**

[1] Philippe Capron's compensation takes into account his duties as chairman of the audit committee.

Compensation of the chairwoman of the supervisory board, who became chairwoman of the board of directors on December 15, for the 2020 financial year

In her capacity as chairwoman of the board of directors and previously as chairwoman of the supervisory board, Marie-Hélène Dick-Madelpuech is eligible for specific compensation and has been awarded the sum total amount of €95,000 for the 2020 financial year, according to the deliberations of the supervisory board on September 15, 2020, in accordance with the compensation policy voted upon by the shareholders' meeting of June 22, 2020. This amount has remained unchanged since 2013.

The table below summarizes the total compensation paid or allocated to Marie-Hélène Dick-Madelpuech for the 2020 financial year.

In €	Amounts allocated for the 2020 financial year (paid in 2021)	Amounts allocated for the 2019 financial year (paid in 2020)
Marie-Hélène Dick-Madelpuech	95,000 €	95,000 €
Total	**95,000 €**	**95,000 €**

Compensation of the chief executive officer and deputy chief executive officers for the 2020 financial year

The shareholders' meeting held on June 22, 2020, approved the compensation policy applicable to members of the executive board, and the meeting held on December 15, 2020 decided to extend this same policy to the chief executive officer and the deputy chief executive officers.

In accordance with Afep-Medef recommendations, a summary of all compensations granted to company officers is presented below. The following tables present the details for each of the company officers.

Summary of the gross amounts due or allocated for the 2020 financial year

In €	Compensation due or allocated for 2020	Value of stock options granted in 2020	Value of performance-related stock grants allocated in 2020	Total compensation
Sébastien Huron [1]	579,838	—	—	**579,838**
Christian Karst	497,136	—	—	**497,136**
Habib Ramdani	311,097	—	—	**311,097**
Total	**1,388,071**	**—**	**—**	**1,388,071**

[1] Overpayment of 10 k€, recovered from the amounts paid in 2021.

Summary of gross amounts due or allocated for 2019

in €	Compensation due or allocated for 2019	Value of stock options granted in en 2019	Value of performance-related stock grants allocated in 2019[1]	Total compensation
Sébastien Huron	555,361	—	—	**555,361**
Christian Karst	479,184	—	672,800	**1,151,984**
Habib Ramdani	298,770	—	—	**298,770**
Jean-Pierre Dick	16,460	—	—	**16,460**
Total	**1,349,775**	**—**	**672,800**	**2,022,575**

[1] Based on the method used for the consolidated accounts.

Gross compensation of Sébastien Huron, chief executive officer (former chairman of the executive board until December 15, 2020)

In €	2020 financial year		2019 financial year	
	Amounts due for the financial year	Amounts paid during the financial year	Amounts due for the financial year	Amounts paid during the financial year
Fixed compensation	331,200	341,200	325,000	325,000
Variable compensation	188,100	180,000	180,000	166,250
Extraordinary compensation	—	—	—	—
Directors' fees [1]	45,000	45,000	35,000	35,000
Benefits in kind	15,538	15,538	15,361	15,361
Total	**579,838**	**581,738**	**555,361**	**541,611**

[1] Paid by a Group subsidiary

Compensation components owed or awarded for 2020

Nature	Amounts or valuation to be voted on	Presentation
Fixed compensation	331,200	On March 5, 2020, the supervisory board, further to the recommendation of the compensation committee, decided to maintain the annual fixed compensation at €331,200.
Annual variable compensation	188,100	At its meeting on March 16, 2021, the board of directors determined the variable compensation components for 2020. It amounts to 50.0% of the fixed compensation, including directors' fees. For more information, refer to pages 113 to 117 of the financial report.
Multi-annual variable compensation	NA	No deferred variable compensation.
Extraordinary compensation	NA	No extraordinary compensation.
Stock options, performance-related stock grants or any other long-term compensation components	NA	No allocation of performance-related stock grants for the 2020 financial year. For more information, refer to page 128 of the financial report.
Directors' fees	35,000	Directors' fees received with respect to terms held in the Group's subsidiary companies in 2020.
Valuation of benefits in kind	15,538	Company vehicle and CSM contribution.

Compensation components owed or awarded for the financial year ended that are or were voted on at the shareholders' meeting under the procedure for regulated agreements and commitments

Nature	Amounts voted on	Presentation
Severance pay	No payment	For more information, refer to page 115 of the financial report.
Non-competition payment	No payment	For more information, refer to page 115 of the financial report.
Supplementary pension plan	NA	For more information, refer to page 125 of the financial report.

Fixed compensation

Sébastien Huron, current chief executive officer and former chairman of the executive board, received, during the 2020 financial year, a gross annual fixed compensation in the amount of €391,738 (including benefits in kind). As chairman of the executive board, he had received for the 2019 financial year a fixed annual compensation in the amount of €375,361.

Evaluation criteria for the variable portion

The maximum variable portion of Sébastien Huron's compensation represents a percentage of his fixed compensation (including any compensation paid by Group subsidiaries), and its amount is calculated for the 2020 financial year with regard to the following criteria:

Criteria	Weighting	Level of achievement of the objective set
Group revenue	40	100%
Adjusted Ebitda	45	100%
Debt relief	15	100%

Consequently, for the 2020 financial year, Sébastien Huron's variable compensation amounts to €188,100, *i.e.* 50% of his fixed compensation.

The payment of variable compensation is subject to the approval of compensation components at the next ordinary shareholders' meeting in accordance with article L225-100 of the French commercial code.

Unemployment insurance plan

The chief executive officer is covered by the private GSC (*Garantie Sociale des Chefs d'Entreprise* [Unemployment Insurance for company 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 chief executive officer. The amount of annual contributions for 2020 amounts to €12,958.

Forced retirement severance pay

The compensation that Sébastien Huron, chief executive officer, could receive is determined on the basis of the following objectives:

- insofar as the Group's operating profit from ordinary activities to net revenue ratio is lower than an average of 4% over the last four closed financial half-years (for example: for a departure in May in year N: the period used to calculate the ratio is from January 1 of year N-2 to December 31 of year N-1), no compensation will be due.

- insofar as the ratio of operating profit from ordinary activities to the Group's net revenue is greater than or equal to 4% on average over the last four closed accounting half-years (for example: for a departure in May in year N: the period taken into account to calculate the ratio is from January 1 of year N-2 to December 31 of year N-1), the compensation due will be €550,000; however, to the extent that the ratio of operating profit from ordinary activities to the Group's net revenue is greater than or equal to an average of 7% over the last two closed accounting half-years (for example: for a departure in August in year N: the period taken into account to calculate the ratio is July 1 of year N-1 to June 30 of year N), the compensation will be increased to €700,000.

In addition, the conditions for payment or non-payment of this severance pay are as follows:
- severance pay may only be paid in the event of a forced departure, initiated by the company, including in the context of a non-renewal of a term of office at the end date thereof, or, for a renewal of the term of office under conditions that are less favorable than those applicable prior to the renewal (with regard to his-her fixed compensation and the percentage of the target variable compensation and his or her severance pay in case of forced departure) causing a departure from the company;
- such shall not be owed in the event of resignation, full pension retirement, retirement once the age limit for being a chief executive officer is reached, or in the event of dismissal for gross negligence.

The chief executive officer did not receive any forced severance payments for the 2020 financial year.

Non-competition payments

The chief executive officer shall not work directly or indirectly for or hold any corporate office or otherwise exercise any activity in any group or company directly or indirectly engaging in research, development, manufacturing and/ or marketing of animal health products in countries where Virbac is a subsidiary owner or stakeholder or holds some other share, or participation.

This non-competition obligation shall apply until the end of a period of eighteen months after the effective cessation of the given person's corporate mandate within the company and shall result in the allocation of a non-competition payment.

The company's board of directors reserves the right to waive compliance with this non-competition clause for the chief executive officer upon the termination of his corporate mandate, however, this waiver may not be exercised by the board of directors before the chief executive officer's sixtieth birthday, and notice for this effect shall be given by registered letter with acknowledgment of receipt or through any other written means to the chief executive officer within a maximum period of three months from the announcement of this resignation in the event of resignation initiated by him, or immediately in the other cases, at the time of the effective termination of the mandate. In the event of renunciation of the non-competition clause under these provisions, no compensation shall be payable. In all other cases, the compensation will be due throughout the eighteen-month period.

In consideration of the non-competition obligation, Sébastien Huron will receive, each month, throughout the entire period in which there is a ban on competitive activity, payment in the 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 said 18-month period, to a maximum gross amount of €500,000.

The chief executive officer did not receive any non-competition compensation for the 2020 financial year.

Gross compensation of Christian Karst, former member of the executive board and general manager until December 15, 2020 – no mandate as of that date

	2020 financial year		2019 financial year	
in €	Amounts due for the financial year	Amounts paid during the financial year	Amounts due for the financial year	Amounts paid during the financial year
Fixed compensation	285,000	285,000	273,000	273,000
Variable compensation	165,000	159,000	159,000	147,250
Extraordinary compensation	—	—	—	—
Directors' fees[1]	45,000	45,000	45,000	45,000
Benefits in kind	2,136	2,136	2,184	2,184
Total	**497,136**	**491,136**	**479,184**	**467,434**

[1] Paid by a Group subsidiary

Compensation components owed or awarded for 2020

Nature	Amounts or valuation to be voted on	Presentation
Fixed compensation	285,000	On March 5, 2020, the supervisory board, on the recommendation of the compensation committee, decided to increase the annual fixed compensation to €285,000, representing an increase of 4.40%.
Annual variable compensation	165,000	At its meeting on March 16, 2021, the board of directors determined the variable compensation components for 2020. It amounts to 50.0% of the fixed compensation, including directors' fees.
Multi-annual variable compensation	NA	No deferred variable compensation
Extraordinary compensation	NA	No extraordinary compensation.
Stock options, performance-related stock grants or any other long-term compensation components	312,000	1,600 performance-related shares were granted to Christian Karst for the 2020 financial year. For more information, refer to page 128 of the financial report.
Directors' fees	45,000	Directors' fees received with respect to terms held in the Group's subsidiary companies in 2020.
Valuation of benefits in kind	2,136	Company vehicle.

Compensation components owed or awarded for the financial year ended that are or were voted on at the shareholders' meeting under the procedure for regulated agreements and commitments

Nature	Amounts voted on	Presentation
Severance pay	No payment	For more information, refer to page 115 of the financial report.
Non-competition payment	NA	No non-competition payment.
Supplementary pension plan	No payment	For more information, refer to information below in this page.

Fixed compensation

Christian Karst, member of the executive board and general manager until December 15, 2020, received a fixed annual compensation of €332,136 in the 2020 financial year. As a reminder, during the 2019 financial year, the general manager received a fixed annual compensation of €320,184.

Evaluation criteria for the variable portion

The maximum variable portion of Christian Karst's compensation represents, as a percentage of his compensation, 50% of his fixed compensation (including any component of compensation paid by Group subsidiaries), and his amount is calculated for the 2020 financial year in respect of the following criteria:

Criteria	Weighting	Level of achievement of the objective set
Group revenue	40	100%
Adjusted Ebit before RDL	45	100%
Debt relief	15	100%

Consequently, for the 2020 financial year, Christian Karst's variable compensation amounts to €165,000.

The payment of variable compensation is subject to the approval of compensation components at the next ordinary shareholders' meeting in accordance with article L225-100 of the French commercial code.

Supplementary pension plan

At its meeting on March 12, 2019, the supervisory board elected to terminate the defined benefit pension plan benefiting members of the executive board effective December 31, 2019. In order not to penalize members of the executive board approaching retirement, the supervisory board decided that potential beneficiaries who had reached the age of 50 by the date of closure of the plan, *i.e.* December 31, 2019, would continue to be entitled to benefits on an adjusted basis. To that end and within this framework, rights amounting to 10.5% of the reference salary of a beneficiary retiring at age 65 would remain effective for their sole benefit after termination of the plan, provided they meet the conditions set out in the internal bylaws in effect prior to that point.
Christian Karst, who already met certain conditions under this plan when it concluded (including that he had reached the age of 60 and met the company seniority conditions and was a member of the executive board), shall continue to enjoy the rights maintained at the time of the closing of the plan, with no modifying increase to these rights in connection with his duties during the 2020 financial year. Christian Karst, who is no longer a company officer and who has announced his intention to retire in 2021, will be able to liquidate his rights at that time and shall benefit from a pension under said plan at that time.

Gross compensation of Habib Ramdani, Deputy chief executive officer (former member of the executive board until December 15, 2020)

en €	2020 financial year		2019 financial year	
	Amounts due for the financial year	Amounts paid during the financial year	Amounts due for the financial year	Amounts paid during the financial year
Fixed compensation	222,000	222,000	213,000	213,000
Variable compensation	88,800	85,200	85,200	77,140
Extraordinary compensation	—	—	—	—
Directors' fees	—	—	—	—
Benefits in kind	297	297	570	570
Total	**311,097**	**307,497**	**298,770**	**290,710**

Compensation components owed or awarded for 2020

Nature	Amounts or valuation to be voted on	Presentation
Fixed compensation	222,000	On March 5, 2020, the supervisory board, on the recommendation of the compensation committee, decided to increase the annual fixed compensation to €222,000, representing an increase of 4.2%.
Annual variable compensation	88,800	At its March 16, 2021 meeting, the board of directors determined the variable compensation components for 2020. This amounts to 40.0% of his fixed compensation. For more information, refer to pages 117 - 119 of the financial report.
Multi-annual variable compensation	NA	No deferred variable compensation.
Extraordinary compensation	NA	No extraordinary compensation.
Stock options, performance-related stock grants or any other long-term compensation components	NA	No allocation of performance-related stock grants for the 2020 financial year. For more information, refer to page 128 of the financial report.
Directors' fees	NA	No directors' fees were received.
Valuation of benefits in kind	297	Company vehicle.

Compensation components owed or awarded for the financial year ended that are or were voted on at the shareholders' meeting under the procedure for regulated agreements and commitments

Nature	Amounts voted on	Presentation
Severance pay	NA	No severance pay (see page 117).
Non-competition payment	NA	No non-competition payment (see page 117).
Supplementary pension plan	NA	For more information, refer to page 125 of the financial report.

Fixed compensation

During the 2020 financial year, Habib Ramdani received a fixed annual compensation of €222,297 under his employment contract. As a reminder, Habib Ramdani received, during the 2019 financial year, a fixed annual compensation of €213,570.

Evaluation criteria for the variable portion

For the 2020 financial year, the maximum variable portion of Halib Ramdani's compensation represents, as a percentage thereof, 40% of his fixed compensation (including any element of compensation paid to Group subsidiaries), and his respective amount is calculated as per the following criteria:

Criteria	Weighting	Level of achievement of the objective set
Group revenue	40	100%
Adjusted Ebitda	45	100%
Debt relief	15	100%

Consequently, for the 2020 financial year, Habib Ramdani's variable compensation amounts to €88,800.

The payment of variable compensation is subject to the approval of compensation components at the next ordinary shareholders' meeting held in accordance with article L225-100 of the French commercial code.

Conditions for termination of the employment contract
see page 117.

Gross compensation of Marc Bistuer, deputy chief executive officer as of December 15, 2020

Fixed compensation
After his appointment as deputy chief executive officer Marc Bistuer continued to receive compensation as an employee, subject to no changes through December 31, 2020, *i.e.* compensation in the amount of €280,259 as provided for in his respective employment contract (including €795 for the concept of benefits in kind).
For the year 2020, his variable compensation conditions also remained unchanged *vis-a-vis* his initial employment contract.

Conditions for termination of the employment contract
See page 118.

Shares subscription or purchase options
The company has no shares subscription or stock purchase plan in effect at this time..

Performance-related stock grants

Allocated performance-related stock grants

It should be noted that:
- in the last five financial years, performance-related stock grants were allocated in 2016, 2018, 2019 and 2020;
- over the course of the 2020 financial year, 50% of the 2016 plan's performance-related stock grants were distributed.

The acquisition of shares resulting from the performance-related stock grants plan implemented in 2016 was postponed to the end of the 2019 financial year. In 2019, the executive board decided that, in view of the financial forecasts for the new horizon, achievement of the performance indicator would entitle plan beneficiaries to only 50% of the shares allocated.

Performance-related stock grants allocated to corporate officers
The table below, based on a five-year history (2016 to 2020), shows the three plans in effect as of January 1st, 2020, as well as the 2020 plan set up as of July 1, 2020.

2016 plan

	Number of shares allocated		Valuation of shares[1]	Acquisition date[2]	Availability date
Sébastien Huron	1,000	€	185,050	2020	2022
Christian Karst	1,000	€	185,050	2020	2022
Habib Ramdani	400	€	74,020	2020	2022
Total	**2,400**	**€**	**444,120**		

[1] Based on the method used for the consolidated accounts.
[2] Following the one-year postponement. Acquisition of 50% only, taking into account the level of performance achieved.

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.

2018 plan

	Number of shares allocated		Valuation of shares[1]	Acquisition date[2]	Availability date[3]
Sébastien Huron	1,600	€	190,720	2022	2024
Christian Karst	1,200	€	143,040	2022	2024
Habib Ramdani	1,000	€	119,200	2022	2024
Total	**3,800**	**€**	**452,960**		

[1] Based on the method used for the consolidated accounts.
[2] Possibility of acquiring 50% in 2021.
[3] The retention period is two years, which involves an availability date in 2024 (or 2023 for shares potentially acquired in 2021).

2019 plan

	Number of shares allocated		Valuation of shares[1]	Acquisition date	Availability date
Christian Karst	4,000	€	672,800	2021	2023
Total	**4,000**	**€**	**672,800**		

[1] Based on the method used for the consolidated accounts.

2020 plan

	Number of shares allocated	Valuation of shares[1]	Acquisition date	Availability date
Christian Karst	1,600	€312,000	2021	2023
Total	**1,600**	**€312,000**		

[1] Based on the method used for the consolidated accounts.

On June 20, 2018, the meeting of shareholders adopted a resolution according to which a new 38-month period would be extended, the possibility of the allocation of company performance-related share grants, in compliance with the provisions of article L225-197-1 *et seq.* of the French commercial code.
This resolution allows for performance-related stock grants to be awarded to managers or employees of comparable rank, or certain categories thereof, as well as to those company officers that are referred to in article L225-197-1 of the French commercial code, both for Virbac as well as for the companies that are either, directly or indirectly associated with it according to article L225-197-2 of the French commercial code.
The total number of performance-related shares awarded/granted may not represent more than 1.0% of Virbac's total capital. It should also be observed out that the number of performance-related shares grants awarded to the company officers during the term of the authorization may not exceed 0.5% of total capital as of the day of the award. The allocation is made with no dilution, the company essentially purchasing the number of required shares on the market.

