Consolidated accounts

The Group's consolidated accounts have been audited. The auditors' reports are in the process of being issued.

CONSOLIDATED FINANCIAL STATEMENTS

Statement of financial position

in € thousand	Notes	2019	2018
Goodwill	A1-A3	312,882	309,711
Intangible assets	A2-A3	272,134	295,016
Tangible assets	A4	224,792	236,685
Right of use	A5	34,003	-
Other financial assets	A6	12,195	10,771
Share in companies accounted for by the equity method	A7	3,392	3,140
Deferred tax assets	A8	12,991	9,936
Non-current assets		**872,390**	**865,259**
Inventories and work in progress	A9	206,582	195,776
Trade receivables	A10	99,386	101,507
Other financial assets	A6	346	768
Other receivables	A11	50,899	46,686
Cash and cash equivalents	A12	93,656	62,810
Assets classified as held for sale	A13	-	-
Current assets		**450,869**	**407,549**
Assets		**1,323,259**	**1,272,807**
Share capital		10,573	10,573
Reserves attributable to the owners of the parent company		507,210	449,735
Equity attributable to the owners of the parent company	A14	**517,783**	**460,307**
Non-controlling interests	A14	34,096	35,567
Equity		**551,878**	**495,875**
Deferred tax liabilities	A8	34,658	36,423
Provisions for employee benefits	A15	20,294	20,294
Other provisions	A16	8,551	10,532
Lease liability	A17	26,090	-
Other financial liabilities	A18	306,869	375,900
Other payables	A19	2,427	2,520
Non-current liabilities		**398,889**	**445,669**
Other provisions	A16	1,055	1,778
Trade payables	A20	95,769	89,572
Lease liability	A17	8,573	-
Other financial liabilities	A18	120,556	112,995
Other payables	A19	146,538	126,919
Current liabilities		**372,492**	**331,265**
Liabilities		**1,323,259**	**1,272,807**

Income statement

in k€	Notes	2019	2018	Variation
Revenue from ordinary activities	**A21**	**938,342**	**868,932**	***8.0%***
Purchases consumed	**A22**	-314,805	-294,289	
External costs	**A23**	-173,037	-179,068	
Personnel costs		-280,819	-267,255	
Taxes and duties		-13,328	-11,931	
Depreciations and provisions	**A24**	-38,113	-28,745	
Other operating income and expenses	**A25**	4,207	432	
Current operating profit before depreciation of assets arising from acquisitions[1]		**122,447**	**88,076**	***39.0%***
Depreciations of intangible assets arising from acquisitions	**A24**	-15,048	-15,043	
Operating profit from ordinary activities		**107,399**	**73,033**	***47.1%***
Other non-current income and expenses	**A26**	-9,429	-8,040	
Operating result		**97,970**	**64,993**	***50.7%***
Financial income and expenses	**A27**	-20,298	-24,104	
Profit before tax		**77,672**	**40,889**	***90.0%***
Income tax	**A28**	-23,438	-20,366	
Including non-current tax expense		459	-2,438	
Share from companies' result accounted for by the equity method	**A7**	188	462	
Net result from ordinary activities[2]	**A29**	**63,391**	**31,463**	***101.5%***
Result for the period		**54,422**	**20,985**	***159.3%***
attributable to the owners of the parent company		51,550	20,099	*156.5%*
attributable to the non-controlling interests		2,872	886	*224.2%*
Profit attributable to the owners of the parent company, per share	**A30**	6.11 €	2.39 €	*156.2%*
Profit attributable to the owners of the parent company, diluted per share	**A30**	6.11 €	2.39 €	*156.2%*

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

[2] Since 2017, the Group discloses a "Net result from ordinary activities" that equates to net profit restated for the following items:
- the line "Other non-current income and expenses";
- non-current tax, which includes the tax impact of "Other non-current income and expenses", as well as all non-recurring tax income and expenses.

As of December 31, 2019, the line, "Including non-current tax expense" applies to:
- to the deferred tax income on the additional impairment of the Leishmaniosis Vaccine CGU (€2,493 thousand);
- the impairment of the deferred tax asset (-€2,034 thousand), recognized under tax losses for the period in the Virbac US subsidiary (see note A29).

Some items in the income statement were impacted by the implementation of IFRS 16 (see the paragraph on new standards and interpretations). It concerns the following lines:
- "External costs", which include the cancellation of rental charges equal to €11.3 million;
- "Depreciations and provisions", impacted by the amortization of the right of use over the period for €10.5 million;
- "Financial income and expenses", with the recognition of interest costs on lease liability for €1.4 million.

Comprehensive income statement

in € thousand	2019	2018	*Variation*
Result for the period	**54,422**	**20,985**	***159.3%***
Conversion gains and losses	5,489	3,455	
Effective portion of gains and losses on hedging instruments	-2,645	-562	
Items subsequently reclassifiable to profit and loss	**2,844**	**2,892**	***-1.7%***
Actuarial gains and losses	-1,027	-459	
Items not subsequently reclassifiable to profit and loss	**-1,027**	**-459**	***124.0%***
Other items of comprehensive income (before tax)	**1,817**	**2,433**	***-25.3%***
Tax on items subsequently reclassifiable to profit and loss	840	194	
Tax on items not subsequently reclassifiable to profit and loss	326	-17	
Comprehensive income	**57,405**	**23,596**	***143.3%***
attributable to the owners of the parent company	56,605	25,277	*123.9%*
attributable to the non-controlling interests	800	-1,682	*-147.6%*

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 12/31/2017	**10,573**	**6,534**	**444,366**	**-22,571**	**-2,575**	**436,327**	**42,496**	**478,824**
2017 allocation of net income	-	-	-2,575	-	2,575	**-**	-	**-**
Distribution of dividends	-	-	-	-	-	**-**	-5,247	**-5,247**
Treasury shares	-	-	52	-	-	**52**	-	**52**
Changes in scope	-	-	-	-	-	**-**	-	**-**
Other variations	-	-	-1,349	-	-	**-1,349**	-	**-1,349**
Comprehensive income	-	-	-844	6,023	20,099	**25,278**	-1,682	**23,596**
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	**57,405**
Equity as at 12/31/2019	**10,573**	**6,534**	**458,114**	**-8,986**	**51,550**	**517,783**	**34,096**	**551,878**

The ordinary shareholders' meeting of June 18, 2019 decided not to pay a dividend for the financial year 2018.

The line "Other variations" includes the following items:

- the impact of restated leases at the opening for a total of €0.2 million, related to the first-time application of IFRS 16 using the simplified retrospective approach;
- the recognition of tax liabilities of €0.9 million related to uncertain tax positions for previous years with respect to the first-time application of IFRIC 23;
- a correction to the calculation of the deferred tax liability related to assets in the Chilean subsidiary for a global amount of €1.0 million split between equity attributable to the owners of the parent company and the non-controlling interests.

Cash position statement

in € thousand	2019	2018
Cash and cash equivalents	62,810	48,378
Bank overdraft	-19,173	-16,689
Accrued interests not yet matured	-49	-40
Opening net cash position	**43,588**	**31,649**
Cash and cash equivalents	93,656	62,810
Bank overdraft	-13,770	-19,173
Accrued interests not yet matured	-37	-49
Closing net cash position	**79,849**	**43,588**
Impact of currency conversion adjustments	261	-68
Impact of changes in scope	-	-
Net change in cash position	**36,000**	**12,009**

Statement of change in cash position

in € thousand	Notes	2019	2018
Result for the period		**54,422**	**20,985**
Elimination of share from companies' profit accounted for by the equity method	**A7**	-188	-462
Elimination of depreciations and provisions	**A16-A24**	59,629	56,110
Elimination of deferred tax change	**A8**	-4,711	-2,331
Elimination of gains and losses on disposals	**A25**	-2,503	-1,887
Other income and expenses with no cash impact		-292	-2,378
Cash flow		**106,357**	**70,036**
Effect of net change in inventories	**A9**	-9,074	-12,639
Effect of net change in trade receivables	**A10**	2,460	9,633
Effect of net change in trade payables	**A20**	2,705	-11,163
Effect of net change in other receivables and payables	**A11-A19**	13,460	11,077
Including income tax accrued for the period		*28,149*	*22,697*
Including income tax paid		*-26,784*	*-24,821*
Effect of change in working capital requirements		**9,550**	**-3,092**
Net financial interests paid	**A28**	15,702	16,678
Net cash flow generated by operating activities		**131,609**	**83,623**
Acquisitions of intangible assets	**A2-A20**	-6,276	-8,047
Acquisitions of tangible assets	**A4-A20**	-16,717	-25,822
Disposals of intangible and tangible assets	**A25**	7,304	5,862
Change in financial assets	**A6**	-437	1,511
Change in debts relative to acquisitions		-	-1,282
Acquisitions of subsidiaries or activities		-	-
Disposals of subsidiaries or activities		-	-
Withholding tax on distributions		-	-
Dividends received	**A7**	-	617
Net cash flow allocated to investing activities		**-16,126**	**-27,161**
Dividends paid to the owners of the parent company		-	-
Dividends paid to the non-controlling interests		-3,740	-4,820
Change in treasury shares		1,926	314
Increase/decrease of capital		-	-
Cash investments		-	-
Debt issuance	**A18**	67,564	67,118
Repayments of debt	**A18**	-120,292	-90,387
Repayments of lease obligation	**A17**	-9,239	-
Net financial interests paid	**A28**	-15,702	-16,678
Net cash flow from financing activities		**-79,483**	**-44,453**
Change in cash position		**36,000**	**12,009**

The implementation of IFRS 16 from January 1, 2019 onwards generated some changes in the presentation of the cash flow statement. Lease payments previously reported in net cash flow generated by operating activities are now included in net cash flow from financing activities (repayments of lease obligations and net financial interests disbursed – see notes A17 and A27).

NOTES TO THE CONSOLIDATED ACCOUNTS

General information note

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

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

Virbac is a public limited company under French law with an executive board and a supervisory board. Its trading name is "Virbac". The company was established in 1968 in Carros.
The joint ordinary and extraordinary shareholders' meeting held on June 17, 2014, which adopted the resolution on revamping the articles of association, 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.

The 2019 consolidated accounts were approved by the executive board on February 28, 2020. They will be submitted for approval to the shareholders' general meeting on June 22, 2020; the meeting has the power to have the statements amended.

The explanatory notes below support the presentation of the consolidated accounts and form an integral part thereof.

Significant events over the period

Return to the initial conditions of the financial covenant

In the first quarter of 2018, in order to obtain more flexibility, Virbac applied for a waiver to have the financial covenant compliance clause relaxed for 2018. This request was granted by all of *Schuldschein's* bank partners and investors. As such, the ratio of net debt to Ebitda was expected to be below 5.0 at the end of June 2018 and below 4.25 at the end of December 2018.
With 2019 marking the return to the initial terms of the contract, the ratio should from now on be below the threshold of 4.25 on June 30, 2019 and below 3.75 on December 31, 2019.
The financial conditions linked to these thresholds, which were at 3.00 on June 30, 2019 and 2.29 on December 31, 2019, are fulfilled more favorable.

Amendment to the defined-benefit retirement plan

Following the March 12, 2019 decision by the supervisory board, 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.
Due to the exit of beneficiaries no longer meeting the required conditions, the annuity rate has dropped from 22.0% to 10.5% of the reference salary, generating income of €3.4 million before taxes in the consolidated financial statements (including the employer social contribution of €0.6 million).

Additional impairment of the Leishmaniosis Vaccine intangible asset

As part of the asset value loss tests performed in 2019, the Group reviewed the recoverable value of the Leishmaniosis Vaccine CGU. This test led to the recognition in the 2019 financial statements of an impairment of the CGU's intangible assets in the amount of €7.2 million, which breaks down as follows: €9.7 million in intangible assets (marketing authorizations) and -€2.5 million in deferred tax liabilities.

Sale of the Fort Worth real estate

Virbac US sold its Fort Worth administrative building, generating a net income of €1.1 million in the annual financial statements. The move to the new premises took place gradually over the course of the second half of 2019.

Significant events after the closing date

Coronavirus health crisis

Between December 20, 2019, the date on which Virbac issued its 2020 outlook, and this communication, the coronavirus health crisis occurred. The situation is extremely evolving worldwide, and at this stage it is very difficult to anticipate what the impacts may be by the end of the year. The Group is working on contingency plans and has implemented appropriate measures for its employees, and also to meet the needs of its customers.

Accounting principles and methods applied

Compliance and basis for preparing the consolidated financial statements

In accordance with regulation No. 1606/2002 of the European Parliament and of the Council of July 19, 2002 on the application of international accounting standards, Virbac presents its consolidated financial statements using the international accounting standards. These standards encompass 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 on December 31, 2019.

Virbac's consolidated financial statements on December 31, 2019 were drawn up in accordance with the standards published by the IASB (International accounting standards board) and the standard adopted by the European Union on December 31, 2019. The IFRS standard adopted by the European Union on December 31, 2019 is available under the heading "IAS/IFRS interpretations and standards", on the following website:
https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/financial-reporting_en

The consolidated financial statements were drawn up in accordance with the IFRS' general principles: true picture, business continuity, accrual basis accounting, consistency of presentation, materiality and consolidation.

