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2021 UNIVERSAL REGISTRATION DOCUMENT

including the Annual Financial Report

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2021
UNIVERSAL REGISTRATION DOCUMENT

including the Annual Financial Report

Note to recipient of this document: this is the translation of an extract of the Universal Registration Document and Annual Financial Report for the year ended December 31, 2021. The original French document was filed with the AMF (French Financial Markets Authority) on April 22, 2022.

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1.1 2021: VETOQUINOL STEPS UP THE PACE

2021 was an exceptional year in many respects. Throughout the year, our business was impacted by the pandemic, the hopes placed in vaccination and a return to quasi-normality. Employee safety remains one of our foremost concerns. The animal health market was more buoyant than ever before.

Besides this intense environment, I would like to mention a number of major highlights for Vetoquinol in 2021. For the first time in our history, we crossed the €500 million sales mark. We successfully integrated the Drontal® and Profender® ranges into our operations in Europe, Australia and Canada. We posted record organic growth of 17% in our Essentials portfolio. We gained market share in all of our territories. All of these factors enabled us to post a robust performance in 2021.

This performance owes nothing to chance, but is the outcome of all the efforts we expended to bring our strategy to fruition. It is the embodiment of our priorities and the guiding focus behind all of our actions. Lastly, it is proof of the commitment shown by all of our employees worldwide, who take up the gauntlet every day in order to serve and satisfy customers on three continents and make Vetoquinol a driving force of unceasing progress and improvement.

I am proud to be able to count on our employees' commitment to our long-term, independent and sustainable business plan.

Matthieu Frechin
Chief Executive Officer
—

1.2 VETOQUINOL, YOUR TRUSTED ANIMAL HEALTH PARTNER

Founded in 1933, Vetoquinol is a leading global animal health company. Vetoquinol designs, develops, manufactures and sells drugs and non-medicinal products for livestock (cattle and pigs) and pets (dogs and cats).

A top 10 global veterinary pharmaceutical company, Vetoquinol combines sustainability, growth and responsibility while pursuing its human adventure.

Vetoquinol enriches human lives through devotion to animal health and welfare.

1.2.1 BUSINESS OVERVIEW

Vetoquinol develops, manufactures and sells veterinary drugs and non-medicinal products exclusively dedicated to animal health. In response to the sweeping changes affecting the veterinary profession, Vetoquinol, a leading supplier, offers its customers all-inclusive solutions encompassing not only pharmaceutical and nutritional products, but also diagnostics, digital applications and services.

Vetoquinol has chosen to focus on a range of products entitled the "Essentials", products with strong growth potential that meet the key requirements identified by vets for pet owners and cattle and pig breeders. They are intended for sale worldwide and their scale effect improves their economic performance.

The Vetoquinol story began in France. Now, almost 90 years later, Vetoquinol products are marketed in over 100 countries including 24 countries in which Vetoquinol has direct operations. France accounts for less than 15% of Group sales. The USA is Vetoquinol's No. 1 market.

While Vetoquinol manufactures and sells a number of products that are covered by patents, in most cases the active ingredient has entered the public domain.

However, harnessing its expertise and the results of its research work, Vetoquinol applies innovations to these freely available molecules in terms of galenic form or formulation which differentiate its products and gives them far-reaching competitive edge.

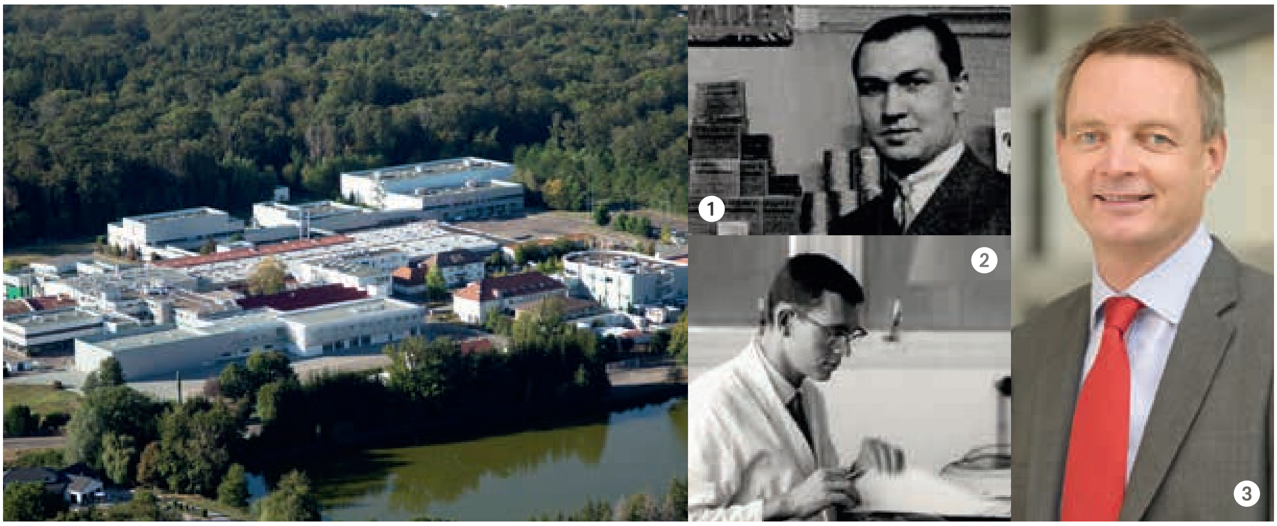
Vetoquinol is an active member of national (in the countries where it has a subsidiary), regional and global organizations that represent the profession. In particular, Vetoquinol is a corporate member of Health For Animals and Animal Health Europe, two associations in which all leading global veterinary pharmaceuticals are represented.

Vetoquinol, which has devoted its activities exclusively to veterinary medicine for almost 90 years, is fully engaged in the service of vets, animals, pet owners and breeders.

A sustainable business that serves four target species representing 80% of the world market, the Group has a balanced risk profile at all levels. Vetoquinol operates in the pet and livestock segments.

1.2.2 SERVING ANIMAL HEALTH FOR OVER 85 YEARS

Vetoquinol, a long and illustrious history of entrepreneurial spirit



1 Joseph Frechin – 2 Étienne Frechin – 3 Matthieu Frechin

Joseph Frechin's inspiration

It all began in 1933 in a pharmacy in Lure, a small town in eastern France. Joseph Frechin expanded his pharmacy business to include the production of specialized human pharmaceuticals, naming his company "Laboratoires Biochimiques de l'Est". He built up a substantial inventory of oxyquinoline, an antiseptic developed by a chemist friend.

It was then that he had the idea of using this product to treat animals. He then conducted the first trials with the help of his father Charles Frechin, a renowned veterinary surgeon in the region: the results were convincing. Christened Vetoquinol, the remedy became an instant success and was rapidly made available in many forms: tablets, powder, gel, oblets, vaginal inserts and creams. In 1948, Joseph Frechin added a veterinary department to his laboratory, and Vetoquinol was born.

Étienne Frechin's far-reaching vision

Vetoquinol's post-war growth was driven by the farming industry, which was making increasing use of veterinary drugs in order to reconstitute livestock populations. Vetoquinol gradually spread its wings and before long had 100 employees.

In 1962, Étienne Frechin joined his father's company in order to focus on its development. He moved the company headquarters to Magny-Vernois, a village just outside Lure.

Since then, Vetoquinol has offered its customers an ever-growing range of drugs and innovative solutions. In 1980, as much as 20% of the company's sales were generated outside France.

Totaling 280 employees at the time, the company set up an international department. Subsidiaries were established in the Netherlands, Ireland and Belgium.

Through establishment and takeovers, Vetoquinol gradually built up a network of subsidiaries covering the entire planet.

The company's stock market listing in 2006 enabled it to secure new funds and acquire a foothold in new markets. This milestone was a golden opportunity to boost its reputation and share its vision of the animal health industry.

Matthieu Frechin's commitment

In April 2010, Matthieu Frechin was appointed Chief Executive Officer of Vetoquinol. As the grandson of the company's founder and the third generation to take the helm, his appointment reinforced the shareholders' ambition to continue Vetoquinol's captivating story in the same spirit of boldness, commitment and independence.

To continue developing, Vetoquinol decided to remain an independent company. Its manageable size and family shareholding structure make Vetoquinol a flexible and responsive company,

while entrepreneurial focus, an innovative approach and strong team spirit with Matthieu at the helm are the very best assets for developing new products and solutions in order to promote animal health, improving the daily lives of cattle breeders and pet owners alike and helping vets to accomplish their mission with success; customer needs continue to be our primary source of inspiration.

In early 2017, Matthieu Frechin launched Vetoquinol's current strategic plan named "Vetoquinol in Motion", thereby creating a new drive based on initiative-taking, willingness and commitment. This transformation is inspired by Vetoquinol's mission to "enrich human lives through devotion to animal health and welfare" and by the values shared by all its employees working on 5 continents: trust, dare and collaborate. These values make Vetoquinol what it is today, a company with a common passion, energy and commitment.

Vetoquinol over the years

1933

Launch of "Vetoquinol" antiseptic by Joseph Frechin, a pharmacist in Lure.

1962

Étienne Frechin joined Vetoquinol.

1962

Relocation to Magny-Vernois.

1977

Creation of the Group's first overseas subsidiary, Vetam in the Netherlands.

1980

Establishment of R&D center and export department.

1984

Creation of Galvet Ltd (Ireland).

1987

- Launch of Tolfedine® anti-inflammatory drug.
- Acquisition of Psyphac (Belgium).

1990-2000

Acquisition of Univet (UK), Antibioticos Pharma Vet (Spain), Austin, Dispar, Webster (Canada), Immunovet (USA) and MECA (Germany).
Creation of Vetoquinol North America and Vetoquinol Mexico.
Launch of Marbocyl® anti-infective (1995).

2001-2010

- Acquisition of Swiss-based Chassot group (2001).
- Launch of Aurizon®, a treatment for canine otitis (2001).
- Acquisition of Evsco® and Tomlyn® ranges (USA) (2002).
- Launch of Prilium® (canine cardiology), Propalin® (treatment for incontinence in female dogs) and Clavaseptin® (antibiotic) (2002).
- New R&D center in France (2003).
- Opening of sales office in Shanghai, China (2004).
- Acquisition of Semyung Vet (South Korea) and Vet Solutions (USA) (2006).
- IPO on Paris stock exchange (2006).
- Creation of Vetoquinol Unipessoal Lda (Portugal) (2007).
- Acquisition of Ascor Chimici (Italy) and Viavet (Scandinavia) (2008).
- Creation of a development unit in Canada (2008).
- Launch of Vetprofen® (anti-inflammatory drug) and Rubenal® (nephrology) (2008).
- Acquisition of the animal health division of Wockhardt Ltd, India (2009).
- Registration of Marbocyl® in Japan (2010).
- Development of the Acacia project, a new extension for developing and manufacturing innovative tablets at the Group headquarters (2010).
- Launch of Kefloril® and Ceftiocyl®, two new livestock antibiotics (2010).
- In 2010, Matthieu Frechin was appointed CEO and Étienne Frechin became Chairman of the Board of Directors.

2011

- Establishment of a foothold in Brazil with the acquisition of Farmagricola SA, a company located in the state of São Paulo.
- European launch of Cimalgex®, a new treatment for pain and inflammation in dogs.
- European launch of Forcyl®, a new single-injection anti-infective based on marbofloxacin.

2012

- Launch of Flevox®, a parasiticide for dogs and cats.
- Acquisition of Orsco, a veterinary drug manufacturer based near Lyon, France, which markets Zylkene®.
- New indication obtained for Forcyl® for the treatment of dairy cows.
- New marketing authorization (MA) for Forcyl® Swine, a patented innovation developed by Vetoquinol.

2013

- Vetoquinol's 80th anniversary celebrated by all Group subsidiaries.
- Simultaneous launches of Flexadin Plus and Flexadin Advanced, non-medicinal products designed to support joint health and function in dogs and cats, in Europe and USA.
- US launch of Zylkene®, an innovative patented product designed to help dogs and cats cope with unfamiliar situations.

2014

- New milestone for Vetoquinol in China: award of GSP "Good Selling Practice" license required for distributing veterinary pharmaceuticals in China.
- Launch of Forcyl® in Brazil: first Group Essentials product on the Brazilian livestock market.
- Acquisition of Bioniche Animal Health, a major supplier of reproduction products in North America. The Vetoquinol offering expands with new flagship products in the domain of reproduction.
- Launch of Tolfine in India: first Group Essentials product on the cattle market in India.

2015

- Vetoquinol and Orion Pharma Animal Health sign a distribution partnership.
- Launch of a new Essentials product, Upcard®, an innovative drug for congestive heart failure in dogs.
- Vetoquinol and Nippon Zenyaku Kogyo Co. Ltd sign an agreement on a joint venture in Japan.
- Vetoquinol creates a new brand identity symbolized by a new logo and a single slogan: "Achieve more together".

2016

- Creation of an R&D center in the USA designed to step up the development of pet products for the world's largest animal health market.
- Launch of Cimalgex® in Brazil: first Group Essentials product on the Brazilian pet market.
- Relocation of Folltropin® production to the main Vetoquinol facility in Canada.
- Launch of two Essentials products in China: Marbocyl P and Tolfedine.
- Magny-Vernois plant ISO 50001-certified: 1st veterinary pharmaceutical laboratory to obtain this certification.
- 10 years of stock trading, quality and transparency of financial reporting recognized.
- Vetoquinol ranked equal first (with TF1) in the Gaia Index of small to medium-sized companies for its commitment to corporate social responsibility (CSR) and outright leader in the category of companies with sales between €150 and €500 million.

2017

Implementation of new "In Motion" strategic plan focused on three priorities: capitalizing on the Group's strong human potential, innovating in biotechnology and customer solutions, and consolidating our multi-specialist strategy. Upgrading of production facilities by adding a major extension to the injectables production unit on the Group's main production complex in Magny-Vernois.

March 22nd: acquisition of Austria-based VetCom Pharma, thus boosting Vetoquinol's range of reproduction products for cattle and pigs.

Vetoquinol receives two awards:

- Ranked 3rd in the "Mid-Cap Corporate Governance" category at the 14th Agefi Grands Prix Awards;
- Ranked 2nd in the 2017 Gaia Index for ongoing commitment to corporate social responsibility (CSR).

September 27th: Vetoquinol organizes an "Investor Day" in Paris to share its strategy with the analyst and investor community.

November 13th: Vetoquinol acquires a stake in Plant Advanced Technologies (PAT), an investment in line with the Group's innovation strategy. PAT works on molecules of natural origin that are a potential alternative source of active ingredients for our future veterinary drugs.

2018

- Vetoquinol enters the digital arena by acquiring a majority stake in Farmvet Systems Ltd, based in Northern Ireland.
- Vetoquinol continues the industrial upgrading program at the Lure site, via the Aucapi project (3rd year).
- Vetoquinol acquires a new R&D center in France and expands its innovation capacity.
- Launch of two pet products: Sonotix and Flexadin Chews.
- First MA obtained for the Japanese joint venture: Cefaseptin.
- Vetoquinol ranked 2nd in the 2018 Gaia Index.

2019

Vetoquinol purchases a 90% equity stake in Clarion Biociencias, a veterinary drug manufacturer based in Goias state, Brazil.

Launch of two pet products in the USA: Ph-Notix and Flexprofen.

Establishment of a subsidiary in New Zealand: Vetoquinol New Zealand Ltd.

Vetoquinol acquires two reproduction products destined for the Australian and New Zealand markets: Cattle-Mate and Ovu-Late.

Vetoquinol announces the reorganization of its industrial facilities in Italy, Poland and France (VITAL project).

Vetoquinol acquires Phovia® product from Klox Technologies Ltd. Vetoquinol plans to develop and market fluorescent light energy (FLE) products in the domain of animal health.

2020

Vetoquinol acquires Profender® and Drontal® products from Elanco Animal Health for Europe and the UK.

Vetoquinol adapts its structure and work tools in response to the COVID-19 global health crisis.

2021

Launch of Phovia, a dermatology product for pets.

Vetoquinol acquires Drontal® and Profender® products for Australia and Switzerland.

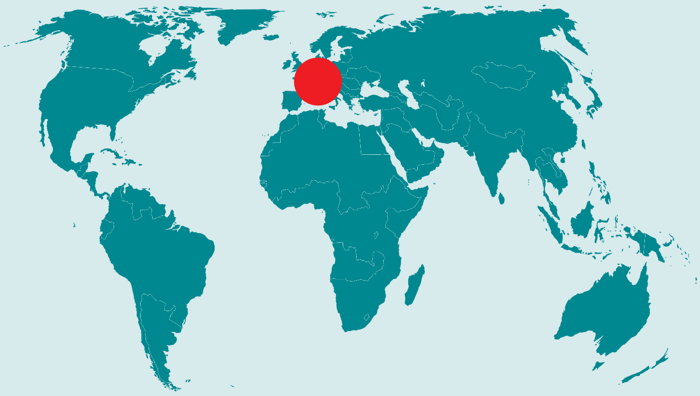
Vetoquinol acquires Profender® pet parasiticide in Canada.

Vetoquinol and Orion Animal Health expand their collaboration, with Vetoquinol set to distribute Clevor® pet product in the USA.

1.2.3 OPERATIONS IN ALL MAIN ANIMAL HEALTH MARKETS

Direct operations in 24 countries

France
Allemagne
Royaume-Uni
Italie
Espagne
Pologne
Belgique
Pays-Bas
République tchèque
Autriche
Irlande
Portugal
Suède
Suisse
États-Unis
Canada
Mexique
Brésil
Inde
Corée du Sud
Chine
Australie
Japon
Nouvelle-Zélande



EUROPE:
50%

AMERICAS:
34%

ASIA/PACIFIC:
16%

100 distributors worldwide

Proven expertise in company acquisition

Since 1977, the date its first subsidiary in the Netherlands was created, the Group's development strategy has been largely based on external growth. The Group's management team has always implemented a targeted acquisition policy, focusing on commercial and industrial synergies to support organic sales growth.

Sales and distribution

The Group operates in three territories: Europe, USA and Rest of World. The RoW division covers Asia Pacific, Latin America, Canada and the worldwide distributor network.
In each country, subsidiaries report to the Regional Director to which they are attached; they have their own sales force, marketing department, regulatory department and support functions.
Each Regional Director is in charge of operations within their territory in terms of both partnership management and relations with local distributors, in line with the Group's strategy and policies. The Regional Directors are members of the Group Executive Committee. At the end of December 2021, the Group had a qualified sales force of nearly 900 people spanning all subsidiaries. The sales force receives regular training from veterinary experts in technical aspects and from a network of in-house trainers in sales and communication techniques (Sales Excellence Program).
The Company has a long-term sales policy and focuses on the quality of the relationship between its veterinary delegates and veterinary partner customers, listening and responding to their needs. For this purpose, Vetoquinol has developed a customer-centric approach involving listening to customers and identifying and marketing solutions tailored to their needs.
Vetoquinol is characterized by its determination to provide long-term support to its vet partners. Besides marketing products of universally recognized quality, Vetoquinol goes further by designing value-creating initiatives in consultation with vets to enhance their daily practice and help them better serve their customers, pet owners and breeders alike. These include digital tools for improved observation and training in technical matters and selling services.

1.3 VETOQUINOL'S STRATEGY

1.3.1 A FOCUSING STRATEGY: ESSENTIALS PRODUCTS TARGETED AT FOUR SPECIES

Vetoquinol develops, manufactures and sells drugs, non-medicinal products and services exclusively dedicated to animal health.

The veterinary market is undergoing sweeping changes and continues to grow, driven by product innovation, digital technology and swifter diagnostics enabling businesses to respond differently and better to the expectations of breeders, pet owners and vets. Vetoquinol strives to offer its customers comprehensive solutions that respond to their needs and include all the required ingredients for a result that meets their expectations.

Source: Vetoquinol 2021 estimates

The ever-growing demand for animal proteins (milk, eggs and meat) is forcing farmers worldwide to look for ways of increasing productivity, particularly by paying constant attention to the quality, health and welfare of their livestock. In the areas of dairy and meat (beef and pork) production, through its privileged relationship with the veterinary community, Vetoquinol provides all the advice, products and services required to help farmers meet the increasingly complex challenges facing them. In these times of pandemic linked to a virus of animal origin, Vetoquinol's close relationships and expertise play an essential role among those responsible for maintaining the health of livestock and preventing zoonotic infections.

The pet segment is characterized by sustainable growth in mature economies and high growth potential in growth economies, particularly Asia. Mirroring the unique emotional ties built up between pets and their owners, Vetoquinol offers a line of products that combine efficacy and simplicity of use. As an animal health company, Vetoquinol chooses and makes it its duty to offer innovative solutions to strengthen and protect the human-animal relationship. Vetoquinol continues to fulfill its mission of enriching human lives through devotion to animal health and welfare.

1.3.2 MULTI-SPECIALIST STRATEGY GEARED TO "ONE HEALTH"

At least 60% of infectious human diseases are of animal origin. Many pandemics, such as COVID-19, the Zika and Ebola viruses, and avian flu have animal origins in common. The number of major global epidemics has increased over the past century as the world's population has grown, transportation has intensified, the environment has deteriorated and cities have expanded. The current health crisis is a reminder of the importance of working within the context of "One Health", which promotes an integrated, systemic and unified approach to public, animal and environmental health. Animal and human welfare is at the heart of Vetoquinol's business, and its teams worldwide are committed to implementing a consistent safety, health and environmental policy.

In order to meet the daily needs of vets, Vetoquinol focuses on a range of "Essentials" products designed to cover most of their needs. These are products with proven or potential international reach that are actual or potential leaders in their respective therapeutic domains. As such, Vetoquinol provides essential treatment and has recognized expertise in a number of therapeutic domains: infectious diseases, pain/inflammation, behavior, parasitology, cardiology and reproduction.

Examples of Essentials products
FOR FARM ANIMALS

Forcyl Marbofloxacine, Marbocyl®, PerMacyl®, Tolfédine® CS, Tolfine®, Lydaxx®

Examples of Essentials products
FOR PETS

Cimalgex, Marbocyl®, PHOVIA Faster skin recovery by light, Cefaseptin®, Clavaseptin®, Flexadin Advanced, UpCard® Torasemide, Zylkène®, Profender Spot-On, Drontal®, IMOXI™ Topical Solution (imidacloprid + moxidectin)

1.4 HYBRID GROWTH STRATEGY

Backed by sound financial management, skillful coordination of development, production and marketing processes and in-depth expertise in its core therapeutic domains, Vetoquinol pursues the following strategy:

- Controlled, profitable growth in keeping with the Company's family values of long-term development, economic efficiency and social responsibility. This includes regular, measured and well-timed acquisitions ensuring the attainment of financial performance in line with the Company's standards.
- Targeted growth: Vetoquinol focuses on a limited number of "strategic countries" and four target species: pigs and cattle (livestock segment) and dogs and cats (pet segment).
- A market underpinned by strong fundamentals: in industrialized countries, household expenditure on pets is growing steadily due to the increasingly important role played by animals in the lives of human families. In the livestock segment, the Group benefits from the steady growth of this market driven by the expansion of the world population and growing demand for animal protein. Despite the COVID-19 health crisis, Vetoquinol's strategy and operational implementation have enabled it to outperform the animal health market in both pet and livestock segments.
- In-depth expertise in target therapeutic domains: In the pet segment, Vetoquinol has chosen to focus on dermatology, parasitology and improving mobility through the treatment of osteoarthritis. In the livestock segment, Vetoquinol more specifically targets the areas of reproduction, udder health and respiratory problems. In 2020, the acquisition of the Drontal® and Profender® product ranges in Europe enabled Vetoquinol to consolidate its expertise in pet parasiticides and establish a firm business foundation for future development. As this is the world's largest animal health market in terms of value, this success marks a planned milestone in the Group's history.
- While consolidating its European positions, Vetoquinol continues to grow market share in the Americas and Asia. In the Americas, Vetoquinol is strengthening its positions in the USA (No. 1 world market) and continues to invest and grow strongly in Brazil. In Asia, the Group operates in China, India, South Korea, Australia, New Zealand and Japan.

Vetoquinol has therefore been able to extend its international network, strengthen its foothold in target therapeutic segments, capitalize on its research programs and, as such, maintain a balanced risk profile.

At December 31, 2021, Vetoquinol had a solid financial structure in place to further its hybrid growth strategy, as well as the means to finance external growth and partnership objectives by continuing to ensure its development in complete independence.

1.5 VALUE-CREATING BUSINESS MODEL

ECOSYSTEM

HUMAN
2,546 employees presents in **24** countries

FINANCIAL
€441m in shareholders' equity
€54m in net cash after applying IFRS 16

R&D
5 R&D centers
6% of sales invested in R&D
214 R&D employees

INDUSTRIAL
5 production sites
€86m in purchases of raw materials and packaging items

FAMILY LABORATORY
67% Etienne Frechin family and **33%** float

ENVIRONMENTAL
Energy and water

SOCIETAL
Relationships with our stakeholders
Family ownership structure
2,300 suppliers and partners

www.vetoquinol.com

Our vision

To be the most flexible animal health laboratory, where stakeholders work together to create customized solutions.

INNOVATE

6 targeted therapeutic domains: pain and inflammation, dermatology, parasitology, respiratory diseases, udder health and reproduction

100 partners: universities, laboratories, Biotechs

vetoquinol
ACHIEVE MORE TOGETHER

Vetoquinol is a key player in the global animal health market, which is estimated at $40 billion, up approximately 10% in 2021.