Similar to the prior authorization, the bonus performance-related stock grants will only be definitive at the end of a vesting period of at least two years, with the shares thus held which must be retained for at least two years from the end of the vesting period. The board of directors will determine the identity of the beneficiaries as well as the terms and grant criteria for the shares that will be linked to the improvement in the Group's performance levels.
The company officers have undertaken not to resort to hedging transactions for their risk on performance-related stock grants until the end of the share lock-in period set by the supervisory board.

The chief executive officer and the deputy chief executive officers have also agreed to retain 35% of the performance-related shares granted to the chief executive officer and 25% of the performance-related shares granted to the deputy chief executive officers, as long as they remain active in the Group. This retention commitment shall no longer apply should they build up a portfolio of Virbac shares representing two years of annual target compensation (gross fixed compensation + gross variable compensation), with the exception of the chief executive officer for whom this amount has been set at three years' annual target compensation.

A new resolution will be proposed at the next shareholders' meeting to renew the authorization for a further period of three years under the same conditions.

Multi-year variable compensation

The chief executive officer and the deputy chief executive officers do not receive any multi-year variable compensation.

The components constituting compensation as well as benefits of any kind paid out during the 2020 financial year or which are awarded for that same financial year, to the The chief executive officer and the deputy chief executive officers will be submitted for a vote at a meeting of shareholders.

Compensation ratios and annual evolution of Virbac's compensation and performance ratios

Changes in the compensation of the members of the executive board (€)	2016	2017	2018	2019	2020
Marie-Hélène Dick					
Chairwoman of the board of directors					
Total compensation due or awarded for the year	€116,000	€116,000	€116,000	€111,500	€117,400
Evolution/N-1	—%	—%	—%	-4%	5%
Ratio of compensation over average earnings	2.3	2.3	2.2	2.0	2.0
Evolution/N-1	0	0 point	0 point	0 point	0 point
Ratio of compensation over median earnings	2.8	2.8	2.6	2.4	2.5
Evolution/N-1	0	0 point	0 point	0 point	0 point
Sébastien Huron					
Chief executive officer[1]					
Total compensation due or awarded for the year	€481,526	€316,155	€586,352	€555,361	€579,838
Evolution/N-1	—%	-34%	86%	-5%	4%
Ratio of compensation over average earnings	9.5	6.3	10.9	9.9	10.0
Evolution/N-1	0	-3 points	5 points	-1point	0 point
Ratio of compensation over median earnings	11.4	7.6	13.2	12.1	12.1
Evolution/N-1	0	-4 points	6 points	-1point	0 point
Habib Ramdani					
Deputy chief executive officer[1 2]					
Total compensation due or awarded for the year	€292,052	€242,588	€330,701	€298,770	€311,097
Evolution/N-1	—%	-17%	36%	-10%	4%
Ratio of compensation over average earnings	5.7	4.8	6.1	5.3	5.4
Evolution/N-1	0	-1point	1 point	-1 point	0 point
Ratio of compensation over median earnings	6.9	5.8	7.5	6.5	6.5
Evolution/N-1	0	-1point	2 points	-1point	0 point
Christian Karst					
General manager[3]					
Total compensation due or awarded for the year	€502,961	€370,032	€475,247	€1,151,984	€809,136
Evolution/N-1	—%	-26%	28%	142%	-30%
Ratio of compensation over average earnings	9.9	7.4	8.8	20.5	14.0
Evolution/N-1	0	-3 points	1 point	12 points	-7points
Ratio of compensation over median earnings	11.9	8.9	10.7	25.1	13.0
Evolution/N-1	0	-3 points	2 points	14 points	-12 points
Total compensation due or awarded to the members of the executive board	**€1,392,539**	**€1,044,775**	**€1,508,300**	**€2,117,615**	**€1,817,471**
Evolution/N-1	—%	-25%	44%	40%	-14%

[1] Since December 15, 2020.
[2] Joined the executive board in June 23, 2016. The compensation for 2016 was calculated on a full-year basis.
[3] Until December 15, 2020.
[4] This amount includes the value of the performance shares awarded under the 2016, 2018 and 2019 plans.

Virbac average earnings (€)	2016	2017	2018	2019	2020
	€50,820	**€50,331**	**€53,876**	**€56,107**	**€57,813**
Evolution/N-1	—%	-1%	7%	4%	3%
Average ratio[5]	**27**	**21**	**28**	**38**	**31**
Evolution/N-1	0	-6points	7 points	10 points	-7 points

[5] Compensation of the executive board members/Virbac average earnings

Virbac median earnings (€)	2016	2017	2018	2019	2020
	€42,133	**€41,507**	**€44,287**	**€45,925**	**€47,859**
Evolution/N-1	—%	-2%	7%	4%	4%
Median ratio[6]	**33**	**25**	**34**	**46**	**38**
Evolution/N-1	0	-8 points	9 points	12 points	-8 points

[6] Compensation of the executive board members / Virbac median earnings

Current operating profit before depreciation of assets arising from acquisitions (k€)	2016	2017	2018	2019	2020
	€82,860	**€80,341**	**€88,076**	**€122,447**	**€128,875**
Evolution/N-1	—%	-3%	10%	39%	5%
Net result (k€)	**€37,867**	**€1,759**	**€20,985**	**€54,422**	**€141,769**
Evolution/N-1	—%	-95%	1093%	159%	160%

Under article L225-37-3 of the French commercial code, for the calculation of average remuneration, the scope used is that of the Virbac company whose reference staff amounted to 1,193 employees in 2020, including 606 executives.
This scope is representative of Virbac's various lines of business. For the sake of comparison, and in accordance with Afep's recommendations, the staff used to calculate average remuneration corresponds to a twelve-month permanent full-time equivalent staff, excluding executive officers.
Compensation is calculated using all amounts paid or awarded in the financial year in question.

Contracts, plans and compensation

Corporate managing officers	Employment contract	Supplementary pension plan if conditions fulfilled[1]	Compensation or other benefits due or likely to be due following the term or due to change unfunction	Compensation due to a non-competition clause
Sébastien Huron				
Position : chairman of the executive board until December 15, 2020, chief executive officer since December 15, 2020 Term start date of chaiman's mandate: December 2017 Term end date of chief executive officer's mandate: December 2023	No	No	Yes	Yes
Christian Karst				
Position : member of the executive board and general manager until December 15, 2020 Term start date : December 2014 Term end date : December 15, 2020	Yes	Yes	N/A²	No
Habib Ramdani				
Position : member of the executive board until December 15, 2020 Term start date of member of the executive board's mandate: June 2016 Term end date of deputy chief executive officer's mandate: December 2023	Yes	No	No	No
Marc Bistuer				
Position : member of the executive board Term start date of member of the executive board's mandate : December 15, 2020 Term end date of member of the executive board's mandate : December 2023	Yes	No	No	No

[1] The supervisory board of March 12, 2019 decided to end the defined benefit pension plan for members of the executive board with effect from December 31, 2019.
[2] Christian Karst benefited, in the event of non-voluntary departure from his general manager duties, from a severance pay.

TRADING IN COMPANY SHARES

Pursuant to the provisions of articles L621-18-2 of the French monetary and financial code and 223-26 of the general regulations of the *AMF*, we hereby present a summary of the transactions carried out during the past financial year by managers and related parties in respect of which the Group was notified.

By managers and related parties

	Number of shares	Cumulated amount of transactions
Purchases	**0**	**€—**
Sales	**0**	**€—**

By members of the board of directors and related parties

	Number of shares	Cumulated amount of transactions
Cyrille Petit Conseil	250	€53,691
Purchases	**250**	**€53,691**
Sales	**0**	**€0**

SHARE CAPITAL STRUCTURE

As of December 31, 2020

	Shares	Voting rights	Capital	Voting rights
Dick family group	4,201,916	8,402,087	49.68%	65.54%
Company savings plan	51,311	102,622	0.61%	0.80%
Public	4,183,469	4,315,970	49.46%	33.66%
Treasury shares	21,304	—	0.25%	—
Total	**8,458,000**	**12,820,679**	**100.00%**	**100.00%**

As of December 31, 2019

	Shares	Voting rights	Capital	Voting rights
Dick family group	4,201,916	8,402,087	49.68%	63.35%
Company savings plan	53,644	107,288	0.63%	0.81%
Public	4,176,262	4,754,195	49.38%	35.84%
Treasury shares	26,178	—	0.31%	—
Total	**8,458,000**	**13,263,570**	**100.00%**	**100.00%**

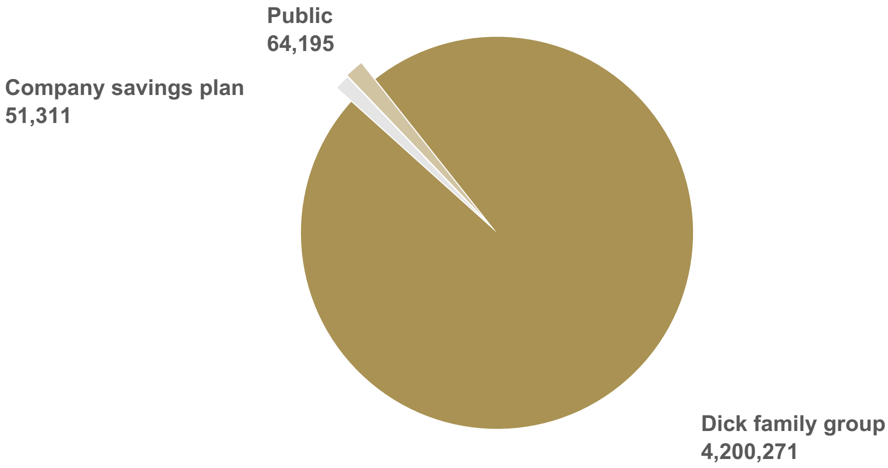
Delegation granted by the shareholders' meeting concerning capital increases

There is no delegation of authority granted by the shareholders' meeting in the area of capital increases; the company did not experience any capital increase.

Information likely to have an impact in the event of a public offering

Pursuant to article L225-100-3 of the French commercial code, it should be noted that certain shares have special control rights.
Treasury shares (26,178 shares) carry no voting rights.

A double voting right is granted to all shareholders holding their registered shares for at least two years. The following shares carry double voting rights:



Thresholds crossed

As of April 23, 2020, the company La Financière de l'Echiquier crossed the 2% of Virbac capital threshold upwards. As of that date, it owned 171,154 shares, or 1.004% of the total number of shares and 1.316% of the voting rights.

As of November 3, 2020, the company Highclere International crossed the 1% of Virbac capital threshold upwards. As of that date, it owned 84,892 shares, or 2.024% of the total number of shares.

STOCK MARKET DATA

in €	2016	2017	2018	2019	2020
Highest share price	€223.80	€177.30	€150.80	€250.00	€244.00
Lowest share price	€127.00	€102.10	€103.00	€112.20	132,20
Average share price	€162.29	€141.43	€126.18	€169.82	198,68
Closing share price	€167.20	€123.50	€113.80	€236.50	238,00

Shareholder structure and stock market performance

Virbac provides clear, consistent and transparent information to its individual and institutional shareholders and their advisors (financial analysts).
This information is relayed by means of financial announcements published in the French media, press releases published on financial websites and the *AMF* website, and publication of Group quarterly revenue figures and interim results as required by law.

Employee holdings in share capital

Pursuant to article L225-102 of the French commercial code, the employees of the company and companies associated with them owned 87,588 Virbac shares, representing a share capital of 1.04%, which were held through an employee savings plan and registered performance-related stock grants as of December 31, 2020.

Relations with individual investors

The corporate.virbac.com website has a financial information section that is regularly updated. It allows Group financial information to be obtained and downloaded: press releases, annual and interim financial statements and annual reports. Internet users may also email questions pertaining to Group financial matters to finances@virbac.com.
Since 2007, in accordance with the obligations of the transparency directive and the general regulation of the *AMF*, the Investors part contains all of the information required by the directive.

Relations with institutional investors

The managers are widely involved in communicating with the investors and analysts they meet over the course of the year, primarily in the Paris and London markets.

Analyst meetings and conference calls are arranged to coincide with the publication of results, acquisitions or other major events for the Group.

The Financial Affairs department is available to answer any questions investors and analysts may have regarding the Group's strategy, products, published results or major events.

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 animal 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 n°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 installments on generic products that have not yet been granted a Marketing authorization (MA) are recognized as an asset.

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

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

Intangible assets with indefinite useful lives are reviewed annually, to ensure that their useful life has not become finite.
During the useful life of an intangible asset, it may seem that the estimation of its useful life has become inadequate. As required by IAS 38, the duration and method of depreciation of this asset are re-examined and if the expected useful life of the asset is different from previous estimations, the depreciation period is consequently modified.
In accordance with 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 to 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 U.S. 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 Leishmaniosis vaccine CGU, 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 less than 1 year	from 1 to 5 years	more than 5 years	Total
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
Internal margin on inventories	9,301
Retirement and end of career severance commitments	5,477
Sales adjustments (IFRS 15)	722
Inventory adjustments (IAS 2)	855
Other non-deductible provisions	4,429
Other charges with deferred deduction	6,733
Tax loss carryforwards	
Total by nature	**27,518**
Impact of compensation by fiscal entity	-13,761
Deferred net tax assets	**13,757**

in € thousand	Deferred tax liabilities
Adjustments on intangible assets	27,563
Adjustments on tangible assets	6,239
Adjustments on fiscal provisions	7,739
Activation of expenses linked to acquisitions	815
Other income taxed in advance	1,742
Total by nature	**44,098**
Impact of compensation by fiscal entity	-13,761
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 for resale" 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 fifteen 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			Total
	less than 1 year	from 1 to 5 years	more than 5 years	
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 financing activities

in € thousand	2019	Cash flows	Non-cash flows				2020
		Repayments	Increase	Decrease	Transfers	Conversion gains and losses	
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 US $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 US $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

in € thousand	Payments			Total
	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			Total
	less than 1 year	from 1 to 5 years	more than 5 years	
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 financing 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 recognized 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 U.S. rights of the Sentinel® trademarks in the United States has been reclassified as other non-current profits. The result 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

	2020		2019	
in € thousand	Base	Tax	Base	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 ordinary 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 activities	**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 risks

- **Risk factors**

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

- **Risk management mechanisms**

We are committed to strengthening internal control and give particular importance to making our teams aware of these issues. Our head office teams regularly provide strong guidance and guidelines on this subject. Segregation of duties, as well as a central, regional and local management control mechanism and the appointment of regional

controllers help strengthen control and reduce the probability of such practices occurring. Upon acquiring new companies, we integrate them into these mechanisms for the prevention of unethical practices.
We have proceeded with training and roll-out of best practices processes that, among other things, are intended to prevent the risk of fraud.
Virbac's code of conduct underlines the Group's commitment to pursue our activities in accordance with the law and ethics, and also defines the nature of the relationships we wish to have with our partners.

Market risks

Exchange rate risk

- **Risk factors**

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

- **Risk management mechanisms**

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

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

in € thousand	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:

in € thousand	2020		2019	
	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 an excessive 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 September 15, 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 twelve 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-Hélène Dick	€95,000	€22,400	€95,000	€16,500
Pierre Madelpuech	—	€22,400	—	€16,500
Solène 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[1]	€45,000	€188,100	**€589,838**
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**	**€1,398,071**

[1] Overpayment of €10 000, recovered from the amounts paid in 2021.

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 fifteen 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 litigation, or other legal proceedings, generally linked to disputes related to intellectual property rights, disputes involving competition law and tax matters.
Each situation is analyzed under IAS 37 or IFRIC 23 when it concerns relative uncertainty surrounding tax treatment. 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 Österreich GmbH	Vienna	Austria	100.00%	Full	100.00%	Full
Virbac de Portugal Laboratorios Lda	Almerim	Portugal	100.00%	Full	100.00%	Full
Virbac Hayvan Sagligi Limited 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

Statutory auditors' report on the consolidated financial statements

For the year ended December 31, 2020

This is a translation into English of the statutory auditors' report on the financial statements of the company issued in French and it is provided solely for the convenience of English-speaking users.
This statutory auditors' report includes information required by French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders.
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Virbac's annual general meeting,

OPINION

in compliance with the engagement entrusted to us by your annual general meeting, we have audited the accompanying consolidated financial statements of Virbac for the year ended December 31, 2020.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as of December 31, 2020 and of the results of its operations for the year then ended in accordance with International financial reporting standards as adopted by the European union.

The audit opinion expressed above is consistent with our report to the audit committee.

BASIS FOR OPINION

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.
Our responsibilities under those standards are further described in the "Statutory auditors' responsibilities for the audit of the consolidated financial statements" section of our report.

Independence

We conducted our audit engagement in compliance with independence requirements of the French commercial code (*Code de commerce*) and the French code of ethics (*Code de déontologie*) for statutory auditors, for the period from January 1, 2020 to the date of our report, and specifically we did not provide any prohibited non-audit services referred to in article 5(1) of regulation (EU) n°537/2014.

JUSTIFICATION OF ASSESSMENTS - KEY AUDIT MATTERS

Due to the global crisis related to the Covid-19 pandemic, the financial statements of this period have been prepared and audited under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies' internal organization and the performance of the audits.
It is in this complex and evolving context that, in accordance with the requirements of articles L823-9 and R823-7 of the French commercial code (*Code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most

significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.
These matters were addressed in the context of our audit of the consolidated financial statements as a whole, approved in the conditions mentioned above, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

Key audit matter: measurement of goodwill and indefinite-life intangible assets on CGU U.S. and Chile (notes A1, A3)

As of December 31, 2020, goodwill and indefinite-life intangible assets are recorded in the Group's consolidated balance sheet in the amount of €134.8 million and €94.3 million, respectively.
Goodwill of the Group's U.S. subsidiary (CGU U.S.) is valued at €50.6 million, while the one of the Chilean subsidiary (CGU Chile) is valued at €27.1 million.
Indefinite-life intangible assets mainly consist of trademarks, patents, know-how, marketing authorizations and registration fees.
These assets were allocated to cash generating units (CGU), defined at legal entity level.
At least once annually or whenever there is indication of loss in value, management verifies that the value in use of these assets (based on discounted estimated future cash flows) exceeds their net carrying amount in order to ensure they do not present a risk of loss in value. Impairment testing methods implemented and a breakdown of the assumptions adopted are presented in the "Goodwill" and "Intangible assets" sections of the "Accounting principles and methods" note and note A3, "Impairment of assets" to the consolidated financial statements.
Impairment tests performed by management on the assets of each CGU require management to make significant judgments and assumptions, notably concerning:

- forecast future cash flows and particularly forecast sales and future costs;
- discount rates and long-term growth rates used to forecast these flows.