New standards and interpretations

Mandatory standards and interpretations effective January 1, 2019

For the presentation of the consolidated accounts for the 2019 financial year, the Group applied all standards and interpretations in force Europe-wide, applicable to financial years beginning on or after January 1, 2019. These standards and interpretations are as follows:

- **IFRS 16. Leases**

On January 13, 2016, the IASB published IFRS 16 to redefine how lease contracts are recognized, measured and presented. IFRS 16 replaces IAS 17 and related IFRIC and SIC interpretations and will remove, for lessees, the distinction previously made between "operating lease" and "finance lease". Lessees are now required to record all lease contracts with a term of more than one year by recording an asset and a liability for rights and obligations created by a lease contract. The application of this standard is technically a change in accounting policy.

In 2018, the Group accounted for all of these leases and equipped itself with a solution aimed at the monitoring of contracts and the calculation of the financial impacts of the standard. This solution, rolled out across all of the Group's subsidiaries, enables these entities to provide ongoing updates on the lease situation should there be a new lease or an event impacting the initial conditions governing the identified leases (revision of rents, terms, etc.). An impact analysis of the IFRS 16 standard was provided in the 2018 annual financial report.

Virbac chose the simplified retrospective approach consisting of the restatement of the liability arising from the residual lease payments on the transition date, and the recognition of this impact into the opening equity without any restatement of the comparative figures. It was also decided to use the simplification measures set out in the standard and to not take into consideration lease contracts with a term of less than twelve months, nor those on low-value assets.
Applying IFRS 16 to lease contracts for intangible assets is one standard-specific option, the Group chose to use for information technology contracts (software).
Lease terms correspond to the non-cancellable periods, completed by renewal options when applicable, the exercise of which the Group deems reasonably certain. Depreciation periods for the right of use in question reflect the residual lease periods.

Discounted rates used apply to the initial term of the contracts and were determined, with the support of an actuarial firm, by taking into account the country's risk, through the currency in which the contract is denominated, by category of the underlying asset (the three major categories considered being buildings, cars and other assets), based on an average contract duration by asset category.

In anticipation of the future amendment to IAS 12, the Group chose not to recognize the deferred tax effect generated from the restated IFRS 16 standard.

It should be noted that the implementation of IFRS 16 and therefore the consideration of the new assets into the CGU or groups of CGU's had no impact on the impairment tests that were performed.

Regarding the presentation of the financial statements, Virbac decided to isolate the right of use as well as the lease liability on separate lines of the statement of financial position.
The impacts of this new standard on the Group's consolidated accounts and on the main performance indicators are presented in the notes A5, A17 and A27.

- **IFRIC 23. Uncertainty over income tax treatments**

This interpretation clarifies principles for recognizing and measuring uncertain tax positions pursuant to IAS 12.
At the close of the financial year, Virbac conducted a review of the risks and pending litigation throughout the Group's companies. The analysis of all the cases led to the identification of two specific cases:

- risks already known prior to the implementation of the standard and for which the amount recorded was updated as of December 31, 2019;
- emerging risks identified in the financial year and accounted for in the financial statements in accordance with the current standards.

Uncertainty over income tax treatments, previously classified under provisions, are now listed in other current payables (see note A19).
IFRIC 23 does not significantly impact the methods used to measure tax uncertainty, as applied by Virbac up to now.

- **Amendment to IAS 19. Plan amendment, curtailment or settlement**

This amendment states that the cost of services provided and the defined-benefit net interest for the period should be determined as of the date of the amendment by using the assumptions relied upon on that date.

- **Amendment to IAS 28. Long-term interests in associates and joint ventures**

This amendment specifies how IFRS 9 is applied to all other financial instruments to which the equity method is not applied, including the long-term financial assets that are part of the net investment in an associated company or a joint venture.

- **Amendment to IFRS 9. Prepayment features with negative compensation**

This amendment indicates cases in which a financial asset with a symmetrical early redemption clause can be assessed at amortized cost or fair value within other comprehensive income.

- **Annual improvement process - 2015-2017 cycle**

These amendments were issued for IAS 12 (income tax consequences of payments on financial instruments classified as equity), IAS 23 (borrowing costs eligible for capitalization), as well as IFRS 3 and IFRS 11 (previously held interests in a joint operation).

With the exception of IFRS 16 and the interpretation of IFRIC 23, these new standards had no impact on the Group's accounts.

<u>Standards and interpretations available for early adoption as of January 1, 2019</u>

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.

- **amendments to IAS 1 and IAS 8. Definition of material**

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

Consolidation rules

<u>Scope and consolidation methods</u>

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

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

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", the Group classifies partnerships under 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 of December 31, 2019 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 the IAS 21 “Effects of changes in foreign exchange rates” standard, each Group entity accounts for its operations in its functional currency, the currency that most clearly reflects their business environment.
The Group’s consolidated financial statements are presented in euros. The financial statements of foreign companies for which the functional currency is not the euro are converted according to the following principles:

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

Accounting principles applied

Goodwill

Goodwill recognized as an asset in the statement of financial position represents the excess from the acquisition of the cost of the shares in companies acquired at the fair value of the assets and liabilities identifiable on the acquisition date. 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, in the second half of the year, regardless of whether there is an indication of an impairment loss, and consistently whenever events or new circumstances indicate an impairment loss.

For the purposes of these tests, the asset values are grouped by CGU (Cash generating unit). 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 tests, the Group uses an approach based on estimated future cash flow (estimation of value in use). 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 in respect of goodwill is recognized to reduce the net carrying amount of the assets of the CGU to their recoverable amount, which is defined as the higher of the net fair value and the value in use.

The future cash flows used for the impairment tests are calculated based on estimates (business plans) projected over a five-year horizon. This horizon was extended to eleven years as part of Virbac United States’ asset impairment test in order to be aligned with the tax depreciation period for intangible assets acquired in 2015.
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 formally validates the business plans and the main assumptions of the impairment test for 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. It should be noted that, this year, the Group refined its method by regionalizing the calculation of discounted rates 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 the Group's 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 to acquire research and development activities separately are recorded as intangible assets when they meet the definition of an intangible asset, that is to say when it involves a controlled resource, from which Virbac expects to derive future economic benefits and which is identifiable, in other words separable or stemming from contractual or legal rights.
Pursuant to paragraph 25 of IAS 38, the first accounting criterion, which relates to the likelihood the intangible asset will generate future economic benefits, is deemed to be met for research and development activities when they are acquired separately. In this respect, amounts paid to third parties in the form of deposits or instalments on generic products that have not yet been granted a marketing authorization are recognized as an asset.

The amount of intangible assets is reduced by 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: depreciated over their useful lives;
- standard software (office tools, etc.): depreciated over a period of three or four years;
- ERP: depreciated over a period of five to ten years.

Intangible assets with indefinite useful lives are reviewed annually to ensure that their useful lives have not become finite.

During the useful life of an intangible asset, it may seem that the estimation of its useful life has become inadequate. In addition to what is stated in IAS 38, the duration and method of depreciation of this asset is re-examined and if the expected useful life of the asset is different from previous estimations, the amortization 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 of the 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 this testing, the Group takes account of sales generated by the intangible asset acquired. When carrying out intangible asset impairment tests, the Group takes an approach based on estimated future cash flows (estimate of value in use). The future cash flows used for the impairment tests are calculated based on estimates (business plans) projected 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 formally validates the business plans and the main assumptions of the impairment test for the most significant CGUs.
For cash flow forecasts, the perpetual growth rates used, which depend on the 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 the Group's 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 contributing staff directly resulting in the construction of a tangible 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

The Group posts assets related to those leases falling within the scope of the IFRS 16 standard. Virbac chose to isolate the right of use on a dedicated balance sheet line. The right of use is depreciated over the residual lease period.

Financial assets

The Group's other financial assets 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

Observable data is used in the calculation of the Group's financial assets where these are measured at fair value. The only financial assets that come under this category are hedging instruments and marketable securities.

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 subsidiary 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.
Spare parts inventories are valued based on 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 the Group's normal operating cycle.
Trade receivables are recognized and recorded at the initial invoice total, minus provisions for depreciation. 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 new IFRS 9, an additional provision is recorded under expected loan losses. Provision rates used, as set by the Group's Financial Affairs department for all subsidiaries, remain very low in light of the small amount of losses from bad debts historically recognized by the Group. They are periodically reviewed.

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.

Cash and cash equivalents

The cash position is made up of bank balances, securities and cash equivalents providing good liquidity. 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

The Group holds derivative financial instruments solely for the purpose of reducing its exposure to rate or exchange risks on balance sheet items and its firm or highly probable commitments.
Virbac uses 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.

Other financial liabilities

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

Lease liability

The Group posts a debt related to those leases falling within the scope of the IFRS 16 standard. Virbac chose 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**

The Group's obligations resulting from defined-benefit retirement plans are determined by using the actuarial method for projected unit credits. These commitments are measured on each balance sheet date. The commitment calculation model 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 net amount of the fair value of the hedging assets. In accordance with IAS 19 revised, actuarial differences are recognized in other 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 present obligation on the balance sheet date and is discounted if the effect is material.

Taxation

The Group's subsidiaries record their tax impact 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 temporary differences between the carrying amount and the tax base of an asset or liability. Tax assets and liabilities are not discounted.

In accordance with IAS 12, which under certain conditions authorizes the offsetting of debts and tax receivables, the deferred tax assets and liabilities have been offset by fiscal entity. In situations where a net deferred tax asset is recognizable, it is recognized in accordance with IAS 12 only if there are strong indications that it may be charged 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 of December 31, 2019, 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 discerning criterion.
Virbac's revenue from ordinary operations reflects the sale of veterinary 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, Virbac takes into account factors, among others, such as inventory levels in the various distribution channels, product expiry 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.

Virbac's other revenue relates mainly to licensing royalties. Each contract is subject to specific analysis in order to identify the performance obligations and determine the progress of each one of them towards achievement at the closing date of Virbac's consolidated accounts; and revenue is recognized accordingly.

Personnel costs

Personnel costs especially include the cost of retirement plans. In accordance with IAS 19 revised, actuarial differences are posted as other comprehensive income.
They also include optional and compulsory profit-sharing.

Taxes and duties

The Group has opted for a classification of the business added value assessment (*CVAE*) 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 (apply primarily to the research tax credit and business competitiveness tax credit until 2018).

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

In order to provide a clearer picture of its economic performance, the Group uses the operating profit from ordinary activities before depreciation of assets arising from acquisitions as the main indicator of performance. To this end, it isolates the impact of the amortization 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.
This mainly includes 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;
- and any revaluation of the interest previously held, in the event of a change in control.

Net result from ordinary activities

The net result from activities corresponds to the net result restated of 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 non-recurring tax income and expenses.

Financial income and expenses

Financial expenses mainly include interest paid for Virbac Group 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 earnings 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 consolidated financial statements prepared in accordance with international accounting standards implies that the Group makes 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, the Group should 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

The Group has intangible assets that were purchased or acquired through business combinations, in addition to the resulting goodwill. As indicated in the "Accounting principles applied" section, the Group performs at least one test annually on impairment of goodwill and intangible assets based on a valuation of future cash flows.
The evaluations made at the time of these tests are sensitive to assumptions relating to the sale price and future costs, but also in terms of discount rates and growth rates. These sensitivity calculations making it possible to measure the Group's exposure to significant variations in growth rates into infinity have been performed.

The Group may be prompted in the future to write down certain fixed assets in the event of deteriorating earning prospects for these assets or if there is an impairment loss for one of these assets.
As of December 31, 2019, the net total goodwill was €312,882 thousand and the value of the intangible assets was €272,134 thousand.

Deferred taxes

Deferred tax assets are recognized on deductible temporary differences between tax and accounting values of assets and liabilities. Deferred tax assets, in particular those relating to carried forward tax losses, are recognized only if it is likely that the Group will have sufficient future taxable income, which is based on a significant assumption.
At each balance sheet date, the Group has 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 other comprehensive income.

The net amount of commitment relating to employee benefits was €20,294 thousand as of December 31, 2019.

Other provisions

The other provisions deal essentially with miscellaneous commercial and social liabilities and disputes.

No provisions are established if the company considers that the liability is contingent (as defined by IAS 37).

As of December 31, 2019, the amount of other provisions was €9,606 thousand.

Uncertainty surrounding tax treatment

The implementation of IFRIC 23 as of January 1, 2019 requires the valuation and recognition of tax liabilities and tax assets in the balance sheet on the basis of tax position uncertainty. 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 debt of €0.9 million in the accounts as of December 31, 2019 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, 2019.