A family-owned laboratory with an international presence and nearly 90 years focused solely on animal health

TRANSFORM

Develop human capital

Continuous industrial improvement

Customer experience

Environmental approach

Digital transformation

** Europe, UK and Australia.*
*** Europe, UK, Australia and Canada.*
**** Before depreciation of acquired assets.*

PRODUCE

5 sites worldwide, EU GMP-certified and US GMP-certified

4,000 SKUs: veterinary drugs, nutraceuticals, diagnostics and digital solutions

60 subcontractors

Committed employees, innovative know-how, an efficient industrial tool

A portfolio of Essentials products

MAIN BRANDS

Cefaseptin®	Cimalgex®	Clavaseptin®	Drontal®*	Flexadin®
Forcyl®	Imoxi® Topical Solution (imidacloprid + moxidectin)	Lydaxx®	Marbocyl®	PerMacyl®
Phovia	profender®** spot-on	Tolfine®	UpCard®	Zylkène®

DISTRIBUTE

1,000 employees working for our customers

In the **24** largest countries

4 target animal species: dogs, cats, cattle and pigs

64% of activity in pets and **36**% in farm animals

Our customers: veterinarians, breeders and pet owners

Our mission

Vetoquinol enriches the lives of people and animals through our dedication to animal health and welfare.

CREATION OF SHAREHOLDER VALUE

HUMAN

66,000 hours of training
Gender equality
€111m gross salaries paid
and **€37m** employer contributions

ECONOMIC

€521m of sales in 2021
+13.7% organic growth
+3.1 pts EBITDA and **19.3%** EBIT***
€90m operating cash flow
Development of veterinary clinic activity

INTELLECTUAL

1,000 MA portfolio
over **500** registered trademarks

INDUSTRIAL

34 million units manufactured

SHAREHOLDERS

Laboratory sustainability
€0.50/share dividend
+54.2% share price growth in 2021

ENVIRONMENTAL

Carbon footprint reduction
Eco-friendly products

SOCIETAL

Commitment and ethics
Laboratory durability
Sponsorships and donations
Animal welfare

1.6 ANIMAL HEALTH WORLD MARKET

1.6.1 ANIMAL HEALTH WORLD MARKET

In 2021, the animal health world market maintained strong growth of around 9-12% at constant exchange rates (source: Vetoquinol estimates), driven by the pet segment and, to a lesser extent, by the slower growing livestock segment.

In terms of species, the animal health market is divided into two segments: livestock (cattle, sheep, pigs, poultry, etc.) and pets (dogs, cats, horses, etc.). These two segments are separate, as they follow different economic patterns:

- The livestock segment is a high-volume market driven by profitability concerns and sensitive to changes in the health crisis. This market enjoyed a rebound in Europe and North America as the impact of the 2020 COVID-19 health crisis wore off and momentum picked up in Asia and Latin America.
- The pet segment is a faster growing, higher value-added market driven by increased purchasing power among pet owners and increased adoption of pets.

1.6.2 THE ANIMAL HEALTH MARKET BY REGION

Europe

Europe is historically Vetoquinol's No. 1 market, thanks to the presence of its subsidiaries in all major countries.

The main growth driver in the European livestock market is the vaccine segment, which is helping to offset a continued decline in the antibiotics market. In the pet segment, growth is strongest in parasitology and specialty dermatology, osteoarthritis and cardiology pharmaceuticals. In 2020, Vetoquinol acquired the Drontal® and Profender® ranges, allowing it to carve out strong positions in the parasitology segment in line with its strategy.

Americas

The Americas market is subdivided into two distinct regions: North America, a mature but constantly growing market, and Latin America, a developing market.

North America

North America, and more specifically the United States, is the No. 1 market worldwide with a market share of more than 30%. In the pet segment, the US market alone accounts for about half of the world market. Canada is the 10th biggest animal health market in the world.

Animal protein production is up, as is the pet market, which is also being driven by parasiticides for pets and the introduction of new products.

Latin America

This is a fast-developing region dominated by beef, pork and poultry production. The pet market is growing as the population's standard of living improves.

In line with the strategic plan, Vetoquinol completed the acquisition of Clarion laboratory in 2019 and has organized its operations in this market to make it a driver of sustainable growth.

Brazil has one of the largest global cattle populations, representing about 10 times that of France. Brazil has the ambition and the political desire to become the top global producer and exporter of animal protein.

It is not only one of the world's leading producers of cattle, pigs and poultry, but also offers high growth potential in the pet market.

Also present in Mexico for over 20 years, Vetoquinol mainly operates in the dairy cow segment and, more recently, in the pet segment.

Asia Pacific (and Rest of World)

After Latin America, Asia Pacific is one of the fastest growing regions in the world market, mainly due to a buoyant Chinese market and despite the impact of the 2019 crisis caused by swine fever in China. Asia was able to recover rapidly and, despite the local impacts of the COVID-19 crisis, this territory continued to drive the animal health market in 2021.

Vetoquinol operates on these markets either directly through subsidiaries or indirectly through a network of distributors based in most countries in the region.

Vetoquinol operates directly in South Korea, India, China, Australia and New Zealand. These regions represent strong growth potential for all of the Group's target species and strategic domains. China is an important market for Vetoquinol in terms of growth potential in both pet and livestock segments; it is currently the world's second largest market after the USA. Vetoquinol is seeking to expand its footprint in this key territory starting with the pet segment, where its subsidiary has achieved recognition through the registration and launch of a number of Essentials products.

Having operated in Japan for many years through distributors and partnerships, Vetoquinol has decided to strengthen its position here by setting up a subsidiary in early 2022.

1.6.3 ANIMAL HEALTH MARKET OUTLOOK

The following main animal health market trends are expected to prevail over the coming years.

The animal health market continues to resist COVID-19 health measures and the pet segment continues to be driven by the increase in the number of pet owners over the past two years.

However, the economic situation remains uncertain and there are no clear indications as to global or regional economic impacts. We continue to capitalize on the resilience of the animal health market, albeit with slower growth.

Market trends

- The pet segment is expected to make the biggest contribution to growth.
- Despite the impact of regional diseases (swine flu, bluetongue, bird flu, foot-and-mouth disease, etc.), the livestock segment is expected to post strong growth in Asia and Latin America, territories with high growth potential.
- Sales of veterinary drugs for the treatment of chronic diseases will be boosted by pet aging linked to the development of care through diagnostics and treatment.
- The consolidation of clinic chains and groups is expected to increase, thereby providing Vetoquinol with opportunities for privileged partnerships.

Regulatory changes

- Tighter restrictions on the use of antibiotics in order to combat antibioresistance by banning non-curative treatment and encouraging the rational use of antibiotics in curative treatment.
- Harmonization of the European Union internal market from January 2022 (New Veterinary Regulation - Regulation 2019/6) aimed at streamlining the regulatory environment and increasing the availability of veterinary drugs in member countries.
- Stricter regulatory constraints to make more allowance for animal health by combating strictly animal-based health crises (e.g. swine fever in Asia) and zoonotic infections such as coronavirus.

Digital transformation

- Accelerated digitalization mainly due to social distancing measures impacting the value chain and means of access to customers.
- Digital transformation of the sector in both pet and livestock segments, which is gaining importance as a source of innovation in solutions and services.

1.7 VETOQUINOL: AN INDUSTRIAL GROUP

Vetoquinol's production units transform raw materials (active ingredients, excipients) into finished products, store and ship them, and, more rarely, manufacture active ingredients. These processes are carried out under conditions that guarantee product quality, safety and efficacy.

In 2021, Vetoquinol manufactured over 34 million units in a variety of forms:
- sterile injectable liquids;
- drinkable liquids;
- powders and pellets;
- pastes and creams;
- tablets;
- drug premixes;
- soft chews.

As of December 31, 2021 Vetoquinol had five production units.

Generally speaking, Vetoquinol's international sales subsidiaries lease the buildings they occupy.
- All Vetoquinol plants have GMP approval for their specific manufacturing operations, except for Tarare which only manufactures non-medicinal products. The Princeville plant in Canada is FDA-certified.
- In the case of products which it lacks the technical capacity to produce, Vetoquinol uses subcontractors, who are monitored and audited by the industrial and quality department to ensure they apply the same standards of compliance as the Group's own plants.

Vetoquinol also distributes other companies' products, which are regularly monitored and audited by the industrial and quality department.

A systematic quality approach has been implemented throughout all Vetoquinol production lines, as reflected in the human resources assigned to this purpose: there is one person in quality (quality assurance or control) for every two people in production.

In particular, quality control involves:
- inspection and release of raw materials and packaging items;
- inspection and release of finished products;
- water, air and environmental compliance.

Quality assurance ensures that the Group's plants and external manufacturers are in compliance with all pharmaceutical standards (GMP, FDA, PMDA, MAPA, FAMI QS, ISO), as well as the implementation of adequate resources (materials and equipment, personnel and organization, premises and flows) in terms of numbers and quality.

1.7.1 FRANCE (LURE, TARARE, PARIS AND ANGERS)

The Company owns the Lure complex (Magny-Vernois).

The site covers an area of nearly 16 hectares, including over 24,000 sqm of built areas (floor area), or nearly 37,000 sqm of developed area. It houses the Company's head office, industrial activities, R&D, logistics and Group functions. Veterinary drugs and non-medicinal products for the entire global market are produced here. This unit produces sterile injectable liquids, non-sterile liquids and creams, and tablets.

The Tarare plant occupies a 10,000-sqm site with two built areas totaling 4,000 sqm. Vetoquinol owns the premises. In February 2014, the Company signed a commercial lease for offices in Paris, which house the France Department and certain Group functions.

In September 2018, the Company acquired an R&D center near Angers. This site occupies an area of approximately 100 hectares of leased farming land.

Classified facilities

The Lure site is subject to the following provisions relating to facilities classified for environmental protection (ICPE) under the dual regime of reporting and registration following the revisions of the ICPE nomenclature in 2006 and 2010. The site is operated in accordance with its updated authorization order taking into account the site's recent extensions.

Lure is the subject of regular inspections by departments at DREAL, most recently in late 2019.

The site is not affected by the provisions of the Seveso directives. All drugs and their active ingredients are liable to present environmental risks; however, the drugs manufactured by Vetoquinol do not present any specific or high risks compared to other human or veterinary drugs on the market.

Protection of the environment

The measures taken by Vetoquinol to protect the environment are appropriate in terms of waste sorting, water consumption, the prevention of groundwater and surface water pollution, the prevention of drinking water pollution, noise control and energy consumption.

Tarare

The Tarare plant is not subject to provisions relating to classified facilities.

The products manufactured at the plant do not present any risks to the environment. Only a few raw materials, which may present a hazard under certain circumstances, are present in small quantities at the plant.

Major investments have been made in recent years in the security of the premises.

This plant produces non-medicinal products mainly for the European, Asian and Canadian markets. It manufactures products in the form of powders, pellets, liquids, paste forms and soft chews.

1.7.2 POLAND (GORZÓW, KLODAWA)

Vetoquinol Biowet Sp. Z.o.o. owns three sites located in the Gorzów Wielkopolski district:

- a production plant in Gorzów itself, with a built surface area of nearly 8,000 sqm, on a plot of land of approximately 14,000 sqm. This site houses our Polish subsidiary's management team, production units and laboratories;
- a production plant in Gorzów, with a built surface area of nearly 8,000 sqm, on a plot of land of approximately 34,000 sqm;
- a storage site and logistics center in Gorzów containing over 1,000 sqm of warehouses on a 6,000 sqm plot of land.

Gorzów manages environmental matters in conjunction with local authorities. Inspections carried out over the last three years have not given rise to any major observations.

This plant produces veterinary drugs and non-medicinal products for the global market excluding USA. It produces sterile injectable liquids, non-sterile liquids, gels, non-sterile suspensions, pellets, powders, tablets and liquid insecticides.

1.7.3 BERTINORO (ITALY)

The Bertinoro production plant in Italy was closed in December 2021 following the partial transfer of production to Gorzów, Poland.

1.7.4 MAIRIPORA (BRAZIL)

The Mairipora site in the state of São Paulo was closed and the land and plant put up for sale in 2021.

1.7.5 GOIANIA (BRAZIL)

Vetoquinol Saude Animal Ltda, a Group subsidiary, owns the plant located in Goiania (Goias state). The surface area of the buildings is 7,725 sqm on a 15,341 sqm plot. The last inspection by MAPA's regulatory authorities in 2019 validated recent investments in injectable, antibiotic and parasiticide production units. The sterile and non-sterile injectables plant has a production capacity of 7 million units. The plant has a special unit for producing plastic injectables. The plant has 110 employees, complies with all applicable MAPA regulations and was recently GMP-certified by the Brazilian authorities. The Goiania unit includes a product innovation and research center.

1.7.6 PRINCEVILLE (CANADA)

Vetoquinol North America Inc. owns the factory in Princeville, Quebec. This site comprises 20,000 sqm of land and 7,000 sqm of developed premises (laboratories, production units, warehouses, offices).

This plant produces veterinary drugs and non-medicinal products, mainly for the North American market but also for the European and Asian markets. It manufactures liquids, pastes and powders. It is certified by the FDA, Health Canada and the European Union.

1.7.7 MAIN INVESTMENTS MADE OVER THE LAST THREE YEARS - EXCLUDING IFRS 16

€000	**2021**	**2020**	**2019**
Purchase of intangible assets	**(18,583)**	(135,125)	(4,892)
Purchase of PP&E	**(13,820)**	(10,336)	(9,441)
Purchase of available-for-sale assets	**-**	-	(5)
Purchase of other financial assets	**-**	-	-
Proceeds from sale of assets	**261**	180	678
Change in other financial assets	**(74)**	141	(88)
Net cash flow from (used by) business combinations	**(1,230)**	(0)	(50,801)
Net cash flow from investing activities (excluding IFRS 16)	**(33,445)**	(145,140)	(64,547)

1.8 FINANCIAL PERFORMANCE

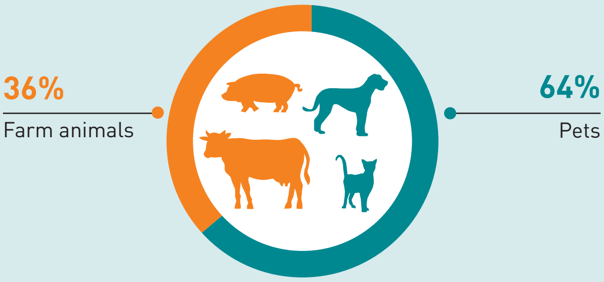
€521m
Group sales

+22.3%
(constant FX rates)

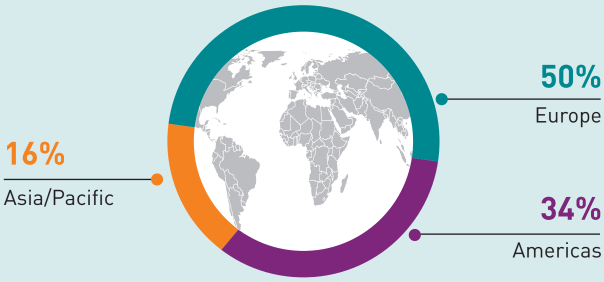
€296m
Essentials sales

+33.3%
(constant FX rates)

Breakdown of Group sales
per business segment



Breakdown of Group sales
by territory



€101m
+54.5%
EBIT before depr. of acq. assets

€63m
Net income
Group share

12.1% of sales

€90m
Cash flow

1.9 NON-FINANCIAL PERFORMANCE

LONG-TERM COMMITMENT TO ADDING NON-FINANCIAL VALUE

2021 GAIA RATING: 81/100 VS 76/100 IN 2020

HEALTH AND SAFETY: TOP PRIORITY FOR VETOQUINOL

Ensuring employee safety during the COVID-19 health crisis

Preventing at-risk situations

LTAR* 2021: **3.6**

CONSOLIDATION OF THE GENDER EQUALITY INDEX

Equal opportunities 2021 (France): **87/100**

PLAN TO REDUCE CO_2 EMISSIONS PER €M SALES (SCOPE 1 & 2)

SOCIALLY RESPONSIBLE COMPANIES IN FRANCE LE POINT 11/18/2021

Vetoquinol: 140th in general rankings and 11th in the "health and pharmaceuticals" category

** LTAR (FR1) = number of industrial accidents resulting in lost time per million hours worked.*

1.10 SIMPLIFIED ORGANIZATIONAL CHART

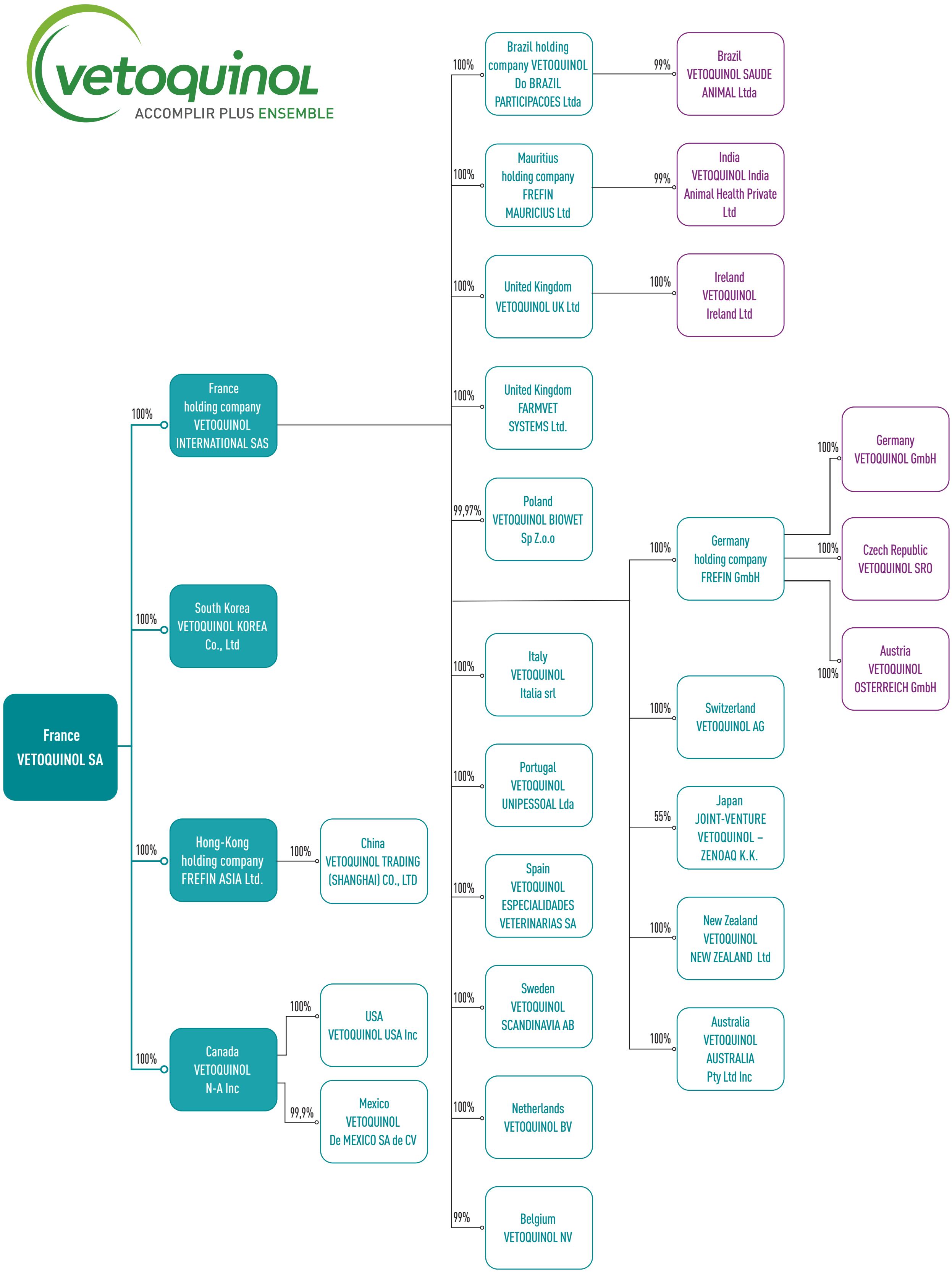
Section 1.2 provides an overview of the Group's business.

The overall organization of Vetoquinol is centered on the parent company, Vetoquinol SA, which plays the role of Group holding company as well as carrying out a business activity in its own right.

Accordingly, the Group's primary manufacturing plant is situated in Lure, the location of the head office. The Company (Vetoquinol SA) invoices its subsidiaries for sales of the finished products it manufactures.

Executive functions are centralized in the parent company, Vetoquinol SA.

In 2021, Vetoquinol International SAS became the sole shareholder of Farmvet Systems Ltd after buying up all minority interests.


France
VETOQUINOL SA
100%
France holding company VETOQUINOL INTERNATIONAL SAS
100%
South Korea VETOQUINOL KOREA Co., Ltd
100%
Hong-Kong holding company FREFIN ASIA Ltd.
100%
China VETOQUINOL TRADING (SHANGHAI) CO., LTD
100%
Canada VETOQUINOL N-A Inc
100%
USA VETOQUINOL USA Inc
99,9%
Mexico VETOQUINOL De MEXICO SA de CV
100%
Brazil holding company VETOQUINOL Do BRAZIL PARTICIPACOES Ltda
99%
Brazil VETOQUINOL SAUDE ANIMAL Ltda
100%
Mauritius holding company FREFIN MAURICIUS Ltd
99%
India VETOQUINOL India Animal Health Private Ltd
100%
United Kingdom VETOQUINOL UK Ltd
100%
Ireland VETOQUINOL Ireland Ltd
100%
United Kingdom FARMVET SYSTEMS Ltd.
99,97%
Poland VETOQUINOL BIOWET Sp Z.o.o
100%
Germany holding company FREFIN GmbH
100%
Germany VETOQUINOL GmbH
100%
Czech Republic VETOQUINOL SRO
100%
Austria VETOQUINOL OSTERREICH GmbH
100%
Switzerland VETOQUINOL AG
55%
Japan JOINT-VENTURE VETOQUINOL – ZENOAQ K.K.
100%
New Zealand VETOQUINOL NEW ZEALAND Ltd
100%
Australia VETOQUINOL AUSTRALIA Pty Ltd Inc
100%
Italy VETOQUINOL Italia srl
100%
Portugal VETOQUINOL UNIPESSOAL Lda
100%
Spain VETOQUINOL ESPECIALIDADES VETERINARIAS SA
100%
Sweden VETOQUINOL SCANDINAVIA AB
100%
Netherlands VETOQUINOL BV
99%
Belgium VETOQUINOL NV

2

STATEMENT OF NON-FINANCIAL PERFORMANCE

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2.1 2021: FRESH MOMENTUM FOR VETOQUINOL

The health situation in 2021 remained uncertain and a source of concern. At Vetoquinol, we were able to capitalize on our experience managing this global pandemic in 2020, thereby ensuring continued safety for employees at all of our locations and subsidiaries. Employee health and safety is our No. 1 priority and a central feature of our daily concerns.

We have regularly and unceasingly updated and informed all our employees of the health instructions to be followed. To this day, compliance with preventive measures, remote working procedures and vaccination programs have remained for us the most effective means of curbing the spread of the virus. We are delighted with the commitment shown by all Group employees to the measures we have implemented.

We are now coming to the end of our Vetoquinol in Motion strategic plan. We have finalized the new road map and will now devote our energy to bringing it to fruition. In 2022, this is a major priority for our entire staff. The new strategic plan defines our goals in terms of social and environmental responsibility. Over the coming years, we have decided to focus on four major themes which will be the driving force behind our CSR strategy. We will continue to set bold targets for consolidating our shared vigilance safety culture. We will focus on reducing our carbon footprint as our company continues to grow. We will step up our initiatives in terms of eco-design and packaging management. Lastly, we are currently establishing a sustainable procurement policy.

These new ambitions we share represent an upturn in our CSR policy and confirm our status as a corporate citizen with a strong sense of responsibility towards our ecosystem and our interactions with stakeholders.

Matthieu Frechin
Vetoquinol CEO

2.2 SOCIAL AND ENVIRONMENTAL RESPONSIBILITY: THE CORNERSTONE OF VETOQUINOL'S STRATEGY

We have materialized our commitment to sustainable development, one of the pillars of our strategy. We will coordinate the achievement of the objectives and action plans we have established in this area.

The Group's Leadership Committee comprising the Group's thirteen operating and functional directors coordinates the implementation of Vetoquinol's strategy. Every quarter, all pillars of the strategy are reviewed, a system for monitoring progress with initiatives is defined and, where necessary, corrective measures are implemented to achieve these pillars. A summary is drawn up and reviewed in consultation with the Group Board of Directors, which acts as guarantor of Group strategy.

2.3 GREEN TAXONOMY

The European Union (EU) published European Regulation 2020/852 of June 18, 2020 (the "Taxonomy Regulation") on the establishment of a framework to facilitate sustainable investment in the EU. Sustainable activities are currently described in terms of the first two climate objectives, i.e. climate mitigation and adaptation (Annexes I & II of the Climate Delegated Acts). Annexes I and II provide the definitions of eligible activities, including the relevant NACE codes (Statistical Classification of Economic Activities in the European Community) and the technical screening criteria for classifying them as effectively sustainable. Consequently, activities that do not meet these definitions are considered as not defined in the reference framework ("non-eligible" as such).

The requirements for publishing key performance indicators for 2021 concern only "eligibility": Vetoquinol is required to publish these indicators highlighting the proportion of its sales, capital expenditure (CAPEX) and operating expenses (OPEX) resulting from products and/or services associated with economic activities defined as sustainable in Annexes I & II of the Climate Delegated Acts.

Overview of key performance indicators required for the 2021 financial year

In light of the aforementioned regulatory framework, Vetoquinol has not identified any eligible activities, sales, CAPEX or OPEX related to its own operations.

Vetoquinol's business is primarily focused on research, development, manufacture and sale of veterinary drugs. These activities are not currently considered as contributing substantially to the two climate objectives defined by the Taxonomy. Due to the lack of eligible sales, the capital expenditure (CAPEX) and operating expenditure (OPEX) related to these activities also cannot qualify as eligible.

2.4 VETOQUINOL'S SUSTAINABLE DEVELOPMENT GOALS

In September 2015, 17 Sustainable Development Goals (SDGs) were adopted by all 193 United Nations member states. Also referred to as the 2030 Agenda, this ambitious program aims to transform society by ending poverty and ensuring a fair and inclusive transition towards global sustainable development.

This report was prepared after an analysis of the SDGs had been carried out for the Vetoquinol Group.

Vetoquinol has opted to pursue the following sustainable development goals:

Ensure a healthy working environment for all Group employees and develop and promote decent working conditions.