Accordingly, a change in these assumptions is likely to modify the value in use of these assets.
We considered the measurement of goodwill and indefinite-life intangible assets, of the two CGU previously mentioned, to be a key audit matter due to the inherent uncertainties surrounding the realization of forecasts underlying the calculation of value in use and also due to their materiality in the consolidated financial statements.

Our response

We obtained the most recent business plans from management and impairment tests for each CGU, in particular for CGU U.S. and Chile. Using this information, we performed a critical review of the implementation of this methodology
and the following procedures:

- we assessed the reasonableness of the key assumptions adopted for:
  - determining cash flows with respect to the economic and financial context in each country. We also analyzed the consistency of these cash flow forecasts with the most recent management estimates, as presented to the management board in the budget process, being specified that the executive board approves the main business plans;
  - the long-term growth rate underlying these flows, substantiating it with external market analyses;
- we assessed the discount rates adopted by management, comparing it with our own estimated rates, prepared with the assistance of our valuation specialists;
- we sample tested the calculations and the consistency of the impairment testing structure based on procedures performed by our valuation specialists;
- we compared forecasts adopted for prior periods with the corresponding actual results to assess the attainment of past objectives;
- we sample tested the arithmetical accuracy of the impairment tests performed by the company;
- we obtained and reviewed sensitivity tests performed by management;
- we also performed our own sensitivity tests to confirm that only an unreasonable change in assumptions could require the recognition of a significant impairment of these assets;
- we assessed the appropriateness of the disclosures in the aforementioned notes to the consolidated financial statements (note "accounting principles and methods" and notes A1 and A3).

SPECIFIC VERIFICATIONS

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations of the Group's management report of board of directors.
We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.
We attest that the consolidated non-financial statement required by article L225-102-1 of the French commercial code (*Code de commerce*) is included in the information pertaining to the Group presented in the management report, it being specified that, in accordance with the provisions of article L823-10 of the Code, we have verified neither the fair presentation nor the consistency with the consolidated financial statements of the information contained therein. This information should be reported on by an independent third party.

OTHER LEGAL AND REGULATORY VERIFICATIONS OR INFORMATIONS

Format of presentation of the consolidated financial statements intended to be included in the annual financial report

In accordance with article 222-3, III of the *AMF* general regulation, the company's management informed us of its decision to postpone the presentation of the consolidated financial statements in compliance with the European single electronic format as defined in the European delegated regulation n°2019/815 of December 17, 2018 to years beginning on or after January 1, 2021. Therefore, this report does not include a conclusion on the compliance with this format of the presentation of the consolidated financial statements intended to be included in the annual financial report mentioned in article L451-1-2, I of the French monetary and financial code (*Code monétaire et financier*).

Appointment of the statutory auditors

We were appointed as statutory auditors of Virbac by your annual general meeting held on June 29, 1998 for Novances David & Associés and on June 30, 2004 for Deloitte & Associés.
As at December 31, 2020, Novances - David & Associés was in the twenty-third consecutive year of mandate without interruption and Deloitte & Associés was in the seventeenth consecutive year of mandate without interruption.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International financial reporting standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the consolidated financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the company or to cease operations.
The audit committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.
The consolidated financial statements were approved by the board of directors.

STATUTORY AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Objectives and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.
As specified in article L823-10-1 of the French commercial code (*Code de commerce*), our statutory audit does not include assurance on the viability of the company or the quality of management of the affairs of the company. As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;

- evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements;
- assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;
- evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Report to the audit committee

We submit a report to the audit committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.
Our report to the audit committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters, that we are required to describe in this report.

We also provide the audit committee with the declaration provided for in article 6 of regulation (EU) n°537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by articles L822-10 to L822-14 of the French commercial code and in the French code of ethics (*Code de déontologie*) for statutory auditors. Where appropriate, we discuss with the audit committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Nice and Marseille, April 6, 2021

The statutory auditors

French original signed by

Novances-David & Associés
Laurent Gilles

Deloitte & Associés
Philippe Battisti

Statutory accounts

FINANCIAL STATEMENTS

Balance sheet - Assets

in € thousand	Notes	Gross amount	Depreciation and provisions	2020 Net amount	2019 Net amount
Concessions, patents, licences and brands		52,191	39,043	13,148	15,334
Other intangible assets		64,201	48,510	15,691	12,573
Intangible assets	**B1**	**116,392**	**87,553**	**28,839**	**27,907**
Land		1,683	—	1,683	1,683
Buildings		111,636	74,895	36,741	39,442
Technical facilities, materials and industrial		110,753	77,933	32,820	36,681
Other tangible assets		5,783	4,335	1,448	1,573
Prepayments on assets and assets in progress		9,804	—	9,804	5,284
Tangible assets	**B2**	**239,659**	**157,163**	**82,496**	**84,663**
Shares in companies and other receivables		460,613	6,485	454,128	457,544
Other long-term securities		—	—	—	—
Loans		62,910	—	62,910	170,232
Other financial assets		1,764	—	1,764	1,807
Financial assets	**B3**	**525,287**	**6,485**	**518,802**	**629,583**
Total fixed assets		**881,338**	**251,201**	**630,137**	**742,153**
Raw materials		31,584	1,880	29,704	23,395
Work in progress		16,214	1,282	14,932	12,364
Semi-finished and finished goods		14,040	598	13,442	12,354
Inventories and work in progress	**B4**	**61,838**	**3,760**	**58,078**	**48,113**
Trade receivables and related accounts		66,963	342	66,621	56,598
Employee-related receivables		75	—	75	52
Income tax receivables		3,543	—	3,543	3,847
Other social and state receivables		5,785	—	5,785	4,134
Other receivables		16,972	—	16,972	106,222
Current receivables	**B5**	**93,338**	**342**	**92,996**	**170,853**
Advances and prepayment on orders		251	—	251	336
Marketable securities	B6	6,248	2	6,246	6,676
Available funds	B7	70,496	—	70,496	13,903
Cash and cash equivalents		**76,995**	**2**	**76,993**	**20,915**
Prepaid expenses		2,099	—	2,099	2,280
Deferred charges		386	—	386	741
Unrealised foreign exchange losses		20,696	—	20,696	24,652
Accruals and other assets	**B8**	**23,181**	**—**	**23,181**	**27,673**
Total assets		**1,136,690**	**255,305**	**881,385**	**1,009,707**

Balance sheet - Liabilities

in € thousand	Notes	2020	2019
Share capital		10,573	10,573
Share premium and paid-in capital		6,534	6,534
Legal reserve		1,089	1,089
Regulated reserves		36,287	36,287
Other reserves		36,396	36,396
Retained earnings		388,151	343,095
Result for the period		151,123	45,057
Investment grants		492	194
Regulated provisions		29,647	32,479
Equity	**B9**	**660,292**	**511,704**
Government loans		—	—
Other equity		**—**	**—**
Provisions for contingencies		21,291	19,270
Provisions for foreign exchange losses		4,404	4,341
Provisions for litigations		—	—
Provisions for liabilities and charges	**B10**	**25,695**	**23,611**
Bonds		—	—
Bank borrowings		62,434	344,723
Bank overdrafts - current		2,300	13,582
Bank overdrafts - other		—	—
Other borrowings and financial liabilities		80	61
Related borrowings and financial liabilities		31,110	30,061
Financial liabilities	**B5 & B11**	**95,924**	**388,427**
Trade payables and related accounts		55,022	39,588
Employee-related payables		14,384	13,630
Social payables		8,687	8,418
Income tax payables		—	—
Value added tax		70	673
Other social and state payables		2,562	2,160
Payables to fixed assets suppliers and related accounts		—	—
Other payables		1,331	1,200
Current liabilities	**B5**	**82,056**	**65,669**
Prepaid income		195	—
Unrealised foreign exchange gains	**B8**	17,223	20,296
Accruals and other liabilities	**B12**	**17,418**	**20,296**
Total liabilities		**881,385**	**1,009,707**

Income statement

in € thousand	Notes	2020	2019	*Variation*
Sales of goods		75,451	56,355	
Production sold: goods and services		218,189	219,794	
Net sales	**R1**	**293,640**	**276,149**	***6.3%***
Production transferred to inventory		4,268	-150	
Capitalization of expenses		2,633	1,357	
Government grants		—	—	
Reversals of provisions and depreciations, expense transfers		8,651	7,611	
Other operating income		5,431	2,989	
Operating income	**R2**	**20,983**	**11,807**	***77.7%***
Purchases of goods		-48,422	-34,869	
Purchases of raw materials and other supplies		-66,291	-58,995	
Change in inventories (raw materials and supplies)		6,384	281	
Other purchases and external expenses		-75,970	-73,484	
Taxes and other contributions		-7,396	-6,712	
Wages and salaries		-59,030	-59,942	
Social contributions		-29,133	-28,818	
Depreciations and provisions of fixed assets		-16,851	-16,768	
Provisions for current assets		-4,036	-3,258	
Provisions for risks and charges		-1,948	-2,162	
Other operating expenses		-5,573	-5,303	
Operating expenses	**R2**	**-308,266**	**-290,030**	***6.3%***
Net operating income		**6,357**	**-2,074**	***-406.5%***
Dividends received		152,292	41,751	
Other interest receivable and similar income		7,002	13,977	
Reversals of provisions and expense transfers		5,721	3,628	
Foreign exchange gains		18,167	34,499	
Net income on the disposals of marketable securities		—	—	
Financial income	**R3**	**183,182**	**93,855**	***95.2%***
Depreciations and provisions		-10,203	-5,871	
Other interest paid and similar expenses		-7,693	-12,228	
Foreign exchange losses		-20,279	-34,029	
Net expenses on the disposals of marketable securities		-6	-4	
Financial expenses	**R3**	**-38,181**	**-52,132**	***-26.8%***
Net financial income		**145,001**	**41,723**	***247.5%***
Profit before tax		**151,358**	**39,649**	***281.7%***
Non-recurring income from operations		120	112	
Non-recurring income from capital transactions		3,410	3,880	
Reversals of provisions and expense transfers		9,157	6,988	
Non-recurring income	**R4**	**12,687**	**10,980**	***15.5%***
Non-recurring expenses from operations		-307	-524	
Non-recurring expenses from capital transactions		-4,955	-2,738	
Depreciations and provisions		-10,883	-8,529	
Non-recurring expenses	**R4**	**-16,145**	**-11,791**	***36.9%***
Net non-recurring income		**-3,458**	**-811**	***326.4%***
Employee profit-sharing		-2,485	-1,513	
Income tax	**R5**	5,708	7,732	
Result for the period		**151,123**	**45,057**	***235.4%***

Cash flow statement

in € thousand	2020	2019
Result for the period	**151,123**	**45,057**
Elimination of depreciations and provisions	24,530	18,116
Elimination of gains and losses on disposals	1,038	185
Other income and expenses with no cash impact	-350	-578
Cash flow	**176,341**	**62,780**
Effect of net change in inventories	-9,966	162
Effect of net change in trade receivables	-10,023	1,269
Effect of net change in trade payables	15,433	2,540
Effect of net change in other receivables and payables	91,583	-4,188
Effect of change in working capital requirements	**87,027**	**-217**
Net cash flow generated by operating activities	**263,368**	**62,563**
Acquisitions of intangible assets	-8,291	-5,459
Acquisitions of tangible assets	-8,643	-8,014
Acquisitions of financial assets	-14,386	-18,115
Disposals of intangible and tangible assets	117,687	32,540
Net flow allocated to investing activities	**86,367**	**952**
Dividends paid to the owners of the parent company	—	—
Increase/decrease in capital	—	—
Merger premium	—	—
Other increases related to merger	—	—
Investment grants	—	—
Other equity	—	—
Issuance/repayments of debt	-282,271	-55,432
Net cash from financing activities	**-282,271**	**-55,432**
Change in cash position	**67,464**	**8,083**

Statement of change in cash position

in € thousand	2020	2019
Marketables securities	-430	1,614
Available funds	56,594	1,517
Change in cash position assets	**56,164**	**3,131**
Bank overdrafts - current	11,300	4,952
Change in cash position liabilities	**11,300**	**4,952**
Net change in cash position	**67,464**	**8,083**

APPENDICES TO THE STATUTORY ACCOUNTS

Significant events of the financial year

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 fighting spirit, 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 business and travel expenses, which, though difficult to accurately assess, are around €15 million at Group level. We have also benefited from government support measures for companies, but their amount is deemed to be insignificant.

Significant debt relief

In 2020, the sale of the Sentinel® brands by our subsidiary in the United States for an amount of $410.2 million 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 portion of our funding, maturing in 2022 for the most part, was retained to cover potential working capital requirements, external growth operations or other projects.

New governance

In December, our governance has 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.

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 revenue, 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 with a simplified injection process compared to that marketed by Virbac, we have been led to perform a downward review of our consolidated 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. The related assets have been impaired to 100% of their net book values.

Digital transformation

In January, we started the Odyssey program with a view to deploying in 2022 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 our transformation of industrial operations at the technological and organizational levels to ensure the company’s performance, agility and sustainability.

Events subsequent to the financial year-end

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, geographic expansion and the resulting economic and social consequences. As mentioned in the significant events during the period, we have implemented a set of measures and their 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 for 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 economic consequences of this crisis. However, we remain vigilant to developments in the situation in the coming months, and are mobilized to address them.

Accounting rules and methods

The accounts for the financial year ended December 31, 2019 have been prepared and presented in accordance with the accounting rules, in compliance with the principles provided for by articles 120-1 *et seq.* of the 2014 General accounting plan (GAP). The basic method used for the evaluation of the items recorded in the accounts is the historic costs method. The accounting conventions have been applied in compliance with the provisions of the French commercial code, the accounts decree of November 29, 1983 and ANC regulation 2014-03 pertaining to the rewriting of the 2014 General accounting plan applicable to the financial year-end, amended by ANC regulation 2015-06 of November 23, 2015. Regulation 2015-05 of July 2, 2015 which supplements ANC regulation 2014-03 was applied from the 2017 financial year. ANC regulation 2018-01 concerning changes in methods, estimates and correction of errors is applicable to financial years beginning October 9, 2018.

Intangible assets

This section includes the business goodwill, Marketing authorizations, patents, licenses acquired by the company and the costs of filling external trademarks which are registered and appear under assets in the balance sheet for their original value as long as these trademarks are exploited. These fixed assets are valued at the historic acquisition cost, which corresponds to the acquisition price and the acquisition costs or at the actual production cost in the case of assets produced internally. The loan costs associated with the acquisition or the production of the assets are not capitalized. The patents, licenses and concessions are depreciated on a straight-line basis over their economic useful lives when they can be estimated.

The potential impairment of intangible assets not being depreciated is examined at least once a year. An impairment test is carried out irrespective of any indication of a loss in value. It combines a fair market value approach (estimate of fair value) and a future cash flow approach (estimate of value in use). Cashflows are calculated on the basis of five-year estimates. The discount rate used for these calculations is based on the weighted average cost of the Group’s capital. This is a post-tax rate applied to post-tax cash flows. For the 2020 fiscal year, the discount rate used for France is 8.3%.

The other intangible assets include, in particular, computer software:

- standard office software is amortized on a straight-line basis, as soon as it is capitalized, over four years, which corresponds to its economic useful life;
- expenditure items relating to information technology projects that, in addition to license acquisition costs, include significant consultancy expenditures are recorded as assets as and when they are incurred. These information technology projects are depreciated on a straight-line basis, starting as soon as the information system is operational.

Research and development costs are fully booked as expenses.

	Depreciation period of intangible assets
Trademarks	non-depreciable
Patents, licences and know-how	between 10 and 15 years
Marketing authorisations	between 10 and 15 years
Distribution rights	contract duration
Softwares	4 years
Movex ERP software	between 7 and 14 years
Other intangible assets	between 4 and 10 years

Tangible assets

Tangible assets are recorded at cost and include incidental costs. The loan costs associated with the acquisition or the production of the assets are not capitalized.

We proceed as follows:

- breakdown by components (buildings and fittings);
- breakdown by components of the industrial equipment with a gross value over €50 000;
- definition of depreciation schedules according to useful lives.

The depreciation periods applied correspond to the economic useful lives summarized in the table below.

Furthermore, we continue to use the useful lives defined by the tax authorities and, where possible, applies the declining balance depreciation method. The differences resulting from the application of specific fiscal depreciation methods and periods, including the declining balance, are recorded as non-recurring depreciations.

	Depreciation period of tangible assets
Buildings	between 10 and 40 years
Facilities	between 10 and 20 years
Equipments	between 5 and 20 years
Other tangible assets	between 4 and 10 years

Financial assets

Shares in company

Shares in company basically correspond to capital investments in the subsidiaries and are recorded at cost, excluding incidental expenses. Incidental acquisition costs booked as expenses in the financial year are fiscally restated and their deduction is spread over five years.

At the end of each financial year, a provision may be made to reflect the impairment of the value of a subsidiary's securities. To do this, we perform an impairment test. The method used is to compare the gross value of the securities held in our accounts with the net position of our subsidiaries.

If the value of the securities is less than the net position, no provision is recorded. On the other hand, if it is lower, two scenarios arise:

- For subsidiaries on which an impairment test is carried out, we justify, where appropriate, the economic surplus value using the result of this test.
- For subsidiaries where no test is carried out, a five-year business plan is prepared to justify, where appropriate, the non-recognition of the impairment. This business plan is created in the same way and with the same assumptions as those used for impairment tests.

Other financial assets

The loans to subsidiaries are recorded at historic cost. A provision for impairment is recorded when there is an objective indication of loss of value, resulting from an event occurring after the asset's initial recognition.

Operating assets

Inventories of raw materials are stated at the weighted average cost, the acquisition cost including all incidental acquisition costs. A provision for impairment is made when the products have expired or become unusable or if there is a probability that these products will not be usable before their use-by date. The manufacturing work in progress and the finished products are valued at their actual manufacturing cost, including direct and indirect production costs. A provision for impairment of finished products is applied when the realizable value or the prospects for sale of these products - assessed according to the market - appear lower than the gross inventory value.

An inventory of spare parts is also valued at the closure of the financial year. An impairment loss may be recognized on the equipment according to the age of the parts and the probability of use.

Receivables and payables

Receivables and payables are valued at their nominal value. Where applicable, receivables are entered at a loss in value by means of a provision to reflect any difficulties in recovering outstanding amounts.

Sales are recorded at the time of transfer of ownership, which normally occurs at the time of delivery of the asset. Trade receivables assigned through the factoring program are classified on the balance sheet as a reduction of trade receivables by the counterparty of a dedicated miscellaneous receivables account. This account is settled at the time of collection of the financing, after deduction of the fees and the holdback classified as a financial asset. When the invoices come due, the funds are transferred to the factoring company via a specific bank account. The customer accounts and factoring customer accounts are then settled.