A1. Goodwill

Change in goodwill by CGU

in € thousand	Gross value as at 12/31/2018	Impairment value as at 12/31/2018	Book value as at 12/31/2018	Increases	Sales	Impair-ment	Conversion gains and losses	Book value as at 12/31/2019
United States	225,010	-3,581	**221,429**	-	-	-	4,226	**225,655**
Chile	29,655	-	**29,655**	-	-	-	-1,764	**27,891**
New Zealand	14,892	-152	**14,740**	-	-	-	356	**15,096**
India	14,291	-	**14,291**	-	-	-	-76	**14,215**
SBC	7,329	-	**7,329**	-	-	-	219	**7,548**
Denmark	4,643	-	**4,643**	-	-	-	-	**4,643**
Uruguay	4,154	-	**4,154**	-	-	-	81	**4,235**
Peptech	3,379	-	**3,379**	-	-	-	48	**3,427**
Australia	3,215	-308	**2,907**	-	-	-	23	**2,930**
Colombia	1,729	-	**1,729**	-	-	-	15	**1,744**
Italy	1,585	-	**1,585**	-	-	-	-	**1,585**
Greece	1,358	-	**1,358**	-	-	-	-	**1,358**
Leishmaniosis vaccine	5,421	-5,421	**-**	-	-	-	-	**-**
Other CGUs	4,224	-1,712	**2,512**	-	-	-	43	**2,555**
Goodwill	**320,885**	**-11,174**	**309,711**	**-**	**-**	**-**	**3,171**	**312,882**

The change in this item is solely related to an exchange rate effect, generating a €3.2 million increase in the item. The results of the UGT tests are presented in note A3.

A2. Intangible assets

Changes in intangible assets

in € thousand	Concessions, patents, licenses and brands – Indefinite life	Concessions, patents, licenses and brands – Finite life	Other intangible assets	Intangible assets in progress	Intangible assets
Gross value as at 12/31/2018	**162,293**	**227,779**	**62,041**	**9,745**	**461,858**
Acquisitions and other increases	47	553	2,744	3,326	**6,669**
Disposals and other decreases	-	-40	-7	-138	**-185**
Changes in scope	-	-	-	-	**-**
Transfers	-2	1,412	608	-1,455	**563**
Conversion gains and losses	-1,455	1,303	135	82	**65**
Gross value as at 12/31/2019	**160,883**	**231,007**	**65,521**	**11,561**	**468,971**
Depreciation as at 12/31/2018	**-6,324**	**-111,293**	**-48,849**	**-375**	**-166,841**
Depreciation expense	-	-16,059	-4,185	-	**-20,244**
Impairment losses (net of reversals)	-9,653	20	-	120	**-9,513**
Disposals and other decreases	-	40	7	-	**47**
Changes in scope	-	-	-	-	**-**
Transfers	-	4	54	-	**59**
Conversion gains and losses	-	-253	-80	-11	**-345**
Depreciation as at 12/31/2019	**-15,977**	**-127,540**	**-53,053**	**-266**	**-196,836**
Net value as at 12/31/2018	**155,969**	**116,486**	**13,192**	**9,369**	**295,016**
Net value as at 12/31/2019	**144,906**	**103,466**	**12,468**	**11,294**	**272,134**

The other intangible assets relate essentially to IT projects, in several Group subsidiaries. They all have defined useful lives. The €6.1 increase in items "Other intangible assets" and "Intangible assets in progress" is primarily due to investments in IT projects carried out by Virbac (parent company).

The "Transfers" line indicates the commissioning of these projects.

Depreciations and impairments amounted to €29.8 million. The impairment of €9.7 million recognized on assets with indefinite life relates to the Leishmaniosis Vaccine CGU's marketing authorizations and follows the completion of the impairment tests shown in note A3.

Concessions, patents, licenses and brands

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

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

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

As of December 31, 2019, this item comprised the following:

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, 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**	**103,465**	**248,372**

As at December 31, 2018

in € thousand	Intangible assets with indefinite life	Intangible assets with finite life	Total
Brands	101,827	-	**101,827**
Patents and know-how	41,367	42,816	**84,183**
Marketing authorizations and registration rights	12,765	50,229	**62,994**
Customers lists and others	11	23,440	**23,451**
Total intangible assets	**155,969**	**116,486**	**272,455**

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

A3. Impairment of assets

At end of the 2019 fiscal year, Virbac conducted intangible asset impairment tests. These involve comparing their net carrying amount, including acquisition goodwill, to the recoverable amount of each cash generating unit (CGU).

A fair value assessment of assets acquired during the financial year is conducted on the date of acquisition. Accordingly, unless there is an indication of an impairment loss between this acquisition date and the reporting date of the annual financial statements, the assets in question are not tested for impairment loss at year-end.

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 flows, commonly known as the Discounted cash-flow (DCF) method.

Future cash flows are cash 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 the subsidiaries' general management as well as by the Group's Finance Affairs department. The executive board formally validates the business plans and main assumptions of impairment tests of the most significant CGUs.

Beyond the future cash flow forecasting horizon set at five years for all CGUs tested, with the exception of the United States (eleven years, so as to be aligned with the tax depreciation period for intangible assets acquired in 2015), an infinite growth rate is applied to the terminal value.

Virbac assumed a zero infinite growth rate for market authorizations 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. In the specific case of the Leishmaniosis Vaccine CGU, the rate used is -1%.

The discount rates used for these calculations are based on the Group’s weighted average cost of capital. These discount rates are post-tax rates applied to post-tax cash flows.
It is worth noting that, this year, the Group refined its method by regionalizing the calculation of discount rates with the support of a valuation firm.
For the 2019 financial year, the discount rates used are the following:
- 8.5% for the United States;
- 8.4% for Europe;
- 9.4% for Chile and 9.2% for the rest of Latin America;
- 9.5% for India and 8.3% for the rest of Asia
- 7.7% for Oceania and South Africa.

On June 30, 2019, the Group reassessed the recoverable value of the Leishmaniosis Vaccine CGU and confirmed this value on December 31, 2019. In fact, since 2017, when a new competitor emerged for this product, Virbac saw a gradual decline in its market share. Each year, the Group revises the business plans based on annual profit. The assumptions used for the test that was conducted include a declining market share outlook over the next four years, then a slow erosion reflected by an infinite growth rate of -1%. Thus, the test resulted in a CGU intangible asset impairment being recognized in the amount of €7.2 million. As there is a 100% goodwill impairment, the impairment loss was allocated to intangible assets and more specifically to marketing authorizations for a gross amount of €9.7 million and to the resulting deferred tax liabilities amounting to -€2.5 million. The net carrying amount of the CGU, which amounts to €7.2 million, relates for the most part to buildings and equipment likely to be re-purposed for other activities.

It should be noted that the Group included the effects of IFRS 16 in the calculation of the discount rates and impairment tests. The addition of the right of use to the CGU amount and the restatement of future lease expenses were taken into consideration. The change of method did not have a material impact on the results of the impairment tests that were conducted.

Sensitivity tests

The Group performed tests for sensitivity to key value in use assumptions as they pertain to all of the tested CGU's.
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.

Both of these changes in key assumptions would not result in any impairment of the tested assets, with the exception of the Chilean CGU for which an impairment of €8.6 million would need to be recognized if the discount rate were to increase by 2.0 points.

Moreover, for the five most significant CGUs (which accounted for 88% of the gross value of intangible assets and goodwill as at December 31, 2019), Virbac conducted sensitivity tests relating to a change in the EBIT revenue ratio after taxes. In the event this ratio drops by 4.0 points, the Chilean CGU would require an impairment of €6.0 million. It is worth noting that a ratio drop of 4.0 points would not result in the recognition of a United States CGU impairment, the Group's first net asset value CGU.

Moreover, the Group conducts additional sensitivity testing 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 12/31/2019	Discount rate, combined into a zero perpetual growth rate, from which impairment is established
United States	434,596	10.0%
Chile	150,618	9.1%
India	45,164	45.7%
Australia	32,383	34.4%
New Zealand	30,248	16.9%
Uruguay	22,729	21.1%
SBC	20,786	9.9%
Antigenics	16,981	67.1%
Multimin	10,734	79.4%
Schering-Plough Europe	9,495	28.3%
Peptech	8,584	181.2%
Denmark	7,518	50.7%
Leishmaniosis vaccine[1]	7,197	7.1%

[1] The net carrying amount of the Leishmaniosis vaccine CGU presented here equates to the value after the recognition of the impairment amounting to €7.2 million after tax.

Finally, for some significant CGUs, additional sensitivity testing on the level of business activity is carried out by Virbac. This testing involves lowering significantly sales and operating margins expectations (crash tests).

A4. Tangible assets

Tangible assets are goods that have been bought or acquired through capital-leasing contracts up until 2018 (last year during which the IAS 17 standard applied).

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 intangible assets	Intangible assets in progress	Intangible assets
Gross value as at 12/31/2018	**18,872**	**187,695**	**195,674**	**32,195**	**25,803**	**460,238**
Acquisitions and other increases	-	2,404	7,205	1,871	7,756	**19,237**
Disposals and other decreases	-527	-7,784	-1,131	-1,483	-146	**-11,071**
Changes in scope	-	-	-	-	-	**-**
Transfers	-	6,683	11,607	-4,373	-21,317	**-7,399**
Conversion gains and losses	98	69	1,033	219	378	**1,798**
Gross value as at 12/31/2019	**18,443**	**189,067**	**214,389**	**28,428**	**12,476**	**462,803**
Depreciation as at 12/31/2018	**-**	**-92,296**	**-108,948**	**-21,404**	**-905**	**-223,553**
Depreciation expense	-	-8,335	-13,120	-2,576	-	**-24,032**
Impairment losses (net of reversals)	-	-	63	-131	-	**-68**
Disposals and other decreases	-	4,241	1,025	1,141	-	**6,408**
Changes in scope	-	-	-	-	-	**-**
Transfers	-	26	-64	2,848	927	**3,738**
Conversion gains and losses	-	-121	-216	-144	-22	**-503**
Depreciation as at 12/31/2019	**-**	**-96,484**	**-121,260**	**-20,266**	**-**	**-238,010**
Net value as at 12/31/2018	**18,872**	**95,399**	**86,726**	**10,790**	**24,898**	**236,685**
Net value as at 12/31/2019	**18,443**	**92,583**	**93,129**	**8,162**	**12,476**	**224,793**

Acquisitions registered for 2019 in the amount of €19.2 million are primarily related to building fixtures and industrial equipment in France, the United States, Chile, Australia and Uruguay, as well as equipment earmarked for research and development in France.

Disposals, for which the net book value amounts to €4.7 million, relate mainly to Virbac United States, which recorded the sale of the Fort Worth administrative building (see significant events over the period), as well as the disposal of company vehicles as part of a change in car policy for US employees.

The "Transfers" column indicates both the commissioning and reclassification of certain assets after implementation of the new IFRS 16 standard. In fact, assets previously capitalized in accordance with IAS 17 (primarily Virbac SA's base of IT equipment as well as the fleet of vehicles from a few of the Group's entities) were reclassified from "Other tangible assets" to "Right of use" for a net amount of €3.1 million.

A5. Right of use

In presenting its financial statements, Virbac chose to isolate, on a dedicated statement of financial position line, the right of use resulting from those contracts that fall into the scope of the IFRS 16 standard.

Changes in the right of use during 2019 are analyzed as follows:

in € thousand	Right of use
Gross value as at 12/31/2018	**-**
Impact of first adoption	31,387
New contracts	13,639
Termination of contracts	-6,955
Changes in scope	-
Transfers	5,762
Conversion gains and losses	58
Gross value as at 12/31/2019	**43,891**
Depreciation as at 12/31/2018	**-**
Impact of first adoption	-35
Allowances	-10,455
Impairment losses (net of reversals)	-
Termination of contracts	3,282
Changes in scope	-
Transfers	-2,658
Conversion gains and losses	-23
Depreciation as at 12/31/2019	**-9,888**
Net value as at 12/31/2018	**-**
Net value as at 12/31/2019	**34,003**

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 12/31/2018	**-**	**-**	**-**	**-**	**-**	**-**
Impact of first adoption	21,890	1,710	6,928	223	635	**31,387**
New contracts	7,409	769	3,743	1,645	72	**13,639**
Termination of contracts	-1,729	-411	-1,533	-3,214	-68	**-6,955**
Changes in scope	-	-	-	-	-	**-**
Transfers	261	372	1,319	3,810	-	**5,762**
Conversion gains and losses	51	-9	14	1	2	**58**
Gross value as at 12/31/2019	**27,883**	**2,431**	**10,471**	**2,465**	**640**	**43,891**
Depreciation as at 12/31/2018	**-**	**-**	**-**	**-**	**-**	**-**
Impact of first adoption	-12	62	-15	-18	-52	**-35**
Allowances	-4,144	-650	-4,514	-888	-258	**-10,455**
Termination of contracts	220	95	806	2,158	3	**3,282**
Changes in scope	-	-	-	-	-	**-**
Transfers	-191	-84	-474	-1,910	-	**-2,658**
Conversion gains and losses	-14	-0	-6	-1	-1	**-23**
Impairment as at 12/31/2019	**-4,141**	**-578**	**-4,203**	**-658**	**-308**	**-9,888**
Net value as at 12/31/2018	**-**	**-**	**-**	**-**	**-**	**-**
Net value as at 12/31/2019	**23,743**	**1,853**	**6,268**	**1,806**	**332**	**34,003**

The "Transfers" columns indicate the reclassification of assets previously capitalized in accordance with IAS 17 into "Right of use" in keeping with IFRS 16, for a net amount of €3.1 million.

Depreciations over the period amounted to €10.5 million.