Hire, train and develop Vetoquinol people with a focus on internal promotion.

Ensure gender equality.

Ensure reasonable water consumption and control the treatment of wastewater.

Optimize energy consumption and develop the use of renewable energy.

Innovate by researching, developing and bringing to market new drugs/therapies, services and solutions, whether disruptive or incremental; develop the related skills.

Incorporate sustainable development factors into the industrial production and distribution of our products.

Control Vetoquinol's carbon footprint.

Develop and promote ethical business practices.

These goals contribute towards the fulfillment of Vetoquinol's mission: "To enrich human lives through devotion to animal health and welfare".

The dialog conducted with Vetoquinol Group stakeholders is summarized in the chart below:

2.5 OVERALL HEALTH, SAFETY AND ENVIRONMENTAL POLICY

The health, safety and environmental policy is established by the Group's HSE function, which oversees the implementation of this policy at all Vetoquinol entities and establishments around the world.

The Group HSE policy is based on 12 fundamental principles that are implemented throughout the Group:

- An HSE officer is appointed for each entity, who reports locally to management and operationally to the Group HSE manager. The HSE officer manages local risk prevention schemes and ensures compliance with regulatory requirements and Group standards.
- In addition to the Group HSE policy, each entity is responsible for preparing a local HSE policy focused on its particular conditions and business activities. This must be signed by the management of the entity and presented to all its staff.
- An HSE risk assessment process is carried out within each entity, covering road hazards in particular. It touches upon all the activities carried out by the employees as well as those carried out by external service providers at a Vetoquinol site. The process incorporates risk assessment with regard to malicious acts.
- A risk reduction plan is formalized upon completion of the risk assessment process. This plan is monitored and updated on a regular basis.
- If a risk cannot be avoided, safeguarding measures at source protecting all employees exposed to the risk should be prioritized with regard to individual protective equipment.
- For new projects/products or new activities, the HSE risk assessment is carried out as soon as possible so that suitable measures can be taken.
- Levels of exposure to physically harmful substances and chemicals are measured for the staff concerned. The results are taken into account in the periodic medical evaluation.
- All members of staff should undergo regular HSE training corresponding to their activities and the risks faced. All new employees receive HSE awareness training when they join the company.
- All accidents and incidents are recorded and assessed within each entity. Any major accident or incident is immediately reported to the Group HSE manager who coordinates the provision of feedback to the other entities.
- Safety indicators are monitored by each entity. Environmental indicators are established for industrial entities: monitoring of waste, effluent discharge, water and energy consumption.
- Each entity establishes an on-site HSE audit and observation program. This program covers all the activities in which Vetoquinol employees are involved.
- Each entity deploys the necessary resources to manage emergency HSE situations, such as injury or pollution, as well as a customized crisis management procedure.

2.5.1 HSE - A CORE DEPARTMENT FOR THE GROUP AND ITS MANAGEMENT

The HSE department of Vetoquinol operates via a network. Each Vetoquinol entity is served by a legal officer and a local HSE officer. The legal officer is empowered by Group management to apply the Group HSE policy and local regulations.

The network is structured as follows:

- The Group HSE manager prepares the Group HSE policy and oversees its implementation. He/she carries out regular audits, defines standards, consolidates performance indicators, lends his/her expertise and supports the HSE network by promoting experience-sharing.
- The industrial directors (for industrial entities) or country directors (for sales operations) are responsible for implementing Group initiatives and standards within their entities.
- More than 20 local HSE coordinators and officers manage HSE activities within their industrial entities or sales operations in compliance with local regulations and internal standards and report to the Group HSE manager.

A safety reporting procedure is in place and covers all Group entities. Reporting is done on a monthly basis for the industrial entities and on a quarterly basis for the sales operations. This process is based on the risk pyramid concept, through which the number of accidents and near-misses and provisions of first aid are all accounted for (see 2.4.2.5 Occupational health and safety indicators).

2.5.2 GROUP HSE STANDARDS

A set of internal HSE guidelines (diagnostic tool) has been defined in order to facilitate implementation of the Group HSE policy at the various Vetoquinol entities. These guidelines are a collection of managerial and operational best practices in the key areas of HSE management. All Group entities have been audited in the last three years. An action plan has been prepared for each entity audited and is monitored at least every quarter to assess progress. Between two audits, follow-up visits are made every year to the production plants to supplement the action plan if necessary. All industrial entities were audited again in 2021 and the sales entities will be audited in 2022.

2.5.3 MANAGING HSE RISKS

List of main HSE risks

- Industrial risk of fire or explosion, for example, at a workshop or warehouse, mainly related to the storage and use of inflammable liquids and combustible powders.
- Risk of serious bodily injury or occupational sickness related to various operations including handling dangerous substances, working with machinery, operation of vehicles, handling or moving goods on site.
- Environmental risk related to liquid discharges and atmospheric emissions, waste, consumption of natural resources and accidental pollution.
- Legal risk related to non-compliance with HSE regulations.

Control of health and safety risks and of environmental impact is a Group priority and is part of a continuous improvement initiative.

Employee HSE training is a top priority and awareness-raising initiatives are regularly carried out in every sector. All new Group employees receive HSE training within a few days of their arrival at the company. Given the nature of their work, training in the risks associated with the type of products handled is primordial.

Procedures and operational processes such as those related to wearing individual protective equipment, traffic regulations, waste sorting, or hot work operations are implemented on a local basis. Staff are trained regularly with a view to applying these procedures.

Similarly, all outside companies that carry out operations on the Company’s premises are required to comply with the HSE instructions and procedures of the site concerned. Where applicable, a prevention plan is prepared prior to any operation commencing.

In each country, the local HSE coordinator or representative monitors changes in HSE regulations.

A comprehensive risk assessment is carried out at the design stage of every new workstation and thereafter at regular intervals. Collective safety measures are automatically prioritized over individual protective equipment.

Particular attention is paid to employees exposed to the risks of handling carcinogenic, mutagenic and reprotoxic (CMR) substances. The Group also endeavors to reduce such risks.

HSE audits of premises are organized internally and periodically and any irregularity recorded is subject to corrective action. A preventive maintenance plan covering important health and safety and environmental equipment (firefighting installations, ventilation, lifting devices, etc.) is prepared for each site.

Each site has its own designated safety teams and equipment, and regular training is carried out to deal with emergency situations. On production sites that have an emergency plan, the managers and technicians responsible for putting the plan into action receive periodic internal training in emergency measures.

2.6 VETOQUINOL'S PEOPLE

Despite the second year of the COVID-19 crisis, 2021 saw a sharp increase in business volumes and headcount, mainly due to the significant expansion of our presence in the parasiticide market.

We succeeded in extending our management and development of the recently acquired Drontal® and Profender® ranges, initially confined to Europe, to Australia, Canada and Switzerland.

Another perfect illustration of the Group's three values: trust, dare, collaborate.

These values serve as a benchmark that guides the daily work of each employee. They help to improve coordination between colleagues working in different professional areas and to increase consistency between action taken and decisions made globally.

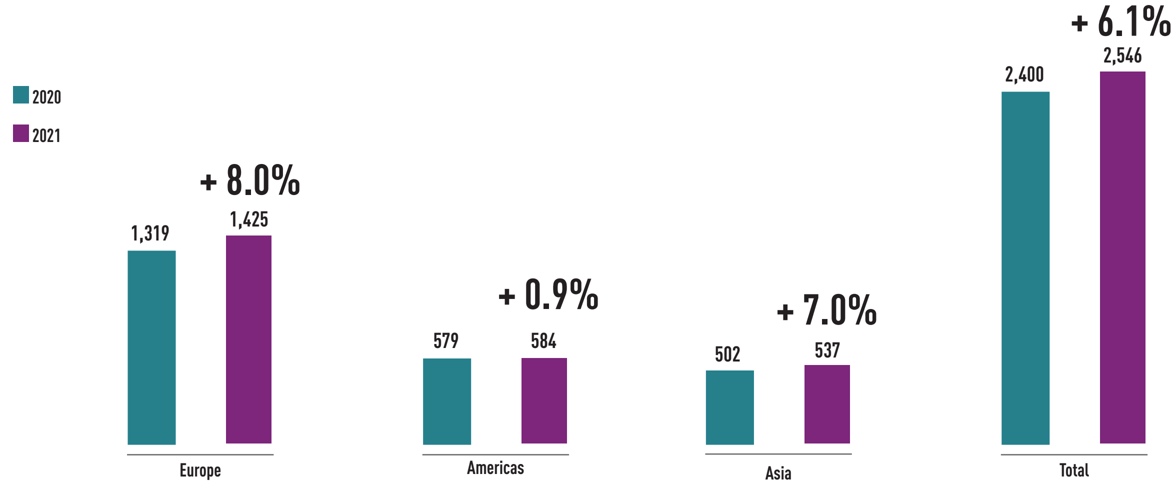
These policies and values help Vetoquinol to operate in a manner worthy of an international group. They represent shared 'ground rules' that apply to both working practices and general behavior. Everyone has a duty to assimilate and apply them in practice so as to uphold and strengthen the Group's culture and character.

2.6.1 HEADCOUNT ANALYSIS AT DECEMBER 31, 2021

2.6.1.1 2021 changes in headcount

As of December 31, 2021, the Group had 2,546 employees compared to 2,400 at the end of 2020. Headcount rose 6.1% year on year, with impacts varying between different continents and occupational categories (R&D, Industrial & Quality, Sales & Marketing, Support Functions).

BREAKDOWN OF HEADCOUNT PER TERRITORY



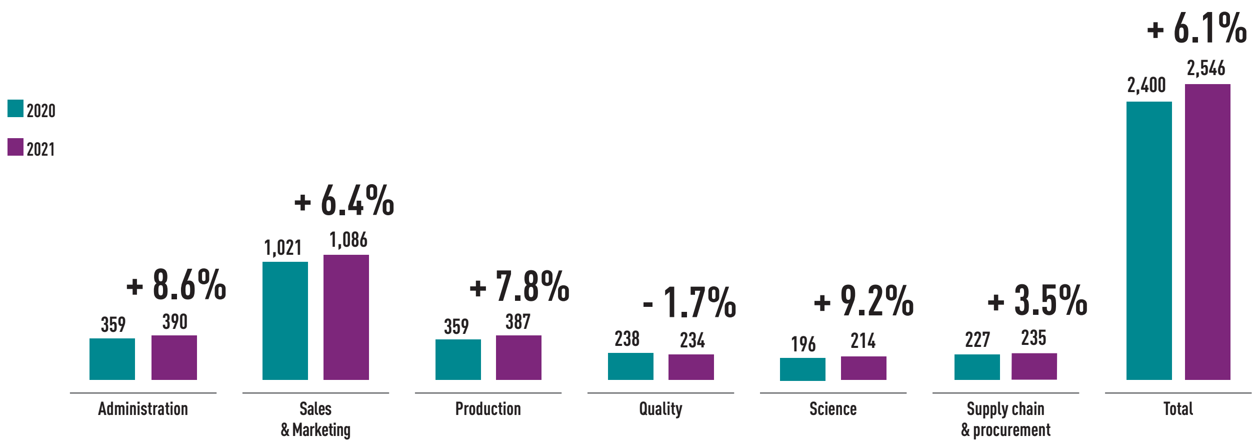
Changes in headcount vary greatly depending on the territory. The dramatic change in headcount was partly due to the postponement of hiring from 2020 to 2021 due to the COVID pandemic.

In Europe, the workforce expanded by 8.0%, with major increases in France, UK, Germany and Belgium due to the hiring of additional staff to support the Drontal® and Profender® ranges and the planned migration of the JDE ERP system (Oracle).

In America, headcount edged up 0.9% despite the early 2021 closure of the Mairipora production plant in Brazil. We continue to increase our workforce in the USA, the world's largest animal health market.

In Asia, the workforce grew by 7.0% driven by extensive hiring in India, mainly to fill positions left vacant at the end of 2020, and fewer voluntary departures in India due to the health crisis.

2.6.1.2 Breakdown of headcount per department



Sales & Marketing headcount increased 6.4% due to additional hiring to support the Drontal® and Profender® ranges acquired in mid-2020. The acquisition of these brands, without any transfer of workforce by the seller, also required the strengthening of functions that manage product flows, which explains the increase in Supply Chain & Procurement staff (up 3.5%).

Administration (support functions) headcount also increased, by 8.6%, mainly in information technology linked to the pursuit of our strategy of digital innovation to support customers, the planned ERP migration, digitization of internal processes and information system security.

Production headcount also increased, despite the closure of the production plants in Bertinoro (Italy) and Mairipora (Brazil). This increase is mainly due to the hiring of labor in France to cope with the surge of activity in connection with the long-term plan to overhaul our injectables unit and the increase in production volumes.

Lastly, Scientific headcount increased sharply by 9.2% due to the expansion of our regulatory affairs and drug safety teams and at both European and subsidiary level.

2.6.1.3 Breakdown of headcount per gender and territory

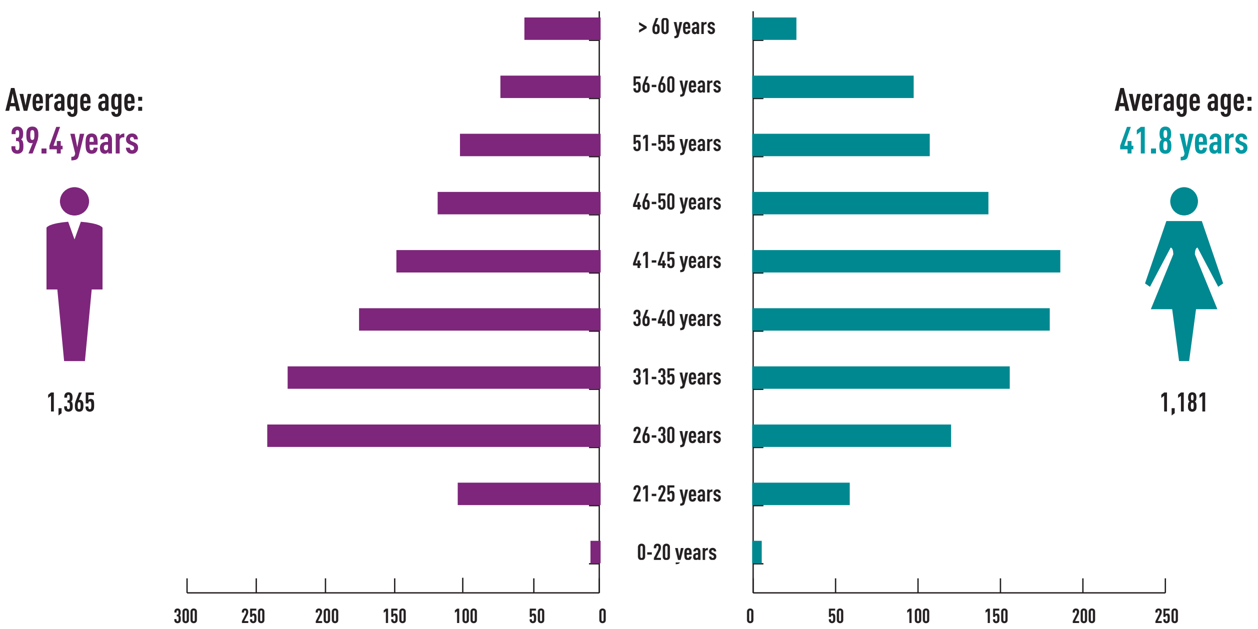
Headcount	Europe	Americas	Asia	Consolidated total
Women	833	294	54	**1,181**
	58%	*50%*	*10%*	***46%***
Men	592	290	483	**1,365**
	42%	*50%*	*90%*	***54%***
TOTAL	**1,425**	**584**	**537**	**2,546**
	56%	***23%***	***21%***	***100%***

The gender gap within the Group decreased slightly compared to 2020 (54/46 vs 55/45).

In India, our largest sales force worldwide is composed exclusively of men due to local working conditions and culture, offset by a larger female headcount in Europe.

Like for like excluding India, at 56%, women continue to outnumber men across the Group, reflecting a satisfactory overall balance.

2.6.1.4 Age breakdown per gender

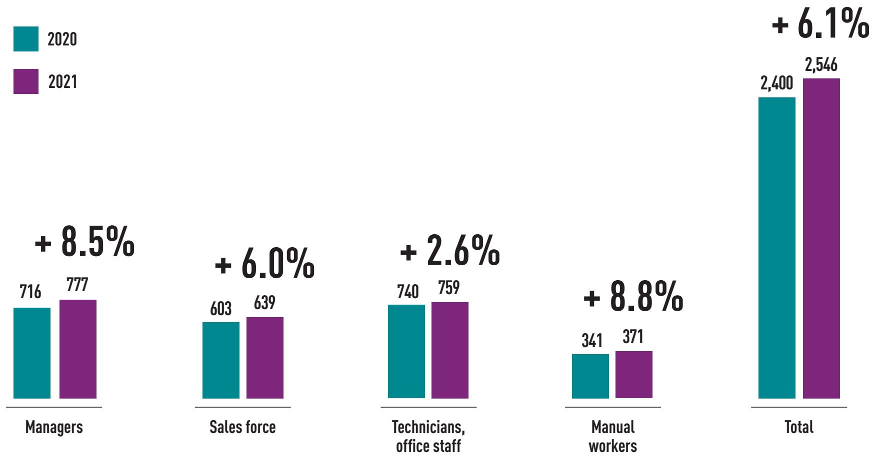


The age pyramid is relatively balanced across all age groups.

This breakdown shows no particular changes from 2020: 23% of employees are under the age of 30, while 20% are over 50 years old. The average age of Group employees is 40.5 compared to 40.3 in 2020.

Average length of service is 7.7 years, down slightly compared to 2020 (8.0 years), which is not surprising for a year of extensive hiring. NB: the length of service of acquired companies' staff is based on their length of service with their respective companies.

2.6.1.5 Breakdown by professional category



Technicians outnumber most of the other categories given that pharmaceutical production and development activities require a large force of laboratory and administrative technicians. As the pharmaceutical industry requires highly skilled staff, there are proportionally fewer "manual workers". Vetoquinol also outsources some production to subcontractors if the Company does not possess the requisite technological resources.

2.6.2 HEALTH AND SAFETY IN THE WORKPLACE

2.6.2.1 Management of the health crisis

The Group continued to manage the COVID-19 crisis in 2021 by maintaining an active crisis unit at each entity and at Group level. Health measures were constantly adapted in line with developments in the epidemic: preventive measures, mask-wearing, number restrictions in communal areas, daily cleaning, travel restrictions and, of course, continuation of remote working where possible.

A major employee vaccination scheme was implemented in 2021 involving regular messages encouraging employees to get vaccinated and on-site vaccination campaigns. During the year, the "Vaccibus" visited the Lure site three times, allowing over 300 employees to get vaccinated at their workplace.

As the epidemic continued to pose challenges, the preventive measures implemented by the Company enabled it to protect all its employees while maintaining business continuity.

2.6.2.2 The Vigilance behavioral program

One major focus of our accident prevention policy is individual behavior and management leadership. For this purpose, an in-company program called "Vigilance" was rolled out in the Group in 2018. The program has two goals: (i) develop the commitment and visible involvement of management in terms of safety, and (ii) enhance employee awareness of the significance of behavior in causing and preventing accidents. The program was launched at the Lure production plant in 2018 and rollout continued in 2019 at the Group's other production plants in Poland, Brazil, Italy and Canada, and then in 2020 and 2021 at the sales subsidiaries despite the health crisis environment.

In 2022, the Group plans to consolidate key activities in order to establish a "Shared Vigilance" culture throughout the Group where each manager and employee has a duty to act if they witness behavior that might constitute a safety risk, as identified through the practice of safety dialog.

For several years now, Vetoquinol has allocated part of the individual bonus awarded to Group senior executives to the Group's key safety targets (lost-time accident frequency rate, number of risk situations escalated, annual HSE action plan completion rate).

2.6.2.3 Specific action carried out in 2021

As usual, numerous prevention initiatives were carried out in 2021 at the Group's various sites. A selection of these are as follows:

- Gorzów, Poland: installation of a new fire detection system at the logistics facility,
- Magny-Vernois, France: continued rollout of a sprinkler-type fire protection system in the production areas, continued securing of high-level storage racks by installing special duckboard flooring, refurbishment of the water treatment plant screening areas,
- Princeville, Canada: improving labeling of packaging containing hazardous chemical agents, analysis of filling and packaging machine compliance,
- Tarare, France: installation of a system for protecting isolated workers, implementation of an HSE officer on-call system and establishment of a crisis management plan in accordance with Group rules,
- Goiania, Brazil: protection of pedestrian walkways both inside and outside the buildings, installation of oxygen detectors in anoxia-risk areas, installation of new safety cabinets for inflammable liquids,
- Group level: ongoing rollout of Vigilance training courses, particularly at the sales subsidiaries, and dissemination of new internal standards on anoxia risk and security risks during travel.

HSE investments at production plants amounted to €900,000 in 2021.

Risk of severe accidents for employees mainly concerns road accidents. The road accident prevention program launched in 2017 in France has been rolled out in a large number of Group entities and will continue to be rolled out in 2022. The program includes a collective awareness module, a driver charter for company vehicle users, road driver training (safety and eco-driving) and comprehensive monitoring of accidents with or without injury.

At the Magny-Vernois plant (the Group's head office and largest establishment in terms of size and activities), preserving the mental health of employees is one of the preventive health topics, and a Psychosocial Risks (PSR) Committee has been in place for several years. It is composed of employee representatives, management and the medical department, and it meets quarterly or on demand if a risk arises. An assessment of its actions is given at each Workplace Health and Safety Committee meeting. Furthermore, all managers have received PSR training.

In 2018, the remit of the PSR Committee was redefined in order to place greater emphasis on prevention, by seeking to reduce contributory risk factors in advance and mitigating the impact on individual health. Meanwhile, a preliminary PSR survey was conducted in order to identify priority risk areas and factors. In 2019, an in-depth survey was launched in the various departments of Vetoquinol SA using APAVE-approved methodology. The survey follows a long-term schedule and four departments were surveyed in 2021. Each survey gives rise to a detailed action plan coordinated by the department manager and monitored by the Vetoquinol SA PSR Committee. The process will continue in 2022.

2.6.2.4 Health and safety agreements

The incentive agreement in France was renewed for the 2020-2022 period. This includes a safety indicator related to the number of dangerous situations reported and processed by employees. This indicator is monitored regularly and is shared with the Executive Committee and the Group Board of Directors.

Companies where over half of the employees are exposed to arduous work factors as defined by law have been required under French law to establish an action plan or company agreement aimed at mitigating or eliminating such factors.

Vetoquinol is not bound by this requirement, as less than 50% of its French employees are exposed to arduous work as defined under the legislation. Nevertheless, in accordance with its Health, Safety and Environment (HSE) policy, Vetoquinol takes steps to mitigate risk of staff illness and injury.

Three types of arduous work have been pinpointed and are being worked on:

- handling operations,
- repetitive work,
- night work.

In France, the company agreement on night work was renewed for 2021 between management and staff representatives.

2.6.2.5 Occupational heath and safety indicators

Group Safety Pyramid	2021	2020
Number of lost-time accidents	**16**	11
Number of accidents without lost time	**15**	15
Number of first aid interventions	**87**	75
Number of near-misses and hazardous situations	**1,337**	1,117
LOST-TIME ACCIDENT FREQUENCY RATE (LTAR OR TF1)	**3.6**	**2.6**
ACCIDENT AND FIRST AID FREQUENCY RATE (TAR OR TF3)	**26.5**	**23.5**
SEVERITY RATE	**0.06**	**0.03**
ANNUAL ACTION PLAN COMPLETION RATE	**77%**	**75%**

(2020 data includes accidents initially classified as travel accidents in India then reclassified as industrial accidents in accordance with Group reporting rules.)

The lost-time industrial accident frequency rate (LTAR) in France is around 8 (2019: Frequency index = 14.1, i.e. a frequency rate of around 8). The average severity rate in the French pharmaceutical industry is around 0.5 (source: AMELI 2019).

At Vetoquinol, the total number of accidents and first aid cases reported in 2021 rose slightly versus 2020 (118 vs 101), while the number of lost-time accidents rose more sharply. In particular, there was a significant increase in road accidents compared to 2020, mainly due to the lesser impact of the health crisis on business travel. Unfortunately, 2021 was marked by one fatal road accident involving an employee in Brazil. This tragic accident highlights the importance of the road risk prevention campaign currently being rolled out across the Group. Behavior remains one of the primary causes behind these accidents, thus demonstrating the appropriateness of the Vigilance program.

Notwithstanding, in terms of statistics the lost-time accident frequency rate at Vetoquinol is still far below the French pharmaceutical industry average. The severity rate was mainly impacted by the accident in Brazil. However, this rate also remains well below the French pharmaceutical industry average, reflecting low injury severity in the vast majority of cases.

The increase in reporting of hazardous situations and near-misses continued during 2021. It can be considered a real positive given that the 'lower' part of the pyramid is a proactive indicator that enables action to be taken before accidents occur.

The overall action plan completion rate for 2021 was 77% compared to a target of at least 70%, which, in the context of a health crisis, is an excellent performance.

For 2022, Vetoquinol is targeting a maximum of 14 lost-time accidents across the Group and aims to report at least 1,200 hazardous situations for the second year running, focusing on behavior.

2.6.2.6 Compliance with ILO fundamental conventions

All Group locations undertake to comply with the International Labour Organization (ILO) declaration on basic labor rights and principles, including:

- Rejection of slavery and forced labor,
- Rejection of child labor,
- Ban on mental or physical harassment,
- Ban on all work-related discrimination (gender equality agreement),
- Compliance with laws and industry standards regarding working hours,
- Non-discrimination and equal opportunities.

2.6.3 ATTRACTIVENESS AS AN EMPLOYER

Vetoquinol's corporate culture, staff management philosophy and long-standing family ownership structure are major factors that encourage staff to stay with the company.

In 2021, many Group subsidiaries obtained Great Place to Work certification: USA, UK, Brazil, India, Belgium, Netherlands, Scandinavia, Czech Republic. To attract the talent we need in an increasingly tight job market, this type of certification is important for an international group of our size whose entities are often located away from large cities.