Marketable securities

Marketable securities are recorded at their acquisition cost. The unrealized gains on portfolio securities are not recognized in the financial year's accounting results. A provision for impairment of the securities is recorded, where applicable, if their realizable value falls below their acquisition cost.

As regards Undertakings for collective investment in transferable securities (UCITS), the realizable value corresponds to the market value at the closing date. Treasury shares are valued at acquisition cost. As regards plans for the allocation of performance-related stock grants, a provision is made for the vesting period.

Available funds

Foreign currency liquidity is converted into euros based on the latest exchange rate, and these foreign exchange gains and losses are included in the profit for the financial year.

Unrealized foreign exchange gains and losses

Unrealized foreign exchange gains and losses are a result of the recognition of payables and receivables in currencies outside the Eurozone at closing date.
Unrealized losses result in a provision for foreign exchange losses when the exchange rate has not been definitively hedged by forward transactions or by de *facto* hedges. Unrealized gains do not contribute to the profit of the financial year.

Derivative financial instruments

As a result of its activity and its international presence, the company is exposed to exchange rate variations.
Hedging instruments are negotiated to cover transactions recorded on the balance sheet, as well as highly probable future transactions. These hedges are held with the sole aim of reducing exposure to rate and exchange risks. Unrealized gains and losses on derivative financial instruments linked to exchange rate changes are recorded on the balance sheet as a translation difference so as to comply with the principle of symmetry with the hedged item. Gains and losses obtained from hedging derivatives are recorded in profit in the same section as the hedged item. In accordance with article 628-11 of ANC regulation 2015-05, the effects of hedging are classified in operating profit in respect of the operational flows (account 656100 for foreign exchange losses, account 756100 for foreign exchange gains) and in financial result in respect of financial flows (account 666100 for foreign exchange losses, account 766100 for foreign exchange gains). The gains and losses made on hedging derivatives on highly probable forward transactions are recognized in profit only when the hedged item itself impacts on the profit. The premium for an option comprises the hedging cost. It is recorded in the financial result or in the starting value on the balance sheet of the hedged item, only at the end of the hedge.
The swap point comprises the hedging cost, for forward transactions; it is recorded on a symmetrical basis with the hedged item. It is not spread in the income statement if the hedge reduces almost all of the risk.

Provisions

They are intended to cover known costs and litigation (foreign exchange risks, supplementary retirement plans for managers, end-of-career allowances for staff, commercial disputes) as well as general economic risks that are based on an assessment (regulatory or fiscal product risks, potential litigations).

Employee benefits

- **Defined-contribution retirement plans**

The benefits associated with defined contribution retirement plans are recorded in expenses as incurred.

- **Defined benefit retirement plans**

The Group’s 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 by reference to the iBoxx Corporate AA10Y+ rate of return on high-grade private bonds (AA rated companies). The Group’s liabilities are recognized as a debt on the balance sheet for the fund’s net amount, which was constituted with an insurer. The actuarial gains and losses are immediately recognized on the income statement.

Operating income

Sales are recorded as follows:
- sales of assets are recorded at the delivery of the assets and the transfer of the property title;
- transactions involving service provisions are recorded over the period during which the services were provided.

Financial income and expenses

Financial income is generated mainly by dividends received from subsidiaries and investment income from available cash flow. The unrealized gains on monetary investments in UCITS are not recorded in the accounting results of the financial year, but only upon sale of the securities. A provision for impairment of the securities may be recognized when justified by the subsidiary’s financial position (*see note B3*).

Income tax

As regards income taxes, Virbac and all of its French subsidiaries (Virbac France, Alfamed, Interlab, Virbac Nutrition, Bio Veto Test) come under the tax integration system instituted by article 68 of the December 30, 1987 law. Each company recognizes as cost the tax relating to its own profits, and retains the right to incur further losses in the future.
As the sole company liable for taxes, Virbac records the debt or receivable *vis-à-vis* the Tax office for the tax-consolidated.

NOTES TO THE STATUTORY ACCOUNTS

B1. Intangible assets

in € thousand	2019	Increases	Decreases	Transfers	2020
Trademarks and filing fees for trademarks	5,332	113	—	—	5,445
Patents and licences	16,633	161	—	—	16,794
Marketing authorisations (AMM)	27,505	537	—	367	28,409
Domain names	4	—	—	—	4
Distribution rights	898	300	—	300	1,498
Goodwill	442	395	—	—	837
Other intangible assets	40	—	—	—	40
Softwares	53,310	1,782		1,176	56,268
Advances, prepayments on intangible assets and assets in progress	3,936	5,004	—	-1,843	7,097
Gross value	**108,100**	**8,292**	**—**	**—**	**116,392**
Depreciation	-79,923	-5,478	—	—	-85,401
Provisions	-270	-2,002	120	—	-2,152
Depreciation and provisions	**-80,193**	**-7,480**	**120**	**—**	**-87,553**
Net value	**27,907**	**812**	**120**	**—**	**28,839**

The main patents, licenses and Marketing authorizations are as follows (gross values):

- the Alpha Laval patent at €2,479,000;
- the FeLV patent at €2,628,000;
- the Alizine patent at €2,592,000;
- the Antigenics patent at €3,394,000;
- the Oridan patent at €3,000,000;
- the Doxycycline 50% Marketing authorization at €690,000 (net value after impairment and depreciation: zero);
- the Schering-Plough Marketing authorization at €18,334,000;
- the Virbamec, Equimax and Eraquell Marketing authorizations at €4,000,000;
- the Cyclosporin Marketing authorization at €1,500,000;
- the Suramox and Stabox Marketing authorizations at €463,000;
- the Cyclosporin cat Marketing authorization at €195,000;
- the Halofuginone Marketing authorization at €1,000,000;
- the Tramadol Marketing authorization at €453,000;
- the Tilapia Marketing authorization at €451,000;
- the Repropharm licence at €350,000.

The business goodwill (Alizine) acquired for a value of €442,000 on October 19, 1998 has been fully depreciated since December 31, 2008.
Over the financial year, we acquired a package of intangible assets (Tilapia vaccine) including business goodwill, MAs, know-how and a brand for a total value of €1,120,000.
Following the shutdown of production of the leishmaniosis vaccine, the Oridan patent was 100% impaired for the financial year for its net book value, *i.e.* €1,402,000.
With regard to IT programs, changes have been made to various systems, including the commissioning of the digital workplace for €425,000, of the TMO (Third-party maintenance operation) for €186,000, as well as the improvement of our Movex ERP for €120,000.
Various ongoing IT projects were recorded for the year for a total amount of €2,512,000.
The staff costs that can be capitalized on IT projects amounted to €2,427,000 for the financial year.

B2. Tangible assets

in € thousand	2019	Increases	Decreases	Transfers	2020
Land	1,683	—	—	—	1,683
Buildings	109,922	1,965	-380	128	111,635
Equipment and tools	110,686	3,785	-4,174	456	110,753
Other tangible assets	5,542	245	-4	—	5,783
Tangible assets in progress	1,370	2,120	-89	-563	2,838
Pending invoices for fixed assets	2,708	2,547	—	—	5,255
Advances and prepayment orders	1,206	527	—	-21	1,712
Gross value	**233,117**	**11,189**	**-4,647**	**—**	**239,659**
Land	—	—	—	—	—
Buildings	-70,480	-4,749	334	—	-74,895
Equipment and tools	-74,005	-8,497	4,569	—	-77,933
Other tangible assets	-3,969	-370	4	—	-4,335
Tangible assets in progress	—	—	—	—	—
Pending invoices for fixed assets	—	—	—	—	—
Advances and prepayment orders	—	—	—	—	—
Depreciation and provisions	**-148,454**	**-13,616**	**4,907**	**—**	**-157,163**
Land	1,683	—	—	—	1,683
Buildings	39,442	-2,784	-46	128	36,740
Equipment and tools	36,681	-4,712	395	456	32,820
Other tangible assets	1,573	-125	—	—	1,448
Tangible assets in progress	1,370	2,120	-89	-563	2,838
Pending invoices for fixed assets	2,708	2,547	—	—	5,255
Advances and prepayment orders	1,206	527	—	-21	1,712
Net value	**84,663**	**-2,427**	**260**	**—**	**82,496**

Investments were made on the various sites during the 2020 financial year, including renovation or improvement work at:

- VBD for €203,000;
- Bio 2 for €142,000;
- PC Security for €128,000 ;
- Bio buildings for €250,000.

We also carried out renovation and sealing work on the roofs of VBD for €165,000 and VB1 for €161,000.
Equipment was purchased or commissioned, such as, for example:

- a water chiller at Bio1 for €537,000;
- a freeze-dryer for a value of €160,000.

The shutdown of production of the leishmaniosis vaccine in 2020 resulted in a provision for impairment of equipment that is no longer used up to their net book values, *i.e.* €2,598,000. Part of this equipment had been decommissioned in previous financial years and had already been impaired as of December 31, 2019 for a value of €472,000.

B3. Financial assets

in € thousand	2019	Increases	Decreases	Transfers	2020
Long-term investments	459,010	4,907	-3,304	—	460,613
Related account receivable	—	—	—	—	—
Other equity securities	—	—	—	—	—
Loans and other financial assets	172,039	7,844	-115,209	—	64,674
Gross value	**631,049**	**12,751**	**-118,513**	**—**	**525,287**
Impairment of financial assets	-1,466	-5,797	778	—	-6,485
Provisions	**-1,466**	**-5,797**	**778**	**—**	**-6,485**
Net value	**629,583**	**6,954**	**-117,735**	**—**	**518,802**

Equity investments

Over the 2020 financial year, our subsidiary Virbac Taiwan was absorbed by our subsidiary SBC Virbac Biotech (Taiwan) after a capital increase of €4,907,000. As a result of these operations, the company changed its name to Virbac Taiwan. Our subsidiaries SBC Virbac Ltd (Hong Kong) and Virbac HK Trading Co Ltd (Hong Kong) have also merged over the year.
The Virbac New Zealand subsidiary bought back its own shares for €2,526,000.
The company GPM Virbac was sold for the value of 23 million Algerian Dinars, *i.e.*, €141,000 as at December 31, 2020. These securities impaired 100% over the previous financial year, were subject to a reversal of provision for the financial year for an amount of €240,000. Our subsidiary Virbac Distribution was liquidated in 2020 following the sale of its business goodwill in April 2018. The securities with a value of €538,000 were removed from assets and the provision for impairment was reversed for this same value.
The securities of the subsidiaries Bio Véto Test and Virbac Philippines were subject to 100% impairment in the financial year following the impairment tests, for the respective values of €5,498,000 and €299,000. The impairment of the shares of the company Alfamed carried out at the end of 2019 for an amount of €688,000 was not subject to variation over the financial year.

in € thousand	2020
Virbac Taiwan	4,907
Capital increases, acquisitions and start-ups	**4,907**

in € thousand	2020
Virbac New Zealand	2,526
GPM Virbac	240
Virbac Distribution	538
Disposals and redemptions	**538**

Other financial assets

The ordinary shareholders' meeting of June 22, 2020 authorized Virbac company to buy back treasury shares in accordance with article L225-209 of the French commercial code. Given the objectives set in the buyback program, the treasury shares have been classified as marketable securities.
The line item "Loans and other financial assets" includes mainly loans to subsidiaries and sub-subsidiaries, *i.e.*:

- €53,589,000 to Virbac Chile (46 563 million Chilean pesos);
- €575,000 to Virbac Vietnam;
- €8,550,000 to Virbac Taiwan (297 millions Taiwan dollars).

Loans made to Virbac Hayan Sagligi Limited Sirketi (Turkey) for a value on December 31, 2019 of €224,000 and to Virbac United States for an amount, also on December 31, 2019 of €103,258,000, were completely repaid over the 2020 financial year. These loans, granted in local currencies, were covered by foreign currency hedges in their entirety, with the exception of the Virbac Chile loan, which was partially hedged for an amount of 32,595 million Chilean pesos out of a total amount of 46,563 million Chilean pesos.

B4. Inventories and work in progress

in € thousand	2020 Gross	2019 Gross	Change in inventories of raw materials and other supplies	Change in inventories of work-in-progress and finished products
Raw materials and supplies	31,585	25,201	-6,384	—
Work-in-progress	16,213	13,060	—	3,153
Finished goods	14,041	12,926	—	1,115
Inventories and work-in-progress	**61,839**	**51,187**	**-6,384**	**4,268**

As of December 31, 2020, provisions for inventory depreciation amounted to:
- raw materials: €1,880,000;
- manufacturing work-in-progress: €1,282,000;
- finished goods: €598,000.

The company has not recognized impairment for the inventory of spare parts.

B5. Receivables and payables

in € thousand	2020 Gross amounts	Due in less than one year	Due from 1 to 5 years	Due in more than 5 years
Receivable related to long-term investments	—	—	—	—
Loans	62,910	9,321	53,589	—
Other financial assets	1,764	—	1,764	—
Total fixed assets	**64,674**	**9,321**	**55,353**	**—**
Accounts receivable and related accounts	66,963	66,963	—	—
Other receivables	26,633	26,633	—	—
Prepaid expenses	2,099	2,099	—	—
Current assets	**95,695**	**95,695**	**—**	**—**
Total receivables	**160,369**	**105,016**	**55,353**	**—**
Bank loans	62,434	10,246	52,188	—
Current bank overdrafts	2,300	2,300	—	—
Bank overdraft	—	—	—	—
Loans and miscellaneous financial debts	80	1	79	—
Owed to subsidiaries (current accounts)	31,110	31,110	—	—
Borrowings	**95,924**	**43,657**	**52,267**	**—**
Accounts payable and related accounts*	55,022	55,022	—	—
Tax and social payables	25,703	25,703	—	—
Payables to fixed assets suppliers and related accounts	—	—	—	—
Other payables	1,331	1,331	—	—
Prepaid income	195	195	—	—
Operating liabilities	**82,251**	**82,251**	**—**	**—**
Total payables	**178,175**	**125,908**	**52,267**	**—**

*of which bills of exchange payable: none

As of 31 December, 2020, the amount of receivables assigned amounted to €1,004,000 and the on-going funding to €942,000.
A provision for the impairment of trade receivables was recorded in December of 2020 in the amount of €342,000, that of December 2019 amounted to €184,000. We have not recorded any unrecoverable debts in expenses for the financial year.

B6. Marketable securities

As of December 31, 2020, this item includes *SICAV* for €2,953,000, the treasury shares of the 2018 and 2019 performance plans for an amount of €1,893,000, as well as those of the liquidity contract for €1,401,000.

in € thousand	2019	Increases	Decreases	Transfers	2020
SICAV	**2,708**	245	—	—	**2,953**
Treasury shares (liquidity contract)	**1,375**	26	—	—	**1,401**
Performance-related stock grants	**2,594**	4	-705	—	**1,893**
Treasury shares pending (cancelled plans)	**—**	—	—	—	**—**
Marketable securities	**6,677**	**275**	**-705**	**—**	**6,247**

As of December 31, 2020, Virbac is recording an insignificant unrealized capital loss on *SICAV* (€2,000). Concerning treasury shares, an unrealized capital gain of €93,000 was achieved on the liquidity contract.
The shares of the 2016 performance plan were acquired during the financial year by the beneficiaries (5,139 treasury shares out of 5,165). The 26 remaining treasury shares were transferred to the 2019 performance plan.
The probable cost resulting from the allocation of performance-related stock grants is taken into account and spread over the period of acquisition of the rights, in the form of a provision (see note B10).

B7. Available funds

As of December 31, 2020, available funds consisted only of the credit balances in the bank account which amounted to €1,093,000 and to financial instruments in the amount of €16,405,000 following revaluations of receivables and liabilities at the hedging price at the end of the financial year and term deposit accounts for a value of €53,000,000. The term deposits with maturities of three months or less at the time of purchase are held by highly rated financial institutions.

B8. Accruals and deferred income

Prepaid expenses

They are mainly made up of various external expenses and the purchase of goods accounted as a stock over the 2021 financial year.

Deferred charges

The deferred charges consist of the loan issuance fees spread over the redemption term of the loans.

Conversion losses

They correspond to unrealized foreign exchange losses in the amount of €20,696,000 compensated for the portion covered by unrealized gains obtained on financial derivatives, enabling the principle of symmetry to be complied with and recorded in liabilities (section: Deferred charges and prepaid expenses) in the amount of €15,638,000 in account 478700. A provision for the amount of the unhedged financial risk was booked for a value of €4,404,000 as of December 31, 2020. This is linked in the main to a loan in foreign currency made to a subsidiary. The "Other hedges (natural)" item includes a US dollar loan granted to the American subsidiary naturally hedged by a bank draft in the same currency and on the same repayment terms.

in € thousand	Trade receivables and payables	Financial receivables and payables	Financial derivatives	Total
Unrealized foreign exchange losses	967	19,471	258	**20,696**
Change in value of financial instruments	-121	-15,517		**-15,638**
Others hedges (natural)	—	-396		**-396**
Provision for foreign exchange losses	846	3,558		**4,404**

B9. Equity

Share capital

As of December 31, 2020, the €10,572,500 in share capital consisted of 8,458,000 shares with a nominal value of €1.25.

Statement of change in equity

As of December 31, 2020, we held 21,304 treasury shares acquired on the market for a total of €3,294,000 excluding fees, for an average price of €154.62 per share. During the financial year, we bought 81,194 treasury shares and sold 80,929 as part of the market-making contract. The ordinary shareholders' meeting of June 22, 2020 decided not to pay dividends. The entire profit for the previous financial year was allocated to retained earnings.

	Prior to appropriation of results	2019 allocation of net income	After allocation of net income	Increases	Decreases	2020
Number of shares as of December 31, 2020	**8,458,000**	—	8,458,000	—	—	**8,458,000**
Number of dividend-bearing shares	**8,458,000**	—	8,458,000	—	—	**8,458,000**

in € thousand	Prior to appropriation of results	2019 allocation of net income	After allocation of net income	Increases	Decreases	2020
Share capital	**10,573**	—	10,573	—	—	**10,573**
Share and merger premiums	**6,534**	—	6,534	—	—	**6,534**
Financial year results	**45,057**	-45,057	—	151,123	—	**151,123**
Legal reserve	**1,089**	—	1,089	—	—	**1,089**
Regulated reserves	**36,287**	—	36,287	—	—	**36,287**
Other reserves	**36,396**	—	36,396	—	—	**36,396**
Amount carried forward	**343,095**	45,057	388,152	—	—	**388,152**
Distribution of dividends	**—**	—	—	—	—	**—**
Investment grants	**194**	—	194	322	-25	**491**
Regulated provisions	**32,479**	—	32,479	3,162	-5,994	**29,647**
Equity	**511,704**	**—**	**511,704**	**154,607**	**-6,019**	**660,292**

Regulated provisions
This line item consists only of exceptional depreciation arising from different tax depreciation lengths and methods.