Analysis of the residual rent liability

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

in € thousand	Residual rental costs
Variable rental costs	-147
Rental costs on short-term contracts	-999
Rental costs on assets of low value	-1,133
Residual rental costs	**-2,279**

This new standard positively impacts the Ebitda, a key performance indicator, since a depreciation expense as well as financial costs shall supersede the rent liability. The impact on the 2019 financial year is estimated to be €11.3 million.

A6. Other financial assets

Change in other financial assets

in € thousand	2018	Increases	Decreases	Changes in scope	Transfers	Conversion gains and losses	2019
Loans and other financial receivables	**6,990**	1,308	-1,008	-	-	104	**7,393**
Currency and interest rate derivatives	**3,699**	969	-	-	-	-	**4,668**
Restricted cash	**39**	49	-	-	-	2	**89**
Other	**43**	22	-	-20	-	-	**45**
Other financial assets, non-current	**10,771**	**2,347**	**-1,008**	**-20**	**-**	**105**	**12,195**
Loans and other financial receivables	**29**	1	-26	-	-	-	**3**
Currency and interest rate derivatives	**740**	-	-398	-	-	-	**342**
Restricted cash	**-**	-	-	-	-	-	**-**
Other	**-**	-	-	-	-	-	**-**
Other financial assets, current	**768**	**1**	**-424**	**-**	**-**	**-**	**345**
Other financial assets	**11,539**	**2,348**	**-1,432**	**-20**	**-**	**105**	**12,541**

Changes in the line "Loans and other long-term financial receivables" are secondary to the factoring contract holdbacks, primarily on American (+€1.0 million) and Australian (-€0.6 million) entities.
The change in value of €1.0 million related to currency and interest rate derivatives is primarily related to the increase in the CLP hedge market value, with this currency declining substantially since the introduction of hedging on January 1, 2019.

Other financial assets classified according to their maturity

As at December 31, 2019

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

As at December 31, 2018

in € thousand	Payments			Total
	less than 1 year	from 1 to 5 years	more than 5 years	
Loans and other financial receivables	29	6,990	-	**7,019**
Currency and interest rate derivatives	740	3,699	-	**4,439**
Restricted cash	-	39	-	**39**
Other	-	-	43	**43**
Other financial assets	**768**	**10,728**	**43**	**11,539**

A7. Information about IFRS 12

Information about non-controlling interests

The information below relates to non-controlling interests in the company Holding Salud Animal (HSA) 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;
- Rentista de Capitales Takumi Limitada.

The share of non-controlling interests in the group stands at 49%. Equity allocated to minority interests amounted to €33,870 thousand, including €2,861 thousand in profit for the period.

The table below provides a summary of the financial position of the HSA sub-group as of December 31, 2019.

	in CLP thousand	in € thousand
Goodwill	23,563,558	27,891
Intangible assets	49,741,910	58,877
Tangible assets	21,041,917	24,906
Right of use	547,611	648
Non-current assets	**94,894,996**	**112,322**
Inventories and work in progress	15,392,465	18,219
Trade receivables	12,394,809	14,671
Other financial assets	3,507,191	4,151
Cash and cash equivalents	1,087,342	1,287
Current assets	**32,381,807**	**38,328**
Assets	**127,276,803**	**150,650**
Equity	**81,970,504**	**97,024**
Non-current financial liabilities	427,570	506
Other non-current liabilities	16,286,156	19,277
Non-current liabilities	**16,713,726**	**19,783**
Current financial liabilities	20,420,815	24,171
Other current liabilities	8,171,758	9,672
Current liabilities	**28,592,573**	**33,843**
Liabilities	**127,276,803**	**150,650**

The net increase in cash position during the financial year amounted to €754 thousand.

Dividends paid out by the HSA Group in 2019 totaled €3,445 thousand (including €1,688 thousand paid out to owners of non-controlling interests).

The table below provides a summarized income statement of the HSA sub-group for 2019.

	in CLP thousand	in € thousand
Revenue from ordinary activities	**49,497,040**	**63,007**
Other operating income and expenses	-41,096,112	-52,313
Operating result	**8,400,927**	**10,694**
Financial result	-2,082,330	-2,651
Profit before tax	**6,318,597**	**8,043**
Income tax	-1,725,377	-2,196
Result for the period	**4,593,221**	**5,847**

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	-	-	3,208	220
GPM Virbac	NA	NA	-	-	184	-33
Share in companies accounted for by the equity method					**3,392**	**188**

Because the impact of equity accounted companies was not deemed to be significant to the Virbac group's accounts, the information required by IFRS 12 is limited to the above.

A8. Deferred taxes

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

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

Variation in deferred taxes

in € thousand	2018	Variations	Changes in scope	Transfers	Conversion gains and losses	2019
Deferred tax assets	**23,130**	-276	-	-842	-189	**21,823**
Deferred tax liabilities	**49,617**	-5,827	-	1,053	-1,354	**43,489**
Deferred tax offset	**-26,487**	**5,550**	**-**	**-1,895**	**1,165**	**-21,666**

The variation in deferred taxes shown above includes deferred taxes on the effective share of the profits and losses on hedging instruments, which totaled €840 thousand over the 2019 yearand was recognized in the comprehensive income statement.

Deferred taxes broken down by nature

The table below indicates deferred tax positions as of December 31, 2019, depending on their nature:

in € thousand	Deferred tax assets
Internal margin on inventories	9,272
Retirement and end of career severance commitments	4,841
Sales adjustments (IFRS 15)	1,117
Inventory adjustments (IAS 2)	982
Other non-deductible provisions	1,129
Other charges with deferred deduction	4,481
Tax loss carryforwards	-
Total by nature	**21,822**
Impact of compensation by fiscal entity	-8,831
Deferred net tax assets	**12,991**

in € thousand	Deferred tax assets
Adjustments on intangible assets	28,771
Adjustments on tangible assets	6,545
Adjustments on fiscal provisions	7,311
Activation of expenses linked to acquisitions	810
Other income taxed in advance	52
Total by nature	**43,489**
Impact of compensation by fiscal entity	-8,831
Deferred net tax liabilities	**34,658**

Deferred tax asset use horizon

The table below indicates the horizon specific to the use of other charges with deferred deduction:

en k€	Deferred tax assets as at 12/31/2019	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	**349**	349	-	-
Deferred tax on retirement and end of career severance commitments	**4,841**	172	808	3,862
Deferred tax on other bases	**16,632**	16,391	210	31
Total deferred tax assets	**21,822**	**16,913**	**1,017**	**3,893**

The net deferred tax assets on loss carryforwards of Virbac United States as of December 31, 2019 have been impaired in full in keeping with the position adopted by the Group as at the 2017 year end. Hence, it does not contribute to the total deferred tax asset balance sheet (see note A29). As of December 31, 2019, this fully impaired and non-recognized receivable amounted to US$32.6 million, including US$2.3 million generated in the course of the period.

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 12/31/2018	**69,914**	**15,136**	**128,911**	**213,961**
Variations	799	-524	6,742	**7,017**
Changes in scope	-	-	-	**-**
Transfers	-	-	-	**-**
Conversion gains and losses	420	-34	1,603	**1,990**
Gross value as at 12/31/2019	**71,134**	**14,577**	**137,256**	**222,967**
Depreciation as at 12/31/2018	**-4,722**	**-1,192**	**-12,271**	**-18,184**
Allowances	-2,232	-696	-4,963	**-7,891**
Reversals	1,699	1,192	7,058	**9,948**
Changes in scope	-	-	-	**-**
Transfers	-13	-	15	**1**
Conversion gains and losses	-67	-	-192	**-259**
Depreciation as at 12/31/2019	**-5,335**	**-696**	**-10,354**	**-16,386**
Net value as at 12/31/2018	**65,192**	**13,944**	**116,640**	**195,776**
Net value as at 12/31/2019	**65,798**	**13,881**	**126,902**	**206,582**

Excluding the exchange rate effect, net inventories increased by €9.1 million, mainly in Australia, due to sluggish year-end sales and built-up inventories of raw materials (before terminating the contact with the supplier) and, to a lesser extent in Spain, South Africa and Chile, in anticipation of sales forecast in the early months of 2020.

A10. Trade receivables

in € thousand	Trade receivables
Gross value as at 12/31/2018	**104,754**
Variations	**-2,884**
Changes in scope	**-**
Transfers	**-**
Conversion gains and losses	**338**
Gross value as at 12/31/2019	**102,207**
Depreciation as at 12/31/2018	**-3,247**
Allowances	**-1,023**
Reversals	**1,447**
Changes in scope	**-**
Transfers	**-**
Conversion gains and losses	**1**
Depreciation as at 12/31/2019	**-2,822**
Net value as at 12/31/2018	**101,507**
Net value as at 12/31/2019	**99,386**

The decrease in trade receivables mainly arises from the Chilean subsidiary following a reduction of customer payment terms, a decline in the level of activity in Italy, as well as a drop in sales volume experienced by the American subsidiary in December 2019 compared with that in December 2018. Currency conversion adjustments had a slight impact on the item, amounting to €0.3 million.

It should be noted that the trade receivables that were deconsolidated due to being assigned as part of factoring contracts amount to €42.3 million as of December 31, 2019 (compared to €46.9 million on December 31, 2018).

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

A11. Other receivables

in € thousand	2018	Variations	Transfers	Change in standard	Conversion gains and losses	2019
Income tax receivables	**2,818**	3,209	13	-	-125	**5,914**
Social receivables	**605**	-120	-	-	3	**488**
Other receivables to the State	**24,487**	-1,142	-	-	135	**23,481**
Advances and prepayments on orders	**2,090**	1,217	-	-	-56	**3,251**
Depreciation on various other receivables	**-**	-	-	-	-	**-**
Prepaid expenses	**5,258**	1,145	13	-260	63	**6,219**
Other various receivables	**11,429**	54	3	-	61	**11,547**
Other receivables	**46,686**	**4,363**	**29**	**-260**	**80**	**50,899**

Changes in deferred tax assets and other State receivables mainly arise from the tax asset recognized over the course of 2019 by the Chilean subsidiary and the repayment of advances and contributions to the latter in 2018.
The increase in prepaid expenses are due primarily to insurance and maintenance contracts. This same item was impacted by €260 thousand from the effect of rent payment due dates attributable to the first-time adoption of IFRS 16.

A12. Cash and cash equivalents

in € thousand	2018	Variations	Transfers	Change in scope	Conversion gains and losses	2019
Available funds	**35,624**	11,729	-	-	711	**48,065**
Marketable securities	**27,187**	18,851	-	-	-447	**45,592**
Cash and cash equivalents	**62,810**	**30,581**	**-**	**-**	**264**	**93,656**
Bank overdraft	**-19,173**	5,408	-	-	-4	**-13,769**
Accrued interests not yet matured	**-49**	12	-	-	-	**-37**
Overdraft	**-19,222**	**5,419**	**-**	**-**	**-4**	**-13,807**
Net cash position	**43,588**	**36,000**	**-**	**-**	**260**	**79,849**

The increase in marketable securities related mainly to a Group subsidiary, which invested €41,752 thousand at the 2019 year-end.

A13. Assets classified as held for sale

During the 2019 financial year, as in 2018, no asset was classified as held for sale.

A14. Equity

in € thousand	2019	2018
Capital	10,573	10,573
Premiums linked to capital	6,534	6,534
Legal reserve	1,089	1,089
Other reserves and retained earnings	415,449	379,381
Consolidation reserves	47,364	64,268
Conversion reserves	-8,986	-16,548
Actuarial gains and losses	-5,789	-5,088
Result for the period	51,549	20,099
Equity attributable to the owners of the parent company	**517,783**	**460,307**
Other reserves and retained earnings	43,272	44,658
Conversion reserves	-12,049	-9,977
Result for the period	2,872	886
Non-controlling interests	**34,096**	**35,567**
Equity	**551,878**	**495,875**

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 compared to the total equity. In particular, this equity includes the reserve for variations in the value of hedged cash flows and the reserve for variations in the value of financial assets available for sale.

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, 4,543,413 have double voting rights.

Share buyback program

The ordinary shareholders' meeting of June 18, 2019 granted the Virbac parent company authorization to buy back shares in accordance with Articles L225-209 *et seq.* of the French commercial code.

As of December 31, 2019, Virbac held 26,178 treasury shares acquired on the market for a total of €3,969,103 excluding fees, for an average price of €151.62 per share.

During the financial year, the company bought 75,362 treasury shares (at an average price of €174.48) and sold 85,134 treasury shares (at an average price of €177.08) as part of the market-making contract. In 2019, no share was purchased or sold as part of performance-related stock grants.
As of December 31, 2019, treasury shares accounted for 0.31% 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 18, 2019.