The cultivation of healthy management-staff relations in all companies plays an essential role in the implementation of company policy.

When Vetoquinol acquires overseas companies, the Group is highly attentive to the quality and sustainability of incumbent management teams.

2.6.3.1 Staff turnover

Vetoquinol consolidates all staff movements across all companies on a monthly basis, mainly in order to track staff turnover rates.
The 2021 Group staff voluntary departure rate was 9.4%, an increase on 2020 (8.2%) but still lower than in previous years.

This rate is a key indicator

The Group rate increase was due to an increase in the voluntary departure rate in India from 16.1% in 2020 to 20.6% in 2021. Despite this increase, the rate remains unusually low compared to pre-COVID years.
We also recorded a higher rate in Canada (manufacturing and sales facilities combined) at 22.6% in 2021 compared to 13.3% in 2020 due to the particularly dynamic local employment situation.
Excluding India, the rate was 7.0% in 2021, slightly above the 2020 rate of 6.5%.

2.6.3.2 Absenteeism

Vetoquinol monitors absenteeism in all Group entities. The Company pays close attention to short and frequent absenteeism indicators, as this may generally be symptomatic of low staff morale and can disrupt operations.

The overall Group absenteeism rate was 4.3% in 2021, almost identical to the 2020 rate (4.2%) despite the successive waves of the pandemic.

Excluding parental leave, the rate was 3.3%, slightly below the 2020 rate of 3.1%.

We also note that absenteeism rates remained stable throughout the year despite the pressure from successive waves of the pandemic.

Continued observance of communication, prevention and protection measures for all Group employees made it possible to limit the number of employees affected by the pandemic.

Figures vary from country to country without ever reaching a level that could cause concern. Production plants have historically posted a higher rate of absenteeism than the sales subsidiaries.

The rate of absence due to parental leave remained virtually stable at 1.0% in 2021 compared to 1.1% in 2020.

In France, all new fathers exercised their right to paternity leave in 2021.

Absenteeism results are analyzed in consultation with executives and human resources managers at the subsidiaries concerned and, where applicable, corrective action plans are formulated and implemented.

2.6.4 RECRUITMENT, INDUCTION AND COMPENSATION

4 QUALITY EDUCATION

The Company's attraction as an employer lies in its family values, corporate culture, plans for growth, particularly abroad, ambitions, generous assignment of responsibilities and sustainability.

The commitment of Vetoquinol's employees is demonstrated by the company LinkedIn page (https://www.linkedin.com/company/vetoquinol), which has over 38,000 followers and serves to showcase the Group's operations and news.

Vetoquinol pays particular attention to the induction of newly hired staff. Individual induction programs lasting several weeks are prepared for managers joining the Company. Subsidiary department managers typically undergo an orientation course lasting at least one week at the Group's head office. They also take part in international business seminars organized by each Group department, although these occasions have been significantly curtailed over the past two years due to the COVID crisis.

On the other hand, the health crisis has served as an opportunity to significantly develop remote sessions. This applies in particular to the regular welcome sessions laid on for all new hires, to give them an insight into the Company, its history and the conditions in which it operates, the animal health sector and the Company's departments, products, main processes and values.

The Company reviews its employees' salaries every year, either on its own initiative or in accordance with salary agreements signed with local staff representatives, where applicable.
In accordance with legislation in its various countries, the Group may offer supplementary health insurance schemes to provide employees with optimum coverage of their medical expenses as well as life and disability insurance.

2.6.4.1 Profit sharing

In France, the Company applies an exceptional formula (amendment 2 of June 29, 2007) to calculate the amount of profit sharing, which is equal to 5% of the Company's operating income.

This formula is only applied where the resulting amount is greater than the amount calculated on the basis of the statutory formula.

2.6.4.2 Incentive scheme

In France, an incentive scheme was introduced in 1987 to enable all employees to benefit from the Company's success and profits.

On July 17th, 2020, a new incentive agreement was signed applying to calendar years 2020, 2021 and 2022. This new agreement defines six areas of focus that are both drivers of transformation and conditions for our performance in the market: customer satisfaction, sustainable development, management, quality, safety, and the launch of new products and services.

A cap rule is applied (the salary generates no incentives in excess of an amount equal to 2.5 times the annual social security ceiling).

If the results achieved are better than expected at the start of the year, it is possible to pay an employer's matching contribution.

It is expressly agreed that the sum of the special profit-sharing reserve plus total incentives for a given year shall not exceed 10% of total gross pay in that year. In view of our results, this clause applies to the incentive bonus paid in 2022 in respect of 2021.

In addition to any applicable statutory provisions, some Group subsidiaries have set up voluntary incentive schemes to enable their employees to share in the subsidiary's earnings.

Due to the excellent results achieved in 2021, at the start of 2022 the Group decided to award an exceptional 2021 bonus to all employees of profit-making subsidiaries that have no profit-sharing scheme. This bonus was awarded to 900 employees in 14 countries.

2.6.5 ORGANIZATION OF STAFF DIALOG

4 QUALITY EDUCATION

Vetoquinol complies with local legislation regarding staff dialog.

In France (Vetoquinol SA), employees were elected to the Social and Economic Committee in 2019 for a period of four years. One trade union (CFDT) is represented in the company.

In Poland, staff dialog takes the form of discussions with staff representatives elected by the employees.

In Germany, the last Works Council elections were held in 2018.

In Brazil, with our location in Goiania since 2019 following the acquisition of Clarion, we are working with a union with ties to the region as there is no union presence in the plant. It is with this "outside" union that the collective agreements for the branch are being negotiated, in particular salary revisions. They may come to the company's premises for employee communications.

In other countries, our subsidiaries are generally below the thresholds for setting up employee representation bodies.

2.6.5.1 Collective agreements

Five company agreements were signed in France in 2021:
- February 4, 2021: amendment to the 2015 agreement on night work,
- February 23, 2021: agreement on 2021 wage policy,
- July 22, 2021: 2021 agreement on night work,
- July 22, 2021: agreement on weekend work for the substitute teams,
- July 22, 2021: 2021 agreement on remote working.

The Princeville plant in Quebec periodically negotiates its "Collective Bargaining Agreement" in accordance with local legislation applicable to union-affiliated sites. In 2018, an understanding was reached between management and employee representatives and the agreement was renegotiated for a further 5-year term.

In Italy, a restructuring plan was signed at the end of 2019 with employee representatives and unions from outside the company. This plan was then signed by each employee of the plant, which was closed at the end of 2021 and part of its production transferred to the Poland plant.

2.6.5.2 Company corporate savings plan

In France, the Company set up a corporate savings plan (PEE) in 1989. The plan is managed by Société Générale Gestion (S2G), Amundi and CPR Asset Management.

Under the plan, employees have a choice of seven investment funds in which to invest their savings from profit sharing, incentives and voluntary contributions.

2.6.5.3 Staff fringe benefits

In France, in accordance with the law, the Social and Economic Committee manages Vetoquinol SA's staff fringe benefits in compliance with applicable statutory provisions.

A secure website has been set up to provide employees with information on all fringe benefits and cultural activities (e.g. participating in sporting activities, travel, discounts, Christmas trees, miscellaneous events, etc.).
In Poland, companies with more than 20 employees are required to set up a staff fund. The staff fund is governed by specific rules and is managed by a committee on which all parties are represented.

2.6.6 TRAINING

4 QUALITY EDUCATION

NUMBER OF TRAINING HOURS

26.4 hours/employee

	France	Group (including France)
Average workforce (full-time equivalent or FTE)	774 FTE	2,492 FTE
Total number of training hours	23,091 hours including 2,833 hours of prevention and safety training	65,836 hours
Average number of training hours per employee (FTE)	29.8 hours/employee	26.4 hours/employee
Average number of training hours per employee trained	29.0 hours/employee trained	28.2 hours/employee trained
Rate of employees trained	95.7%	91.7%

Vetoquinol continued its training initiatives at Group level despite a 7.0% decrease in the number of training hours provided in 2021 due to the pandemic.
Europe recorded a 48.4% increase in training hours versus 2020, mainly due to the 68.2% increase recorded in France.

In France, 2021 was an exceptional year in more ways than one, marked by vigorous activity in connection with a number of projects: extensive training in management (for new managers and executives) and safety (road safety, etc.), support for the industrial department's upskilling projects (intensive five-month training for new production line operators, etc.).

The challenge in 2021, as in the previous year, was to maintain all scheduled training courses despite the health situation. But we managed to turn this challenge into a strength thanks to the enthusiasm and active involvement of employees, especially in virtual class events.

In the Americas, the number of training hours fell 22.7% between 2020 and 2021 due to a reduction in training hours at all subsidiaries except the Goainia production plant in Brazil, where training hours increased around 42% due to the transfer of production from the closed Mairipora plant.

There was also a sharp fall in the number of training hours in Asia (down 66.7%), mainly due to the vast sales force training program rolled out in 2020 for around 400 employees in India.

All in all, despite the reduction in training hours, the average number of training hours delivered in 2021 was 26.4 hours per employee, slightly below the 2020 average of 29.2 hours. This number is still higher than Vetoquinol's own target of 20 hours per person per year.

Since 2017, Vetoquinol has implemented a Lean Management training program that by 2019 had resulted in the certification of six Green Belt, 21 Yellow Belt and 1 Black Belt employees. In 2020, this program was suspended due to the health crisis. In 2021, four employees were trained and one of them awarded Green Belt certification. In 2022, the Group plans to revive the training program for 14 employees.

Enhancing the skills of Group employees is one of the priorities of the human resources department, and we guarantee that a substantial budget is allocated to employee training.

Employees approaching retirement are offered specific training sessions to help them prepare for their retirement.

2.6.7 NON-DISCRIMINATION AND EQUAL OPPORTUNITIES

Vetoquinol practices no discrimination in the hiring, remuneration or promotion of its employees.

The Group's subsidiaries, many of which are located far from major cities, may experience severe difficulties attracting talented people, whose spouses could have difficulty finding jobs in the area. Positions in production and control of pharmaceutical products, which are carried out in a clean and sensitive environment, tend to attract women rather than men.

The comparative situation report presented to the Social and Economic Committee each year shows that the procedures applied at the Company do not give rise to inequalities per se. Identifiable inequalities between the status of men and women primarily reflect the sociocultural context (certain roles attract fewer job applications from women, etc.) and the Company's history.

In terms of pay, no inherent inequalities between men and women have been identified for an identical role with comparable years of service. In certain business lines, women are under-represented in positions carrying greater responsibility. In 2021 women occupied one third of the most senior positions within the Group. Some isolated wage anomalies resulting from individual careers and indiscriminately affecting men and women are due to be corrected as part of the year's wage policy.

For 2021, the Equality at Work Index for Vetoquinol SA, the French entity with 700 employees in all functions, was 87/100, well above the minimum set by French regulations at 75% (a composite index for which French regulations set the precise calculation method).

The ratio of women to men remains relatively stable from one year to the next (see 'Age breakdown').

2.6.7.1 Employment of disabled persons

Vetoquinol ensures that it meets its disabled person employment obligations as far as possible by retaining its disabled employees and prioritizing its subcontracting partnership with various ESAT institutions (French centers for promoting the employment of disabled employees).

In 2020, Vetoquinol SA posted a disabled employment rate of 5%, thereby complying with 83% of the disabled employment targets defined by law. In 2021, due to regulatory changes, this figure will not be known until April 2022.

Certain degrees of moderate disability may entitle some disabled employees to extra days' leave.

2.6.8 WORKING HOURS

8 DECENT WORK AND ECONOMIC GROWTH

In each of its subsidiaries, Vetoquinol complies with statutory and contractual requirements regarding working hours.

Work time organization varies across the Group depending on local conditions applicable to each subsidiary and operation.

Part-time work represents 2.6% for the Group as a whole. This percentage is slightly higher than in 2020 (2.1%), mainly due to the increase in part-time work in Europe (France and Germany). Employees switching to part-time employment have generally chosen this arrangement themselves.

Group policy is generally to hire permanent employees. As a result, the proportion of temporary employees is very low. Note however a sharp increase in fixed-term contracts in 2020 and 2021 to support major projects (integration of Drontal and Profender, renovation of the Lure injectables unit, deployment of a new version of our ERP system in 10 countries with migration scheduled for 2022, etc.) In 2021, 5.9% of the workforce were under fixed-term contracts compared to 4.3% in 2020.

Contract type	Europe	Americas	Asia	Total
Fixed-term	8.6%	2.2%	2.8%	**5.9%**
Permanent	*91.4%*	*97.8%*	*97.2%*	***94.1%***
TOTAL HEAD-COUNT	**100.0%**	**100.0%**	**100.0%**	**100.0%**

2.7 CARBON FOOTPRINT

6 CLEAN WATER AND SANITATION
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION
7 AFFORDABLE AND CLEAN ENERGY

The Group presents its environmental footprint for its four most significant direct environmental aspects: waste, drinking water consumption, energy consumption (gas and liquid) and carbon emissions.

The highest-contributing sites and activities are taken into account in the calculation of the indicators. All production plants and R&D sites are considered with regard to the four environmental aspects. The main sales subsidiaries with a sales force of at least 20 employees are taken into account in measuring liquid energy consumption (fuel) and the carbon footprint.

2.7.1 POLLUTION PREVENTION

Given that it is a pharmaceutical company mainly engaged in formulation, Vetoquinol produces no active chemical ingredients and the only direct atmospheric emissions generated by its production plants are combustion products emanating from the gas boilers. All potential particle emissions generated by the development laboratories are filtered.

There is no soil pollution. All production plants have waterproof floors designed to contain any accidental spillage. Outside storage units are situated inside retention basins.

Regarding water pollution, the Canadian and Polish sites have sewer systems connected to the local municipal wastewater treatment plant. The Italian and Brazilian sites do not drain wastewater into the mains sewage system (excluding sanitary wastewater): all wastewater generated during production processes is collected and destroyed as waste by a specialist company.

At Magny-Vernois, the effluents generated by production facilities are sent to an on-site biological treatment plant used to eliminate biodegradable pollutants. It is supported by a perozonation facility (combining treatment with oxygenated and ozone water) in order to eliminate non-biodegradable molecules. The wastewater treatment process at this site is an innovation in the French pharmaceutical industry. It also received an innovation grant from the Rhone Mediterranean Corsica water agency.

Vetoquinol is committed to dealing rapidly with any disturbance caused to local residents. Whenever a potential disturbance, such as building work or roadworks, is identified in advance, local residents who may be bothered by such operations are given advance warning and steps are taken to minimize the disturbance.

In 2021, Vetoquinol paid no compensation pursuant to any court decision relating to an environmental issue. The Group has not recorded any provisions or guarantees related to environmental contingencies.

2.7.2 WASTE MANAGEMENT

Solid waste is monitored closely by means of detailed indicators and changes are analyzed in order to prevent anomalies. In accordance with the waste sorting policy, materials such as wood, cardboard, paper, metal and electrical and electronic equipment are sent to recycling companies. Pharmaceutical waste that cannot be recycled is incinerated at a certified energy recycling facility.

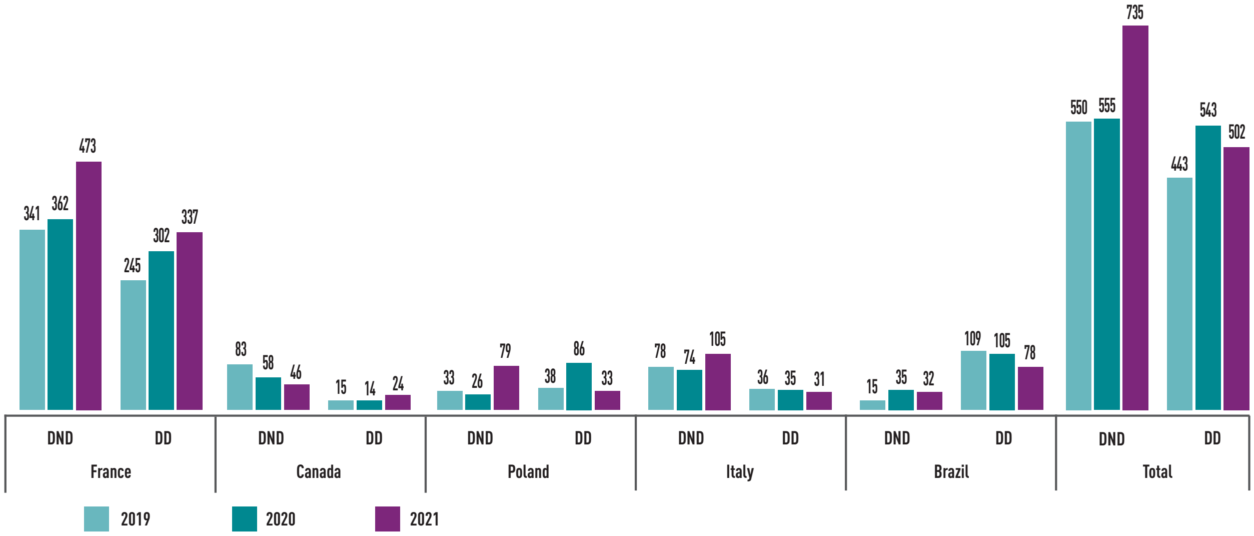
The best way to treat waste is to reuse it: Vetoquinol prioritizes this solution and has already rolled out a procedure for pallets, transport containers, printing paper, etc. The rate of recycling or material recovery of waste generated by the Group's production plants is an indicator that is now monitored every year. The overall recycling rate improved significantly rose to 40% in 2021 compared to 32% in 2020 and 30% in 2019 (NB: this estimate excludes energy recycling via incineration). In quantitative terms, the volume of industrial waste generated in 2021 was around 13% higher than in 2020, while production volumes increased by 20%.

Vetoquinol aims to reduce the volume of waste at source and increase the recycling rate by stepping up waste sorting at all facilities and seeking new outsourced recycling solutions.

Measures have been implemented to improve sorting at the vast majority of production facilities. These include:

- measures to reduce plastic waste by setting up a non-food plastic recycling system at Magny-Vernois, elimination of plastic cups at all sites in France, Poland and Canada,
- organization of a plastic container barrel collection area at Tarare,
- improving the collection and sorting system in the Brazil plant offices,
- awareness-raising and communication campaigns at all facilities.

2.7.2.1 Hazardous (HIW) and non-hazardous (NHIW) industrial waste per country (in tonnes)



2.7.2.2 Overall recycling rate in 2021

2.7.3 SUSTAINABLE USE OF RESOURCES: WATER AND ENERGY

Water

Water consumption is a major issue for Vetoquinol's production plants with regard to manufacturing oral and injectable drugs, and pharmaceutical constraints require increasingly efficient and reproducible cleaning. These cleanings are usually done with water and detergents, followed by successive rinses with increasingly pure water. These operations are mostly automated and the programs are designed and improved to optimize water usage. Meters and sub-meters are installed in all locations where control of consumption is important, and readings are analyzed in order to prevent anomalies and establish an area of improvement priority list.

Drinking water consumption in 2021 at production plants and R&D sites fell compared to 2020, despite the significant increase in production volumes. The reduction is partly due to the absence of technical incidents in 2021, whereas 2020 was impacted by a leak in the Magny-Vernois water system. Meanwhile, investment in new-generation washing machines in the high-consumption injectables unit is starting to generate significant savings in water consumption. These combined initiatives have led to significant improvement in the ratio of water consumed per unit produced (2.1 liters per unit in 2021 compared to 2.6 liters per unit in 2020).

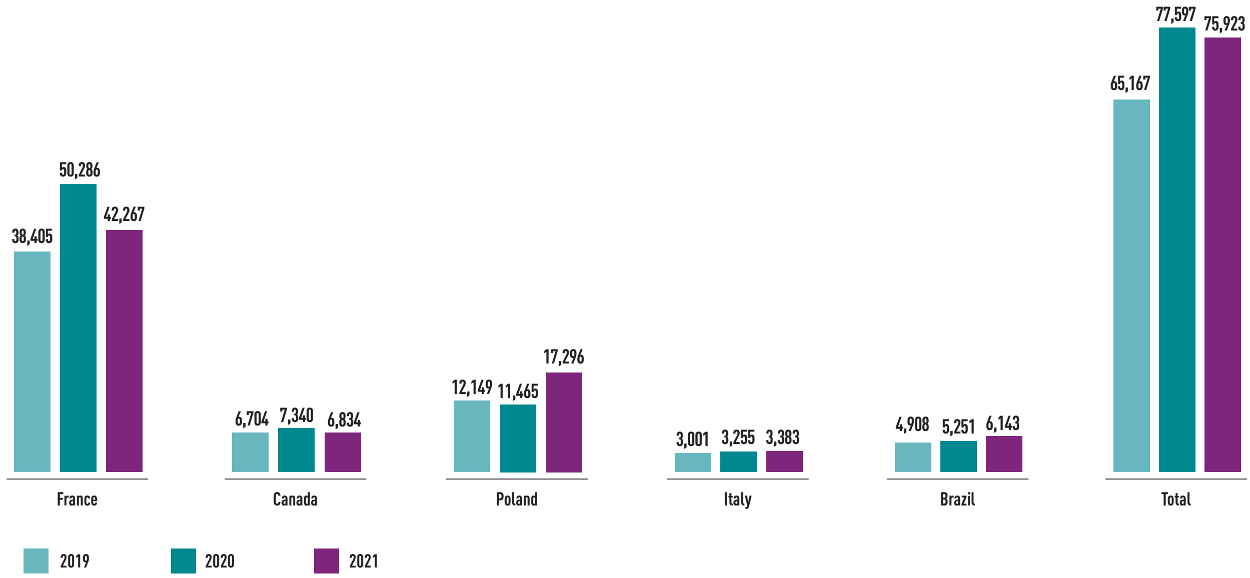
Energy

Energy is another critical issue for production sites. In 2016, Magny-Vernois obtained ISO 50001 certification for its energy management system. The Group has introduced a consumption measurement system and an action plan to reduce energy consumption. The plan spans several years and includes investment in more efficient equipment and metering and regulating systems designed to facilitate consumption management and discrepancy monitoring. It also includes employee awareness campaigns covering daily actions at work and home consumption. It should be noted that, following the same model as the process for reporting safety risk situations, all employees at French sites are now asked to report "energy-consuming" situations. This may concern behavioral, organizational and/or technical aspects. This process is supplemental to the annual ISO plan and helps to increase employee commitment to a strategic environmental issue.

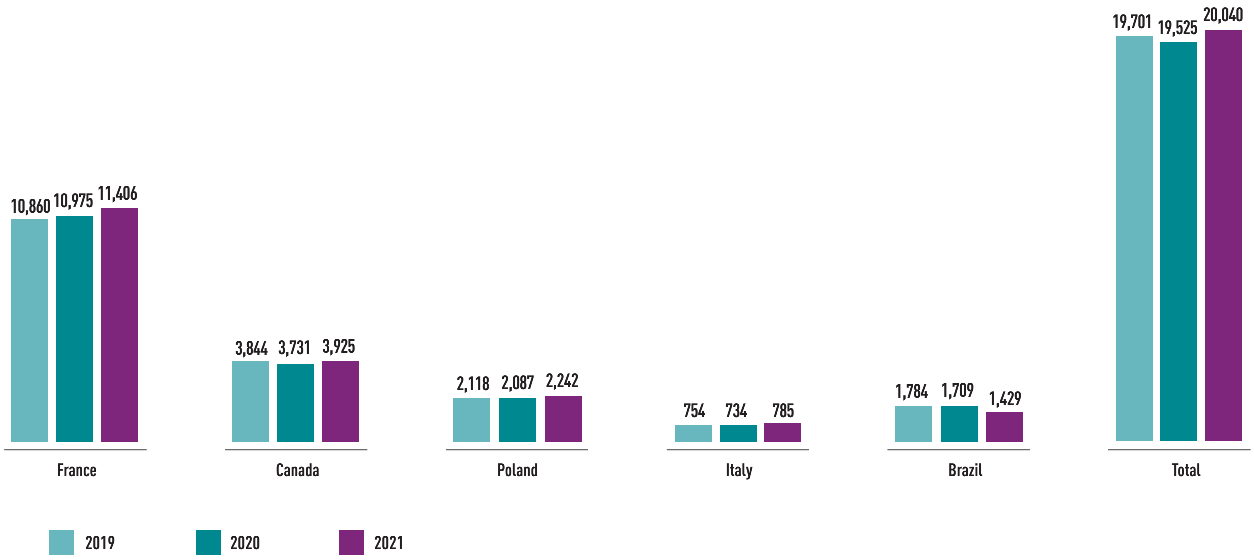
Energy performance is currently monitored within the Group on the basis of gas, liquid energy and electricity consumption. Gas and electricity consumption was relatively stable in 2021 compared to 2020, despite a significant increase in production volumes. This was mainly due to the positive impact of the various initiatives implemented at Group facilities. Each facility (production and non-production) manages an action plan aimed at reducing energy consumption through technical improvements and developing eco-responsible behavior. Several significant initiatives took place in 2021, including external insulation of the entire administrative building at Magny-Vernois and switching heating systems at Tarare from the gas boiler to a heat pump.

Liquid energy consumption (fuel) increased versus 2020, mainly due to the post-lockdown resumption of business travel by the sales teams in 2021.