B10. Provisions
The entries recognized in this line item are as follows:

in € thousand	2019	Allowances	Reversals of amounts used	Reversals of amounts not used	2020
Retirement and severance pay allowances	7,210	1,838	—		9,048
Provisions for supplementary pensions schemes	1,217	302	—	—	1,519
Provisions for foreign exchange losses	4,341	4,404	-4,341	—	4,404
Provisions for stock grants	2,162	1,508	-888	—	2,782
Provisions for risks and charges	8,681	1,422	-2,161	—	7,942
Provisions for risks and charges	**23,611**	**9,474**	**-7,390**	**—**	**25,695**
Impairment of fixed assets	2,208	10,397	-1,370	—	11,235
Impairment of current assets	3,860	4,038	-3,793	—	4,105
Provisions for impairment	**6,068**	**14,435**	**-5,163**	**—**	**15,340**
Provisions	**29,679**	**23,909**	**-12,553**	**—**	**41,035**

During the financial year, the company recognized €1,838,000 in end-of-career allowances required by the law and the collective agreement.
The calculation of the allowances factors in remuneration, the employees' years of service and the following criteria:
- vesting:
  - executive personnel: 12% per year of service;
  - non-executive personnel: 12% per year of service;
- discount rate: 0.45%;
- rate of social contributions: 47.0%;
- employee turnover rate: determined based on the employees' category, age and years of service;
- life expectancy: determined based on the Insee TD-TV 15-17 mortality table.

Other criteria:

	Executive personnel	Non-executive personnel
Retirement age	65 years	62 years
Salary adjustment rate	2%	2%

The allowances are calculated based on a retrospective actuarial method. It factors in the changes made by the 2007 Finance act for social security *i.e.* the impact that the retirement of employees aged less than 65 years of age will have in terms of social contributions. Actuarial differences are immediately recognized in profit. The amount of charges for defined-contribution pension schemes recorded was €5,399,000 in the financial year 2020.
In addition, we recognized a provision for complementary retirement benefits for members of the executive board as a defined-benefit scheme set up in 2003. For the 2020 financial year, the allowance amounted to €302,000, including €58,000 in social contributions. Payments have already been made for the previous financial years in respect of the pre-financing of the scheme. These amounts are managed by an insurance company and are covered by risk-free investments. The value relating to the hedging asset was €93,000 as of December 31, 2020.

We are also making a staggered provision for the probable cost of allocating performance-related stock grants to certain employees and managers. This year, the 2016 performance plan was acquired by the beneficiaries for an overall value of €701,000; a share was re-invoiced to the beneficiary subsidiaries for an amount of €202,000. The 2018 performance plan is the subject of a provision for the financial year for an amount of €681,000, including €127,000 of employer contributions; the 2019 plan was provisioned for €571,000, including €95,000 of employer contributions. We have created a new plan for 2020; the provision amounted to €228,000, including €38,000 in employer contributions over the year. The vesting period is set at June 30, 2021. When the shares in the performance plans have already been acquired on the market, the provision is based on the acquisition value of the securities on the balance sheet; otherwise, we retain the share price at the end of the financial year.

Performance-related stock grants	2018	2019	2020
Number of shares planned for distribution	15,000	4,000	1,600
Number of shares allocated during the financial year	—	—	1,600
Number of shares allocated during the previous financial year	—	4,000	—
Total number of shares allocated since date of allocation of the plan	15,000	4,000	1,600

Concerning the other provisions for risks and charges, at the end of 2019 they included a provision for commercial disputes of €615,000, this provision was fully reversed over the financial year and a charge of €214,000 was recorded in consideration. As of December 31, 2020, we also note in the accounts a provision for labor disputes amounting to €563,000, a provision for litigation following the reimbursement of the *Schuldschein* contract for €150,000, a provision for litigation with one of our main competitors for €2 million, a provision for general risks of €2,819,000 in part related to tax disputes (an additional allowance of €721,000 was recorded in expenses for the financial year) as well as a provision of €1,912,000 related to the transfer of the intramammary production activity from the Carros site.
We decided to gradually close this workshop and outsource production. The costs related to this production transfer were the subject of a provision for the 2018 financial year and resulted in 2019 and 2020 in partial reversals of this provision for respective amounts of €1,207,000 and €781,000.
The provision for impairment of tangible assets mainly involves unused or decommissioned equipment. The provision amounted to €472,000 at the end of 2019, amounting to €2,598,000 at the end of 2020 following the decision to end the production of the leishmaniosis vaccine (see note B2), which also resulted in the impairment of a license on its net book value, *i.e.* €1,402,000. Virbac Distribution, without activity since the month of May 2018 following the sale of its business goodwill, was liquidated during the financial year. The impairment of its securities was reversed over the financial year for a value of €538,000 as well as the impairment of its current account for a value of €601,000. We also reversed the provision for impairment of the securities of GPM Virbac (Algeria) for €240,000 following its sale and impaired the securities of Virbac Philippines for €299,000. Impaired current assets correspond to inventories and work in progress in the amount of €3,760,000 and to customer accounts for €342,000.

B11. Financial liabilities

The receipt of the proceeds from the sale of the rights of the Sentinel® brand by our American subsidiary, allowing it to fully pay its debt to our company, allowed us to repay, in particular, our bank financing in US dollars.
After early repayment of our US $90 million financing contract to the EIB, Virbac still has the following financing to cover its working capital requirements, any external growth operations and various projects:

- a syndicated loan of €420 million, drawn in euros and dollars, contracted with a pool of banks and repayable in fine on the initial maturity in April 2020, extended to April 9, 2022;
- market-based contracts *(Schuldschein)* in euros and in US 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 €23.6 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 US $8 million;
- the Bpifrance financing amounts to €23.6 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 corresponding to consolidated net debt(*) for the period in question over the consolidated Ebitda(**) for the same test period.
It should be noted that since January 1, 2019, in our consolidated financial statements, 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.

* 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.
** 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.

B12. Accruals and deferred income

Prepaid income

As of December 31,2020, prepaid income was recognized for €195,000, corresponding to 2021 sales.

Conversion gains

These correspond to unrealized foreign exchange gains following the revaluation at the closing rate of receivables and payables labelled in foreign currencies and derivatives for €17,223,000.
These gains are offset by unrealized exchange losses in the amount of €258,000 generated by financial derivatives, enabling the principle of symmetry to be complied with and recorded in the assets (section: Accruals and deferred income) in account 478600.

in € thousand	Trade receivables and payables	Financial receivables and payables	Financial derivatives	Total
Unrealized foreign exchange gains	104	1,481	15,638	**17,223**
Change in value of financial instruments	-78	-180		**-258**
Latent exchange gains	26	1,301		**1,327**

R1. Sales

Breakdown of revenue between French and export

in € thousand	2020	2019
France	65,334	62,542
Export	228,306	213,607
Sales	**293,640**	**276,149**

Breakdown of revenue by type

in € thousand	2020	2019
Sales of finished goods and merchandise	280,006	264,235
Services	13,634	11,914
Sales	**293,640**	**276,149**

R2. Operating income and expenses

Research and development costs

Research and development costs are booked as expenses during the financial year. As of December 31, 2020, subcontracted research and development costs amounted to 12,256,000.

Foreign exchange differences

In accordance with the ANC 2015-05 regulation, implemented over the 2017 financial year, the impacts of hedging have been recognized in operating profit for the operational flows and in financial result for the financial flows. The impact of the balance of foreign exchange differences re-categorized in operations over the 2020 financial year amounts to €1,490,000:

- foreign exchange gains in the amount of €4,326,000 booked in accounts 756;
- foreign exchange losses in the amount of €2,836,000 booked in accounts 656.

R3. Financial income and expenses

As of December 31, 2020, the financial result was up €111.7 million compared with 2019. This change is mainly due to the €110.5 million increase in dividends received. The decrease in interest expense on borrowings and lines of credit of €5 million is linked to the sharp decrease in our gross debt and the repayment of our bank financing, made possible by receiving the proceeds from the sale of Sentinel® by our American subsidiary and passed on to Virbac. This specifically includes the repayment of the Group loan, dropping revenue from receivables by €6 million.
This year, a net expense of €5 million was also recorded in the profit statement concerning the provisions for impairment of equity interests.

Financial expenses

in € thousand	2020	2019
Provisions for foreign exchange losses	-4,404	-4,341
Provisions for subsidiaries shares depreciations	-5,799	-929
Provisions for currents accounts depreciations	—	-601
Allowances for depreciations and provisions	**-10,203**	**-5,871**
Interest, loans and credit lines	-7,039	-12,006
Other financial charges	-660	-226
Foreign exchange losses	-20,279	-34,029
Other interest paid and similar expenses	**-27,978**	**-46,261**
Financial expenses	**-38,181**	**-52,132**

Financial income

in € thousand	2020	2019
Income from investments	152,292	41,751
Reversal of provisions	5,721	3,628
Foreign exchange gains	18,168	34,499
Net income from sales of marketable securities	—	—
Income from various receivables	7,001	13,977
Financial income	**183,182**	**93,855**

R4. Non-recurring expenses and income

The company posted a net non-recurring income of €3.5 million in 2020, a drop of €2.6 million compared with the 2019 financial year.
The reduction in special allowance for depreciations over the financial year generated a net income of €2.8 million compared to 2019. Provisions for intangible and tangible assets impairment were recorded over the financial year for a total net amount of €4.2 million linked to the discontinuation of our leishmaniosis vaccine. An increase of €0.9 million in the allowance for provisions for end-of-career compensation was also recorded during the financial year.

Non-recurring expenses

in € thousand	2020	2019
Net values of fixed asset disposals	-4,955	-2,738
Tax penalties	-1	-39
Other non-recurring expenses	-306	-486
Allowances for regulated provisions	-3,162	-3,704
Allowances for provisions for risks and charges	-3,122	-4,232
Allowances for other provisions	-4,599	-592
Non-recurring expenses	**-16,145**	**-11,791**

Non-recurring income

in € thousand	2020	2019
Income from disposal of fixed assets	2,479	2,342
Reversals of regulated provisions	5,994	3,690
Reversals of provisions for risks and charges	2,079	2,502
Reversals of provisions for extraordinary impairments	592	796
Transfers of extraordinary expenses	491	—
Miscellaneous income	1,052	1,650
Non-recurring income	**12,687**	**10,980**

R5. Income tax

As of December 31, 2020, the tax savings realized by Virbac as a result of tax losses incurred by consolidated subsidiaries and which may reverse if the subsidiaries become profitable again amounted to €108,000. As of December 31, 2020, a €8,175,000 research tax credit and a €15,000 corporate sponsorship tax credit were recognized. If Virbac had been taxed separately, it would have only recognized a tax income equivalent to a total of €8,190,000 of tax credits. As a result of tax consolidation, Virbac this year recognized a tax charge equal to €1,867,000.

Increases and decreases of the future tax liability

The 2019 Finance law provides for a gradual reduction in income tax, dropping to 25.83% in 2022, additional contribution included. The impact for Virbac will have an effect on 2021 with a rate reduced to 28%, versus 32.02%, as of 2020.
Given this reduction and the prospects for use, tax relief and tax increases are calculated based on a rate of 28% for 2021, beyond which the rate of 25.83% will apply.

in € thousand	2020		2019	
Tax rate	**28.00%**	**25.83%**	**32.02%**	**25.83%**
Special depreciation allowances	970	6,763	1,222	7,403
Unrealized foreign exchange losses	—	—	5	—
Increases related to timing differences		**7,733**		**8,630**
Solidarity contribution	120	—	132	—
Unrealized gains on investments of cash	—	—	—	—
Unrealized foreign exchange gains	295	—	—	—
Retirement obligations	425	2,337	—	2,177
Corporate sponsorship tax credit	60	—	75	—
Other provisions	233	17	272	17
Total decreases by tax rate	**1,133**	**2,354**	**479**	**2,194**
Total decreases related to timing differences				
Tax carry forwards	—	-9,086	—	-9,803
Items to be charged to the tax		**-9,086**		**-9,803**

Exceptional tax evaluations and profit

Tax rate 34.43%

2019 in € thousand	Gross	Taxes	Net
Financial year results	**28,465**	**7,732**	**45,057**
Special depreciation allowances	14	-5	9
Other regulated provisions	—	—	—
Exceptional evaluations (allowances and reversals)	**14**	**-5**	**9**
Net income excluding exceptional tax evaluations	**28,479**	**7,727**	**45,066**

Tax rate 32.02%

2020 in € thousand	Gross	Taxes	Net
Financial year results	**145,415**	**5,708**	**151,123**
Special depreciation allowances	-2,832	907	-1,925
Other regulated provisions	—	—	—
Exceptional evaluations (allowances and reversals)	**-2,832**	**907**	**-1,925**
Net income excluding exceptional tax evaluations	**142,583**	**6,615**	**149,198**

Breakdown of the 2020 income tax

in € thousand	Profit before taxes	Tax owed	Net income after taxes
Operating profit from ordinary activities	148,873	-2,477	**146,396**
Non-recurring result	-3,458	-5	**-3,463**
Miscellaneous tax credits	—	8,190	**8,190**
Net income for accounting purposes	**145,415**	**5,708**	**151,123**

A1. Financial lease and operating lease transactions

Operating lease agreements

Virbac signed operating lease agreements for computers. As of December 31, 2020, the commitment in terms of capital amounted to €1,672,000.

A2. Off-balance sheet commitments

in € thousand	2020	2019
Securities, deposits, letters of comfort and guarantees	38,339	46,547
-of which extended to related companies	38,339	46,547
Commitments given	**38,339**	**46,547**
Forward exchange contracts	58,761	48,477
OTC options exchange	35,683	29,621
Swap rate	81,900	100,362
Interest rate options	47,000	105,606
Cross currency swap	44,423	44,423
Reciprocal commitments	**267,767**	**328,489**
Real estate finance leases	—	—
Finance leases	1,672	1,438
Others commitments	**1,672**	**1,438**

Contingent liabilities

At times, Virbac is involved in litigation or other legal proceedings, generally involving disputes related to intellectual property rights, disputes involving competition law and tax matters. A risk provision is recognized where appropriate. No provision is made when the company considers the liability to be contingent.
This is particularly true of a claim made at the end of 2016 by one of the Group's competitors seeking compensation for alleged harm resulting from an attack on the reputation of one of its trademarks and an infringement of this trademark. In this case, Virbac considers the application to be legally unfounded and disproportionate in terms of the amount claimed as compensation for the harm. It is, therefore, a contingent liability for which a significant outflow of resources is unlikely. The same applies to tax disputes. Where the company deems that an adjustment proposal is unwarranted and feels that its case is sufficiently strong, it treats each of these cases as a contingent liability.

A3. Exposure to market risks and derivative financial instruments

The Group holds derivative financial instruments only for the purpose of reducing its exposure to rate or exchange risks on balance sheet items on its firm or highly probable commitments.

Credit risk

The following statements show the breakdown of third-party trade receivables (excluding pending invoices and credit notes) as well as the maturity dates concerning Group loans as of December 31, 2020:

in € thousand	Trade receivables Due between	Past due receivables for < 30 days	< 60 days	<90 days	>90 days	Trade receivables Impaired	Total
Third-party trade receivables	3,147	386	-17	3	352	*343*	**3,871**

in € thousand	Receivables due in 2021	2022	2023	2024	2025	*Of which impaired*	Total
Group Loans	9,321	—	—	—	53,589	—	**62,910**

As of December 31, 2020, our maximum exposure to credit risk corresponds to the trade receivables item for €66,621,000 and the Group loans item for €62,910,000 in the accounts. The €62.7 million risk on trade receivables across Group companies is not material because we are ensure that our subsidiaries have the necessary financial structure to honor their liabilities. Concerning receivables with third parties, we consider that we are not exposed to a significant credit risk given the implementation of a customer credit insurance program to prevent risk and the regular monitoring of counterparty ratings. This program concerns a large portion of the export portfolio. In addition to this program, there is regular monitoring of overdue amounts to address risk prevention, as it maximizes the ability to recover amounts due. This monitoring of overdue receivables makes it possible to limit the amount of doubtful receivables.
Since 2016, we have set up a factoring contract which consists in transferring trade receivables on a monthly basis. As of December 31, 2020, the amount of receivables transferred amounted to €1,004,000 (classified as a reduction of trade receivables) and current funding was €942,000.

Risk factors

The credit risk may arise when the Group grants 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 the Group's profit and net cash position.

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, maximum settlement times and sets the customer credit limits to be applied by operating entities. Our 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 subsidiary for which this type of risk has been identified.

Risk factors

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

Risk management mechanisms

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

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

Market risk

Exchange rate risk

- **Risk factors**

The currency risk arises from the impact of fluctuations in exchange rates on the Group's financial flows when carrying out its activities. Due to its strong international presence, the Group is exposed to the foreign exchange risk on transactions, and the foreign exchange risk on the conversion of the financial statements of its foreign subsidiaries.

- **Risk management mechanisms**

The risk management policy consists of hedging the operational transaction currency risk using derivatives. We apply a centralized foreign exchange risk management policy for currency trading transactions by the most exposed subsidiaries in the Group having no local regulatory restrictions. On the basis of the annual currency budgets reported by the subsidiaries, the Group cash position covers the net exposure and provides internal exchange guarantees to each centralized entity. We use future, firm or optional purchase and sale hedging derivatives.

in € thousand	2020	2019
Fair value hedges	528	-93
Cash flow hedges	85	-146
Net investment hedges	—	—
Derivatives not qualifying for hedges	-109	-80
Exchange derivatives	**504**	**-319**

Interest rate risk

- **Risk factors**

The Group's income statement may be impacted by the interest rate risk. Indeed, unfavorable rate changes can thus have a negative impact on the Group's financing costs and future cash flows. The exposure to interest rate risk arises from the fact that the Group's debt consists mainly of credit lines variable rate loans, the cost of debt can therefore increase if interest rates rise.