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 for the purpose of:

- ensuring liquidity or supporting the market price via an independent investment services provider pursuant to a liquidity agreement in accordance with the French financial markets authority (*AMF*) 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 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	2018	Allowances	Reversals	Transfers	Equity	Conversion gains and losses	2019
France	**7,864**	517	-268	-	864	-	**8,977**
Italy	**904**	99	-5	-	-52	-	**946**
Germany	**555**	33	-	-	-	-	**589**
Greece	**165**	11	-	-	-	-	**176**
Mexico	**87**	27	-20	-	52	6	**152**
Korea	**165**	231	-317	-	119	-2	**196**
Taiwan	**849**	65	-13	-	106	37	**1,044**
Thailand	**217**	417	-10	718	-	66	**1,407**
Philippines	**-**	-	-	71	-4	1	**68**
Uruguay	**551**	86	-	-	-	-70	**567**
Retirement and severance pay allowances	**11,357**	**1,487**	**-633**	**789**	**1,085**	**38**	**14,123**
France	**3,755**	-	-2,774	-	-	-	**981**
Japan	**2,104**	264	-50	-	6	67	**2,392**
Defined benefit retirement plans	**5,859**	**264**	**-2,824**	**-**	**6**	**67**	**3,373**
South Africa	**944**	105	-50	-	-155	38	**883**
Medical cover	**944**	**105**	**-50**	**-**	**-155**	**38**	**883**
India	**550**	310	-505	-	91	-1	**444**
Allowances for absence	**550**	**310**	**-505**	**-**	**91**	**-1**	**444**
Australia	**1,373**	194	-218	-	-	19	**1,368**
Austria	**159**	4	-106	-	-	-	**57**
Spain	**53**	-	-6	-	-	-	**47**
Other long term benefits	**1,584**	**198**	**-331**	**-**	**-**	**19**	**1,472**
Provisions for employee benefits	**20,294**	**2,364**	**-4,343**	**789**	**1,027**	**161**	**20,294**

Key implications for equity in France and are due primarily to actuarial adjustments (data update) and a decrease in discount rates.

Amendment to the defined-benefit pension plans in France

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 pension rate.
The impact of the exit from the plan of beneficiaries no longer meeting the required conditions resulted in the decrease in the pension rate from 22.0% to 10.5% of the reference salary, generating an income of €3.4 million before taxes in the consolidated financial statements (including the employer social contribution of €0.6 million).

Main commitments

The main employee benefit plans are in France, Japan, Thailand, Australia and Taiwan. As of December 31, 2019, they contributed 49%, 12%, 7%, 7% 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% per year of service;
- non-executive personnel: 10% per year of service.

Defined-benefit retirement plans

■ **France**

The plan resulted in the payment of an insured-directed pension, whereby 60% of the annuity continues to the surviving spouse (or surviving ex-spouse), the allocation of which is contingent on the following:

- over ten years of service in the Group, including nine years as a member of the executive board or 15 years for a benefit of 10.5% of the reference salary (compared to 22.0% in the former plan);
- 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 five 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, 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%

Assumptions as at December 31, 2018

	Discount rate	Future salary growth
France	1.50%	2.20%
South Africa	9.91%	N/A
Japan	0.30%	3.00%
India	7.40%	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 set 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 €791 thousand or an increase of approximately €844 thousand recognized with a balancing entry in other comprehensive income.

Also, 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 €723 thousand or a reduction of approximately €831 thousand recognized with a balancing entry in other comprehensive income.

Allowance for the year

in € thousand	2019 allowance
Cost of services rendered	2,008
Financial cost	397
Expected return on assets	-131
Change of scheme	87
Immediate recognition of actuarial (gains)/losses in the year	-
Administrative costs recognized in expenses	2
Net cost/(net gain) recognized in income	**2,363**

Employer contributions (including benefits paid directly by the employer) in 2019 totaled €4,434 thousand and are estimated to reach €1,057 thousand for 2020.

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, 2019	**22,855**
Benefits paid by employer	-4,135
Benefits paid by funds	-208
Cost of services rendered and financial cost	2,409
Termination/end of contract	-
Actuarial (gains)/losses due to demographic assumptions	15
Actuarial (gains)/losses due to financial assumptions	187
Actuarial experience (gains)/losses	867
Change of scheme	87
Other variations	-
Transfers	789
Conversion gains and losses	183
Present value as at December 31, 2019	**23,050**

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, 2019	**2,561**
Contributions paid	584
Benefits paid by funds	-208
Interest income	-131
Actuarial gains/(losses)	-27
Tax on premiums paid	-2
Other variations	-
Conversion gains and losses	-22
Fair value as at December 31, 2019	**2,755**

in € thousand	Employee benefits
Fair value of hedging assets	-2,755
Present value of actuarial liability	23,050
(Assets)/liabilities recognized in provisions as at December 31, 2019	**20,294**

in € thousand	Employee benefits
Provision to liabilities as at January 1, 2019	**20,294**
Charge/(gain) recognized in income - allowance	2,364
Amount recognized in equity	1,027
Employer contributions/benefits paid - reversal	-4,343
Other events	-
Transfers	789
Conversion gains and losses	161
Provision to liabilities as at December 31, 2019	**20,294**

A16. Other provisions

in € thousand	2018	Allowances	Reversals	Changes in scope	Transfers	Conversion gains and losses	2019
Trade disputes and industrial tribunals	**4,157**	1,469	-934	-	-	1	**4,693**
Fiscal disputes	**1,196**	90	-535	-	-	-9	**742**
Various risks and charges	**5,178**	247	-2,309	-	-	-	**3,116**
Other non-current provisions	**10,531**	**1,805**	**-3,777**	**-**	**-**	**-8**	**8,551**
Trade disputes and industrial tribunals	**510**	402	-477	-	-	4	**439**
Fiscal disputes	**-**	-	-	-	-	-	**-**
Various risks and charges	**1,268**	-	-657	-	-	5	**615**
Other current provisions	**1,778**	**402**	**-1,135**	**-**	**-**	**8**	**1,055**
Other provisions	**12,309**	**2,208**	**-4,912**	**-**	**-**	**-**	**9,606**

In the context of dispute with a competitor and the two instances of infringement and unfair competition currently underway at national and European level, the risk resulting from the remaining uncertainty has been analyzed and the provision recognized in the opening accounts maintained in the accounts at December 31, 2019.

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

- **Contingent liabilities**

No provisions are established if the company considers that the liability is 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	2018	New contracts and renewals	Repayments and cancellations	Impact of transition	Transfers	Conversion gains and losses	2019
Lease liability - Non-current	-	10,488	-808	23,328	-6,937	18	**26,090**
Lease liability - Current	-	2,433	-11,386	7,715	9,798	13	**8,573**
Lease liability	**-**	**12,922**	**-12,194**	**31,043**	**2,861**	**32**	**34,663**

IFRS 16 introducing a single lessee accounting model for the lease contracts meeting the criteria of application, the new lease liability shelters the debts 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	-	15,958	10,133	**26,090**
Lease liability - Current	8,573	-	-	**8,573**
Lease liability	**8,573**	**15,958**	**10,133**	**34,663**

Information related to financial activities

in € thousand	2018	Cash flows	Non-cash flows					2019
		Repay ments	Impact of transition	Increase	Decrease	Transfers	Conversion gains and losses	
Lease liability	-	-9,239	31,043	13,639	-3,673	2,861	32	**34,663**
Lease liability	**-**	**-9,239**	**31,043**	**13,639**	**-3,673**	**2,861**	**32**	**34,663**

Decreases correspond to early terminations with no cash impact.
The items "Transfers" and "Reclassifications" include reclassification of debts related to financial leases (previously recognized in compliance with IAS 17) into the lease liability pursuant to IFRS 16.

Reconciliation between off-balance sheet commitments and lease liability at opening date

The table below shows the bridge between the minimum future lease payments disclosed as of December 31, 2018 and the lease liability on the transition date.

in € thousand	Total
Future lease payments communicated as at December 31, 2018	**26,880**
Difference in lease commitments assessment	965
Impact of renewal or early termination options	3,267
Short-term contracts or assets of low value	-69
Transition impact to IFRS 16 (present value of the debt)	**31,043**
Financial leases as recognized into December 31, 2018 statements	2,784
Lease liability as of January 1st, 2019	**33,828**

As a result of the implementation of the IFRS 16 standard, the Group re-examined all its lease agreements. Consequently, the components and durations of the contracts were analyzed and revised when necessary.

A18. Other financial liabilities

Change in other financial liabilities

in € thousand	2018	Increase	Decrease	Changes in scope	Transfers	Conversion gains and losses	2019
Loans	**373,317**	63	-34,705	-	-32,618	-695	**305,362**
Debt relating to leasing contracts	**1,618**	-	-112	-	-1,520	14	**-**
Employee profit sharing	**2**	6	-	-	-	-	**8**
Currency and interest rate derivatives	**963**	536	-	-	-	-	**1,499**
Other	**-**	-	-	-	-	-	**-**
Other non-current financial liabilities	**375,900**	**605**	**-34,817**	**-**	**-34,138**	**-681**	**306,869**
Loans	**91,435**	66,953	-84,938	-	32,707	-700	**105,457**
Bank overdrafts	**19,173**	-	-5,408	-	-	4	**13,769**
Accrued interests not yet matured	**49**	-	-12	-	-	-	**37**
Debt relating to leasing contracts	**1,167**	-	-43	-	-1,139	15	**-**
Employee profit sharing	**532**	536	-493	-	-	29	**604**
Currency and interest rate derivatives	**639**	44	-	-	-	-	**683**
Other	**-**	6	-	-	-	-	**6**
Other current financial liabilities	**112,995**	**67,539**	**-90,894**	**-**	**31,569**	**-651**	**120,556**
Other financial liabilities	**488,895**	**68,143**	**-125,711**	**-**	**-2,570**	**-1,332**	**427,425**

The main features of Virbac's three funding instruments are as follows:

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

Virbac also received bilateral loans and BPI financing.

As of December 31, 2019, the position of the funding instruments was as follows:

- the syndicated loan was drawn for amounts of €52 million and US$ 136 million;
- the market-based contracts amounted to €15 million and US$ 15.5 million;
- the bilateral loans and BPI and EIB financing amounted to €60.1 million and US$ 90 million.

These funding instruments include a financial covenant compliance clause that requires the borrower to adhere to the following financial ratio based on the consolidated accounts and reflecting net consolidated debt[(1)] for the period considered on the consolidated Ebitda (Earnings before interest, taxes, depreciation and amortization)[(2)] for the same test period.

It is worth noting that since January 1, 2019, Virbac has been applying the IFRS 16 standard, relating to the recognition of leases. This standard impacts income statement accounting items used to determine the EBITDA as well as balance sheet liability items. The financial covenant is calculated by including the implications of this new standard.

Therefore, as of December 31, 2019, the ratio amounted to 2.29, which is below the contractual financial covenant ceiling of 3.75. This ratio is calculated by taking into account the application of the IFRS 16 standard.

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

[(2)] Consolidated Ebitda refers, as defined in the contract, to net operating income for the period under review, plus depreciations 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, 2019

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

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

As at December 31, 2018

in € thousand	Payments less than 1 year	Payments from 1 to 5 years	Payments more than 5 years	Total
Loans	91,435	288,740	84,577	**464,752**
Bank overdrafts	19,173	-	-	**19,173**
Accrued interests not yet matured	49	-	-	**49**
Debt relating to leasing contracts	1,167	1,618	-	**2,785**
Employee profit sharing	532	2	-	**534**
Currency and interest rate derivatives	639	963	-	**1,602**
Other	-	-	-	**-**
Other financial liabilities	**112,995**	**291,323**	**84,577**	**488,895**

Information related to financial activities

in € thousand	2018	Cash flows: Issuance	Cash flows: Repayments	Non-cash flows: Fair Value	Non-cash flows: Transfers	Non-cash flows: Conversion gains and losses	2019
Non-current financial liabilities	**373,317**	63	-34,705	-	-32,618	-695	**305,362**
Current financial liabilities	**91,435**	66,953	-84,938	-	32,707	-700	**105,457**
Debt relating to leasing contracts	**2,785**	-	-156	-	-2,659	30	**1**
Employee profit sharing	**534**	542	-494	-	-	29	**611**
Currency and interest rate derivatives	**1,601**	-	-	579	-	-	**2,180**
Others	**-**	6	-	-	-	-	**6**
Other financial liabilities	**469,672**	**67,564**	**-120,292**	**579**	**-2,570**	**-1,336**	**413,618**

A19. Other payables

in € thousand	2018	Variations	Change in standard	Transfers	Conversion gains and losses	2019
Income tax payables	**-**	-	-	-	-	**-**
Social payables	**-**	-	-	-	-	**-**
Other fiscal payables	**-**	-	-	-	-	**-**
Advances and prepayments on orders	**-**	-	-	-	-	**-**
Prepaid income	**943**	402	-	-	12	**1,357**
Various other payables	**1,578**	-509	-	-	2	**1,071**
Other non-current payables	**2,520**	**-107**	**-**	**-**	**14**	**2,427**
Income tax payables	**6,744**	4,573	408	-	-69	**11,656**
Social payables	**43,252**	5,206	-	-718	264	**48,003**
Other fiscal payables	**11,160**	-738	520	-	191	**11,133**
Advances and prepayments on orders	**276**	953	-	-	-4	**1,225**
Prepaid income	**746**	363	-	-	5	**1,113**
Various other payables	**64,742**	7,870	-	-2	798	**73,407**
Other current payables	**126,920**	**18,227**	**928**	**-720**	**1,183**	**146,538**
Other payables	**129,440**	**18,120**	**928**	**-720**	**1,197**	**148,966**

The implementation of the IFRIC 23 standard led the company to reassess, at year end, the risks and uncertainties related to corporate taxes across all Group entities and to recognize a debt of €928 thousand.
This debt was recognized in accordance with the first-time adoption provisions of IFRIC 23, through the opening reserves (see column "change of standard" in the table above).