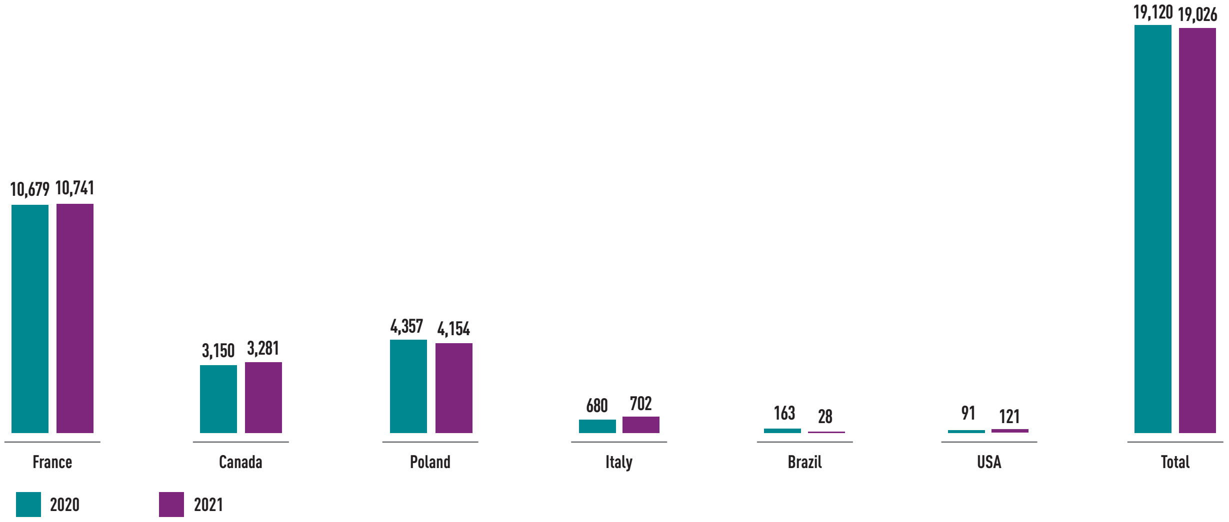
2.7.3.1 Drinking water consumption (m^3)



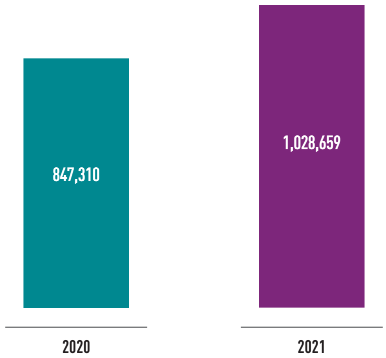
2.7.3.2 Power consumption (MWh)



2.7.3.3 Gas energy consumption (MWh)



2.7.3.4 Liquid energy consumption - fuels (liters)



2.7.4 ENVIRONMENTAL PROTECTION

Given the nature of its business and energy sources, which consist of natural gas for production plants and low GHG emission electricity in France (primarily nuclear) and Canada (mainly hydroelectric), Vetoquinol does not generate a major impact in terms of greenhouse gas emissions in proportion to its value added.

The greenhouse gas emissions report refers to Scope 1 & 2. The scope of calculation has been significantly expanded since 2020 and includes all production plants and R&D sites as well as the Group's main sales entities. The graph below shows emissions measured in CO_2 equivalent.

Scope 1 corresponds to direct emissions related to combustible consumption and any refrigerant gases emitted by the plants. Scope 2 corresponds to indirect emissions related to electricity consumption calculated according to country-specific emissions factors or local supplier factors (such as Hydroquebec in Canada).

In 2021, greenhouse gas emissions amounted to nearly 10,262 tonnes of CO2 equivalent, up around 6% from 9,639 tonnes in 2020 at constant scope. This limited increase compared to the significant increase in production volumes (up 20%) shows that things are under control. The increase is mainly due to the post-lockdown resumption of business travel by the sales teams.

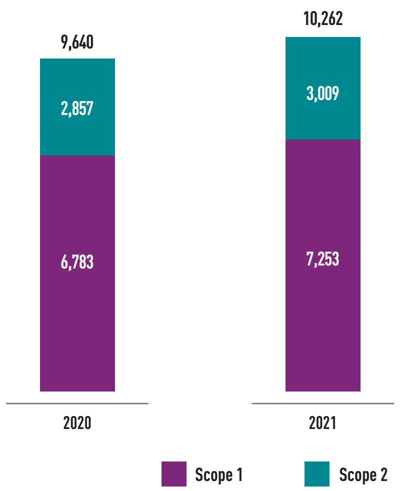
Vetoquinol aims to reduce the volume of its CO_2 emissions per million euros of sales.

Vetoquinol is committed to controlling its carbon emissions in the short, medium and long term. As stated in the previous paragraph, each Group entity, both production and non-production, is committed to an action plan aimed at reducing its energy consumption and greenhouse gas emissions. Progress with this plan is monitored at least quarterly by the Group HSE department.

The ISO 50001-certified energy management system in place at the Lure facility, the Group's main CO_2 emitter, helps to continuously reduce the site's greenhouse gas emissions.

Regarding other atmospheric emissions (VOC, dust particles), pollution risks are kept under control via appropriate control measures implemented at all production plants. Filter systems also help to reduce atmospheric emissions.

2.7.4.1 Emissions in tonnes of CO_2 equivalent



2.7.5 PROTECTION OF BIODIVERSITY

The Group's operations do not involve production processes that cause severe harm to rare, non-renewable or natural resources or to biodiversity. Vetoquinol is attentive to its surroundings and is committed to protecting its environment in its daily operations.

All new construction projects include a landscaping study geared towards preserving the ecosystem. At Lure the Company decided to retain an existing lake rather than destroying it in order to preserve the diversity of natural living organisms.

2.8 OUR PRODUCTS

2.8.1 OVERVIEW OF THE R&D PROCESS

The process of taking a molecule or compound through to its approval by the regulatory authorities can take as much as ten years, usually divided into four distinct phases:

1/ Research – The primary purpose of this phase is to identify new biological targets involved in pathological processes. Once these targets are identified and finely characterized, a large number of potential candidate molecules are tested on them (screening) in order to measure their pharmacological activity.

2/ At this stage, the Group incurs limited expenditure and develops a network of contacts with academic and industrial partners in order to evaluate promising candidate molecules and, where appropriate, sign licensing agreements. The Group has built up extensive expertise in developing appropriate screening programs and innovative dosage forms which make the drug more competitive (tolerance, means of administration, etc.). This initial phase culminates in a proof of concept designed to show that the candidate molecule(s) is/are suitable for treating the target disease.

- Preclinical demonstration of efficacy and tolerance – The purpose of this phase is to assess the candidate molecule in a controlled environment and establish a preliminary pharmacokinetic (absorption, distribution, metabolism, elimination) and pharmacodynamic profile vis-à-vis the target animal species. These results allow us to verify the suitability of the candidate molecule for treating the target disease, as well as the future drug's safety margin (product tolerance). Lastly, this phase enables us to determine and confirm the dosage schedule, i.e. the optimum treatment regime designed to maximize efficacy and minimize side effects. In the animal health industry, this type of preclinical trial corresponds to phases I and II of the human medicine development process.
- Safety studies also aim to ensure the safety of veterinary practitioners or owners who are going to administer the product and are therefore in contact with the drug.
- In the case of drugs destined for livestock (cattle, pigs and poultry) whose products (meat, milk and eggs) are destined for human consumption, residue studies need to be conducted in order to guarantee consumer safety. These studies aim to determine the time lag between the end of treatment and the time of slaughtering (meat industry) or sale of the animal's products (eggs and milk). The animal or its products cannot enter the food industry chain after this time lag has expired.
- Again, in the case of drugs destined for livestock, ecotoxicology studies are conducted to demonstrate the harmlessness of drug residues excreted by the animal (droppings, urine, etc.) for the environment: ground, flora and fauna (environmental health).

3/ Development of the process for producing the previously developed and selected prototype – This phase is aimed at developing a robust and repeatable production process resulting in a suitable formulation of the drug candidate and at developing all the processes required for industrial production of the future product.

- This phase includes developing the analytical methods used to test product stability and the consistency of its subsequent quality throughout the product's lifetime. This data is used to define the expiration date of the product.
- Clinical trials – These trials conducted on sick animals are the final phase of studies completed before the market authorization application is filed. They correspond to phase III of the human drug development process. They are intended to confirm the data from preclinical studies and to verify the efficacy and safety of the drugs under future conditions of use of the product. These tests are carried out on a larger number of animals (around 200-300) than during the preclinical phase.

4/ Lastly, in order to sell a veterinary drug it is necessary to obtain marketing authorization (MA). The MA application filed with the EMA or per individual country contains all the information obtained during development. After filing, it is subjected to scientific review by the supervisory health and/or farming authorities in order to verify the quality of the veterinary drug, its harmlessness to the treated animal, user, consumer and environment, and its efficacy in the strict sense of the word.

2.8.2 VETOQUINOL GROUP R&D STRATEGY

Group R&D has two main goals:

- develop sales and profit margins by (i) bringing to market innovative, high-quality products that meet currently unfulfilled requirements such as greater efficacy, safety and ease of administration compared to existing products on the market, and (ii) defending all relevant products marketed by the Group;
- develop the Group's reputation and scientific competencies through publications in reputed scientific periodicals, communications at scientific events, patent filings and the establishment of a network of scientific experts.

2.8.2.1 Resolute strategic focus

R&D has contributed to the selection of high-potential therapeutic domains and target species on the basis of in-depth analysis. This analysis allows the Group to allocate R&D resources across its project portfolio in a logical and optimal manner, while developing its scientific knowledge in these domains.

R&D conducts research programs aimed at delivering innovative therapeutic and dosage form solutions and product development programs focusing on the following Group areas of expertise: pain-inflammation, infectious diseases (dermatology, respiratory disorders, udder health), reproduction and parasitology.

At the same time, the Group remains faithful to its traditions, never hesitating to explore new opportunities in other pathological domains where its technical expertise and marketing skills could make a difference.

The wide variety of skills possessed by Group staff give it the capacity to register innovative products based on new chemical entities and molecules discovered through biotechnology, improvements in dosage forms or the development of generics. Special attention is paid to managing the lifecycle of marketed products, by developing new formulations, dosage procedures and means of administration, indication or species extensions and registration in new countries and regions.

These programs are bolstered by a proactive policy of partnerships with government (INRA, veterinary schools, foreign universities, etc.) and private sector organizations in both research and development (development of new formulations, application of innovative drug delivery technology).

2.8.3 ORGANIZATION OF VETOQUINOL'S SCIENTIFIC DIVISION

The Group R&D department is geared towards developing new products and its organizational structure is constantly changing in order to improve. The department is currently staffed by 180 employees including around 60 senior scientists.

In 2021, total Group expenditure on R&D amounted to €31.0 million or 5.9% of sales.

€000	**2021**	**2020**	**2019**
R&D expenditure	**31.0**	28.4	29.9
% of sales	**5.9%**	6.6%	7.6%

R&D is primarily based in France, where the Group has an expertise and scientific excellence center located at the Lure headquarters and a research center in Angers. R&D aims to develop global products destined for registration worldwide. The R&D department is backed up by a number of overseas product development units (USA, Poland and Brazil), which contribute to the development and support of local products.

These technicians have enabled the Group to register drugs in Europe, the Americas and Asia thanks to their global level expertise fueled by a network of pharmacologists, toxicologists, pharmacokineticists, pathologists and clinical experts, all leading scientists in the main strategic domains. The Group has gained the trust of this expert network thanks to the ethical values and scientific credibility on which the Group is founded.

Emphasis is also placed on developing partnerships in order to deploy an innovative product offering covering the Group's strategic domains as efficiently as possible.

Vetoquinol's reputation is also enhanced by its policy of publications and presentations at international scientific conferences.

In view of the stringent regulatory environment surrounding the development of veterinary drugs, the Group decided to hire experts in regulatory affairs directly within its R&D department in order to provide two key contributions to the entire design-to-development process: advice on development strategy and the incorporation of data for the registration application.

Three departments help to increase responsiveness in communications between scientists:

- quality assurance, which continuously audits development processes in order to ensure the required levels of good practices: GLP, GCP and GMP;
- pharmacovigilance (drug safety), which constantly monitors proper use of products by our customers;
- the project department, which coordinates the various parties involved in research and development and consolidates all projects at portfolio level in order to ensure appropriate allocation of human and financial resources.

2.8.4 OVERVIEW OF CURRENT R&D PROGRAMS

Group R&D priorities have changed in light of changes in the animal health market and the increasing use of pet medicines. Initially geared almost exclusively towards the livestock segment, the Group is currently focusing a large portion of its research work on the pet segment while developing innovative production (biotechnologies) and formulation (drug delivery) technologies.

R&D is focusing on developing powerful "disruptive" innovations, in addition to incremental innovations and improvements in existing products.

2.8.5 DEPENDENCE ON HUMAN HEALTH RESEARCH TO DEVELOP NEW MOLECULES

In the animal health industry, innovation takes place in the domains that are specific to the industry, including vaccines and reproduction (productivity) and in domains shared with the human health industry, including antibiotherapy, pain and inflammation, cardiology and cancer, or associated with plant protection, such as parasiticides.

These therapeutic domains may be seen as conferring an advantage on animal health companies belonging to a human or plant health group, due to potentially easier access to a portfolio of molecules.

This is not a limiting factor with regard to Vetoquinol's capacity for innovation, for the following reasons:

- for animal health applications, there are many patented molecules used in the human health industry that have fallen into the public domain;
- in domains where research is highly intensive in the human health industry (cardiology, pain, cancer), a large number of biotechs are willing to license their technology and/or molecules to the animal health sector in order to help fund the early stages of development in human health;
- medium-sized human health companies that do not have an animal health department are happy to provide animal health pure players with their molecules if they can find an outlet for them. This provides an additional area of development that is worthwhile for these companies, as the animal health sector has a different growth curve to the human health market.
- Another source of innovation lies in drug repositioning, which aims to reposition existing molecules and develop them for new therapeutic indications.

2.8.6 ANTIBIOTICS FOR VETERINARY USE AND ANTIBIORESISTANCE: COMMITMENT TO THE RATIONAL USE OF ANTIBIOTICS IN ANIMAL HEALTH

The discovery of antibiotics in the 20th century marked a significant medical milestone. However, the widespread and occasionally excessive use of antibiotics modified the bacterial ecology and contributed to the emergence of bacterial resistance to antibiotics.

Preventing the development of bacterial resistance and preserving antimicrobial activity have become major public health challenges on a worldwide scale. Most European countries have already established national plans and set targets to reduce the use of antibiotics in veterinary medicine. The use of critical antibiotics (such as fluoroquinolones and third and fourth-generation cephalosporins) is henceforth governed by restrictive regulations limiting their use. These regulations have had a gradual and continuous impact on the Group's business in Europe, leading to a reduction in the proportion of sales generated by anti-infectives.

Vetoquinol is strongly committed to helping veterinarians cope with these restrictions regarding the prescription of critical antibiotics, by organizing scientific and legislative webinars led by experts and providing tools for raising awareness amongst pet owners.

For over 20 years, at European level Vetoquinol has carried out epidemic monitoring of the sensitivity of bacteria responsible for various diseases in pets and livestock to the antibiotics it markets, in order to verify that the treatment did not lead to a reduction in sensitivity or antibioresistance, even when administered correctly.

Given its extensive experience and expertise in anti-infectives, Vetoquinol continues to develop targeted curative treatment for diseases requiring the use of anti-infectives, thereby contributing to the responsible use of such drugs in the animal health sector. For this reason, Vetoquinol has initiated research programs to identify alternatives to antibiotics.

Finally, Vetoquinol is developing rapid diagnostic tools to allow rational use of the remaining stock available for veterinary medicine.

2.8.7 ECO-FRIENDLY PRODUCTS

In keeping with its commitment to sustainable development, Vetoquinol plans to assign greater importance to environmental factors in developing new products and solutions. This means, during the early stages of product development, paying more attention to the environmental impact of the raw materials and production processes employed, as well as developing products that are inherently more "eco-friendly". For this purpose, the "Ecopack" project was launched in 2019. This project consists in reducing the environmental footprint of product packaging, for example commercial packaging:
- Densification of palletization plans;
- Kraft filling solutions to replace plastic bubble wrap.

2.9 SOCIAL FOOTPRINT

2.9.1 TERRITORIAL, ECONOMIC AND SOCIAL IMPACT OF THE GROUP'S BUSINESS

Vetoquinol makes a major contribution to the local community by boosting the local economy and through employment, particularly at and around its production plants. Group units are generally located away from large cities and contribute to local and regional employment through their presence and growth.

In France, every year for over 10 years Vetoquinol has contributed towards training around 40 apprentices.

Furthermore, a strong culture of guidance prevails throughout the Group, such that a large number of Group companies regularly organize student internships in order to train future employees.

Vetoquinol plays an active role in the life of local communities through its involvement in and support for a variety of social, environmental and humanitarian initiatives.

Vetoquinol sponsors cultural and sports events and clubs.

Vetoquinol strives to stay on good terms with the local community and ensures that its locations are properly integrated into their surroundings.

The Group's operations, including its production plants, generate little noise, visual or environmental pollution impacting the local community.

2.9.1.1 Community initiatives conducted by Vetoquinol and its subsidiaries in 2021

France

Vetoquinol has been associated with the Musique et Mémoire festival for a number of years, an important event in the French baroque music scene in the Vosges Saônoises region and member of the European Early Music Network. Over the years, the festival has been able to preserve a workshop atmosphere, where music is made on a human level with a special connection between the artists, the festival team and the public.

Vetoquinol also continued its sponsorship of the Ronchamp Chapel, now a UNESCO World Heritage Site, built by architect Le Corbusier some 60 years ago. Vetoquinol is a founding member of the group of sponsors that maintains and supports the development and promotion of this site like no other in the world.

Vetoquinol supported "Restos du Cœur", a charity association that helps and provides volunteer assistance to disadvantaged people, particularly by providing free meals and promoting their social and economic inclusion, as well as actions to eliminate poverty in all its forms.

Employees took part in October Rose month to support research into breast cancer and Vetoquinol contributed by doubling the amount of donations.

Canada

Vetoquinol continued to support the Centraide foundation. This foundation, which Vetoquinol has been supporting for 12 years, aims to improve quality of life for the most vulnerable people and to build better communities by encouraging citizens to act. Centraide provides aid to over 60,000 people.

Vetoquinol supported the Canadian association for the mental health of vets, which aims to provide support to vets in psychological distress.

2.9.1.2 Development of eco-friendly initiatives by Vetoquinol and its subsidiaries

In France, boxes have been installed for recycling surgical masks, as well as bins for sorting household waste and paper recycling.

Vetoquinol UK was awarded Bronze certification by "Investors in the Environment", a national environmental accreditation program. This award reflects Vetoquinol's commitment to more eco-friendly practices, including key changes focused on vehicle fleet fuel, electricity, waste flows, the use of paper throughout the Company and sponsoring a university therapeutic garden.

2.9.2 ANIMAL WELFARE

Vetoquinol has defined its mission as follows: "To enrich human lives through devotion to animal health and welfare".

This means that all of its products, services, solutions, practices and activities will contribute to improving the health and welfare of animals and, therefore, humans.

Animal welfare refers to "the quality of life as experienced by an individual animal". Assessing an animal's welfare level requires a combination of knowledge, experience, empathy and sensitivity. Five "fundamental freedoms" describe society's expectations of the living conditions of animals when they are under human care. They have been included in the definition of animal welfare of the World Organization for Animal Health (OIE) and are now a benchmark. They are the basis for most international, European and French regulatory policies:
1. absence of hunger, thirst and malnutrition,
2. absence of fear and distress,
3. absence of physical or thermal stress,
4. absence of pain, injury and disease,
5. possibility for the animal to express the normal behaviors of its species.

In France, the notion of animal welfare has also been defined by ANSES, the French national health safety agency for food, the environment and work: this is "the mental and physical condition linked to the satisfaction of animals' physiological and behavioral needs and their expectations".

The following actions are implemented:

1. Vetoquinol designs, produces and markets products, services and solutions to improve the comfort and health (i.e. the well-being) of animals. This is its primary mission.

2. Through animal welfare, Vetoquinol contributes to the well-being of people, whether they be vets, breeders or individual pet owners.

3. All Vetoquinol employees in charge of animals respect the 3Rs rule (replace, reduce, refine) and behave in accordance with the "five freedoms" in favor of animal welfare.

4. Limit the use of natural resources, save energy and reduce waste: Vetoquinol is one of the first companies in France to have equipped its treatment plant in Lure to reduce the drug content of the water it discharges into the natural environment by 99%. This investment goes beyond current regulatory requirements.

Vetoquinol is committed on a daily basis to preserving animal and human welfare for current and future generations.

2.9.3 HUMANS AND ANIMALS: A LIFELONG RELATIONSHIP

Dogs: humans' best friend

The benefits of having a pet for human physical and mental well-being have been known for many years. Throughout human history, the status of animals has evolved; originally domesticated for utilitarian purposes, today animals have become inseparable companions to their human owners. Pets play a vital social role: they are part of the family, sharing everyday home life. Humans care for animals, but the opposite is also true: animals can provide practical assistance, moral support and emotional relief to humans.

Vetoquinol has set up a website specifically devoted to pet owners: www.myhappypet.fr. The website is also available in 12 other countries.

This website was designed as part of the Group's digital strategy, which encourages the development of websites dedicated to vets and pet owners. The range of advice offered by veterinarians and published on the site provides pet owners with a reliable source of information.

Topics cover everyday animal health as well as more specific problems, for which pet owners seek sound advice. This site has been designed to assist pet owners: 75% of owners use the Internet to search for medical information, and for 90% of them vets remain the most reliable source (source: Thesis on Veterinary Medicine – Lyon 1 – 2014).

Maintaining a close relationship with customers and partners remains Vetoquinol's guiding principle in order to support them and meet their needs on a daily basis.

Animals and children

Pets play a primordial role in a child's individual and social development. As children's close companions and confidants, animals can see and hear everything.

The presence of a pet can calm a child's fears, suffering or anxiety.

Animals and elderly people living alone

A pet's presence is reassuring, gives structure to the day (regular walks) and increases social contact. Today, retirement homes welcome companion animals; for many people, pets guarantee quality of life and comfort.

Accordingly, in its 2018 report on "The social life of retirement home residents", the French Health Authority recommended the presence of animals, which helps to "assuage feelings of disorientation, benefit from a comforting presence and thereby enhance residents' quality of life".

Animals and the disabled

Guide dogs and service dogs help disabled people achieve greater independence, giving them constant comfort, warmth and friendship and helping them to find their place in society. Guide dogs provide a certain amount of security for the visually impaired when walking and traveling.

2.9.4 ETHICS AND FAIR PRACTICES

In 2019, the Group created a partnership, legal and risk department whose remit covers risk management, internal control procedures and Group compliance with applicable guidelines, including ethics, anti-corruption and the GDPR.

2.9.4.1 Code of Ethics

Trust, dare and collaborate in order to achieve more together: these are the values that Vetoquinol upholds and promotes all over the world. These values can only be put into practice if clearly defined rules of conduct are shared across the Group. These universal rules applicable to all employees are set out in the Vetoquinol Code of Ethics.

The code sets out the commitments, practices and behavior chosen and adopted by Vetoquinol in its dealings with employees and third parties alike. Every employee must at all times abide by the rules contained in the Code of Ethics:

- by showing loyalty to the company, colleagues and partners; by acting with integrity at all times;
- by respecting the law;
- by maintaining objectivity in all situations;
- by embodying the values of Vetoquinol;
- by preserving Vetoquinol's reputation for integrity.

Vetoquinol undertakes to fully comply with all laws and regulations applicable to its business activity in every country in which it operates.

Vetoquinol strives to uphold the highest possible ethical standards in its business relations with all of its partners.

Vetoquinol is committed to complying with the International Labour Organization declaration on fundamental labor principles and rights at all of its entities.

Vetoquinol is committed to preventing all forms of discrimination.

Vetoquinol is committed to complying with all applicable environmental standards.

2.9.4.2 Anti-corruption compliance program

2.9.4.2.1 Anti-corruption code of conduct

Vetoquinol has adopted the Middlenext Anti-Corruption Code of Conduct, which refers to the United Nations Convention against Corruption and seeks to combat all forms of bribery and corruption.

The code lays down the fundamental principles and rules regarding corruption and influence-peddling with regard to:

- relations with public officials,
- gifts and invitations,
- donations to charities and political organizations,
- patronage and sponsorship,
- facilitation payments,
- monitoring of third parties,
- conflicts of interest,
- accounting records and internal controls.

Every employee is expected to behave in an exemplary fashion at Vetoquinol and to refrain from acting in violation of the behavioral rules laid down in this code.

This Code has been supplemented by a policy on gifts and invitations to enable each employee to adopt appropriate behavior in this area.

2.9.4.2.2 Whistleblowing system

The internal whistleblowing system made available to all employees makes it possible to report any situation that would be contrary to the anti-corruption code of conduct in a secure and confidential manner. An Ethics Committee composed of the Global Human Resources Director, a country director and the Group Legal and Compliance Expert is responsible for handling and reviewing the alerts forwarded via this system.

2.9.4.2.3 Training

In addition to the training courses offered to a number of its employees, in 2021 Vetoquinol launched a training module entitled "Doing business without corruption" designed for all employees and available in all Group languages.

2.9.4.2.4 Corruption risk map

In 2021, Vetoquinol mapped corruption risks in the following countries: France, USA, Mexico, Poland, Italy, India and China. The mapping process resulted in the drafting of action plans to be consolidated over the coming year.
Initiatives to assess supplier integrity were launched in 2021 in conjunction with the industrial department: a systematic anti-corruption questionnaire has been created when new suppliers are screened. It will also be rolled out during the periodic review of the Group's suppliers.

2.9.4.3 The General Data Protection Regulation (GDPR)

Vetoquinol is committed to protecting the privacy of its employees and partners and has taken steps to bring company policy in line with GDPR requirements.

To that end, Vetoquinol has adopted a long-term action plan to strengthen and harmonize its compliance actions within the Group.

This action plan is led by an international, multidisciplinary team consisting of the Group DPO, the legal officer responsible for personal data and "Local Privacy Champions".

In 2021, Vetoquinol continued to implement ad hoc training and awareness-raising initiatives for employees on personal data protection and develop procedures tailored to Vetoquinol's challenges and risks.

Vetoquinol also enlisted the services of an external consultant in order to help a number of the Group's European subsidiaries with their GDPR compliance policy. This support primarily concerned Germany, Poland, Spain, Italy, France and the UK, thereby bolstering their compliance plans.

2.9.4.4 Prevention of tax evasion

Vetoquinol pays special attention to the companies with which it does business and checks the consistency of the legal and financial information they send to Vetoquinol.
Vetoquinol does not organize or take part in potentially "aggressive" tax planning arrangements within the meaning of European Council Directive (EU) 2018/822 of May 25, 2018 on the automatic and obligatory exchange of information on reportable cross-border arrangements, known as "DAC 6".