- **Risk management mechanisms**

To manage these risks and optimize the cost of its debt, the Group monitors developments and market rate expectations and limits its 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 duration and value of its actual commitments.
We currently have financing contracts and hedging contracts whose interest rates are indexed to Libor. Following the announcement by the FCA (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.

in € thousand	2020	2019
Fair value hedges	—	—
Cash flow hedges	5,869	3,148
Net investment hedges	—	—
Derivatives not qualifying for hedges	-1,230	—
Rate derivatives	**4,639**	**3,148**

Specific impacts from hedging exchange and interest rate risks

The exchange rate derivatives used for cash flow hedging generally mature within a year. The derivative financial interest rate instruments are used to hedge the credit lines or loans and therefore have a maturity beyond several years, compatible with the hedged cash flows. All of the derivative instruments that we hold at December 31, 2020 are qualified as hedges with the exception of €1.230 million for which the debt was repaid.

in € thousand	Nominal 2020	Nominal 2019	Positive fair value 2020	Positive fair value 2019	Negative fair value 2020	Negative fair value 2019
Forward exchange contracts	58,761	48,477	925	227	328	467
OTC options exchange	35,683	29,621	161	92	254	173
Exchange instruments	**94,444**	**78,098**	**1,086**	**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 Swaps	44,423	44,423	6,291	4,650	—	—
Interest rate instruments	**173,323**	**250,391**	**6,292**	**4,690**	**1,654**	**1,542**
Derivative financial instruments	**267,767**	**328,489**	**7,378**	**5,009**	**2,236**	**2,182**

We may deal with hedges with asymmetrical vanilla tunnel optimization. These derivatives are traded with a floor rate and a cap rate that allows us to profit from market changes between these two limits; they are always backed by foreign currency trade transactions recognized in the balance sheet or future transactions of a highly probable nature.

Supply risks

The raw materials and certain active ingredients used to manufacture Virbac's products are supplied by third parties. In certain cases, the Group also uses contract manufacturing organizations 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 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 by the company of the intellectual property and industrial facilities to produce the protein used to make the leading cat vaccine.

A4. Average workforce

	2020	2019
Managers	515	512
Supervisors and technicians	362	386
Workers	185	179
Employees	13	15
Apprentices	31	22
Workforce	**1,106**	**1,114**

A5. Information relating to the professional training account

The management of the professional training account (*Compte professionnel de formation*) system is outsourced to the deposits and consignments fund (*Caisse de dépôt et consignation*).

A6. Breakdown of accrued expenses and income

Breakdown of accrued expenses

in € thousand	2020	2019
Accrued interest on employee profit-sharing	2	2
Accrued interest on credit line	1,033	1,189
Loans and financial debts	**1,035**	**1,191**
Provisions for pending invoices	31,747	18,250
Provisions for representation offices	45	43
Unrealised exchange differences	967	1,270
Accounts payable and related accounts	**32,759**	**19,563**
Third-party discounts, rebates and refunds to be obtained	112	73
Group discounts, rebates and refunds to be invoiced	—	—
Discounts, rebates and refunds to be invoiced	**112**	**73**
Provision for paid holidays (including social charges)	8,006	7,963
Provision for various bonuses (including social charges)	8,615	8,747
Provision for profit-sharing bonus	3,003	2,035
Provision for other accrued social charges	44	120
Provision for various accrued tax charges	733	443
Provision for professional training	15	172
Provision for the construction effort	265	266
Provision for the apprenticeship tax	7	59
Provision for the payroll taxes	9	-10
Provision for the business added value assessment (*CVAE*)	108	6
Provision for the business property tax (*CFE*)	—	—
Provision for taxes and various duties	314	149
Provision for the solidarity contribution	427	416
Tax and social payables	**21,546**	**20,366**
Provision for various accrued charges	393	229
Bank overdrafts and accrued interest not yet matured	18	37
Other payables	**411**	**266**
Accrued expenses	**55,863**	**41,459**

Breakdown of accrued income

in € thousand	2020	2019
Provision for interest accrued on loans	196	298
Other financial assets	**196**	**298**
Pending third-party receivable invoices	343	148
Pending Group receivable invoices	490	205
Unrealized third-party exchange differences	104	97
Accounts receivable and related accounts	**937**	**450**
Miscellaneous accrued income	3,638	—
Pending supplier credit note invoices	—	—
Accrued interest	58	4
Other receivables	**3,696**	**4**
Accrued income	**4,829**	**752**

A7. Related parties

Compensation of corporate officers

The expense recognized by the company during the 2020 financial year and related to directors' attendance fees and the various compensation of the supervisory board amounted to €255,000. The expense recognized for the total compensation of the members of the executive board amounted to €1,388,071 this year.
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.

Other benefits

The members of the executive board receive the following benefits:

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 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 unemployment insurance for corporate directors (*GSC*) 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.

Defined benefit retirement plan

Following the decision of the supervisory board, on 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 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 10 years' service in the Group, including nine years as a member of the executive board or fifteen years for a benefit of 10.5% of the reference salary (compared to 22.0% in the former plan);
- 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 the 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, the chairman of the executive board 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 excluding tax) over the last two and/or last four half-year ends and may range from between 0 and €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. 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.
These commitments were approved at the shareholders' meeting on June 20, 2018.

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 scheduled.
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 gross fixed monthly compensation received for the company's last year-end (including directors' fees and any other compensation related to his functions within the Virbac group). This payment will be limited, for this eighteen-month period, to a maximum gross amount of €500,000.

A10. Subsidiaries and investments as of December 31, 2020

The company is the parent company of the consolidated Group and as such publishes the consolidated accounts in accordance with IFRS, as adopted by the European Union.

Company name	Country	Share capital in thousand currency		Reserves and retained earnings before appropriation of net income in thousand currency		Loans and advances extended € thousand	Endorsements and deposits € thousand	Share of the capital held %
French subsidiaries								
Interlab	France	63,463	kEUR	128,364	kEUR	—	—	100.00%
Virbac France	France	240	kEUR	55	kEUR	—	—	99.95%
Virbac Nutrition	France	547	kEUR	207	kEUR	—	—	99.99%
Bio Veto Test	France	200	kEUR	1,252	kEUR	—	—	100.00%
Alfamed	France	40	kEUR	-3,089	kEUR	—	—	99.60%
Foreign subsidiaries								
Virbac Nederland BV	Netherlands	45	kEUR	2,529	kEUR	—	—	100.00%
Virbac (Switzerland) AG	Switzerland	200	kCHF	2,307	kCHF	—	—	100.00%
Virbac Ltd	United Kingdom	2	kGBP	458	kGBP	—	—	100.00%
Virbac SRL	Italy	1,601	kEUR	291	kEUR	—	—	100.00%
Virbac do Brasil Industria e Comercio Ltda	Brazil	22,032	kBRL	27,495	kBRL	—	—	100.00%
Virbac Danmark A/S	Denmark	498	kDKK	10,339	kDKK	—	—	100.00%
Virbac Mexico SA de CV	Mexico	6,197	kMXN	520,613	kMXN	—	—	99.60%
Laboratorios Virbac Mexico SA de CV	Mexico	4,000	kMXN	27,153	kMXN	—	—	99.99%
Virbac Pharma Handelsgesellshaft mbH	Germany	102	kEUR	12	kEUR	—	—	100.00%
Virbac Tierarzneimittel GmbH	Germany	440	kEUR	1,994	kEUR	—	—	100.00%
Virbac Sp. z o.o.	Poland	5	kPLN	71	kPLN	—	—	100.00%
Virbac Hungary Kft	Hungary	3,000	kHUF	56,437	kHUF	—	—	100.00%
Virbac Uruguay S.A.	Uruguay	2,173	kUSD	30,039	kUSD	—	—	99.18%
Virbac Trading (Shanghai) Co. Ltd	China	22,454	kCNY	-9,940	kCNY	—	—	100.00%
Virbac HK Trading Co Ltd	Hong Kong	517	kHKD	80,828	kHKD	—	—	100.00%
Asia Pharma Ltd	Hong Kong	16,055	kHKD	2,192	kHKD	—	—	100.00%
Virbac Hellas SA	Greece	300	kEUR	1,958	kEUR	—	—	100.00%
Animedica SA	Greece	96	kEUR	-59	kEUR	—	—	100.00%
Virbac Espana SA	Spain	601	kEUR	399	kEUR	—	—	100.00%
Virbac Osterreich GmbH	Austria	36	kEUR	-1	kEUR	—	—	50.00%
Virbac Korea Co. Ltd	South Korea	1,600,000	kKRW	1,521,079	kKRW	—	—	100.00%
Virbac (Thailand) Co. Ltd	Thailand	20,000	kTHB	94,285	kTHB	—	—	91.00%
Virbac (Taiwan) Co. Ltd (ex SBC Virbac Biotech)	Taiwan	398,015	kTWD	-234,625	kTWD	8,550	—	100.00%
Virbac Colombia Ltda	Colombia	7,404,486	kCOP	11,734,907	kCOP	—	—	99.98%
Virbac Philippines Inc.	Philippines	48,500	kPHP	5,517	kPHP	—	250	100.00%
Virbac Japan Co. Ltd	Japan	130,000	kJPY	382,679	kJPY	—	1,423	100.00%
Laboratorios Virbac Costa Rica SA	Costa Rica	178,750	kCRC	713,027	kCRC	—	—	100.00%
Virbac Asia Pacific Co. Ltd	Thailand	10,000	kTHB	5,114	kTHB	—	—	100.00%
Virbac de Portugal Laboratorios Lda	Portugal	5	kEUR	563	kEUR	—	—	95.00%
Virbac Vietnam Co. Ltd	Vietnam	22,606,324	kVND	160,747,255	kVND	576	—	100.00%
Virbac RSA (Proprietary) Ltd	South Africa	54	kZAR	103,118	kZAR	—	—	100.00%
Virbac Animal Health India Private Limited	India	3,839	kINR	5,688,179	kINR	—	—	100.00%
PP Manufacturing Corporation	United States	—	kUSD	6,253	kUSD	—	4,698	100.00%
Virbac (Australia) Pty Ltd	Australia	2,500	kAUD	60,498	kAUD	—	—	100.00%
Virbac New Zealand Ltd	New Zealand	10,290	kNZD	31,939	kNZD	—	—	72.01%
Virbac Chile SpA	Chile	1,000	kCLP	6,821,526	kCLP	53,785	—	100.00%
Virbac Patagonia Ltda	Chile	57,398,882	kCLP	-1,139,312	kCLP	—	—	1.00%
Virbac Latam Spa	Chile	1,000	kCLP	172,344	kCLP	—	—	100.00%
Virbac Hayvan Sagligi Limited Sirketi	Turkey	4,990	kTRY	-2,323	kTRY	—	384	100.00%

Gross value of the shares held	Net value of the shares held	Number of shares held	Total number of shares	IFRS sales for the financial year		Financial year results		Dividends received by Virbac	2020 currency-to-EUR foreign exchange rate	
€ thousand	€ thousand			in thousand currency		in thousand currency		€ thousand	closing	average
276,785	276,785	1,512,910	4,230,849	—	kEUR	126,542	kEUR	128,355	—	—
40,761	40,761	10,434	10,439	72,610	kEUR	1,568	kEUR	1,670	—	—
2,933	2,933	68,349	68,354	55,127	kEUR	10,275	kEUR	7,006	—	—
17,601	12,103	30,939	30,939	5,776	kEUR	472	kEUR	600	—	—
688	—	1,004	1,008	12,875	kEUR	470	kEUR	—	—	—
10,443	10,443	89	89	26,025	kEUR	3,454	kEUR	2,047	—	—
115	115	2,000	2,000	18,170	kCHF	964	kCHF	467	1.080	1.071
3	3	2,000	2,000	36,884	kGBP	2,220	kGBP	2,351	0.899	0.886
5,046	5,046	179,900	179,900	25,913	kEUR	-22	kEUR	400	—	—
11,390	11,390	22,032,352	22,032,353	160,312	kBRL	14,544	kBRL	—	6.374	5.917
5,350	5,350	500	500	113,028	kDKK	5,584	kDKK	470	7.441	7.454
1,240	1,240	6,171,776	6,196,830	1,108,914	kMXN	73,107	kMXN	1,748	24.416	24.421
2,974	2,974	3,999,543	4,000,000	—	kMXN	-59	kMXN	—	24.416	24.421
71	71	2,000	2,000	21	kEUR	—	kEUR	—	—	—
1,593	1,593	861,200	861,200	53,760	kEUR	3,816	kEUR	3,402	—	—
1	1	100	100	51,272	kPLN	4,171	kPLN	207	4.560	4.438
10	10	1	1	294,425	kHUF	-311	kHUF	—	363.890	351.437
14,581	14,581	99,175	100,000	19,510	kUSD	4,044	kUSD	—	1.227	1.129
2,850	2,850	100	100	151,341	kCNY	13,136	kCNY	—	8.023	7.904
13,879	13,879	517,355	517,355	—	kHKD	-951	kHKD	—	9.514	8.826
1,766	1,766	3	3	—	kHKD	-282	kHKD	—	9.514	8.826
1,290	1,290	100,000	100,000	6,781	kEUR	133	kEUR	—	—	—
125	125	32,000	32,000	—	kEUR	-4	kEUR	—	—	—
912	912	99,999	100,000	30,027	kEUR	962	kEUR	952	—	—
18	18	18,170	36,340	6,054	kEUR	499	kEUR	170	—	—
1,329	1,329	320,000	320,000	11,397,714	kKRW	776,899	kKRW	—	1,336.000	1,347.087
429	429	9,100	10,000	323,438	kTHB	29,466	kTHB	—	36.727	35.710
11,015	11,015	18,883,500	18,883,500	391,707	kTWD	-37,634	kTWD	—	34.793	33.610
3,408	3,408	5,659	5,660	48,707,846	kCOP	3,799,811	kCOP	—	4,187.000	4,186.284
1,156	856	37,999,997	38,000,000	155,911	kPHP	-3,385	kPHP	—	59.125	56.630
2,834	2,834	6,400	6,400	2,064,136	kJPY	79,982	kJPY	—	126.490	121.788
432	432	420,658	420,658	2,869,171	kCRC	322,319	kCRC	559	749.040	667.726
209	209	99,998	100,000	179,258	kTHB	21,951	kTHB	312	36.727	35.710
5	5	380	400	7,562	kEUR	174	kEUR	—	—	—
2,977	2,977	1,000	1,000	372,157,714	kVND	24,197,317	kVND	—	28,469.000	26,642.959
5,305	5,305	56,684	56,684	477,617	kZAR	56,776	kZAR	—	18.022	18.702
66	66	383,899	383,900	7,498,441	kINR	1,614,004	kINR	—	89.661	84.727
4,946	4,946	100	100	5,186	kUSD	-250	kUSD	—	1.227	1.129
4,346	4,346	2,499,997	2,500,000	121,376	kAUD	14,280	kAUD	—	1.590	1.661
8,925	8,925	10,290,000	14,290,000	32,714	kNZD	6,301	kNZD	1,576	1.698	1.763
2	2	1,000	1,000	—	kCLP	2,350,391	kCLP	—	868.890	902.655
—	—	1	100	—	kCLP	3,015,641	kCLP	—	868.890	902.655
1	1	1,000	1,000	1,066,265	kCLP	76,751	kCLP	—	868.890	902.655
802	802	100	100	15,604	kTRY	-1,166	kTRY	—	9.113	8.194

Statutory auditors' report on the financial statements

For the year ended December 31, 2020

This is a translation into English of the statutory auditors' report on the financial statements of the company issued in French and it is provided solely for the convenience of English-speaking users.
This statutory auditors' report includes information required by French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders.
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To Virbac's annual general meeting,

OPINION

in compliance with the engagement entrusted to us by your annual general meeting, we have audited the accompanying financial statements of Virbac for the year ended December 31, 2020.
In our opinion, the financial statements give a true and fair view of the assets and liabilities, and of the financial position of the company as of December 31, 2020 and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the audit committee.

BASIS FOR OPINION

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.
Our responsibilities under those standards are further described in the "Statutory auditors' responsibilities for the audit of the financial statements" section of our report.

Independence

We conducted our audit engagement in compliance with independence requirements of the French commercial code (*Code de commerce*) and the French code of ethics (*Code de déontologie*) for statutory auditors, for the period from January 1, 2020 to the date of our report, and specifically we did not provide any prohibited non-audit services referred to in article 5(1) of regulation (EU) n°537/2014.

JUSTIFICATION OF ASSESSMENTS - KEY AUDIT MATTERS

Due to the global crisis related to the Covid-19 pandemic, the financial statements of this period have been prepared and audited under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies' internal organization and the performance of the audits.

It is in this complex and evolving context that, in accordance with the requirements of articles L823-9 and R823-7 of the French commercial code (*Code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the financial statements as a whole, approved in the conditions mentioned above, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the financial statements.

Key audit matter: measurement of equity investments

As of December 31, 2020, equity investments have a net carrying amount of €454.1 million. They are recognized at acquisition cost, excluding incidental expenses, on entry into the accounts.

If the value in use of equity investments is lower than their net carrying amount, an impairment loss is recognized in the amount of the difference. As disclosed in the "Equity investments" section of the "Accounting principles and methods" note to the financial statements, value in use is determined by management when the net carrying amount is higher than the share in the subsidiary's equity. This value in use represents the enterprise value, assessed on the discounted present value of forecast cash flows, and the net cash flow of the financial debts.

Impairment tests performed by management to calculate the value in use of equity investments require management to make significant judgments and assumptions, notably concerning:

- discount rates applied to cash flows;
- and the terminal growth rate applied to assess the terminal value.

Accordingly, a change in these assumptions may modify the value in use of equity investments. In this context, we considered the correct measurement of equity investments to be a key audit matter presenting a potential risk of material misstatement, due to the importance of management judgment and the material amount of equity investments in the balance sheet.

Our response

To assess the reasonableness of the estimated value in use of equity investments, our work mainly consisted in verifying that the estimated values, as determined by management, are based on an appropriate justification of the valuation method and the figures used.

We:

- verified that the equity, of which the share of equity used, agrees with the entity accounts audited;
- assessed the quantified data used for the determination of values in use, with a specific attention to the subsidiary Interlab with a net carrying amount of equity investments of €277 million, and which holds the entire capital of the American subsidiary (Virbac Corporation);
- assessed the discount rates adopted by management, comparing it with our own estimated rates, prepared with the assistance of our valuation specialists;
- assessed the reasonableness of the long-term growth rate used to determine the terminal value;
- sample tested the arithmetical accuracy of the impairment tests performed by the company;
- assessed the appropriateness of disclosures presented in the "Equity investments" section of the "Accounting principles and methods" note and B3 note "Financial assets" and A10 "subsidiaries and shares" to the financial statements.

SPECIFIC VERIFICATIONS

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations.

Information given in the management report and other documents provided to shareholders with respect to the financial position and the financial statements

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of board of directors and in the other documents with respect to the financial position and the financial statements provided to shareholders.
We attest the fair presentation and the consistency with the financial statements of the information relating to payment deadlines mentioned in article D441-6 of the French commercial code (*Code de commerce*).