This debt 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 at the beginning of the financial year. Each situation was analyzed and documented, and the risk was assessed.

A transferred amount of €718 thousand reflects the reclassification of a provision for retirement benefit commitments into the item "Employee benefits".

The line "Other payables" largely comprises liabilities for contracts entered into with customers.

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

in € thousand	2018	Variations	Changes in scope	Transfers	Conversion gains and losses	2019
Advances and prepayments on orders	**276**	953	-	-	-4	**1,225**
Customers - credits to be issued	**56,347**	11,681	-	-	659	**68,687**
Customer liabilities	**56,623**	**12,635**	**-**	**-**	**655**	**69,913**

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.

A20. Trade payables

in € thousand	2018	Variations	Changes in scope	Transfers	Conversion gains and losses	2019
Current trade payables	**86,803**	2,965	-5	-163	468	**90,066**
Trade payables - suppliers of intangible assets	**1,831**	393	-	-	20	**2,244**
Trade payables - suppliers of tangible assets	**938**	2,520	-	-	1	**3,459**
Trade payables	**89,572**	**5,878**	**-5**	**-163**	**489**	**95,769**

The increase in this item is particularly prevalent in France, resulting from purchases and investments over the last quarter in 2019 that are higher than that during the same period in the previous financial year.

A21. Revenue from ordinary activities

in € thousand	2019	2018	*Change*
Sales of finished goods and merchandise	1,069,373	986,599	*8.4%*
Services	45	30	*49.5%*
Additional income from activity	2,435	3,463	*-29.7%*
Royalties paid	382	350	*9.2%*
Gross sales	**1,072,235**	**990,442**	***8.3%***
Discounts, rebates and refunds on sales	-109,764	-95,979	*14.4%*
Expenses deducted from sales	-17,728	-17,727	*0.0%*
Financial discounts	-6,386	-7,741	*-17.5%*
Provisions for returns	-15	-62	*-76.3%*
Expenses deducted from sales	**-133,893**	**-121,510**	***10.2%***
Revenue from ordinary activities	**938,342**	**868,932**	***8.0%***

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

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

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

Analysis

In 2019, the Group registered consolidated revenue of €938.3 million, up 8.0% at actual rates and 6.6% at constant rates.
With the exception of the Pacific zone, all regions contributed to sustained growth in 2019 compared to the same period in 2018. In the United States, activity increased by +18.8% at actual rates (+13.6% at constant exchange rates). Outside the United States, the Group posted +6.2% growth (+5.5% at constant exchange rates). Europe posted growth of 5.2% at constant exchange rates. The main contributors to this performance were Northern European countries (including Germany and the United Kingdom), France, which achieved strong results in the last quarter, and Spain, which compensated for Italy's withdrawal. Sales in the Africa-Middle East region were up 5.3%, an increase of 8.4% at constant exchange rates, mainly thanks to South Africa.
In the Asia Pacific region, growth at actual rates was +5.7% (+4.0% at constant exchange rates). Growth was very strong in China and Japan, or with India achieving more moderate growth, while Australia and New Zealand ended the year down compared to 2018. In Latin America, excluding Chile, business grew by +11.1% at actual rates (+9.7% at constant exchange rates), reflecting strong contributions from Brazil and Mexico. Finally, in Chile, business achieved healthy growth of +6.7% at actual rates (+4.5% at constant exchange rates), fueled mainly by sales of parasiticides and injectable vaccines for salmon.

A22. Purchases consumed

in € thousand	2019	2018	*Change*
Inventoried purchases	-298,050	-280,509	*6.3%*
Non-inventoried purchases	-22,108	-22,616	*-2.2%*
Supplementary charges on purchases	-4,367	-4,211	*3.7%*
Discounts, rebates and refunds obtained	646	407	*58.8%*
Purchases	**-323,879**	**-306,928**	***5.5%***
Change in gross inventories	7,017	15,185	*-53.8%*
Allowances for depreciation of inventories	-7,891	-9,119	*-13.5%*
Reversals of depreciation of inventories	9,948	6,573	*51.4%*
Net variation in inventories	**9,074**	**12,639**	***-28.2%***
Consumed purchases	**-314,805**	**-294,289**	***7.0%***

The increase in purchases consumed was attributed to business growth. However, they increased to a lesser degree than revenue from ordinary activities, improving the margin after cost of purchases by 8.5% at actual rates. These positive developments were mainly due to a decrease in the purchase cost of certain materials as well as improved returns, in particular in the United States.

A23. External costs

The decrease recognized in this item was driven primarily by the first-time adoption of IFRS 16 that led the Group to restate a lease charge of €11.3 million.

Within this item, external research and development costs recognized during the 2019 financial year totaled €14,814 thousand compared to €13,102 thousand in 2018.

A24. Depreciation, impairment and provisions

in € thousand	2019	2018	*Change*
Allowances for depreciation of intangible assets[1]	-5,196	-4,549	*14.2%*
Allowances for impairment of intangible assets	-120	-140	*-14.3%*
Allowances for depreciation of tangible assets	-24,066	-23,143	*4.0%*
Allowances for impairment of tangible assets	-604	-542	*11.4%*
Allowances for depreciation of right of use	-10,455	-	*-%*
Reversals for depreciation of intangible assets	-	-	*-%*
Reversals for impairment of intangible assets	260	-	*-%*
Reversals for depreciation of tangible assets	34	-	*-%*
Reversals for impairment of tangible assets	536	620	*-13.5%*
Depreciation and impairment	**-39,610**	**-27,754**	***42.7%***
Allowances of provisions for risks and charges	-2,208	-3,165	*-30.3%*
Reversals of provisions for risks and charges	3,705	2,174	*70.4%*
Provisions	**1,497**	**-991**	***-251.1%***
Depreciations and provisions	**-38,113**	**-28,745**	***32.6%***

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

The change in this item was mainly due to the first-time adoption of IFRS 16 that resulted in the recognition of right of use depreciations amounting to €10.5 million.

Allowances for depreciation of assets arising from acquisitions

in € thousand	2019	2018
United States: Sentinel	-10,216	-9,765
SBC	-62	-63
Uruguay: Santa Elena	-145	-138
Australia: Axon	-123	-125
New Zealand	-411	-484
Centrovet	-2,378	-2,467
Multimin	-531	-542
Peptech	0	-69
Colombia: Synthesis	-105	-110
Schering-Plough Europe	-1,078	-1,279
Depreciations of intangible assets arising from acquisitions	**-15,048**	**-15,043**

A25. Other operating income and expenses

in € thousand	2019	2018	*Change*
Royalties paid	-3,427	-3,745	*-8.5%*
Grants received (including research tax credit)	7,445	7,478	*-0.4%*
Allowances for depreciation of receivables	-1,023	-513	*99.4%*
Reversals of depreciation of receivables	1,447	751	*92.7%*
Bad debts	-1,411	-995	*41.9%*
Net book value of disposed assets	-4,801	-2,324	*106.6%*
Income from disposal of assets	7,304	387	*1787.1%*
Other operating income and expenses	-1,328	-608	*118.4%*
Other operating income and expenses	**4,207**	**432**	***873.7%***

The amount of research tax credits posted as subsidies for the financial year ending December 31, 2019 was €7,426 thousand.

Disposals, which resulted in a gain of €2.5 million, applied primarily to Virbac United States, which recognized the sale of the Fort Worth administrative building (see significant events over the period) as well as the disposal of company vehicles, which were converted to allowances paid to employees for the purchase of their company car.

A26. Other non-current income and expenses

As of December 31, 2019, this item breaks down as follows:

in € thousand	2019
Impairment of MA held by BVT on Leishmaniosis vaccine	-9,653
Cancellation of the debt on SBC shares	224
Other non-current income and expenses	**-9,429**

In accordance with the IAS 36 standard, the Group tested CGU values as at December 31, 2019. These tests led the Group to recognize an additional gross impairment of the Leishmaniosis Vaccine CGU, totaling €9.7 million, due to new market share losses forecast in the business plan (see note A3).
As reminder, a net accumulated impairment of €10.0 million had been recognized for the previous financial years, after the arrival in 2017 of a new player in the field of vaccines against leishmaniosis.

A27. Financial income and expenses

in € thousand	2019	2018	*Change*
Gross cost of financial debt	-17,803	-17,793	*0.1%*
Income from cash and cash equivalents	2,101	1,114	*88.6%*
Net cost of financial debt	**-15,702**	**-16,678**	***-5.9%***
Foreign exchange gains and losses	-7,258	-10,011	*-27.5%*
Changes in foreign currency derivatives and interest rate	2,644	2,523	*4.8%*
Other income or expenses	17	62	*-72.9%*
Other financial income or expenses	**-4,597**	**-7,425**	***-38.1%***
Financial income and expenses	**-20,298**	**-24,103**	***-15.8%***

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 €1,425 thousand as of December 31, 2019.
Excluding the impact of IFRS 16, the net cost of financial debt decreased by €2.4 million, due to a lower net debt and increased cash derived from investments in a subsidiary.

Foreign exchange gains and losses, which amounted to -€4.6 million, are heavily impacted by the adverse currency trends of the Chilean peso in relation to the euro or American dollar and their effects not only on the revaluation of the loan contracted by Virbac SA and granted to the Chilean subsidiary, but also on the revaluation of the Chilean subsidiary's debt in dollars. This -€5.2 million devaluation was partially offset by the impact of the revaluation of hedging instruments, in accordance with the IFRS 9 standard, which generated an overall gain of €2.6 million in 2019.

A28. Income tax

in € thousand	2019 Base	2019 Tax	2018 Base	2018 Tax
Profit before tax	**77,672**		**40,889**	
Adjustment for tax credits	-7,426		-8,815	
Adjustment of non-recurring items	11,048		30,195	
Profit before tax, after adjustments	**81,294**		**62,269**	
Tax currently payable for French companies		-5,078		-1,160
Tax currently payable for foreign companies		-23,070		-21,537
Tax currently payable		**-28,149**		**-22,697**
Deferred tax for French companies		3,250		1,854
Deferred tax for foreign companies		1,461		477
Deferred tax		**4,711**		**2,331**
Tax accounted for		**-23,438**		**-20,366**
Restatement of adjustments on tax currently payable		416		-304
Restatement of adjustments on deferred tax		37		-75
Depreciation of deferred tax assets		-		-
Tax after restatements		**-22,985**		**-20,745**
Effective tax rate		*28.27%*		*33.32%*
Theoretical tax rate		*34.43%*		*34.43%*
Theoretical tax		**-27,989**		**-21,439**
Difference between theoretical tax and recorded tax		**-4,552**		**-1,073**

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 decrease in the Group’s effective tax rate is mainly due to the very strong contribution to consolidated income made by the subsidiary in India, which saw a decrease of 9.0 points in the local tax rate in effect, dropping from 34.94% in 2018 to 25.17% in 2019. This lower effective tax rate was accompanied by strong performances on the part of other entities based in countries where the tax rate is lower than the theoretical tax rate, especially in Chile.

Taxes for the financial year were also impacted by the failure to record in the Virbac United States subsidiary's accounts deferred tax assets on tax losses carried forward for the 2019 financial year (€2.0 million), in accordance with the IAS 12 standard, which covers the existence of a history of recent and unused tax losses as a strong indication that future taxable profits may not be used.

Restated profit before tax

The adjusted pre-tax profit is arrived at based on the pre-tax profit, to which items that contribute to the tax base were added or from which said items were subtracted, albeit without any impact on the tax expense, so as to determine what the actual tax rate is for the 2019 financial year. These restatements are described here after:

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 represents the research tax credit for French entities as well as similar tax credits in Chile and Brazil.

Adjustment for tax bases related to non-recurring items

This amount includes:

- accounting expenses or income without any tax impact including permanent differences between entities in France and those abroad (€3.7 million);
- as well as Virbac United States' tax deficit for the 2019 financial year, given that the tax saving related to tax losses to carry forward is cancelled by the impairment of the deferred tax asset.

Tax after restatements
Adjustments for the tax expense are described here after:

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

2019 net profit from ordinary activities is presented below:

in € thousand	Net result IFRS	Impairment of assets	Restructuring costs	Other items	Non-current tax expense	Net result from ordinary activity
Revenue from ordinatry activities	**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 activites	**107,399**					**107,399**
Other non-current income and expenses	-9,429	9,653		-224		-
Operating result	**97,970**	**9,653**	**-**	**-224**	**-**	**107,399**
Financial income and expenses	-20,298					-20,298
Profit before tax	**77,672**	**9,653**	**-**	**-224**	**-**	**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**	**-**	**-224**	**2,034**	**63,391**

Net profit from ordinary activities corresponds to net profit restated for the following items:
- the line “Other non-current income and expenses” disclosed in more detail in note A26;
- 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 (here the impairment of the deferred tax asset on tax losses carried forward from Virbac United States’ financial year).