2.9.5 SUPPLIER RELATIONS

Vetoquinol is committed to the highest professional and ethical standards with respect to its employees, shareholders, customers, suppliers and partners. Vetoquinol wishes to act with integrity, loyalty and objectivity toward its partners.

To that end, Vetoquinol has drafted a Code of Ethics that constitutes the basis of the common rules that must guide all Group employees in their daily behavior and actions (see section 2.8.4.1).

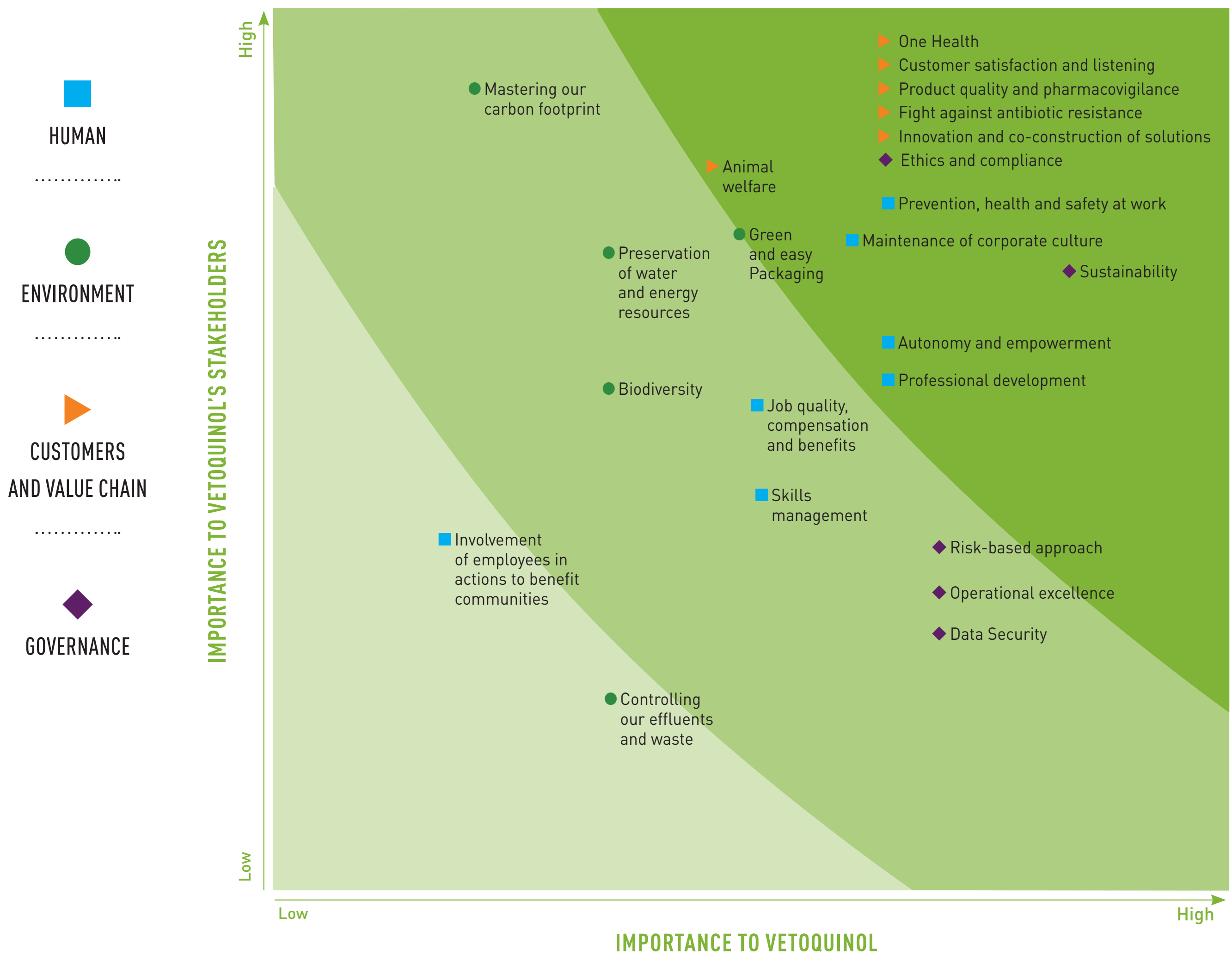
Relations between Vetoquinol and its suppliers are defined by the Group's purchasing policies, which cover all types of Group purchases: purchases of materials and components for production ("Direct Purchases") and purchases of production commodities and services ("Indirect Purchases") outside the production sphere, as well as any subcontracting arrangements. These Group policies establish a clear and shared framework for all employees to implement structured, secure, methodical, professional and responsible purchasing practices.

In 2021, Vetoquinol continued to roll out the supplier guidelines launched in 2020 for all subsidiaries. The project is progressing according to plan, with 40% completed in 2021, and the Group is confident regarding rollout among the remaining subsidiaries. While meeting a number of key requirements in managing relationships with Group suppliers, this project enables the Group to establish standard and systemic practices for managing relationships with partners, by validating certain ethical and anti-corruption aspects via a questionnaire.

In 2021, despite the health crisis aggravated by global issues regarding the availability and cost of production components and commodities, the unflagging commitment of our teams, the quality of our partners and skillful management of supplies enabled the Company to ensure continuity in the manufacture and delivery of drugs to customers. Vetoquinol was also awarded the highest score for product availability among all animal health companies in the most recent September 2021 Biosat survey in France. The inventory coverage targets and the supply risk policies implemented before and extended during the pandemic ensured the availability of raw materials in our plants without major tensions. These policies, which are part of our long-term ambitions for operational excellence, have demonstrated the effectiveness of securing the sourcing of materials as well as the internal collaborative processes within our industrial department (procurement - supply chain - production - sale).

2.10 MATERIALITY MATRIX

With a view to continuous improvement and to complement its CSR policy, the Group has prepared a materiality matrix. Resulting from an independent analysis followed up by an internal review by the Group Executive Committee, the materiality matrix is presented below.



Note on methodology

The materiality matrix presented above was produced as follows:

According to the mapping of all Vetoquinol stakeholders set out in section 2.3 of the statement of non-financial performance, the main stakeholders are customers, partners, suppliers, employees and investors. CSR issues have therefore been defined based on the expectations of these stakeholders. Customer expectations were identified through a survey conducted in February 2021, while employee expectations were ascertained during Innovation Day. Investors express their expectations at periodic meetings and through questionnaires. Society expectations are shared through the working groups organized by Middlenext and Vetoquinol's membership of various professional bodies. Issues were graded on the basis of interviews with the departments concerned and via an iterative approach. The analysis was carried out in accordance with the risk approach. The matrix has been approved by the Executive Committee (Excom). This approach has made it possible to formalize CSR commitments and define the related indicators.

2.11 REPORT BY THE INDEPENDENT THIRD-PARTY BODY

Upcoming

6

CONSOLIDATED FINANCIAL STATEMENTS

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6.1 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In order to present a better view of its economic performance, the Group presents an APM entitled "EBIT before amortization of acquired intangible assets". This indicator isolates the non-cash impacts of amortization recognized in connection with acquisitions.

€000	Notes	2021	2020
Sales	6.5.8	**521,272**	427,467
Purchases consumed		**(149,412)**	(128,031)
Other purchases and external expenses	6.5.10	**(107,698)**	(82,818)
Staff costs	6.5.11	**(147,590)**	(130,170)
Taxes other than on income		**(5,976)**	(6,295)
Depreciation and impairment of fixed assets	6.5.20/6.5.21	**(13,630)**	(11,871)
Depreciation and impairment of fixed assets - IFRS 16		**(5,177)**	(4,905)
Provisions and write-backs		**(993)**	(1,407)
Other operating income	6.5.13	**11,937**	4,869
Other operating expenses	6.5.13	**(1,909)**	(1,572)
EBIT BEFORE DEPRECIATION OF ACQUIRED ASSETS		**100,825**	**65,268**
% OF SALES		**19.3%**	**15.3%**
Amortization of acquired intangible assets		**(14,065)**	(9,104)
EBIT		**86,760**	**56,164**
% OF SALES		**16.6%**	**13.1%**
Non-recurring operating income and expenses	6.5.14	**(484)**	(19,069)
OPERATING INCOME		**86,276**	**37,095**
% OF SALES		**16.6%**	**8.7%**
Income from cash and cash equivalents	6.5.17	**366**	623
Gross cost of debt	6.5.17	**(502)**	(693)
Interest paid - Lease liabilities		**(115)**	(134)
NET COST OF DEBT	**6.5.17**	**(251)**	**(204)**
Other financial income	6.5.17	**3,893**	3,294
Other financial expenses	6.5.17	**(3,404)**	(4,607)
NET FINANCIAL INCOME/(EXPENSE)	**6.5.17**	**237**	**(1,516)**
INCOME BEFORE TAX		**86,514**	**35,578**
Income tax expense	6.5.18	**(23,775)**	(16,635)
NET INCOME EXCL. EARNINGS OF ASSOCIATES		**62,739**	**18,944**
Earnings/(loss) of associates		**129**	286
CONSOLIDATED NET INCOME		**62,868**	**19,229**
Attributable to: Parent company shareholders		**62,861**	19,221
Non-controlling (minority) interests		**8**	9
Exchange differences on translation of foreign operations reclassifiable to P/L		**11,857**	(28,585)
Post-tax actuarial gains (losses) not reclassified to P/L		**459**	(55)
Other comprehensive income, net of tax			
Total comprehensive income for the year, net of tax		**75,185**	(9,411)
Attributable to: Parent company shareholders		**75,177**	(9,420)
Non-controlling (minority) interests		**8**	9
Basic EPS (€)	6.5.19	**5.31**	1.63
Diluted EPS (€)	6.5.19	**5.33**	1.63

6.2 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

€000	Notes	Dec 31, 2021	Dec 31, 2020
ASSETS			
on the balance sheet	6.5.20	**83,458**	79,858
Other intangible assets	6.5.21	**178,523**	174,993
Property, plant and equipment	6.5.22/6.5.23	**61,958**	60,123
Right-of-use assets (leases)		**11,032**	12,150
Investments in associates		**1,003**	957
Other financial assets	6.5.24	**1,065**	1,037
Deferred tax assets	6.5.18	**12,376**	9,810
Total non-current assets		**349,415**	**338,928**
Inventories	6.5.27	**111,594**	85,527
Trade and other receivables	6.5.28	**87,200**	88,602
Current income tax receivables		**1,458**	973
Other current assets	6.5.28	**4,439**	2,621
Cash and cash equivalents	6.5.29	**68,999**	129,441
Total current assets		**273,690**	**307,164**
Total non-current assets and groups of assets held for sale	6.5.23	**1,456**	-
TOTAL ASSETS		**624,561**	**646,092**
SHAREHOLDERS' EQUITY			
Capital stock and additional paid-in capital	6.5.30	**70,831**	70,831
Reserves		**307,572**	281,693
Net income for the year		**62,861**	19,221
Equity attributable to parent company shareholders		**441,263**	**371,745**
Non-controlling (minority) interests		**91**	84
Shareholders' equity		**441,354**	**371,829**
LIABILITIES			
Non-current financial liabilities	6.5.31	**187**	176
Non-current financial liabilities		**6,880**	8,077
Deferred tax liabilities	6.5.18	**8,317**	8,431
Provisions for employee benefits	6.5.32	**8,948**	9,396
Other provisions	6.5.33	**1,023**	2,492
Other long-term liabilities		**824**	6,141
Total non-current liabilities		**26,178**	**34,713**
Trade and other payables	6.5.34	**140,775**	115,963
Current income tax liabilities		**7,276**	6,085
Current financial liabilities	6.5.29	**3,922**	112,232
Current lease liabilities		**4,394**	4,371
Other provisions	6.5.31	**391**	648
Other current liabilities		**9**	251
Total current liabilities		**156,768**	**239,550**
Total liabilities		**182,946**	**274,263**
Total liabilities related to a group of assets held for sale		**260**	-
TOTAL EQUITY AND LIABILITIES		**624,561**	**646,092**

6.3 CONSOLIDATED STATEMENT OF CASH FLOWS

€000	Notes	2021	2020
Consolidated net income		**62,868**	**19,229**
Elimination of non-cash items			
Depreciation, amortization and provisions		**26,431**	41,241
Depreciation, amortization and provisions - IFRS 16		**5,177**	4,905
Elimination of (earnings)/loss of associates		**(129)**	(286)
Income tax expense	6.5.18	**23,775**	16,635
Interest expense	6.5.17	**457**	310
Interest expense - IFRS 16		**115**	134
Provisions for employee benefits		**19**	42
Capital gains (losses) on sales, net of tax		**704**	1,024
Other non-cash items		**-**	-
Income and expenses from share-based payments		**129**	78
Cash flows from operating activities		**119,545**	**83,312**
Tax paid	6.5.18	**(26,192)**	(12,517)
Change in working capital	6.5.26	**(3,638)**	21,435
Net cash flow from operating activities		**89,715**	**92,229**
Purchase of intangible assets	6.5.21	**(18,583)**	(135,125)
Purchase of PP&E	6.5.22	**(13,820)**	(10,336)
Purchase of available-for-sale assets		**-**	-
Acquisition of financial assets		**-**	-
Proceeds from sale of assets		**261**	180
Loan repayments - other financial assets		**(74)**	141
Net cash flow from (used by) business combinations	6.5.7	**(1,230)**	0
Net cash flow from (used by) investing activities		**(33,445)**	**(145,140)**
Capital increase		**-**	-
Net (purchase)/sale of treasury stock		**-**	(243)
Issuance of debt and other financial liabilities	6.5.31	**1,543**	112,070
Repayment of financial liabilities		**(110,576)**	(89)
Cash flows from financing activities - IFRS 16		**(5,357)**	(5,039)
Interest paid	6.5.17	**(594)**	(601)
Interest received	6.5.17	**46**	384
Dividends paid to parent company shareholders	6.5.30.4	**(5,914)**	(4,494)
Dividends paid to non-controlling (minority) interests		**(1)**	(1)
Investment subsidies and government loans		**-**	-
Other cash flows from financing activities		**-**	-
Net cash flow from (used by) financing activities		**(120,853)**	**101,988**
Exchange gains (losses)		**3,358**	(3,324)
Net change in cash		**(61,224)**	45,753
Opening net cash and cash equivalents		**129,334**	83,581
Change in cash and cash equivalents		**(61,224)**	45,753
Closing net cash and cash equivalents	**6.5.29**	**68,109**	**129,334**

6.4 STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

€000	Capital stock and additional paid-in capital (Note 6.5.30)	Translation reserve	Actuarial gains and losses	Other reserves	Total reserves	Net income for the year	Total equity attributable to parent company shareholders	Non-controlling (minority) interests	Total shareholders' equity
BALANCE AT 12/31/2019	**70,831**	**(5,293)**	**(1,097)**	**293,323**	**286,932**	**28,589**	**386,353**	**(372)**	**385,981**
Net income for the year	-	-	-	-	-	19,221	19,221	9	19,229
Other comprehensive income, net of tax	-	(28,585)	(55)	-	(28,641)	-	(28,641)	-	(28,641)
Comprehensive income for the year	**-**	**(28,585)**	**(55)**	**-**	**(28,641)**	**19,221**	**(9,420)**	**9**	**(9,411)**
Appropriation of earnings	-	-	-	28,589	28,589	(28,589)	-	-	-
Stock option and bonus share plans	-	-	-	78	78	-	78	-	78
Treasury shares	-	-	-	(256)	(256)	-	(256)	-	(256)
Dividends paid by the consolidating company	-	-	-	(4,494)	(4,494)	-	(4,494)	(1)	(4,495)
Historical correction/sharing of Farmvet Systems net assets	-	-	-	(448)	(448)	-	(448)	448	-
Other	-	-	-	(68)	(68)	-	(68)	(0)	(68)
BALANCE AT 12/31/2020	**70,831**	**(33,878)**	**(1,153)**	**316,724**	**281,693**	**19,221**	**371,745**	**84**	**371,829**
Net income for the year	-	-	-	-	-	62,861	62,861	8	62,868
Other comprehensive income, net of tax	-	11,857	459	-	12,316	-	12,316	-	12,316
Comprehensive income for the year	**-**	**11,857**	**459**	**-**	**12,316**	**62,861**	**75,177**	**8**	**75,185**
Appropriation of earnings	-	-	-	19,221	19,221	(19,221)	-	-	-
Stock option and bonus share plans	-	-	-	129	129	-	129	-	129
Treasury shares	-	-	-	180	180	-	180	-	180
Dividends paid by the consolidating company	-	-	-	(5,914)	(5,914)	-	(5,914)	(1)	(5,915)
Other	-	-	-	(54)	(54)	-	(54)	-	(54)
BALANCE AT 12/31/2021	**70,831**	**(22,021)**	**(694)**	**330,286**	**307,571**	**62,861**	**441,263**	**91**	**441,354**

6.5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6.5.1 OVERVIEW

Vetoquinol is a leading global player in the animal health sector serving both the livestock (cattle and pigs) and pet (dogs and cats) markets. As an independent pure player, Vetoquinol designs, develops and sells veterinary drugs and non-medicinal products in Europe, the Americas and the Asia Pacific region.

Since its foundation in 1933, Vetoquinol has pursued a strategy combining innovation with geographical diversification. The Group's hybrid growth is driven by the reinforcement of its product portfolio coupled with acquisitions in high potential growth markets. Vetoquinol employs 2,546 people.

Vetoquinol has been listed on NYSE Euronext Paris since 2006 (symbol: VETO).

The parent company, Vetoquinol SA, is a French public limited company (société anonyme) with head office in Magny-Vernois, 70200 Lure, France.

Vetoquinol SA, the Group parent company, is controlled by Soparfin.

The Vetoquinol Group consolidated financial statements were approved by the Board of Directors on March 22, 2022. They will be submitted for shareholder approval at the next Ordinary General Meeting, due to be held on May 19, 2022.

6.5.2 KEY EVENTS

6.5.2.1 Acquisition of Drontal® and Profender® product ranges for Australia, Canada and Switzerland

On January 11, 2021, Vetoquinol announced the acquisition of the Australian rights to the Drontal® and Profender® product ranges from Elanco Animal Health.

On February 8, 2021, Vetoquinol announced the acquisition of the Canadian rights to the Profender® product line from Elanco Animal Health.

On August 1, 2021, Vetoquinol announced the acquisition of the Swiss rights to the Drontal® and Profender® product ranges from Elanco Animal Health.

These three acquisitions have strengthened the Group's competitive position in the parasiticide segment.

6.5.2.2 Repayment of €110 million bank loan taken out to finance the Drontal® and Profender® acquisition

During the first half of 2021, Vetoquinol fully repaid the €110 million bank loan taken out to finance the August 1, 2020 acquisition of Drontal® and Profender® assets for Europe. At December 31, 2021, the Group held total net cash of €53.6 million.

6.5.2.3 Impact of COVID-19 pandemic

In 2021, the Group continued its activity against the backdrop of the health crisis. This event did not have a significant effect on the financial statements and does not call into question the Group's ability to continue its operations.

6.5.2.4 Settlement payment received

The Group received a €4.0 million settlement payment following the resolution of a dispute, recognized under other operating income and expenses.

6.5.3 ACCOUNTING PRINCIPLES

6.5.3.1 Overall framework and environment

The consolidated financial statements for the year ended December 31, 2021 have been prepared in accordance with the international accounting standards and interpretations (IAS/IFRS) adopted by the European Union and applicable at December 31, 2021. These standards and interpretations have been applied consistently over the years presented.

The application of the other standards, amendments and interpretations that came into force on January 1, 2021 did not have a material impact on the Group's financial statements.

The financial statements have been prepared on a historical cost basis, except for financial assets and liabilities measured at fair value through profit or loss (including derivatives).

Preparation of IFRS financial statements requires the use of certain accounting estimates, the most important of which are described in Note 6.5.6.

6.5.3.2 Impact of the COVID-19 pandemic on the consolidated financial statements

In 2021, the Group continued its activity against the backdrop of the health crisis. The impact of COVID-19 was particularly felt in the Americas, especially in Brazil. This event did not have a significant effect on the financial statements and does not call into question the Group's ability to continue its operations.

6.5.3.3 Consolidation and business combinations

6.5.3.3.1 Consolidation scope

The subsidiaries comprise all entities over which the Group exercises control. The Group exercises control where it:
- has power over the entity;
- is exposed, or has the right, to variable returns as a result of its association with the entity;
- has the capacity to exercise its power in such a way as to influence the amount of the returns it receives.

The subsidiaries over which the Group directly or indirectly exercises exclusive control, de jure or de facto, are fully consolidated. Such control is deemed to exist when the Group holds more than half of the voting rights, either directly or indirectly via its subsidiaries. Non-controlling interests are calculated as the percentage of the equity interest not held by the parent company.

Joint ventures and companies over which the Group exercises considerable influence are recognized using the equity method. The results of these entities are presented separately in our consolidated income statement, on a specific line, before net income.

A company is included in the consolidation scope from the date on which the Group acquires control thereof, and is deconsolidated as of the date on which the Group ceases to exercise control over it.

Acquisitions of subsidiaries (representing businesses as defined by IFRS 3) are recognized using the acquisition method. The cost of an acquisition is equal to the total fair value of the assets obtained, liabilities incurred or assumed and equity instruments issued by the buyer as of the acquisition date. The identifiable assets acquired and the identifiable and contingent liabilities assumed in a business combination are initially measured at fair value as of the acquisition date, irrespective of the amount of minority interests. The excess of the acquisition cost over the Group's interest in the fair value of the recorded assets, liabilities and contingent liabilities is recognized as goodwill (Note 6.5.20). Conversely, if the share of assets, liabilities and contingent liabilities at fair value exceeds the acquisition cost, the excess is posted immediately to income.

Non-controlling interests are shown on the balance sheet within a specific category of shareholders' equity. The amount of their share in consolidated net income and items of other comprehensive income is presented separately below these two items.

All inter-company balances and transactions, including gains and losses, as well as dividends, are eliminated on consolidation.

The Group is composed of Vetoquinol SA and its subsidiaries. It has one joint venture, Vetoquinol-Zenoaq KK (Japan), which is recognized using the equity method.
Group companies are presented under Note 6.5.45 "Group companies".

6.5.3.4 Business combinations

Acquisition expenses, other than those arising from the issuance of debt or equity securities, incurred as a result of a business combination, are expensed as they are incurred.

Within a period of one year from the date of acquisition:
- changes in fair value due to facts and circumstances that existed as of the acquisition date result in adjustments to the cost of the business combination;
- changes in fair value that are explicitly linked to events occurring after the acquisition date are posted to income;
- following this period, any adjustment to the price of the business combination is recognized in income.

The Group has a period of 12 months from the acquisition date within which to finalize the accounting of the business combination in question.

6.5.3.5 Foreign currency translation

6.5.3.5.1 Functional currency and reporting currency

The items included in the financial statements of each Group entity are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in euros, the Company's reporting currency.

6.5.3.5.2 Transactions, assets and liabilities

Among the Group companies, transactions in foreign currency are translated into the functional currency at the prevailing exchange rate at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate.

Non-monetary items measured at historical cost are translated using the prevailing exchange rate as of the date of the transaction, whilst those measured at fair value are translated using the prevailing rate on the date when the fair value is determined.

Exchange gains and losses resulting from these transactions are recognized in income, except for:
- those related to gains or losses recognized directly in other comprehensive income, which are recorded in equity, and
- those arising from the translation of net investments in subsidiaries, which are recorded in other comprehensive income, then taken to income when the investment is sold.

6.5.3.5.3 Translation of Group company financial statements

Group company financial statements denominated in functional currencies (excluding hyperinflationary economies) other than the reporting currency are translated into the reporting currency as follows:
- assets and liabilities are translated at the closing rate as of the relevant balance sheet date;
- income statement items are translated at the annual average exchange rate or, in the case of material transactions, at the exchange rate applicable as of the date of the transaction;
- all resulting exchange differences are recorded as a separate item in other comprehensive income.

6.5.3.6 Impairment of assets

In accordance with the requirements set forth in IAS 36, the Group assesses whether there is any indication that an asset may have suffered an impairment loss. If any such indication exists, the Group estimates the recoverable value of the asset. In addition, the Group performs annual impairment tests on intangible assets with an indefinite useful life and intangible assets not yet ready to be put into service, by comparing the carrying amount to the recoverable amount.

An impairment loss equal to the excess of the carrying amount over the asset's recoverable value is recognized. The recoverable amount of an asset represents the higher of its fair value less costs to sell and its value in use.

For the purposes of assessing impairment, assets are grouped together in cash-generating units (CGU), which represent the lowest level that generates independent cash flows. The CGUs defined for Vetoquinol Group are the following companies: Vetoquinol USA, Vetoquinol Canada, Vetoquinol France, Vetoquinol UK, Vetoquinol Belgium, Vetoquinol Switzerland, Vetoquinol Czech Republic, Vetoquinol Austria, Vetoquinol Poland, Vetoquinol Ireland, Vetoquinol Germany, Vetoquinol Italy, Vetoquinol Scandinavia, Vetoquinol India, Vetoquinol Asia, Vetoquinol Australia, Vetoquinol Brazil and Farmvet Systems.

Non-financial assets (excluding goodwill) that have incurred impairment losses are reviewed for possible reversal of those losses at each annual or interim closing. Impairment losses are first charged against goodwill. The balance is allocated to the assets of the CGU.

6.5.3.7 Estimates and assumptions regarding climate issues

As part of its strategic plan, the Group has defined measures aimed at reducing its impact on the environment and the climate.

As of December 31, 2021, based on analyses conducted to date, the Group had identified no factors liable to have an impact on the consolidated financial statements.

6.5.4 FINANCIAL RISK MANAGEMENT

6.5.4.1 Currency risk management

The Group focuses foreign exchange risk on the subsidiaries with production facilities and, as far as possible, on the parent company, Vetoquinol SA, by having its sales subsidiaries send and receive invoices that are denominated in their respective functioning currencies.