Report on corporate governance

We attest that the board of directors' report on corporate governance sets out the information required by article L225-37-4, L22-10-9 and L22-10-10 the French commercial code.

Concerning the information given in accordance with the requirements of article L22-10-9 of the French commercial code (*Code de commerce*) relating to remunerations and benefits received by or awarded to the directors and any other commitments made in their favour, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from controlled enterprises included in the scope of consolidation. Based on these procedures, we attest the accuracy and fair presentation of this information.

With respect to the information relating to items that your company considered likely to have an impact in the event of a takeover bid or exchange offer, provided pursuant to article L22-10-11 of the French commercial code, we have agreed this information to the source documents communicated to us. Based on these procedures, we have no observations to make on this information.

Other information

In accordance with French law, we have verified that the required information concerning the identity of the shareholders and holders of the voting rights has been properly disclosed in the management report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Format of presentation of the financial statements intended to be included in the annual financial report

In accordance with article 222-3, III of the *AMF* general regulation, the company's management informed us of its decision to postpone the presentation of the financial statements in compliance with the European single electronic format as defined in the European delegated regulation n°2019/815 of December 17, 2018 to years beginning on or after January 1, 2021. Therefore, this report does not include a conclusion on the compliance with this format of the presentation of the financial statements intended to be included in the annual financial report mentioned in article L451-1-2, I of the French monetary and financial code (*Code monétaire et financier*).

Appointment of the statutory auditors

We were appointed statutory auditors of Virbac by the shareholders' meeting of June 29, 1998 for Novances David & Associés and June 30, 2004 for Deloitte & Associés.
As of December 31, 2020, Novances David & Associés was in the twenty-third consecutive year of mandate without interruption and Deloitte & Associés was in seventeenth consecutive year of mandate without interruption.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the company or to cease operations.

The audit committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The financial statements were approved by the board of directors.

STATUTORY AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Objectives and audit approach

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in article L823-10-1 of the French commercial code, our statutory audit does not include assurance on the viability of the company or the quality of management of the affairs of the company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material

misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the financial statements;
- assesses the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company’s ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;
- evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report to the audit committee

We submit a report to the audit committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the audit committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the audit committee with the declaration provided for in article 6 of regulation (EU) n°537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by articles L822-10 to L822-14 of the French commercial code and in the French code of ethics (*Code de déontologie*) for statutory auditors. Where appropriate, we discuss with the audit committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Nice and Marseille, April 6, 2021

The statutory auditors

French original signed by

Novances-David & Associés
Laurent Gilles

Deloitte & Associés
Philippe Battisti

Statutory auditors' special report on regulated agreements

This is a free translation into English of the statutory auditors' special report on regulated agreements and commitments that is issued in the French language and is provided solely for the convenience of English speaking readers. This report on regulated agreements and commitments should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France. It should be understood that the agreements and commitments reported on are only those provided by the French commercial code (Code de commerce) and that the report does not apply to those related party transactions described in IAS 24 or other equivalent accounting standards.

Shareholders' meeting held to approve the financial statements for the year ended December 31, 2020.

To the Virbac annual general meeting,

in our capacity as statutory auditors of your company, we hereby report to you on regulated agreements.

The terms of our engagement require us to communicate to you, based on the information provided to us, the main terms and conditions of those agreements brought to our attention or which we may have discovered during the course of our audit, as well as the reasons justifying that such commitments are in the company's interest, without expressing an opinion on their usefulness and appropriateness or identifying other such agreements and commitments, if any. It is your responsibility, pursuant to article R225-58 of the French commercial code (*Code de commerce*), to assess the interest involved in respect of the conclusion of these agreements for the purpose of approving them.

Our role is also to provide you with the information stipulated in article L225-58 of the French commercial code relating to the implementation during the past year of agreements previously approved by the shareholders' meeting, if any.

We performed the procedures that we considered necessary with regard to the professional guidelines of the French national institute of statutory auditors (*Compagnie nationale des commissaires aux comptes*) relating to this engagement.

AGREEMENTS SUBMITTED TO THE APPROVAL OF THE SHAREHOLDERS' MEETING

We hereby inform you that we have not been advised of any agreement authorized during the year to be submitted to the approval of the shareholders' meeting pursuant to article L225-86 of the French commercial code.

AGREEMENTS PREVIOUSLY APPROVED BY THE SHAREHOLDERS' MEETING

We hereby inform you that we have not been advised of any agreement previously approved by the shareholders' meetings which remained in force during the year.

Nice and Marseille, April 6, 2021

The statutory auditors

French original signed by

Novances-David & Associés
Laurent Gilles

Deloitte & Associés
Philippe Battisti

Statutory auditors' report on the capital decrease

This is a free translation into English of the statutory auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Ordinary and extraordinary shareholders' meeting of June 21, 2021 – Twentieth resolution

To the Virbac shareholders' meeting,

in our capacity as statutory auditors of your company and in accordance with the procedures provided for in article L22-10-62 of the French commercial code (*Code de Commerce*) on the decrease in share capital by the cancellation of shares purchased, we hereby report to you on our assessment of the reasons for and the terms and conditions of the proposed decrease in share capital.

Shareholders are requested to confer all necessary powers on the board of directors, during a period of 26 months, to cancel, up to a maximum of 10% of its share capital, per required statutory period, the shares purchased by the company pursuant to the authorization to purchase its own shares as part of the provisions of the aforementioned article.

We performed the procedures that we considered necessary in accordance with the professional guidelines of the French national institute of statutory auditors (*Compagnie nationale des commissaires aux comptes*) applicable to this engagement. Our procedures consisted, in particular, in verifying the fairness of the reasons for and the terms and conditions of the proposed decrease in share capital, and ensuring that it does not interfere with the equal treatment of shareholders.

We have no comments on the reasons for and the terms and conditions of the proposed decrease in share capital.

Nice and Marseille, April 6, 2021

The statutory auditors

French original signed by

Novances-David & Associés
Laurent Gilles

Deloitte & Associés
Philippe Battisti

Statutory auditors’ report on the granting of existing or newly-issued shares for no consideration

This is a free translation into English of the statutory auditors’ report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Ordinary and extraordinary shareholders’ meeting of June 21, 2021 – Twenty-first resolution

To the Virbac annual general meeting,

in our capacity as statutory auditors of your company and in accordance with the procedures provided for in article L225-197-1 of the French commercial code (*Code de commerce*), we have prepared this report on the proposed authorisation to grant existing or newly-issued shares for no consideration to salaried employees and corporate officers of your company and its affiliates, a transaction on which you are asked to decide.

Your board of directors recommends that, having considered its report, you confer on it the authority to grant existing or newly-issued shares for no consideration and for a period of 38 months.

The board of directors is responsible for preparing a report on this transaction which it wishes to carry out. Our role is to inform you of our comments, if any, on the information thus given to you on the proposed transaction.

We performed the procedures that we considered necessary in accordance with the professional guidelines of the French national institute of statutory auditors (*Compagnie nationale des commissaires aux comptes*) applicable to this engagement. Such procedures consisted in verifying that the proposed conditions as given in the board of directors’ report comply with legal provisions.

We have no comments on the information given in the board of directors’ report in respect of the proposed granting of shares for no consideration.

Nice and Marseille, April 16, 2021

The statutory auditors

French original signed by

Novances-David & Associés
Laurent Gilles

Deloitte & Associés
Philippe Battisti

Statement of responsibility for the annual financial report

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

Carros, March 18, 2021

Sébastien Huron, chief executive officer, Virbac group

Combined ordinary and extraordinary shareholders' meeting of June 21, 2021

Explanatory statement and draft resolutions

ORDINARY BUSINESS

1. Approval of the statutory accounts of the financial year 2020

Statement

Resolutions 1, 2 and 3: approval of the annual accounts (parent company and consolidated), allocation of profit from the 2020 financial year and determination of dividends

The ordinary shareholders' meeting is convened to approve:

- the statutory accounts along with an income statement that shows a net profit of €151,122,870.09 in 2020;
- the consolidated accounts from the 2020 financial year, with details and explanations appearing on pages 135 to 191;
- allocation of profit.

The distribution of a dividend will be proposed to the shareholders' meeting in the amount of €0.75 per share, *i.e.* a total amount of €6,343,500.

Resolutions

First resolution: approval of the statutory accounts for the 2020 financial year

The shareholders' meeting, in accordance with *quorum* and majority requirements for ordinary shareholders' meetings, after having heard the reports from the board of directors and the statutory auditors, approves, as they were presented, the statutory accounts for the financial year ending December 31, 2020 showing a net profit of €151,122,870.09, as well as the transactions reflected in these accounts or summarized in said reports.

The shareholders' meeting also approves the expenditures incurred during the past financial year related to the transactions that fall within the scope of article 39-4 of the French general tax code, representing a total of €441,005. As a consequence, the shareholders' meeting grants the board of directors full and unreserved discharge of their duties for the aforementioned financial year.

Second resolution: approval of the 2020 consolidated accounts

The shareholders' meeting, in accordance with *quorum* and majority requirements for ordinary shareholder's meeting, after having heard the reports from the board of directors and the statutory auditors for the financial year ending December 31, 2020, approves, as they were presented, the consolidated accounts for this financial year, showing a net profit of €137,464,878 attributable to the owners of the parent company.

The shareholders' meeting also approves the transactions reflected in these accounts or summarized in said reports.

Third resolution: allocation of profit

The shareholders' meeting, in accordance with *quorum* and majority requirements for ordinary shareholders' meetings, elects to allocate the profit for the financial year as follows:

in €	In respect of 2020
Net result for the period	151,122,870.09
Retained earnings carried forward	388,151,395.33
Distributable result	**539,274,265.42**
Distribution of dividend	6,343,500.00
Retained earnings for the period	144.779.370,09

The dividend distributed for each share with the nominal value of €1.25 amounts to €0.75. The dividend to be distributed will be detached from the share on June 23, 2021 and will be payable on June 25, 2021.

The shareholders' meeting decides that, in accordance with the provisions of article L225-210 of the French commercial code, the amount of the dividend corresponding to the treasury shares on the date of payment will be allocated to the retained earnings account, which will therefore be increased by this amount.

The shareholders' meeting acknowledges that the shareholders have been informed:

- that since January 1, 2018, the distributed income is subject to a single flat-rate deduction ("flat tax") of 30%, *i.e.* 12.8% for income tax and 17.2% for social security deductions;
- that the mandatory lump sum deduction not discharging the income tax is maintained but its rate is aligned with that of the flat tax (12.8% - art. 117 *quater* of the French general tax code);
- that natural persons belonging to a tax household whose reference tax income for the previous year is less than €50,000 (single, divorced or widowed taxpayers) or €75,000 (taxpayers subject to joint taxation) may request to be exempted from the flat-rate non-discharging deduction of 12.8% in respect of income tax; the exemption request must be made, under the responsibility of the shareholder, no later than November 30 of the year preceding the payment of the dividend;
- that the option for taxation of the dividend on the progressive scale remains possible and must be indicated on the tax return; in this case, the flat-rate non-discharging deduction of 12.8% will be deducted from the tax due. The 40% reduction will be maintained, but social security contributions will be based on the amount before reduction.

It is specified that the amount of income distributed for the year ended December 31, 2020 eligible for the 40% reduction provided for in article 158, 3-2 of the French general tax code amounts to €6,343,500, *i.e.* all dividends distributed.

The shareholders were also reminded that, in accordance with the provisions of article L136-7 of the French social security code, social security contributions on dividends paid to natural persons domiciled for tax purposes in France are subject to the same rules as the deduction mentioned in article 117 *quater* of the French general tax code, *i.e.* debited at source by the paying institution, when the latter is established in France, and paid to the Treasury within the first fifteen days of the month following the payment of dividends.

Pursuant to article 243 *bis* of the French general tax code, it is recalled that distributions made for the three previous financial years were as follows:

in €	Dividend per share	Global distribution
In respect of 2017	—	—
In respect of 2018	—	—
In respect of 2019	—	—

2. Regulated agreements

Statement

Resolution 4: agreements and commitments known as "regulated", pursuant to article L225-38 *et seq.* of the French commercial code

No agreements or commitments subject to the provisions of article L225-38 of the French commercial code were entered into or renewed in the 2020 financial year, and there is no agreement or commitment already approved by the shareholders' meeting that would continue during the past financial year.

However, a resolution will be presented at the shareholders' meeting to acknowledge the absence of regulated agreements and commitments.

Resolution

Fourth resolution: regulated agreements and commitments referred to in article L225-38 of the French commercial code

The shareholders' meeting, in accordance with *quorum* and majority requirements for ordinary shareholders' meetings, having acquainted itself with the special report of the statutory auditors noting the absence of agreements and commitments subject to the provisions of article L225-38 of the French commercial code, shall simply take note of them.

3. Board of directors – renewal of the mandate of members of the board of directors

Statement

Resolutions 5 and 6

The general meeting of shareholders of December 15, 2020 decided to modify, with effect from the same day, the mode of administration and management and to adopt the form of public limited company with board of directors governed by articles L225-17 to L225-56 of the French commercial code, replacing the supervisory board and the executive board.

The shareholders' meeting has also appointed as members of the new board of directors all former members of the supervisory board. The term of office of the members of the board of directors is three years; however, in order to allow for a staggering of the terms of office of the members of the board of directors, the meeting validated a different term of office, depending on the directors.

Accordingly:

- Marie-Hélène Dick-Madelpuech's term of office as chairwoman of the board of directors expires at the end of this shareholders' meeting;

accordingly, we propose that you renew Marie-Hélène Dick-Madelpuech's term of office as a member of the board of directors for a period of three years, until the end of the shareholders' meeting convened to approve the financial statements closed on December 31, 2023 (resolution 5).

- Solène Madelpuech's term of office as a member of the board of directors expires at the end of this shareholders' meeting;

accordingly, we propose that you renew Solène Madelpuech's term of office as a member of the board of directors for a period of three years, until the end of the shareholders' meeting convened to approve the financial statements closed on December 31, 2023 (resolution 6).

Information involving members of the board of directors appears in the Corporate governance report on pages 90 to 95.

Resolutions

Fifth resolution: renewal of the term of office of Marie-Hélène Dick-Madelpuech as a member of the board of directors

The shareholders' meeting, in accordance with *quorum* and majority requirements for ordinary shareholders' meetings, elects to renew Marie-Hélène Dick-Madelpuech's term of office as a member of the board of directors for a period of three years that will expire at the close of the shareholders' meeting convened to approve the accounts for the financial year ending December 31, 2023.

Sixth resolution: renewal of the term of office of Solène Madelpuech as a member of the board of directors

The shareholders' meeting, in accordance with *quorum* and majority requirements for ordinary shareholders' meetings, elects to renew Solène Madelpuech's term of office as a member of the board of directors for an additional period of three years that will expire at the close of the shareholders' meeting convened to approve the accounts for the financial year ending December 31, 2023.

4. Non-voting advisor – renewal of the non-voting advisor's term

Statement

Resolution 7

The general meeting of shareholders of December 15, 2020 appointed the company Xavier Yon Consulting Unipessoal Lda, as non-voting advisor, until the end of this shareholders' meeting.
Accordingly, we propose that you renew the term of office of the company Xavier Yon Consulting Unipessoal Lda, represented by Xavier Yon, as a non-voting advisor for a period of one year, or until the end of the shareholders' meeting convened to approve the accounts for the 2021 financial year.
Information regarding the non-voting advisor appears in the Corporate governance report on page 107.

Resolution

Seventh resolution: renewal of the term of office of the company Xavier Yon Consulting Unipessoal Lda as a non-voting advisor

The shareholders' meeting, in accordance with *quorum* and majority requirements for ordinary shareholders' meetings, renews the term of office of the Xavier Yon Consulting company, represented by Xavier Yon, as a non-voting advisor.
Xavier Yon Consulting Unipessoal Lda's term of office will end at the close of the shareholders' meeting convened to approve the accounts for the financial year ending December 31, 2021.

5. Compensation

Statement

Resolutions 8 to 18

The information referred to in article L22-10-9 of the French commercial code, which is contained in the Corporate governance report and concerns the compensation of the company officers, is subject to resolutions submitted at the shareholders' meeting.
The elements comprising total compensation and other benefits paid during the 2020 financial year or assigned under the same financial year to the chairwoman of the supervisory board, the chairman of the executive board and members of the executive board, who fulfilled their term of office up to December 15, 2020, are subject to the approval of the shareholders' meeting as they appear in the Corporate governance report (pages 120 to 131).
In accordance with the provisions of article L22-10-34 of the French commercial code, payment of the variable portion of compensation for 2020 to members of the executive board and its chairman, in office until December 15, 2020, is subject to approval during the June 21, 2021 general meeting of shareholders.
The elements comprising the compensation policy of the members of the new governance bodies since December 15, 2020, namely the chairwoman of the board of directors, the members of the board of directors, the chief executive officer and the deputy chief executive officer, are the subject of resolutions submitted to the general meeting of shareholders.

Resolutions

Eighth resolution: approval of the information mentioned in article L22-10-9 I. of the French commercial code relating to the compensation of members of the supervisory board in office until December 15, 2020

The shareholders' meeting, under conditions of *quorum* and majority required for ordinary shareholders' meetings, pursuant to the provisions of article L22-10-34 I. of the French commercial code, having acquainted itself with the Corporate governance report referred to in article L225-37 of the French commercial code, approves the information involving supervisory board members, in office until December 15, 2020, referred to in article L22-10-9 I. of the French commercial code, as presented in the Corporate governance report (pages 120 to 121).

Ninth resolution: approval of the information mentioned in article L22-10-9 I. of the French commercial code relating to the compensation of members of the executive board in office until December 15, 2020

The shareholders' meeting, under conditions of *quorum* and majority required for ordinary shareholders' meetings, pursuant to the provisions of article L22-10-34 I. of the French commercial code, having acquainted itself with the Corporate governance report referred to in article L225-37 of the French commercial code, approves the information involving executive board members, in office until December 15, 2020, referred to in article L22-10-9 I. of the French commercial code, as presented in the Corporate governance report (pages 121 to 131).

Tenth resolution: approval of the elements comprising compensation and benefits of any nature paid or awarded in the 2020 financial year to Marie-Hélène Dick-Madelpuech, chairwoman of the supervisory board, in office until December 15, 2020

The shareholders' meeting, under conditions of *quorum* and majority required for ordinary shareholders' meetings, having acquainted itself with the Corporate governance report referred to in article L225-37 of the French commercial code, approves, pursuant to article L22-10-34 II. of the French commercial code, the elements comprising compensation and other benefits paid in the 2020 financial year or awarded under the same financial year to Marie-Hélène Dick-Madelpuech, chairwoman of the supervisory board, in office until December 15, 2020, as presented in the Corporate governance report (page 121).