For the record, the net profit from ordinary activities for the 2018 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 ordinatry activities	**868,932**					**868,932**
Current operating profit before depreciation of assets arising from acquisitions	**88,076**					**88,076**
Depreciation of intangible assets arising from acquisitions	-15,043					-15,043
Operating profit from ordinary acti	**73,033**					**73,033**
Other non-current income and expenses	-8,040	6,595	1,445			-
Operating result	**64,993**	**6,595**	**1,445**	**-**	**-**	**73,033**
Financial income and expenses	-24,104					-24,104
Profit before tax	**40,889**	**6,595**	**1,445**	**-**	**-**	**48,929**
Income tax	-20,366	-1,595	-521		4,554	-17,928
Share from companies' result accounted for by the equity method	462					462
Result for the period	**20,985**	**5,000**	**924**	**-**	**4,554**	**31,463**

In 2018, the non-recurring charge reflected the impairment of the deferred tax asset on losses carried forward of Virbac United States, amounting to US$ 5.2 million.

A30. Earnings per share

	2019	2018
Profit attributable to the owners of the parent company	**51,549,499 €**	**20,099,108 €**
Total number of shares	8,458,000	8,458,000
Impact of dilutive instruments	-	-
Number of treasury shares	26,178	35,950
Outstanding shares	8,431,822	8,422,050
Profit attributable to the owners of the parent company, per share	**6.11 €**	**2.39 €**
Profit attributable to the owners of the parent company, diluted per share	**6.11 €**	**2.39 €**

A31. Operating segments

In accordance with IFRS 8, the Group provides industry information as used internally by the executive board, the chief operating officer.
The level of the Group's segment information is the geographic sector. The breakdown by geographic area covers seven sectors, according to the place of establishment of Group assets:

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

The Group's operating activities are organized and managed separately, according to the nature of the markets.
The two market segments are companion animals and food producing animals but the latter is not considered an industry information level for the reasons listed below:

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

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

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 depreciation of assets arising from acquisitions	17,194	15,414	26,234	14,152	24,455	20,691	4,307	**122,447**
Result 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**
Group consolidated result	**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**

No customer achieved more than 10% of revenue.

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

The French net profit includes an impairment of goodwill and intangible assets in the amount of €7.2 million net of taxes.

As at December 31, 2018

in € thousand	France	Europe (excluding France)	Latin America	North America	Asia	Pacific	Africa & Middle East	Total
Revenue from ordinary activities	133,422	222,326	142,787	120,029	142,260	82,387	25,721	**868,932**
Current operating profit before depreciations of assets aring from acquisitions	15,047	12,777	17,765	-1,794	21,044	18,586	4,651	**88,076**
Profit attributable to the owners of the parent company	1,618	9,029	2,462	-21,126	12,920	11,966	3,229	**20,099**
Non-controlling interests	1	-	885	-	-	-	-	**886**
Consolidated profit	**1,619**	**9,029**	**3,347**	**-21,126**	**12,920**	**11,966**	**3,229**	**20,985**

in € thousand	France	Europe (excluding France)	Latin America	North America	Asia	Pacific	Africa & Middle East	Total
Assets by geographic area	674,523	39,871	217,727	147,953	111,261	75,598	5,876	**1,272,807**
Intangible investment	4,129	214	503	1,635	21	-	18	**6,519**
Tangible investment	8,366	322	4,399	6,200	1,064	1,871	118	**22,341**

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, the Group uses 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, 2019

in € thousand	Assets held for sale	Loans and receivables	Financial assets at fair value through income	Financial assets at fair value through equity	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**	

As at December 31, 2018

in € thousand	Assets held for sale	Loans and receivables	Financial assets at fair value through income	Financial assets at fair value through equity	Total	Fair value hierarchy
Non-current derivative financial instruments	-	-	-	1,329	**1,329**	2
Other non-current financial assets	-	8,496	-	-	**8,496**	-
Trade receivables	-	112,976	-	-	**112,976**	-
Other receivables[1]	-	45,671	-	-	**45,671**	-
Current derivative financial instruments	-	-	969	375	**1,344**	2
Other current financial assets	-	97	-	-	**97**	-
Cash and cash equivalents	-	33,399	14,979	-	**48,378**	1
Financial assets	**-**	**200,639**	**15,948**	**1,704**	**218,291**	

[1] excluding prepaid expenses and income tax receivables.

Loans and receivables
Loans and receivables 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**

These are mainly bank account deposits and cash on hand.

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 Virbac 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).

Assets held to maturity
These are financial assets, other than loans and receivables, having a fixed maturity and for which payments are determined or determinable. Virbac does not hold any securities that meet the definition of held-to-maturity investments.

Financial liabilities

The different classes of liabilities are as follows:

As at December 31, 2019

in € thousand	Loans and debts	Financial liabilites at fair value through income	Financial liabilites at fair value through equity	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 debt.

As at December 31, 2018

in € thousand	Loans and debts	Financial liabilites at fair value through income	Financial liabilites at fair value through equity	Total	Fair value hierarchy
Non-current derivative financial instruments	-	-	854	**854**	2
Other non-current financial liabilities	408,780	-	-	**408,780**	-
Trade payables	108,733	-	-	**108,733**	-
Other payables[1]	110,271	-	-	**110,271**	-
Current derivative financial instruments	-	744	205	**949**	2
Bank overdrafts and accrued interests not yet matured	16,689	40	-	**16,730**	2
Other current financial liabilities	81,078	-	-	**81,078**	-
Financial liabilities	**725,550**	**784**	**1,059**	**727,394**	

[1] excluding prepaid income and income tax debt.

As of December 31, 2019, the gross cost of financial debt amounted to €17,803 thousand.
As of December 31, 2018, it was €17,793 thousand.

A33. Risk management associated with financial assets and liabilities

Policy management of financial risk 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 also systematically reviewed and monitored by the Financial Affairs department. The operations carried out by 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.

The Group holds derivative financial instruments solely for the purpose of reducing its exposure to interest rate and exchange rate risks on balance sheet items and its firm or highly probable commitments.
When it comes to cash flow hedging, based on backing and maturities, these hedgings can occur and affect profit in the current-year or that in subsequent years.

Credit risk

- **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 income statement and net cash position. The impact may be felt from a payment standpoint (non-payment for services or deliveries made, customer risk) or delivery (undelivered services or supplies paid for, supplier risk).

As of December 31, 2019, the Group's maximum exposure to credit risk was €99,386 thousand, which represents the amount of trade receivables as presented in the Group’s consolidated accounts.
The risk on sales between Group companies is not material, to the extent that Virbac ensures that its subsidiaries have the necessary financial structure to honor their debts.

- **Risk management mechanisms**

The Group limits the negative consequences of this type of risk thanks to the very high fragmentation and dispersal of its customers throughout all of the countries in which it operates. The Treasury department recommends, in accordance with the applicable regulations, the credit-insurance-imposed practices, ratings, and limits, and the maximum settlement deadlines, in addition to setting the credit limits for customers to be applied by the Group's 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. 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.

As regards cash flow hedging, it is anticipated that cash flows will occur and affect profit in the current year and profit in subsequent years.

The following statements provide a breakdown of trade receivables:

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**

As at December 31, 2018

in € thousand	Receivables due	Receivables overdue for				Impaired	Total
		< 3 months	3-6 months	6-12 months	> 12 months		
France	19,860	1,212	317	272	3	80	**21,743**
Europe (excluding France)	18,845	803	87	52	2	2,096	**21,885**
Latin America	27,499	3,825	293	163	-	916	**32,695**
North America	4,431	-	-	-	-	1	**4,432**
Asia	14,000	1,207	61	11	-	149	**15,428**
Pacific	5,743	152	-	-	-	3	**5,899**
Africa & Middle East	2,461	209	-	-	-	2	**2,672**
Trade receivables	**92,840**	**7,408**	**757**	**497**	**5**	**3,247**	**104,753**

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 recognized at the balance sheet date is defined based on the age of the receivable and, as the case may be, criteria regarding the debtors.
Bad debts are recognized as losses when identified as such.

Counter-party risk

■ Risk factors

The Group is exposed to counterparty risk within its contracts and financial instruments which it buys, 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

The Group pays particular attention to the choice of banking entities it uses, and is even more critical when it comes to investing available cash.
However, Virbac considers that it has low exposure to counter-party risk given the quality of its major counter-parties. In fact, investments are only made with first-class banking entities.

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

Liquidity risk

■ Risk factors

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

■ **Risk management mechanisms**

The policy of centralizing cash surpluses and financing needs of all the zones makes it possible to refine the Group's net positions and to optimize the management of investments or financings, thus ensuring Virbac's ability to cope with its financial commitments and to maintain an optimal level of availability compatible with its size and needs.
As part of its specific review of liquidity risk, the Group regularly conducts a detailed review of its outstanding loans, thus ensuring compliance with its financial ratio (debt covenant).

As of December 31, 2019, the ratio amounted to 2.29, 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 note A18).

In respect of the outlook, the cash and the financing resources of the company are covering its cash requirements.

Risk of fraud

■ **Risk factors**

The Group may experience cases of internal or external fraud that could lead to financial losses and affect the Group's reputation.

■ **Risk management devices**

Virbac strives to strengthen internal control and attaches particular importance to raising the awareness of its teams on these issues. The Group and in particular the central functions regularly issue strong guidelines and indications in this area. Segregation of duties and a central, regional and local management control mechanism and the appointment of regional supervisors help to reinforce control and reduce the likelihood of such practices occurring. As soon as new companies are acquired, they are integrated into these systems for preventing unethical practices.
Virbac is part of a process of training and deployment of good practices that are intended, among other things, to prevent the risk of fraud.
The Virbac code of conduct notably marks the Group's commitment to carrying out its activities in compliance with the law and ethics and also defines the nature of the relationships that Virbac wishes to have with its partners.

Market risks

Exchange rate risk

■ **Risk factors**

The exchange rate risk arises from the impact of fluctuations in exchange rates on the Group's financial flows when carrying out is 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.

Virbac carries out transactions in currencies other than the euro (its reference currency). The exchange rate risk is monitored using a client risk summary generated by the IT system (ERP). The items are updated based on *ad hoc* reports.
The majority of the Group's 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 the purchases and sales in other currencies, the Group is exposed to exchange rate risks mainly for the following currencies: American dollar, pound sterling, Swiss franc and various currencies in Asia, the Pacific and Latin America.
Given the Group's exchange rate risk exposure, currency fluctuations have a significant impact on its income statement both in terms of conversion risk and transaction risk.

■ **Risk management mechanisms**

In order to protect against unfavorable variations in the various currencies in which sales, purchases or specific transactions are denominated, the Group's policy is to hedge the currency risk on transactions when the magnitude of the exposure and the currency fluctuations are high.

The Group hedges most of its significant and certain foreign exchange positions (receivables, debts, dividends, loans within the Group), a portion of position estimates, as well as future sales and purchases.
Accordingly, it uses various instruments available on the market and generally employs foreign exchange forwards or options.

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

in € thousand	2019	2018
Fair value hedges	-93	-361
Cash flow hedges	-146	204
Net investment hedges	-	-
Derivatives not qualifying for hedges	-80	-57
Derivative financial exchange instruments	**-320**	**-214**

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**

The Group's income statement may be impacted by the interest rate risk. In fact, unfavorable rate changes can also have a negative impact on the Group's financing costs and future cash flows.
The exposure of the Group to the interest rate risk arises from the fact that the Group's debt consists mainly of credit lines and variable rate loans; the cost of debt can therefore increase if interest rates rise.
The exposure to rate risks for the Virbac group is primarily the result of variable rate credit lines established up to a maximum of €298 million as at December 31, 2019. These lines are indexed to the Euribor and US$ Libor rates.
Borrowing in the United States is indexed to the US$ Libor rate.

The current amount on the credit lines is the following:

	2019		2018	
in € thousand	Average real interest rate	Book value	Average real interest rate	Book value
Chile	3.116%	23,971	3.724%	29,720
Mexico	-	-	9.440%	2,001
Uruguay	5.392%	2,753	5.698%	2,764
France	2.062%	44,468	2.291%	49,900
Fixed rate debt		**71,193**		**84,385**
Vietnam	2.170%	215	2.170%	430
France	1.978%	298,015	2.920%	347,731
United States	3.614%	32,936	4.070%	30,568
New Zealand	-	-	4.443%	1,466
Australia	1.943%	8,128	-	-
Philippines	7.550%	158	7.840%	150
Other	-	173	-	23
Variable rate debt		**339,626**		**380,368**
Bank overdrafts		13,770		19,173
Loans and bank overdrafts		**424,589**		**483,925**

Interest rate derivatives are shown below, at market value:

in € thousand	2019	2018
Fair value hedges	-	-
Cash flow hedges	3,148	3,050
Net investment hedges	-	-
Derivatives not qualifying for hedges	-	-
Derivative financial rate instruments	**3,148**	**3,050**

■ **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 length and value of its actual commitments.

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**

The Group only engages in hedging transactions designed to hedge actual or certain exposure; it does not create speculative risk.
Financial derivatives are designated as hedges when the hedging relationship can be demonstrated and documented.
The exchange rate derivatives used for cash flow hedging generally mature within no more than a year.
The interest rate derivatives are intended to hedge credit lines and loans. Their maturities are backed by the hedged item.