Accordingly, the distribution subsidiaries are not exposed to exchange rate risk. Foreign currency movements are centralized at the level of Vetoquinol SA and hedging instruments may be put in place. These instruments usually have a term of less than one year. At the balance sheet date, there were no hedging instruments outstanding. For this reason, IAS 39 rules pertaining to such instruments were not found to apply to 2021 or the prior year.

The Group's net position is balanced with regard to its USD requirements and resources. The Group is a net seller of other currencies in circulation in the Group, such as CAD (c. CAD 27 million) and GBP (c. GBP 15 million).

As described above, the currency risk related to subsidiaries' operations largely involves only a presentation risk in the consolidated income statement.

On the basis of the 2021 financial statements, solely with regard to the foreign subsidiaries, a 10% increase in the value of the euro compared to all other foreign currencies would have resulted in a €27.6 million decrease in consolidated sales (2020: €22.0 million) and a €4.0 million decrease in consolidated operating income (2020: €2.5 million).

Conversely, a 10% reduction in the value of the euro compared to other currencies would have resulted in a €33.8 million increase in sales (2020: €26.9 million) and a €4.9 million increase in consolidated operating income (2020: €3.0 million).

On account of its sales in foreign currencies, the Company is exposed to currency risk between the invoice date and the date payment is received and the sale of currency on the market.

Currency gains or losses and any gains or losses arising from hedging transactions are recognized under net financial income/(expense). Most of these transactions are entered into and closed during the year, over very short periods, and therefore there are no outstanding items recorded in the closing balance sheet.

Analysis of the Group's exposure to currency risk (IFRS 7) based on notional amounts is as follows:

€000	EUR	USD	CAD	GBP	INR	PLN	BRL	AUD	CHF	Other currencies	Total
Dec 31, 2021											
Trade receivables	35,114	10,620	12,496	7,698	3,892	704	5,080	1,642	590	3,113	80,950
Impairment of trade receivables	(2,225)	(14)	(2)	(88)	(277)	(450)	(193)	-	(7)	(164)	(3,421)
Net trade receivables	**32,888**	**10,607**	**12,494**	**7,610**	**3,615**	**254**	**4,887**	**1,642**	**583**	**2,949**	**77,529**
Prepayments	1,060	103	317	-	128	31	361	-	-	14	2,014
Prepaid expenses	1,602	934	453	160	77	187	76	5	7	329	3,830
Receivables from government agencies	2,172	-	390	105	150	625	1,468	161	41	1,005	5,987
Other operating receivables	506	240	-	36	-	18	37	-	-	26	862
Miscellaneous receivables	914	-	49	0	69	79	277	13	8	6	1,416
Provisions	-	-	-	-	-	-	-	-	-	-	-
Total other receivables	**6,254**	**1,277**	**1,209**	**301**	**424**	**941**	**2,219**	**179**	**56**	**1,380**	**14,110**
Trade and other payables	86,593	13,657	13,052	8,967	2,980	2,866	7,672	1,711	764	2,521	140,784
Net trade and other payables	**86,593**	**13,657**	**13,052**	**8,967**	**2,980**	**2,866**	**7,672**	**1,711**	**764**	**2,521**	**140,784**
Total gross balance sheet exposure	**(47,451)**	**(1,774)**	**651**	**(1,057)**	**1,059**	**(1,671)**	**(566)**	**110**	**(125)**	**1,808**	**(49,145)**

€000	EUR	USD	CAD	GBP	INR	PLN	BRL	AUD	CHF	Other currencies	Total
Dec 31, 2020											
Trade receivables	34,048	9,257	9,133	12,146	3,303	297	4,180	549	564	2,748	76,224
Impairment of trade receivables	(2,323)	-	(2)	(88)	(294)	(489)	(111)	(9)	(43)	(117)	(3,477)
Net trade receivables	**31,725**	**9,257**	**9,131**	**12,058**	**3,009**	**(192)**	**4,068**	**539**	**521**	**2,631**	**72,747**
Prepayments	725	22	27	-	74	117	343	-	-	17	1,326
Prepaid expenses	989	315	344	120	38	195	-	3	10	207	2,222
Receivables from government agencies	8,943	-	-	167	332	484	1,341	27	-	523	11,817
Other operating receivables	1,334	293	68	39	-	19	36	-	-	26	1,815
Miscellaneous receivables	666	-	11	1	102	97	383	9	23	6	1,297
Provisions	-	-	-	-	-	-	-	-	-	-	-
Total other receivables	**12,658**	**630**	**449**	**326**	**546**	**912**	**2,104**	**39**	**32**	**799**	**18,476**
Trade and other payables	74,603	10,108	10,093	9,805	2,964	2,644	3,446	500	375	1,676	116,214
Net trade and other payables	**74,603**	**10,108**	**10,093**	**9,805**	**2,964**	**2,644**	**3,446**	**500**	**375**	**1,676**	**116,214**
Total gross balance sheet exposure	**(30,221)**	**(221)**	**(512)**	**2,579**	**590**	**(1,924)**	**2,727**	**78**	**178**	**1,754**	**(24,991)**

6.5.4.2 Interest rate risk management

The Group's general policy on interest rate risk is to globally manage its exposure through swaps. Pursuant to the provisions of IAS 39, whenever the conditions for hedge accounting are met, the Group applies the relevant procedures. When these conditions are not met, or if the amounts concerned are not material, as has been the case in recent years, derivatives are carried on the balance sheet at their fair value and all changes in fair value are posted to income, in accordance with IAS 39.

The Group's exposure to interest rate risk is not material and primarily concerns two balance sheet accounts: financial liabilities and cash.

As of December 31, 2021, 94.2% of the Group's financial liabilities (including bank overdrafts) bore interest at a fixed rate (2020: 11.7%). Floating rate commitments amounted to €0.9 million as of December 31, 2021 (2020: €110.2 million).

To finance part of the acquisition of Drontal® and Profender®, Vetoquinol signed a bank loan agreement for €110.0 million in March 2020. The loan was released in July 2020 and repaid in 2021.

The Group's investments consist of fixed-rate, guaranteed capital term deposits with major banks.
On the basis of the 2021 financial statements, a 100 basis point increase in interest rates would have increased earnings by €528,000 (2020: €25,000 decrease in earnings).

6.5.4.3 Liquidity risk management

Group cash excluding bank overdrafts stood at €68.1 million as of December 31, 2021 (2020: €129.3 million). Cash equivalents comprise fixed-rate term deposits with major retail banks amounting to €15.3 million (2020: €21.9 million).

2021 Group free cash flow before net cost of debt and tax amounted to €119.5 million, compared to €83.3 million the previous year.

In light of its financial position at December 31, 2021, the Group considers that it is not exposed to liquidity risk. As of December 31, 2021, the Group's cash was sufficient to meet its financial liabilities due in less than one year. Net cash excluding IFRS 16 amounted to €64.9 million as of December 31, 2021, compared to €17.0 million as of December 31, 2020.

Each Group subsidiary is responsible for collecting its own trade receivables and cash. The Group Finance Department provides ongoing reporting of the cash flow of subsidiaries, in order to establish the Group's net cash positions as precisely as possible and maintain the Group's ability to meet its financial commitments.

6.5.4.4 Credit risk management

Credit risk is the risk of the Group incurring a financial loss in the event that a customer or counterparty to a financial instrument fails to comply with its contractual obligations. The only credit risk to which the Group is exposed is the risk arising from its trade receivables. In fact, with regard to investments, the Group limits its exposure to credit risk by investing only in secure, liquid instruments. Given the terms of the Group's term deposits, management considers that there will be no bank counterparty default risk.

The Group's exposure to credit risk is mainly influenced by the individual features of its customers. The Group currently sells its products in over 100 countries worldwide via subsidiaries in 24 countries and a network of 100 distributors.

In some regions, the occurrence of a concentration of wholesalers and/or central purchasing agencies could result in a revision of the Group's margins following renegotiation of these contracts. However, this risk appears to be limited, as the Group is sufficiently large and diversified geographically and by product to be able to withstand such pressure. By way of illustration, the Group's largest wholesale distributor accounted for 6.0% of consolidated revenues in 2021 (2020: 6.1%).

Any customers who do not meet the Group's solvency requirements may only enter into transactions on the condition that they settle their orders in advance.

Sales of goods are subject to a retention of title clause that provides the Group with some security in the event of default. The Group does not require any specific security with regard to trade and other receivables.

The carrying value of the Group's financial assets represents its maximum exposure to credit risk; as of December 31, 2021 this amounted to €87.3 million (2020: €81.7 million).

6.5.5 CAPITAL MANAGEMENT

The Group's policy is to maintain a strong capital base in order to maintain the confidence of investors, creditors and the market and to support the future growth of its business. Assisted by senior management, the Board of Directors monitors the number and diversity of the Group's shareholders, return on equity and the amount of dividends paid to holders of common stock.

Occasionally, the Group purchases its own shares on the market. The timing of these purchases depends on prevailing market prices. These shares are primarily used in connection with stock option and bonus share programs. Decisions to buy and sell are made by the Chairman and/or the CEO on a case by case basis. The Group has no defined share buyback program. Apart from these occasional practices, the Group has a liquidity contract (see Note 6.5.30).

The Group did not change its capital management policy during the course of the year.

6.5.6 INFORMATION ON JUDGMENTS AND ESTIMATES

Management must exercise judgment and make estimates and assumptions that could affect the value of assets, liabilities, income and expenses and disclosures of the Company's contingent assets and liabilities when preparing the financial statements. Estimates made and underlying assumptions adopted are based on past experience and other factors deemed reasonable in light of current circumstances and forecasts. As a result, actual values may differ from estimated values.

Estimates and assumptions made on the basis of information available at the balance sheet date primarily relate to:

- trade receivable bad debt and year-end rebate provisions;
- the provision for expected credit losses (IFRS 9);
- duration of product lifecycles;
- provisions for restructuring and environmental and litigation risks;
- valuation of goodwill, intangible assets and property, plant and equipment acquired as well as their estimated useful life;
- pension commitments.

6.5.7 BUSINESS COMBINATIONS

6.5.7.1 Reconciliation of purchase price with cash outflow as per the cash flow statement

There were no business combinations in 2021. However, during the year the Group purchased the remaining 23.10% stake in Farmvet Systems Ltd. for €1.2 million, making the company a wholly owned subsidiary of the Group. The transaction was completed by exercise of the put/call option initially contracted in 2018.

6.5.8 OPERATING SEGMENTS – IFRS 8

2021 and 2020 revenues were essentially derived from sales of veterinary products and services. The Group receives no income from patent, know-how, manufacturing or trademark licenses.

Pursuant to IFRS 15, income from ordinary activities corresponds to the value of the financial consideration the Group expects to receive in return for providing goods or services to its customers. Group revenue is recognized upon the transfer of control over the products after deduction of trade discounts and rebates.
The Group follows these steps for revenue recognition:
- identifying the contract,
- identifying the different performance obligations of the contract,
- determining the transaction price,
- allocating the transaction price,
- recognizing revenues when (or as) the entity satisfies a performance obligation.

6.5.8.1 Segment reporting – IFRS 8

Pursuant to IFRS 8, segment information is reported on the basis of internal management data communicated to the Group's Operations Committee, the Group's chief operational decision-maker. The Group's operating segments are geographical segments monitored individually through internal reporting.

A geographical segment is a group of assets and operations engaged in providing products or services within a particular economic environment and which is exposed to risks and returns that are different from the risks and returns of other economic environments in which the Group operates.

The Group's worldwide organizational structure is divided into three regions (territories) defined by the location of the Group's assets and operations:
- Europe;
- the Americas;
- Asia Pacific, distributors, and rest of world.

The Group also monitors and communicates the portion of sales generated by pets and livestock.

6.5.8.2 2021 operating segment results

€000 By asset location	Europe	Americas	Asia Pacific (rest of world)	Consolidated total
Sales	444,487	195,510	54,521	**694,518**
Inter-segment sales	(154,367)	(18,781)	(97)	**(173,246)**
Total external sales	**290,120**	**176,729**	**54,424**	**521,272**
EBIT	**51,105**	**27,543**	**8,112**	**86,760**
Non-recurring operating income and expenses	(490)	6	-	**(484)**
Operating income	**50,615**	**27,549**	**8,112**	**86,276**
Net financial income/(expense)				**237**
Income before tax				**86,514**
Income tax				**(23,775)**
Income after tax				**62,739**
Earnings/(loss) of associates				**129**
CONSOLIDATED NET INCOME				**62,868**

Tracking by destination region or end market (per region).

€000 By geographical region	Europe	Americas	Asia Pacific (rest of world)	Consolidated total
Sales	377,013	217,322	100,183	**694,518**
Inter-segment sales	(115,698)	(42,748)	(14,800)	**(173,246)**
TOTAL EXTERNAL SALES	**261,315**	**174,574**	**85,383**	**521,272**

The Group also tracks sales by species.

€000 By species	Pets	Livestock	Consolidated total
Sales	458,387	236,131	**694,518**
Inter-segment sales	(123,573)	(49,673)	**(173,246)**
TOTAL EXTERNAL SALES	**334,814**	**186,458**	**521,272**

6.5.8.3 2020 operating segment results

€000 By asset location	Europe	Americas	Asia Pacific (rest of world)	Consolidated total
Sales	347,561	161,430	40,795	**549,787**
Inter-segment sales	(107,240)	(15,006)	(73)	**(122,320)**
Total external sales	**240,321**	**146,424**	**40,722**	**427,467**
EBIT	**36,027**	**14,342**	**5,794**	**56,164**
Non-recurring operating income and expenses	(3,315)	(15,754)	(0)	**(19,069)**
Operating income	**32,712**	**(1,412)**	**5,794**	**37,095**
Net financial income/(expense)				**(1,516)**
Income before tax				**35,578**
Income tax				**(16,635)**
Income after tax				**18,944**
Earnings/(loss) of associates				**286**
CONSOLIDATED NET INCOME				**19,229**

Tracking by destination region or end market (per region).

€000 By geographical region	Europe	Americas	Asia Pacific (rest of world)	Consolidated total
Sales	293,626	172,392	83,768	**549,787**
Inter-segment sales	(82,838)	(28,196)	(11,286)	**(122,320)**
TOTAL EXTERNAL SALES	**210,789**	**144,196**	**72,482**	**427,467**

The Group also tracks sales by species.

€000 By species	Pets	Livestock	Consolidated total
Sales	341,832	207,955	**549,787**
Inter-segment sales	(85,077)	(37,242)	**(122,320)**
TOTAL EXTERNAL SALES	**256,754**	**170,713**	**427,467**

6.5.8.4 Other segment non-cash items included in the income statement

€000	Europe	Americas	Asia Pacific (rest of world)	Consolidated total
December 31, 2021				
Depreciation and amortization	(20,868)	(5,936)	(890)	**(27,695)**
Provisions and write-backs	(28)	(938)	(26)	**(993)**
Depreciation - IFRS 16	(3,432)	(1,222)	(522)	**(5,177)**
Goodwill impairment	-	-	-	**-**
Expenses on grants of bonus shares	(245)	-	-	**(245)**
December 31, 2020				
Depreciation and amortization	(13,999)	(6,273)	(703)	**(20,975)**
Provisions and write-backs	(2,129)	652	70	**(1,407)**
Depreciation - IFRS 16	(3,350)	(1,085)	(470)	**(4,905)**
Goodwill impairment	(3,612)	(15,006)	(0)	**(18,618)**
Expenses on grants of bonus shares	(115)	-	-	**(115)**

6.5.8.5 Segment assets, liabilities and investments

The segment assets and liabilities presented here include deferred taxes.

€000	Europe	Americas	Asia Pacific (rest of world)	Consolidated total
December 31, 2021				
Assets	391,022	170,975	61,108	**623,105**
Liabilities	122,891	40,923	19,132	**182,946**
Acquisition of assets	24,772	3,881	4,283	**32,936**
Acquisition of assets – IFRS 3 – Business combinations	-	-	-	**-**
December 31, 2020				
Assets	430,808	169,022	46,261	**646,092**
Liabilities	215,447	46,681	12,135	**274,263**
Acquisition of assets	137,351	7,930	185	**145,467**
Acquisition of assets – IFRS 3 – Business combinations	-	(0)	-	**(0)**

6.5.9 R&D COSTS

R&D costs incurred and expensed in 2021 amounted to €31.0 million, or 5.9% of sales (2020: €28.4 million, or 6.6% of sales).

6.5.10 OTHER PURCHASES AND EXTERNAL EXPENSES

€000	2021	2020
General subcontracting	**14,208**	11,071
Lease and rental payments (*)	**1,630**	1,571
Maintenance	**5,396**	**5,078**
Insurance	**1,316**	**1,374**
Analyses and research	**2,855**	3,111
Third-party staff	**3,023**	**1,825**
Fees and commissions paid to intermediaries	**27,291**	21,703
Advertising, publications, public relations	**26,853**	**15,352**
Freight and collective transportation of staff	**10,965**	8,849
Business travel and entertainment	**7,088**	**6,049**
Postage and telecommunications	**1,818**	1,612
Royalties on concessions, patents, licenses, trademarks, etc.	**1,316**	**1,817**
Other external services	**3,170**	**2,749**
Miscellaneous	**769**	654
TOTAL	**107,698**	**82,818**

(*) In 2021, €5,322,000 (€5,039,000 in 2020) was deducted from leases in line with the IFRS 16 restatement (commercial, vehicle and hardware leases). The remaining balance corresponds to short-term leases excluded from the scope of IFRS 16.

IFRS 16 establishes a single model for lessee recognition of leases, whereby a right-of-use asset is recognized under assets and a lease liability under liabilities. On the income statement, the lessee recognizes depreciation and interest charges.

6.5.11 STAFF COSTS

€000	2021	2020
Wages and salaries	**110,842**	97,568
Social security charges (*)	**34,301**	30,290
Severance pay	**1,011**	**1,159**
Provisions for employee benefits (Note 6.5.32)	**1,174**	**894**
Employee long-term benefits – actuarial gains and losses recognized to P/L	**17**	144
Expenses on grants of stock options	**-**	**-**
Expenses on grants of bonus shares	**245**	115
TOTAL EMPLOYEE BENEFITS	**147,590**	**130,170**

(*) The cost of defined contribution pension plans is included in total social security charges.

6.5.12 SHARE-BASED PAYMENTS – BONUS SHARES

A new bonus share plan was implemented in 2020; the impact of applying IFRS 2 amounted to €245,000 in 2021 (€115,000 in 2020). The value of bonus shares is usually determined on the basis of the share price on their date of issue, less the present value of dividends foregone during the vesting period (Black-Scholes valuation model).

6.5.13 OTHER OPERATING INCOME AND EXPENSES

€000	2021	2020
Operating grants	**388**	160
Investment grants transferred to income for the year	**-**	-
Gains on asset sales	**261**	**180**
Research tax credit (Crédit d'Impôt Recherche - CIR)	**3,566**	**3,243**
Other income	**7,423**	1,286
OTHER OPERATING INCOME	**11,937**	**4,869**
Book values of assets sold	**(615)**	(408)
Other expenses	**(1,294)**	**(1,164)**
OTHER OPERATING EXPENSES	**(1,909)**	**(1,572)**
TOTAL	**10,028**	**3,297**

The CIR research tax credit relates to research expenses and is therefore recognized under income.

Other expenses included bad debt losses of €0.1 million. In 2020, other expenses included bad debt losses of €0.5 million.

Other income consists of:

€000	2021	2020
Fees and royalties	**-**	-
Freight costs passed on to customers	**538**	466
Compensation received*	**4,008**	**35**
Net asset disposals	**1,341**	**-**
Other	**1,537**	785
TOTAL	**7,423**	**1,286**

** Settlement compensation received following dispute resolution.*

6.5.14 NON-RECURRING OPERATING INCOME AND EXPENSES

€000	2021	2020
Revaluation of PUT/CALL option (Farmvet Systems)	**-**	802
Miscellaneous	**6**	
Non-recurring operating income	**6**	**802**
Impairment of intangible assets (France)	**-**	**-**
Impairment of intangible assets (Canada)	**-**	(408)
Goodwill impairment	**-**	**(18,618)**
Restructuring costs (Italy)	**(490)**	(505)
Restructuring costs (Brazil)	**-**	**(340)**
Other non-recurring operating expenses	**(490)**	**(19,871)**
TOTAL	**(484)**	**(19,069)**

6.5.15 LEASES - IFRS 16

As of the transition date, most leases were classified as operating leases under IAS 17.

For this transition, right-of-use assets were valued as of January 1, 2019 at the discounted present value of future lease payments.
The main changes arising from application of IFRS 16 are as follows:

- recognition, at December 31, 2021, of an €11.0 million right-of-use asset (€12.1 million at December 31, 2020) and a €11.3 million financial liability (€12.4 million at December 31, 2020);
- lease expenses amounting to €5.3 million in respect of 2021 were eliminated (€5.0 million in 2020). This action was offset by the recognition of €5.2 million depreciation charges and €115,000 financial expenses for 2021 (€4.9 million and €134,000 in 2020).

The principles are as follows:

- the lease term corresponds to the non-cancelable lease period, unless the Group is reasonably certain to exercise the contractual extension or early termination options;
- the discount rate applied to calculate the right-of-use asset and lease liability is determined in accordance with the incremental borrowing rate as of the beginning of the lease term;
- measurement of liabilities at the present value of remaining rent payments, discounted using the incremental borrowing rate of each lessee (per individual entity);
- in the absence of a contractually defined implicit rate, the discount rate applied is the average 10-year incremental borrowing rate the lessee would have had to pay.

The average discount rate for lease liabilities at December 31, 2021 was 1.0% (0.8% at December 31, 2020). This discount rate corresponds to the average rates weighted as per the amount of lease liabilities to which it relates.

The main leases restated are real estate and transport vehicle leases.

The Group applies the two exemptions provided for by IFRS 16, whereby short-term leases and leases of low-value assets are not recognized on the balance sheet:

- Leases with a term of no more than 12 months.
- Leases for low-value assets: leases for assets whose replacement value does not exceed USD 5,000.

The following table shows right-of-use assets broken down by asset class:

€000	**Dec 31, 2021**	**Dec 31, 2020**
Land	**1**	0
Buildings	**6,779**	8,196
Plant, machinery and equipment	**2**	**12**
Vehicles	**3,942**	**3,784**
Furniture, office equipment, hardware	**308**	157
TOTAL	**11,032**	**12,150**

Impact on financial statements (€000)

IFRS 16 balance sheet impact	Dec 31, 2021	Dec 31, 2020
Pre-IFRS 16 non-current assets	338,382	326,778
Right-of-use assets (leases)	11,032	12,150
POST-IFRS 16 NON-CURRENT ASSETS	349,415	338,928
Pre-IFRS 16 current liabilities	152,374	235,179
Lease liabilities due in less than one year	4,394	4,371
POST-IFRS 16 CURRENT LIABILITIES	156,768	239,550
Pre-IFRS 16 non-current liabilities	19,299	26,636
Lease liabilities due in over one year	6,880	8,077
POST-IFRS 16 NON-CURRENT LIABILITIES	26,178	34,713

INCOME STATEMENT - IFRS 16 IMPACT	2021	2020
Pre-IFRS 16 other purchases and external expenses	(113,021)	(87,856)
Canceled rent payments	5,322	5,039
POST-IFRS 16 EXTERNAL EXPENSES	(107,698)	(82,818)
Pre-IFRS 16 depreciation and impairment of fixed assets	(13,630)	(11,871)
Depreciation and impairment of fixed assets - IFRS 16 impact	(5,177)	(4,905)
POST-IFRS 16 DEPRECIATION AND IMPAIRMENT OF FIXED ASSETS	(18,807)	(16,775)
Pre-IFRS 16 gross cost of debt	(502)	(693)
Interest paid - Lease liabilities	(115)	(134)
POST-IFRS 16 GROSS COST OF DEBT	(617)	(828)
Pre-IFRS 16 income tax expense	(23,775)	(16,635)
Deferred tax - IFRS 16 impact	-	-
POST-IFRS 16 INCOME TAX EXPENSE	(23,775)	(16,635)
TOTAL IMPACT ON INCOME STATEMENT	30	(0)

6.5.16 EBITDA

€000	2021	2020
Operating income	86,276	37,095
Provisions and write-backs recorded under non-recurring operating income and expenses	(823)	19,524
Provisions and write-backs	993	1,407
Depreciation and impairment of fixed assets	27,695	20,975
Depreciation and impairment of fixed assets - IFRS 16	5,177	4,905
EBITDA	119,317	83,905
% OF SALES	22.9%	19.6%

6.5.17 NET FINANCIAL INCOME/(EXPENSE)

€000	Dec 31, 2021	Dec 31, 2020
Interest income from cash and cash equivalents	366	623
Net gains on sale of cash equivalents	-	-
INCOME FROM CASH AND CASH EQUIVALENTS	**366**	**623**
Interest on bonds	-	-
Interest on borrowings and overdrafts	(502)	(693)
Interest on other borrowings - IFRS 16	(115)	(134)
Interest on finance leases	-	-
GROSS COST OF DEBT	**(617)**	**(828)**
NET COST OF DEBT	**(251)**	**(204)**

€000	Dec 31, 2021	Dec 31, 2020
Currency gains	3,845	3,131
Other income	48	163
Other financial income	3,893	3,294
Financial expenses related to employee benefits	(19)	(42)
Currency losses	(2,966)	(4,314)
Other expenses	(419)	(250)
OTHER FINANCIAL EXPENSES	**(3,404)**	**(4,607)**
OTHER FINANCIAL INCOME AND EXPENSES	**489**	**(1,312)**

6.5.18 INCOME TAX

Deferred taxes are recognized on temporary differences between the tax values of assets and liabilities and their book values in the consolidated financial statements. No deferred tax is accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that affects neither accounting profit nor taxable income at the transaction date. No deferred tax liability is recognized on initial recognition of goodwill.

Deferred tax is determined using tax rates (and tax regulations) that have been adopted or substantially adopted as of the balance sheet date, and that are expected to apply when the related deferred tax asset is realized or the deferred tax liability settled.