Eleventh resolution: approval of the elements comprising compensation and benefits of any nature paid or awarded during the 2020 financial year to Sébastien Huron, chairman of the executive board, in office until December 15, 2020

The shareholders' meeting, under conditions of *quorum* and majority required for ordinary shareholders' meetings, having acquainted itself with the Corporate governance report referred to in article L225-37 of the French commercial code, approves, pursuant to article L22-10-34 II. of the French commercial code, the elements comprising compensation and other benefits paid in the 2020 financial year or awarded under the same financial year to Sébastien Huron, chairman of the executive board, in office until December 15, 2020, as presented in the Corporate governance report (pages 121 to 124).

Twelfth resolution: approval of the elements comprising compensation and benefits of any nature paid or awarded during the 2020 financial year to Christian Karst, member of the executive board, in office until December 15, 2020

The shareholders' meeting, under conditions of *quorum* and majority required for ordinary shareholders' meetings, having acquainted itself with the Corporate governance report referred to in article L225-37 of the French commercial code, approves, pursuant to article L22-10-34 II. of the French commercial code, the elements comprising compensation and other benefits paid in the 2020 financial year or awarded under the same financial year to Christian Karst, member of the executive board, in office until December 15, 2020, as presented in the Corporate governance report (pages 121 to 122 and 124 to 125).

Thirteenth resolution: approval of the elements comprising compensation and benefits of any nature paid or awarded during the 2020 financial year to Habib Ramdani, member of the executive board, in office until December 15, 2020

The shareholders' meeting, under conditions of *quorum* and majority required for ordinary shareholders' meetings, having acquainted itself with the Corporate governance report referred to in article L225-37 of the French commercial code, approves, pursuant to article L22-10-34 II. of the French commercial code, the elements comprising compensation and other benefits paid in the 2020 financial year or awarded under the same financial year to Habib Ramdani, member of the executive board, in office until December 15, 2020, as presented in the Corporate governance report (pages 121 to 122 and 126 to 127).

Statement

Resolutions 14 to 18: approval of the compensation policy for members of the board of directors, the chief executive officer and deputy chief executive officers for the 2021 financial year

Pursuant to article L225-37 of the French commercial code, the board of directors submits the Corporate governance report, which describes the elements of the company officers' compensation policy, for approval by the shareholders' meeting. Pursuant to article L22-10-8 of the French commercial code, this report submits for approval by the shareholders' meeting the principles and criteria applicable to the determination, distribution and allocation of the fixed, variable and extraordinary elements comprising total compensation and benefits of any nature attributable to members of the board of directors, the chief executive officer and the deputy chief executive officers, due to the exercise of their term of office for the 2021 financial year, and for the current period until the shareholders' meeting that will be convened to approve this policy, in accordance with the law and constituting the compensation policy involving them.

These principles and criteria adopted by the board of directors on the recommendation of the compensation and appointment committee are presented in the report provided by the aforementioned article and appearing in the Corporate governance report on pages 110 to 119. They will apply up to the next shareholders' meeting, which will be convened to approve this policy, in accordance with the law.

Resolutions

Fourteenth resolution: approval of the compensation policy of the chairwoman of the board of directors for the 2021 financial year

The shareholders' meeting, under conditions of *quorum* and majority required for ordinary shareholders' meetings, having acquainted itself with the Corporate governance report referred to in article L225-37 of the French commercial code, describing the elements of the compensation policy for company officers, approves, pursuant to article L22-10-8 of the French commercial code, the compensation policy for the chairwoman of the board of directors for the 2021 financial year, as presented in the Corporate governance report (page 112).

Fifteenth resolution: approval of the compensation policy of the members of the board of directors for the 2021 financial year

The shareholders' meeting, under conditions of *quorum* and majority required for ordinary shareholders' meetings, having acquainted itself with the Corporate governance report referred to in article L225-37 of the French commercial code, describing the elements of the compensation policy for company officers, approves, pursuant to article L22-10-8 of the French commercial code, the compensation policy for the members of the board of directors for the 2021 financial year, as presented in the Corporate governance report (page 112).

Sixteenth resolution: approval of the compensation policy of the chief executive officer for the 2021 financial year

The shareholders' meeting, under conditions of *quorum* and majority required for ordinary shareholders' meetings, having acquainted itself with the Corporate governance report referred to in article L225-37 of the French commercial code, describing the elements of the compensation policy for company officers, approves, pursuant to article L22-10-8 of the French commercial code, the compensation policy for the chief executive officer for the 2021 financial year, as presented in the Corporate governance report (pages 113 to 115).

Seventeenth resolution: approval of the compensation policy of the deputy chief executive officers for the 2021 financial year

The shareholders' meeting, under conditions of *quorum* and majority required for ordinary shareholders' meetings, having acquainted itself with the Corporate governance report referred to in article L225-37 of the French commercial code, describing the elements of the compensation policy for company officers, approves, pursuant to article L22-10-8 of the French commercial code, the compensation policy for the deputy chief executive officers for the 2020 financial year, as presented in the Corporate governance report (pages 116 to 119).

Statement

Resolution 18: setting of the compensation allocated to the members of the board of directors and the non-voting advisor

At the general meeting of shareholders, a proposal will be made to allocate the sum of €178,500 to the board of directors for the purposes of compensating its members and the non-voting advisor for the current financial year. It is specified that the amount allocated in 2020 to the members of the supervisory board and the non-voting advisor was €160,000. The board of directors will determine the distribution of this sum among its members and the non-voting advisor.

Resolution

Eighteenth resolution: setting the amount of compensation allocated to the members of the board of directors and the non-voting advisor

The shareholders' meeting, in accordance with *quorum* and majority requirements for ordinary shareholders' meetings, elects to grant the sum of €178,500 for the purposes of compensating its members for the 2021 financial year; said sum is to be distributed among its members and the non-voting advisor by the board of directors.

6. Authorization to be granted to the board of directors to buy back shares of the company

Statement

Resolution 19: authorization to be granted to the board of directors to buy back shares of the company

The ordinary shareholders' meeting of June 18, 2019 authorized the Virbac parent company to buy back treasury shares in accordance with articles L22-10-62 of the French commercial code and in line with the terms of the buyback plan set out in the prospectus published by our professional distributor and on the company's website.

On December 31, 2020, Virbac held a total of 21,304 treasury shares, acquired on the market for a total of €3,294,030 excluding fees, for an average price 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.

As of December 31, 2020, treasury shares accounted for 0.25% of Virbac's capital. They are earmarked in part for market-making and performance-related stock grants, as well as for possible capital reduction, in accordance with the nineteenth resolution submitted to you at this meeting.
A resolution will be submitted for the approval of the shareholders' meeting, authorizing the company to buy back company shares of up to 10% of the capital. Shares may be acquired with a view to:

- ensure liquidity or supporting the market price via an independent investment services provider pursuant to a liquidity agreement in accordance with a code of ethics recognized by the French financial markets authority (*Autorité des marchés financiers, AMF*);
- allocate performance-related stock grants;
- reduce the company's share capital by cancelling part or all of the shares repurchased, subject to the adoption by this shareholder's meeting of the resolution on the authorization to reduce the share capital by cancellation of 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.

Resolutions

Nineteenth resolution: authorization to be granted to the board of directors to buy back shares of the company

The shareholders' meeting, in accordance with *quorum* and majority requirements for ordinary shareholders' meetings, after having heard the report from the board of directors, authorizes the board of directors, with the option of sub-delegation, in accordance with the provisions of articles L22-10-62 *et seq.* of the French commercial code, to buy back shares representing up to a maximum of 10% of the company's share capital on the date of this meeting, in order to:

- ensure liquidity or support the market price via an independent investment services provider pursuant to a liquidity agreement in accordance with a code of ethics recognized by the French financial markets authority (*Autorité des marchés financiers*);
- proceed with the allocation of bonus performance-related stock grants under the provisions of articles L225-197-1 *et seq.* of the French commercial code;
- reduce the company's share capital by cancelling all or part of the shares purchased.

The maximum unit purchase price may not exceed €350 per share.
The maximum transaction amount that could be carried out pursuant to this resolution, taking into account the 23,856 shares already held as of February 28, 2021, is thus set at €287,680,400.
In the event of a capital increase through incorporation of reserves and allocation of performance-related stock grants, a share split or reverse shares split, this amount will be adjusted by a multiplier equal to the ratio between the number of shares in the share capital prior to the transaction and the number after the transaction.
This authorization, which cancels and supersedes any previous authorization of the same nature, in particular the one granted by the shareholders' meeting of June 22, 2020 in its twentieth resolution, is granted for a period of 18 months from the date of this meeting.
All powers are conferred to the executive board, with the power of delegation, to place all orders, enter into all agreements, carry out all formalities and declarations with any organization, in particular the French financial markets authority and, more generally, to do what will be necessary for the purposes of carrying out transactions performed in accordance with this authorization.

EXTRAORDINARY BUSINESS

7. Authorization to be granted to the board of directors for the purpose of reducing the share capital by cancelling treasury shares held by the company

Statement

Resolution 20: authorization to be granted to the board of directors for the purpose of reducing the share capital by cancelling treasury shares held by the company

The shareholder's meeting of June 18, 2019 authorized the executive board, under the provisions of article L22-10-62 of the French commercial code, for a period of twenty-six months, to reduce capital on one or more occasions, up to a maximum of 10.0% by cancellation of all or part of the shares held by the company or which could be held by the company following repurchases carried out under article L22-10-62 of the French commercial code, in particular with respect to the resolution authorizing the executive board to purchase shares in the company.
It is noted that during this twenty-six month period, the executive board made no capital reductions.

As the duration of the authorization expires at the end of the next shareholders' meeting, we hereby submit a resolution to authorize the board of directors to proceed, potentially, with a capital decrease of one or more times within the limit of 10.0% by cancelling all or part of the shares that the company holds or may hold for a new period of twenty-six months.

Twentieth resolution: authorization to be granted to the board of directors for the purpose of reducing the share capital by cancelling treasury shares held by the company

The shareholder's meeting, in accordance with *quorum* and majority requirements for extraordinary shareholders' meetings, after having heard the board of directors' report and the special report of the statutory auditors:

- authorizes the board of directors to cancel, on one or more occasions, all or part of the shares held by the company or which could be held by the company following buybacks carried out under article L22-10-62 of the French commercial code, up to a maximum of 10% of the total number of shares per period stipulated by law, by attributing the difference between the purchase value of the cancelled shares and the nominal value on the premiums and available reserves, including, in part, up to 10% of the capital cancelled from the legal reserve;
- authorizes the board of directors to record that one or more capital decreases have been carried out and, as a result, amend the bylaws and carry out all requisite formalities;
- authorizes the board of directors to delegate all powers needed to implement its decisions, all in accordance with the legal provisions in effect at the time of the use of this authorization;
- this authorization is valid for a term of twenty-six months from the date of this shareholders' meeting.

8. Authorization to be granted to the board of directors for the purpose of proceeding with the allocation of bonus performance-related stock grants

Statement

Resolution 21: authorization to be granted to the board of directors for the purpose of proceeding with the allocation of bonus performance-related stock grants

The shareholder's meeting of June 20, 2018 adopted a resolution to extend for a new 38-month period the possibility of allocating company performance-related stock grants, in compliance with the provisions of article L225-197-1 *et seq.*, of the French commercial code.
This resolution allows for bonus performance-related stock grants to be awarded to managers or comparable employees, or certain categories thereof, as well as to the company officers referred to in article L225-197-1 of the French commercial code, both for Virbac and the companies that are either directly or indirectly associated with it, in accordance with article L225-197-2 of the French commercial code.
The total number of performance-related stock grants awarded may not represent over 1.0% of Virbac's capital. The allocation is made with no dilution, the company purchasing the number of required shares on the market.
Similar to the prior authorization, the bonus performance-related stock grants will only be definitive at the end of a vesting period of at least two years, with the shares thus held also having to be retained for at least two years from the end of the vesting period. The board of directors will determine the identity of the beneficiaries as well as the terms and grant criteria for the shares that will be linked to the improvement in the Group's performance levels.

As the duration of the authorization expires at the end of the next shareholders' meeting, we are submitting a new resolution that will cancel and replace the previous authorization. For more details, see page 128.

The executive officers have undertaken not to resort to hedging transactions for their risk of performance-related stock grants, until the end of the share lock-in period set by the board of directors.

Resolution

Twenty-first resolution: authorization to be granted to the board of directors to proceed with allocations of bonus performance-related stock grants

The shareholder's meeting, in accordance with *quorum* and majority requirements for extraordinary shareholders' meetings, after having heard the board of directors' report and the special report of the statutory auditors, and in accordance with articles L225-197-1 *et seq.* of the French commercial code:

- authorizes the board of directors to award, on one or more occasions, bonus performance-related stock grants of existing Virbac shares to managers or comparable employees, or certain categories thereof, as well as to the company officers referred to in article L225-197-1 of the French commercial code, both from Virbac and the companies that are either directly or indirectly associated with it, in accordance with article L225-197-2 of the French commercial code;
- resolves that the total number of performance-related stock grants that may be awarded under this authorization, may not exceed 1% of Virbac's share capital as valued on the day of the adoption of the award resolution by the board of directors, subject to the regulatory adjustments necessary to protect the rights of the beneficiaries of the shares;
- resolves that, within the aforementioned set limit, the number of performance-related stock grants awarded to the chief executive officer and the deputy chief executive officers during the term of this authorization may not exceed 0.5% of the capital as of the day of award;
- resolves that the final award of the existing performance-related stock grants shall be contingent upon fulfillment of the individual and collective performance criteria to be defined by the board of directors;
- resolves that the awarding of the performance-related stock grants to the awardees shall be final at the end of a minimum vesting period of two years;
- resolves that the minimum holding period of the performance-related stock grants by the awardees shall be two years;
- vests all powers in the board of directors, with the option of sub-delegation, to implement this authorization for the purpose, in particular, of:
  - determining the identity of the beneficiaries or of the category(ies) of beneficiaries of the bonus performance-related stock grants among the personnel and the corporate officers of the company or the aforementioned companies and the number of shares awarded to each of them;
  - determining the term of the vesting period, and deciding if applicable or not to set a holding period for the shares;
  - determining whether the performance criteria according to which the shares would be awarded were satisfied, and adding, where applicable, all the conditions and criteria that it deems relevant;
  - setting the conditions and, where applicable, the criteria for awarding bonus performance-related stock grants. For shares awarded to the company officers, the board of directors shall resolve either that the performance-related stock grants may not be surrendered by the beneficiaries prior to leaving the company,

or shall set the quantity of performance-related stock grants awarded that they must keep as registered shares until they leave the company;
– having the right to temporarily suspend the allocation rights;
– setting final awarding dates and the dates as from which the shares may be freely surrendered, taking account of the legal restrictions;
– recording the performance-related stock grants awarded as registered shares in the name of their holder, mentioning the holding period and the term of such holding period and lifting the holding period for the shares for any circumstance for which applicable regulations allow the lifting of the holding period.

- authorizes the board of directors to provide for, if applicable, the permanent allocation of the shares before the end of the vesting period and the elimination of the holding period in the event of the disability of the beneficiary corresponding to classification in the second or third categories provided in article L341-4 of the French social security code, as well as in the event of the death of the beneficiary;
- authorizes the board of directors, where applicable, to adjust the number of performance-related stock grants awarded related to any transactions involving the share capital of Virbac;
- delegates all powers to the board of directors, with the option of sub-delegation within the statutory limits, to implement this authorization, to perform all acts and formalities and make all representations and generally to do whatever is necessary.

The shareholder's meeting takes note of the fact that, if the board of directors uses this authorization, it shall inform the shareholders' meeting each year of the transactions carried out under the provisions of articles L225-197-1 to L225-197-3 of the French commercial code under the conditions provided for in article L225-197-4 of said code.
This authorization is granted for a period of 38 months as from the day of this meeting and renders the unused portion of the twenty-fifth resolution of the combined shareholders' meeting of June 20, 2018 ineffective.

9. Powers for formalities

Statement

Resolution 22: powers

This resolution is intended to confer the necessary powers to carry out the formalities subsequent to the shareholders' meeting.

Resolution

Twenty-second resolution: powers for formalities

The shareholders' meeting, in accordance with *quorum* and majority requirements for ordinary shareholders' meetings, confers all powers to the bearer of an original, an extract or a copy of these meeting minutes in order to carry out all formalities stipulated by law.

Products glossary

The product names stated in the annual report and listed below are subject to protection in particular in respect of trademarks. Virbac and/or its subsidiaries are the owners or have exclusive use of them. All medicines or products mentioned in this document can be not authorized or not marketed in all the countries including France.

Bovigen Scour
vaccine used to protect calves against viral and bacterial infections

CaniLeish
vaccine against canine leishmaniosis

Cydectin Platinum
parasiticide for cattle combining moxidectin and levamisole

Clomicalm
clomipramine-based tablets used as an aid in the treatment of separation-related disorders in dogs

Epiotic
ear cleanser for dogs and cats

Evicto
selamectin-based endectocide for dogs and cats

Fosfosan
multimineral solution indicated in the prevention and treatment of deficiencies in cattle and swine

Itrafungol
antifungal oral solution for cats

Milpro
internal parasiticide tablets for dogs and cats combining praziquantel and milbemycin for the prevention of canine heartworm disease and for the treatment of roundworms and tapeworms

Multimin
trace element injectable supplement for food producing animals

Nutri-plus gel
food supplement for dogs in oral paste form

Optomease
benzocaine-based product with an action on the stress of salmon and trout

Senergy
selamectin-based topical parasiticide for dogs and cats

Sentinel Flavor Tabs and Sentinel Spectrum
polyvalent parasiticide tablets for dogs to prevent canine heartworm disease and for the treatment of roundworms (as well as tapeworms for Sentinel Spectrum) and flea infestations

Stelfonta
product indicated for the treatment of non-resectable mastocytomes in dogs

Suigen PCV2
vaccine against porcine circovirus

Suramox
coated amoxicillin-based antibiotic prescribed for the treatment of respiratory infections in swine and poultry

Suprelorin
deslorelin-based implant, inducing a reversible neutering in male dogs

Tramvetol
solution for injection for dogs indicated for the reduction of mild postoperative pain

Tulissin
tulathromycin-based antibiotic solution for food producing animals

Vetemex
antiemetic solution for dogs and cats based on maropitant

Veterin 80%
micronized oral powder antibiotic based on florfenicole for the treatment and control of bacterial pathologies in salmon

Virbagest
altrenogest-based progestin for synchronizing return to heat of gilts (batch management)

Zoletil
multi-species general anesthetic

WE ARE AT YOUR SERVICE ON 5 CONTINENTS

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Shaping the future of animal health