As of December 31, 2019, the unrealized gains and losses in equity for the period accounted for a net loss of €2,411 thousand. The ineffective share recorded as profit for this cash flow hedging reflected a profit of €2,424 thousand.

	Nominal		Positive fair value		Negative fair value	
in € thousand	2019	2018	2019	2018	2019	2018
Forward exchange contract	48,477	39,494	227	295	467	525
OTC option exchange	29,621	21,693	92	137	173	121
Exchange instrument	**78,098**	**61,187**	**319**	**432**	**640**	**646**
Swap rate	100,362	145,175	39	1,212	1,386	581
Interest rate options	105,606	179,336	1	528	156	-
Cross currency swap	44,423	44,423	4,650	2,267	-	375
Interest rate instruments	**250,391**	**368,934**	**4,690**	**4,006**	**1,542**	**956**
Derivative financial instruments	**328,489**	**430,121**	**5,010**	**4,439**	**2,181**	**1,602**

Supply risks

All 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 finishers or industrial partners who have expertise in or are masters in particular technologies.

As far as possible, Virbac diversifies its sources of supply by approving several suppliers, while ensuring that these various sources embody the characteristics of sufficient quality and reliability.

Nevertheless, there are certain supplies or certain technology situations where diversification is practically impossible, which can result in a disruption to the supply or pressure on prices.

To limit these risks, the Group takes a broad approach to identifying as many diversified suppliers as possible, and may in certain cases secure its supply chain by acquiring the technologies and capacities it lacks and that create too high a dependency. An example of this was the acquisition of the intellectual property and industrial facilities to produce the protein used to make the leading cat vaccine.

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

A34. Composition of Virbac share capital

	2018	Increase	Decrease	2019
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	**8,422,050**	85,134	-75,362	**8,431,822**
Treasury shares	**35,950**	75,362	-85,134	**26,178**
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 authorization from the shareholders' general meeting, grants allocations of company shares for certain employees and directors at Virbac and at its subsidiaries.

Fair value of performance-related stock grant plans

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

The 2016 performance-related stock grants plan, allocated on September 15, 2016, initially valued at €2,248,358 (12,150 shares at €185.05 each), was deferred over a vesting period of 39.5 months. The impact recognized in the income statement as of December 31, 2019 amounted to €1,138 thousand, including contribution, and reflects the best estimate of shares that could be distributed based on achievement of the performance criteria.

The 2018 performance-related stock grants plan, allocated on August 1, 2018, was valued at €1,788 thousand, which translates into 15,000 shares amounting to €119.20 each. This amount was initially deferred over the vesting period of 41 months. The impact recognized in the income statement as of December 31, 2019 amounted to €702 thousand, including social 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, 2019 amounted to €216 thousand, including social contributions.

A36. Dividends

In 2019, the company did not distribute any dividends.
A proposal will be submitted at the general shareholders’ meeting to the effect that no dividend should be paid out for the 2019 financial year.

A37. Workforce

Evolution of workforce by geographic area

	2019	2018	*Variation*
France	1,323	1,340	*-1.3%*
Europe (excluding France)	363	349	*4.0%*
Latin America	961	968	*-0.7%*
North America	477	476	*0.2%*
Asia	1,331	1,317	*1.1%*
Pacific	311	313	*-0.6%*
Africa & Middle-East	131	130	*0.8%*
Workforce	**4,897**	**4,893**	***0.1%***

Distribution of workforce by position

	2019		2018	
Manufacturing	1,749	*35.7%*	1,748	*35.7%*
Administration	561	*11.5%*	582	*11.9%*
Business	2,042	*41.7%*	2,047	*41.8%*
Research & Development	545	*11.1%*	516	*10.5%*
Workforce	**4,897**	***100.0%***	**4,893**	***100.0%***

A38. Information on related parties

Compensation of supervisory board members

	2019		2018	
	Compensation	Directors' fees	Compensation	Directors' fees
Marie-Hélène Dick	€95,000	€21,000	€95,000	€21,000
Pierre Madelpuech	-	€21,000	-	€21,000
Solène Madelpuech	-	€21,000	-	€21,000
Philippe Capron	-	€24,000	-	€24,000
Olivier Bohuon	-	€21,000	-	€21,000
Cyrille Petit	-	€7,000	-	-
Company Galix Conseils represented by Grita Loebsack	-	€21,000	-	€21,000
Non-voting advisor Company XYC Unipessoal Lda represented by Xavier Yon	-	€21,000	-	€21,000
Total	**€95,000**	**€157,000**	**€95,000**	**€150,000**

Compensation of executive board members

As at December 31, 2019 - Gross amount due

	Fixed compensation (including benefit in kind)	Compensation linked to terms of office for administrator in Group companies	Variable compensation	Total compensation
Sébastien 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**

As at December 31, 2018 - Gross amount due

	Fixed compensation (including benefits in kind)	Compensation linked to terms of office for administrator on Group companies	Variable compensation	Total compensation
Sébastien Huron	€336,781	€25,000	€166,250	**€528,031**
Christian Karst	€267,832	€45,000	€147,250	**€460,082**
Habib Ramdani	€203,888	-	€77,140	**€281,028**
Jean-Pierre Dick	€18,840	-	-	**€18,840**
Total	**€827,341**	**€70,000**	**€390,640**	**€1,287,981**

Compensation paid for the 2019 financial year represents fixed compensation paid in 2019, compensation paid in 2019 in relation to terms of office for directors in Group companies, variable compensation paid in 2020 in relation to 2019 and benefits in kind granted in 2019 (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;
- inventory control;
- the Group's cash and debt management;
- significant acquisitions, for the Group, of companies or products (in terms of size, financial contribution, strategic importance);
- brand recognition and customer relationships program compliance.

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 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.

■ **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 pension rate.
The allocation conditions are now as follows:

- more than ten years of service in the Group, including nine years as a member of the executive board or 15 years for a benefit of 10.5% of the reference salary (compared to 22.0% in the former plan);
- at least 60 years-old;
- ended his/her career in the Group.

The impact of the exit from the plan of the beneficiaries no longer meeting the required conditions, resulted in a decrease in the pension rate from 22.0% to 10.5% of the reference salary, generating income of €3.4 million, including contributions, in the 2019 consolidated accounts.

■ **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 from ordinary activities ratio 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 severance would amount to €326,000. The fulfillment of the severance pay performance criteria may be assessed against the two half-year periods that precede the 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%).

The severance payment can only be paid in the event of a forced departure, on the initiative of the company. 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 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 attendance fees and any other compensation related to his functions with 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 Virbac executive board, in accordance with authorization from the shareholders' meeting, has allocated performance-related stock grants to certain Virbac executives and 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
Sébastien Huron	1,000	1,600	0
Christian Karst	1,000	1,200	4,000
Habib Ramdani	400	1,000	0
Total	**2,400**	**3,800**	**4,000**

Throughout the 2014, 2015 and 2017 financial years, no performance-related stock grants were allocated.

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	2019	2018
PP Manufacturing Corporation	NDNE 9/90 Corporate Center LLC	30/09/2026	5,984	6,695
Virbac Uruguay	Banco de la Republica Oriental del Uruguay	-	3,561	3,493
Guarantees given			**9,544**	**10,188**

- **Contingent liabilities**

Virbac and its subsidiaries are at times involved in disputes, or other legal proceedings, generally linked to disputes related to intellectual property rights, disputes involving competition law and tax matters.

Each situation is analyzed under IAS 37 or IFRIC 23, when it concerns relative uncertainty surrounding tax treatment. No provisions are established if the company considers that the liability is contingent (as defined by IAS 37).

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 contingent liability.

A40. Scope of consolidation

Company name	Locality	Country	2019		2018	
			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	100.00%	Full
Virbac Nutrition	Vauvert	France	100.00%	Full	100.00%	Full
Bio Véto Test	La Seyne sur Mer	France	100.00%	Full	100.00%	Full
Alfamed	Carros	France	99.70%	Full	99.70%	Full
Europe (excluding France)						
Virbac Belgium SA	Wavre	Belgium	100.00%	Full	100.00%	Full
Virbac Nederland BV[1]	Barneveld	Netherlands	100.00%	Full	100.00%	Full
Virbac (Switzerland) AG	Glattbrugg	Switzerland	100.00%	Full	100.00%	Full
Virbac Ltd	Bury St. Edmunds	United Kingdom	100.00%	Full	100.00%	Full
Virbac SRL	Milan	Italy	100.00%	Full	100.00%	Full
Virbac Danmark A/S	Kolding	Denmark	100.00%	Full	100.00%	Full
Virbac Pharma Handelsgesellshaft mbH	Bad Oldesloe	Germany	100.00%	Full	100.00%	Full
Virbac Tierarzneimittel GmbH	Bad Oldesloe	Germany	100.00%	Full	100.00%	Full
Virbac SP zoo	Warsaw	Poland	100.00%	Full	100.00%	Full
Virbac Hungary Kft	Budapest	Hungary	100.00%	Full	100.00%	Full
Virbac Hellas SA	Agios Stefanos	Greece	100.00%	Full	100.00%	Full
Animedica SA	Agios Stefanos	Greece	100.00%	Full	100.00%	Full
Virbac España SA	Barcelona	Spain	100.00%	Full	100.00%	Full
Virbac Österreich GmbH	Vienna	Austria	100.00%	Full	100.00%	Full
Virbac de Portugal Laboratorios Lda	Almerim	Portugal	100.00%	Full	100.00%	Full
Virbac Hayvan Sağlığı Limited Şirketi	Istanbul	Turkey	100.00%	Full	100.00%	Full
North America						
Virbac Corporation[1]	Fort Worth	United States	100.00%	Full	100.00%	Full
PP Manufacturing Corporation	Framingham	United States	100.00%	Full	100.00%	Full

[1] Pre-consolidated levels

Company name	Locality	Country	2019		2018	
			Control	Consolidation	Control	Consolidation
Latin America						
Virbac do Brasil Industria e Comercio Ltda	São Paulo	Brazil	100.00%	Full	100.00%	Full
Virbac Mexico SA de CV	Guadalajara	Mexico	100.00%	Full	100.00%	Full
Laboratorios Virbac Mexico SA de CV	Guadalajara	Mexico	100.00%	Full	100.00%	Full
Virbac Colombia Ltda	Bogota	Colombia	100.00%	Full	100.00%	Full
Laboratorios Virbac Costa Rica SA	San José	Costa Rica	100.00%	Full	100.00%	Full
Virbac Chile SpA	Santiago	Chile	100.00%	Full	100.00%	Full
Virbac Patagonia Ltda	Santiago	Chile	100.00%	Full	100.00%	Full
Holding Salud Animal SA	Santiago	Chile	51.00%	Full	51.00%	Full
Centro Veterinario y Agricola Limitada	Santiago	Chile	51.00%	Full	51.00%	Full
Farquimica SpA	Santiago	Chile	51.00%	Full	51.00%	Full
Bioanimal Corp SpA	Santiago	Chile	51.00%	Full	51.00%	Full
Productos Quimicos Ehlinger	Santiago	Chile	51.00%	Full	51.00%	Full
Centrovet Inc	Allegheny	United States	51.00%	Full	51.00%	Full
Centrovet Argentina	Buenos Aires	Argentina	51.00%	Full	51.00%	Full
Inversiones HSA Ltda	Santiago	Chile	51.00%	Full	51.00%	Full
Rentista de capitales Takumi Ltda	Santiago	Chile	51.00%	Full	51.00%	Full
Virbac Uruguay SA	Montevideo	Uruguay	99.17%	Full	99.17%	Full
Virbac Latam Spa	Santiago	Chile	100.00%	Full	100.00%	Full
Asia						
Virbac Trading (Shanghai) Co. Ltd	Shanghai	China	100.00%	Full	100.00%	Full
Virbac H.K. Trading Limited	Hong Kong	Hong Kong	100.00%	Full	100.00%	Full
Asia Pharma Ltd	Hong Kong	Hong Kong	100.00%	Full	100.00%	Full
Virbac Korea Co. Ltd	Seoul	South Korea	100.00%	Full	100.00%	Full
Virbac (Thailand) Co. Ltd	Bangkok	Thailand	100.00%	Full	100.00%	Full
Virbac Taiwan Co. Ltd	Taipei	Taiwan	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	100.00%	Full
SBC Virbac Biotech Limited	Taipei	Taiwan	100.00%	Full	100.00%	Full
AVF Animal Health Co Ltd Hong-Kong	Hong Kong	Hong Kong	50.00%	Equity	50.00%	Equity
AVF Chemical Industrial Co Ltd China	Jinan (Shandong)	China	50.00%	Equity	50.00%	Equity
Pacific						
Virbac (Australia) Pty Ltd[1]	Milperra	Australia	100.00%	Full	100.00%	Full
Virbac New Zealand Limited	Hamilton	New Zealand	100.00%	Full	100.00%	Full
Africa & Middle East						
Virbac RSA (Proprietary) Ltd[1]	Centurion	South Africa	100.00%	Full	100.00%	Full
GPM Virbac	Constantine	Algeria	42.85%	Equity	42.85%	Equity

[1] Pre-consolidated levels