Deferred tax assets are recognized only to the extent that it is probable that future taxable income, against which the temporary differences can be applied, will be earned.

To calculate deferred taxes for the French companies, the tax rate used is the normal income tax rate in France, i.e. 27.37% for the 2021 financial year (2020: 28.92%).

When the temporary difference is expected to be reversed after 2021, the related deferred taxes are calculated at the rate of 27.37%. The difference from the final income tax rate of 25% is non-material.
Income tax expense is broken down as follows:

€000	Dec 31, 2021	Dec 31, 2020
Current income tax expense	(26,811)	(17,133)
Deferred tax income/(expense)	3,036	499
TOTAL	**(23,775)**	**(16,635)**

Reconciliation of theoretical tax, at the French statutory tax rate, to effective tax is as follows:

€000	Dec 31, 2021	Dec 31, 2020
Net income for the year	**62,868**	**19,229**
CIR restatement	**(3,553)**	(3,184)
CVAE restatement as per IAS 12	**(989)**	(1,455)
Non-recurring items - GW impairment	**-**	18,618
(Earnings)/loss of associates	**(129)**	(286)
Income tax expense	**23,775**	16,635
Income before tax adjusted for tax credits	**81,971**	**49,558**
Theoretical tax at 27.37% (28.92% in 2020)	**22,439**	**14,334**
Non-deductible expenses and non-taxable income	**(700)**	1,383
Impact of change in tax rate	**142**	188
Change in tax losses b/fwd and c/fwd	**1,686**	1,950
Tax rate differences for foreign companies	**(2,735)**	(2,815)
Other taxes (under IAS 12) (*)	**1,378**	1,965
Impact of reduced rate	**(40)**	(33)
Withholding taxes	**1,749**	180
Taxes with no tax base (tax credits, withholding taxes, etc.)	**(233)**	(381)
Miscellaneous	**87**	(137)
Effective tax	**23,775**	**16,635**
Effective tax rate	**29.00%**	**33.57%**

(*) Impact caused by restatement of taxes akin to CVAE.

Analysis of movements in deferred tax assets during the year:

€000	Dec 31, 2021	Dec 31, 2020
Opening balance	**9,810**	**9,005**
Recognized in the income statement	**2,161**	(341)
Recognized in other comprehensive income	**(173)**	23
Changes in consolidation scope	**-**	-
Reclassifications	**508**	1,542
Exchange differences	**70**	(419)
Closing balance	**12,376**	**9,810**

Analysis of movements in deferred tax assets during the year:

€000	Dec 31, 2021	Dec 31, 2020
Opening balance	**8,431**	**7,775**
Recognized in the income statement	**(874)**	(840)
Recognized in other comprehensive income	**-**	0
Changes in consolidation scope	**-**	-
Changes in deferred tax liabilities via goodwill	**-**	698
Transfers to liabilities held for sale	**(258)**	-
Reclassifications	508	1,541
Exchange differences	**510**	(744)
Closing balance	**8,317**	**8,431**

Unrecognized deferred tax assets arising from 2021 tax losses reported by subsidiaries amounted to €0.9 million (2020: €2.1 million).

Pursuant to IAS 12 and subject to certain conditions, a business may offset its deferred tax assets and liabilities. This was done in the table above on the "Reclassifications" line.

Analysis of net deferred taxes by type:

€000	Dec 31, 2021	Dec 31, 2020
Intangible assets	**(6,814)**	**(5,670)**
Component-based approach (net)	**264**	254
Other temporary differences (net)	**1,992**	1,665
Internal margin on inventories	**7,409**	4,156
Restatement of finance leases	**(36)**	(36)
Employee benefits	**1,948**	2,159
Tax losses carried forward	**342**	609
Regulated provisions	**(1,432)**	(1,826)
Other (net)*	**386**	68
TOTAL	**4,059**	**1,379**
Of which: Deferred tax assets	**12,376**	9,810
Deferred tax liabilities	**(8,317)**	(8,431)

** Including exchange differences.*

6.5.19 EARNINGS PER SHARE

6.5.19.1 Basic earnings per share

Basic earnings per share is calculated by dividing net income attributable to holders of common shares (net income Group share) by the weighted average number of common shares outstanding during the year, adjusted for the number of treasury shares held.

€000	Dec 31, 2021	Dec 31, 2020
Net income attributable to holders of common shares (€000)	**62,861**	19,221
Weighted average number of common shares	**11,881,902**	11,881,902
Treasury shares at end of period (direct holding)	**(53,240)**	**(53,240)**
Treasury shares at end of period (liquidity contract)	**(900)**	**(2,505)**
Adjusted weighted average number of shares outstanding over the period	**11,827,762**	11,826,157
BASIC EARNINGS PER SHARE (€)	**5.31**	**1.63**

6.5.19.2 Diluted earnings per share

Diluted earnings per share is calculated by adjusting net income attributable to holders of common shares divided by the weighted average number of shares outstanding over the year for the impact of all common shares having a potentially dilutive effect. At December 31, 2021, just as at December 31, 2020, potentially dilutive instruments include bonus shares granted.

	Dec 31, 2021	Dec 31, 2020
Net income attributable to holders of common shares (€000)	**62,861**	**19,221**
Expenses on grants of bonus shares	**245**	115
Earnings used to calculate diluted earnings (€000)	**63,106**	19,336
Weighted average number of shares outstanding over the year	**11,881,902**	11,881,902
Treasury shares at end of period (direct holding)	**(53,240)**	(53,240)
Treasury shares at end of period (liquidity contract)	**(900)**	(2,505)
Adjusted weighted average number of shares outstanding over the period	**11,827,762**	**11,826,157**
Dilutive effect of bonus share grants	**5,500**	**5,500**
Number of shares including dilutive effect	**11,833,262**	11,831,657
Diluted earnings per share (€)	**5.33**	1.63

6.5.20 GOODWILL

6.5.20.1 Goodwill

Goodwill is valued at cost less accumulated impairment losses. See Note 6.5.3.3. for the initial valuation of goodwill.

Under IAS 36, goodwill is allocated to cash-generating units for purposes of impairment testing as described below. Goodwill is subject to impairment testing at least once a year – and more frequently if there are any indicators of impairment – and is carried at cost less any accumulated impairment losses. Impairment losses are irreversible.

€000	Dec 31, 2021	Dec 31, 2020
At January 1		
Opening book value	**79,858**	**129,440**
Acquisitions related to business combinations	**-**	0
Impairment losses recognized in the income statement	**-**	(18,618)
Reclassifications/allocation of goodwill	**-**	(20,195)
Exchange differences, net	**3,599**	(10,769)
At December 31		
Closing book value	**83,458**	**79,858**

6.5.20.2 Impairment tests - measurement of PP&E and intangible assets

In accordance with IAS 36, all cash-generating units (CGUs) containing goodwill were tested for impairment.

The CGUs defined for Vetoquinol Group are the following companies: Vetoquinol USA, Vetoquinol Canada, Vetoquinol France, Vetoquinol UK, Vetoquinol Belgium, Vetoquinol Switzerland, Vetoquinol Czech Republic, Vetoquinol Austria, Vetoquinol Poland, Vetoquinol Ireland, Vetoquinol Germany, Vetoquinol Italy, Vetoquinol Scandinavia, Vetoquinol India, Vetoquinol Asia, Vetoquinol Australia, Vetoquinol Brazil and Farmvet Systems.

Analysis of goodwill allocated to these CGUs:

€000	Dec 31, 2021	Dec 31, 2020
Vetoquinol Biowet Poland	**2,073**	2,090
Vetoquinol GmbH/Germany	**1,705**	1,705
Vetoquinol UK	**418**	391
Farmvet Systems	**-**	-
Vetoquinol Ireland	**421**	421
Vetoquinol Switzerland	**1,091**	1,043
Vetoquinol Austria	**772**	772
Vetoquinol Czech Republic	**967**	916
Vetoquinol USA	**24,449**	22,561
Vetoquinol Belgium	**500**	500
Vetoquinol Italy	**6,465**	6,465
Vetoquinol Brazil / Clarion*	**8,168**	8,087
Vetoquinol Scandinavia	**1,075**	1,098
Vetoquinol Asia	**40**	38
Vetoquinol India	**8,434**	7,923
Vetoquinol SA France	**14,447**	14,403
Vetoquinol Australia	**1,753**	1,614
Vetoquinol Canada	**10,679**	9,832
TOTAL	**83,458**	**79,858**

** Clarion Biociêncas Ltda was merged into Vetoquinol Saude Animal Ltda on March 29, 2020.*

The differences in value between 2020 and 2021 result solely from exchange differences on goodwill denominated in foreign currencies.

The recoverable value of intangible assets tested is the value in use determined using the discounted future cash flow method. Under this method, the recoverable amount of the asset is the present value of the estimated future cash flows expected from the continuous use of the asset and its disposal at the end of its useful life, less working capital and the value of other assets as of the date when the test is carried out. This valuation includes, in particular, a terminal value obtained by discounting to infinity a cash flow deemed to be normal at the end of the forecasting period.

Cash flow forecasts were established over a five-year period, based on the 2022 Business Plan projections drawn up by management and the following main assumptions for the years 2023-2026:

- WACC rates were determined for each CGU, taking into account the following:
- risk-free rate: 2.5%;
- market risk premium of 5.5%;
- pre-tax cost of debt of 5.0%;
- a sector gearing ratio of 2.4%;
- a country risk premium and the country's tax rate;
- a median deleveraged Beta for the sector: 0.88;
- an equity size premium of 1.5%.
- WACC rates range from 8.2% to 14.3% depending on the CGU;
- Growth rates to infinity have been set according to the country in which the CGU is located and vary from 1.3% to 4.0% depending on the country.

A summary table for the CGUs where the amount of goodwill is significant sets out the main assumptions and presents the main sensitivities.

No impairment expense was recognized in 2021.

The €18.6 million impairment expense recognized in 2020 following impairment tests carried out on fixed assets corresponds to goodwill impairment of the Farmvet Systems and Brazil CGUs; this expense reflected the worsening of the outlook for these CGUs in view of tense and uncertain market conditions.

No impairment loss was identified for any other CGUs in 2020.

Likewise, an impairment test was conducted on the Equistro trademark, an intangible asset with an indefinite life, assuming sales growth to infinity of 2.0% and a 8.0% discount rate. This trademark is shown under "Other subsidiaries" in the table below. On the basis of this test, no impairment was found.

Sensitivity testing based on a deviation of +/-1% in the discount rate resulted in no material negative adjustments as of December 31, 2021 and 2020.

CGU	Goodwill at 12/31/2020 (€000)	Value of non-amortized trademarks at 12/31/2021 (€000)	Other intangible assets incl. "product list"/ Products - Proprietary	Total balance sheet intangible assets + goodwill	Estimated recoverable value (RV) based on value in use	Difference between NBV and RV (%)	Growth rate to infinity	Impact of 1% reduction in growth rate to infinity on RV (%)	Discount rate (WACC) applied	Impact of 1% increase in WACC on RV (%)
Vetoquinol India	8,434	4,302	50	12,786	67,505	81.1%	4.0%	-9%	12.0%	-12%
Vetoquinol Brazil	8,168	0	9,229	17,397	53,784	67.7%	3.1%	-7%	14.3%	-12%
Vetoquinol USA	24,449	0	16,425	40,874	498,513	91.8%	2.3%	-12%	8.7%	-14%
Vetoquinol SA	14,447	6,828	125,451	146,725	297,743	50.7%	1.3%	-12%	8.3%	-15%
Vetoquinol Canada	10,679	0	320	10,999	162,857	93.2%	2.0%	-13%	8.2%	-17%
Subtotal - selection	**66,177**	**11,130**	**151,475**	**228,782**	**1,080,401**	**78.8%**		**-12%**		**-15%**
Other subsidiaries	17,281	9,070	6,849	33,199	358,585	90.7%				
TOTAL ASSETS	**83,458**	**20,200**	**158,324**	**261,981**	**1,438,986**					

6.5.21 INTANGIBLE ASSETS

€000	Concessions, licenses and patents	Software	Trademarks	Products - Proprietary	Other intangible assets	Total
AT DECEMBER 31, 2019						
GROSS BOOK VALUE	**22,387**	**22,991**	**13,406**	**34,038**	**18,421**	**111,244**
ACCUMULATED DEPRECIATION	**(15,728)**	**(14,607)**	**(1,035)**	**(19,727)**	**(17,197)**	**(68,294)**
NET BOOK VALUE	**6,659**	**8,384**	**12,371**	**14,311**	**1,224**	**42,950**
Acquisitions	135	3,692	6,633	118,840	4,935	**134,235**
Acquisitions through business combinations	-	-	-	-	(0)	**(0)**
Purchase price allocation - asset recognition	-	-	-	7,026	10,887	**17,913**
Change in consolidation method	-	-	-	-	-	**-**
Disposals (net book value)	-	(483)	(0)	-	(408)	**(890)**
Reclassifications	(1,873)	(55)	975	-	831	**(122)**
Depreciation and amortization	(711)	(1,734)	-	(4,109)	(4,563)	**(11,118)**
Deconsolidation	-	-	-	-	-	**-**
Exchange differences, net	(150)	(187)	(461)	(3,902)	(3,275)	**(7,975)**
AT DECEMBER 31, 2020						
GROSS BOOK VALUE	**20,086**	**25,262**	**19,565**	**156,002**	**29,434**	**250,349**
ACCUMULATED DEPRECIATION	**(16,027)**	**(15,644)**	**(47)**	**(23,836)**	**(19,803)**	**(75,356)**
NET BOOK VALUE	**4,060**	**9,617**	**19,518**	**132,166**	**9,632**	**174,993**
Acquisitions	1,700	4,819	419	12,382	206	**19,526**
Acquisitions through business combinations	-	-	-	-	-	**-**
Purchase price allocation - asset recognition	-	-	-	-	-	**-**
Change in consolidation method	-	(64)	-	-	-	**(64)**
Disposals (net book value)	0	(211)	-	-	-	**(211)**
Reclassifications	(294)	(1,822)	6	7,602	(5,587)	**(95)**
Depreciation and amortization	(2,438)	(1,871)	(6)	(12,121)	(1,062)	**(17,499)**
Deconsolidation	-	-	-	-	-	**-**
Exchange differences, net	60	164	263	723	663	**1,873**
AT DECEMBER 31, 2021						
GROSS BOOK VALUE	**15,684**	**27,113**	**20,245**	**179,780**	**24,661**	**267,483**
ACCUMULATED DEPRECIATION	**(12,597)**	**(16,480)**	**(46)**	**(39,029)**	**(20,809)**	**(88,959)**
NET BOOK VALUE	**3,087**	**10,633**	**20,200**	**140,751**	**3,852**	**178,523**

At December 31, 2021, the "Trademarks" column includes the following:

- the Equistro® trademark valued at €8.9 million, which has an indefinite life and, as such, is not amortized;
- the Drontal® and Profender® trademarks, valued at €7.0 million;
- other trademarks (around 40 trademarks valued at €4.3 million) were recognized upon the 2009 acquisition of Wockardt® (India); these trademarks are individually non-material and the India CGU to which they are allocated is subject to an overall impairment test.

The "Products/Proprietary" column mainly includes the following intangible assets as of December 31, 2021:

- products/proprietary arising from the acquisition of Clarion and valued globally at €5,712,000,
- products/proprietary arising from the acquisition of the Bioniche® animal health division and valued at €7,642,000 (2020: €9,250,000),
- Drontal® and Profender® products/proprietary amounting to €116.1 million at December 31, 2021 (2020: €110.9 million),
- remaining products/proprietary valued at €11,333,000 (2020: €11,707,000).

6.5.21.1 R&D expenses

Under IAS 38, research costs are expensed as incurred, whereas internal development costs are capitalized as intangible assets, but only if all six criteria set forth in IAS 38 are met. Owing to the risks and uncertainties associated with regulatory approvals and the research and development process, the capitalization criteria are not deemed to have been met until the Group obtains marketing authorization for the drugs.

Payments made to separately acquire research and development work are recognized as other intangible assets when they meet the definition of an intangible asset, i.e. a controlled resource with probable future economic benefits to Vetoquinol that is identifiable, either being separable or arising from contractual or other legal rights. In application of paragraph 25 of IAS 38, the first recognition criterion related to the probability of the intangible asset generating future economic benefits is presumed to be met when research and development work is acquired separately. Accordingly, amounts paid to third parties in the form of an upfront payment or milestone payments for proprietary drugs that have not yet received market authorization are recognized on the asset side of the balance sheet. As soon as market authorization has been granted, these rights are amortized on a straight line basis over the duration of their useful lives.

Payments related to research and development agreements on access to technology or databases as well as payments related to generic in-licensing are also capitalized. They are amortized over the useful life of the intangible asset from when the agreement begins to apply.

Subcontracting agreements and expenditure under research and development service contracts or payments related to ongoing research and development collaborations, regardless of the outcome, are recognized as expenses throughout the period during which the services are received.

6.5.21.2 Other intangible assets

Intangible assets are carried at cost on the balance sheet and are systematically amortized over their useful life, except for rights, trademarks and other items comprising the Equistro® range, which have an indefinite useful life; an impairment test is carried out at least once a year to determine whether an impairment charge needs to be recorded.

The same amortization periods are used throughout the Group:

Categories	**Method**	Period
Licenses and patents	Straight line	5-15 years
Software	Straight line	3-5 years
Products and/or MAs	Straight line	10-15 years
Other inc. customer relations	Straight line	10 years

6.5.22 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is carried at acquisition cost (initially the purchase price, plus any ancillary expenses and purchase-related costs) or at production cost, less accumulated depreciation. Straight line depreciation is the method considered to be most economically justifiable. Upon recognition of assets following a business combination (revised IFRS 3), fixed assets are remeasured at fair value. Land is not depreciated. The Group uses the following depreciation periods for property, plant and equipment:

Categories	**Method**	Period
Buildings	Straight line	15-40 years
Fixtures	Straight line	10-20 years
Production equipment	Straight line	6-15 years
Vehicles/office equipment/research	Straight line	3-8 years
Other PP&E	Straight line	5 years

€000	**Land**	**Buildings**	**Plant and equipment**	**Other PP&E**	**PP&E in progress, advances and down payments**	**Total**
AT DECEMBER 31, 2019						
GROSS BOOK VALUE	**4,264**	**84,954**	**74,270**	**19,432**	**5,005**	**187,925**
ACCUMULATED DEPRECIATION	**(1,035)**	**(58,878)**	**(53,049)**	**(14,607)**	**-**	**(127,570)**
NET BOOK VALUE	**3,229**	**26,076**	**21,220**	**4,824**	**5,005**	**60,355**
Additions	-	2,302	3,774	1,176	3,980	**11,232**
Acquisitions through business combinations	-	-	-	-	-	**-**
Purchase price allocation - asset recognition	-	2,281	765	178	-	**3,224**
Change in consolidation method	-	-	-	-	-	**-**
Disposals (net book value)	-	85	(32)	(159)	(187)	**(293)**
Depreciation and amortization	(113)	(3,595)	(4,600)	(1,768)	-	**(10,077)**
Exchange differences, net	(365)	(1,949)	(1,202)	(459)	1	**(3,973)**
Deconsolidation	-	-	-	-	-	**-**
Reclassifications	5	3,120	928	703	(5,101)	**(344)**
AT DECEMBER 31, 2020						
GROSS BOOK VALUE	**3,905**	**89,666**	**74,024**	**19,257**	**3,699**	**190,550**
ACCUMULATED DEPRECIATION	**(1,148)**	**(61,351)**	**(53,183)**	**(14,745)**	**-**	**(130,428)**
NET BOOK VALUE	**2,756**	**28,315**	**20,841**	**4,512**	**3,699**	**60,123**
Additions	37	1,059	3,236	860	8,218	**13,410**
Acquisitions through business combinations	-	-	-	-	-	**-**
Purchase price allocation - asset recognition	-	-	-	-	-	**-**
Change in consolidation method	(25)	(380)	(379)	848	-	**64**
Disposals (net book value)	-	(118)	(43)	(446)	(147)	**(754)**
Depreciation and amortization	(92)	(3,433)	(4,861)	(1,811)	-	**(10,196)**
Exchange differences, net	24	460	326	76	(22)	**863**
Deconsolidation	-	-	-	-	-	**-**
Reclassifications	(758)	801	1,050	(306)	(2,338)	**(1,551)**
AT DECEMBER 31, 2021						
GROSS BOOK VALUE	**3,134**	**87,123**	**75,462**	**17,952**	**9,409**	**193,081**
ACCUMULATED DEPRECIATION	**(1,192)**	**(60,419)**	**(55,293)**	**(14,219)**	**-**	**(131,123)**
NET BOOK VALUE	**1,942**	**26,704**	**20,169**	**3,733**	**9,409**	**61,958**

6.5.23 IFRS 5

In the second half of 2021, Vetoquinol put its production plant in Mairipora, Brazil, up for sale; the net book value of €1.2 million is the best estimate of the corresponding assets' realizable value.

6.5.24 OTHER FINANCIAL ASSETS

Other financial assets at December 31, 2021 include equity investments in PAT (Plant Advanced Technologies) amounting to €372,000 in net value. In November 2017 Vetoquinol acquired a stake in PAT, a company headquartered in Vandœuvre-lès-Nancy.

PAT is specialized in the identification, optimization and production of rare vegetable biomolecules previously inaccessible, for use in the cosmetics, pharmaceutical and agrochemicals industries. PAT develops globally-patented unique and eco-friendly technologies (PAT plantes à traire® and Target Binding®). The company is listed on Euronext Growth Paris.

Other financial assets mainly consist of deposits and guarantees paid. Because they are treated as receivables, they are measured at cost less repayments and impairment. Other financial assets are not material in relation to the Group.

6.5.25 DERIVATIVES

At December 31, 2021, as at December 31, 2020, the Group does not hold any derivative instruments.

To hedge its currency and interest rate exposure, the Group sometimes enters into derivative contracts. Such derivatives are used only as part of centralized head office cash management for the purpose of hedging risk.

The main currency hedges used are the purchase of forward contracts expiring in less than one year. To hedge interest rates, the Group primarily uses swaps.

For hedging transactions, the Group applies hedge accounting as prescribed under IAS 39, i.e. derivatives are measured at fair value as of the balance sheet date based on how the hedge is classified:

- with a cash flow hedge, any change in the fair value of the derivative is recorded in a separate equity account called "Cash flow hedge reserve" that is transferred to the income statement as the risk crystallizes (in respect of the effective portion of the hedge, while the ineffective portion is recognized in the income statement);
- with a fair value hedge, any change in the fair value of the derivative is recorded in the income statement, as is any change in the fair value of the hedged item.

At each balance sheet date, the fair value of the instruments used is determined by reference to market value.

6.5.26 IMPACT OF CHANGE IN WORKING CAPITAL IN THE CASH FLOW STATEMENT (CFS)

€000	Dec 31, 2020	Changes in consolidation scope	Change in working capital in CFS	Reclassifications	Currency differences	Impact of restructuring	Dec 31, 2021
Inventories	85,527	-	22,561	-	3,506	-	**111,594**
Trade and other receivables	88,602	-	(4,215)	(0)	2,813	-	**87,200**
Other current assets	2,621	-	1,499	210	109	-	**4,439**
Other long-term liabilities	6,141	(1,230)	5	(4,143)	51	-	**824**
Government loans	-	-	-	-	-	-	**-**
Trade and other payables (excl. payables to fixed asset suppliers)	113,207	-	16,443	4,237	3,599	-	**137,486**
Other current liabilities	251	-	(241)	-	(0)	-	**9**
Government loans (portion due in less than 1 yr)	-	-	-	-	-	-	**-**
WCR RECONCILIATION	**57,152**	**1,230**	**3,638**	**116**	**2,778**	**-**	**64,914**

6.5.27 INVENTORIES

Raw materials, packaging items and goods purchased for resale are valued at their acquisition cost using the weighted average price method.

Finished goods are measured at production cost including raw material consumption, direct and indirect production costs and depreciation of production assets.

When the present value at year-end (market value for finished goods and goods purchased for resale and value in use for work in progress and raw materials) falls below the book value, an impairment charge is recognized for the difference. Such impairment charges are recorded on items with a low turnover rate or where the expiry date is too close to the probable completion date.

6.5.27.1 Analysis of inventories by type

€000	Dec 31, 2021			Dec 31, 2020		
	Gross value	Impairment	Net book value	Gross value	Impairment	Net book value
Raw materials & consumables	**29,460**	**(960)**	**28,501**	24,831	(697)	24,134
Other supplies	**-**	**-**	**-**	-	-	-
Work in progress	**16,110**	**(772)**	**15,339**	11,792	(998)	10,794
Semi-finished and finished goods	**48,003**	**(1,972)**	**46,031**	29,464	(1,427)	28,037
Goods purchased for resale	**23,227**	**(1,503)**	**21,724**	22,796	(234)	22,562
TOTAL	**116,801**	**(5,206)**	**111,594**	**88,883**	**(3,356)**	**85,527**

6.5.27.2 Analysis of inventory impairment

€000	Dec 31, 2019	Additions	Reclassifications	Write-backs	Currency differences	Dec 31, 2020
Raw materials & consumables	822	707	(11)	(811)	(10)	**697**
Work in progress	664	1,026	-	(688)	(3)	**998**
Semi-finished and finished goods	1,406	1,454	567	(1,901)	(99)	**1,427**
Goods purchased for resale	122	256	-	(141)	(4)	**234**
TOTAL	**3,013**	**3,443**	**556**	**(3,541)**	**(116)**	**3,356**

€000	Dec 31, 2020	Additions	Reclassifications	Write-backs	Currency differences	Dec 31, 2021
Raw materials & consumables	697	1,001	-	(735)	(3)	**960**
Work in progress	998	807	-	(1,033)	(0)	**772**
Semi-finished and finished goods	1,427	2,567	34	(2,109)	54	**1,972**
Goods purchased for resale	234	1,486	(34)	(224)	40	**1,503**
TOTAL	**3,356**	**5,861**	**-**	**(4,100)**	**90**	**5,206**

The Group monitors inventory on an individual basis (pharmaceutical batches). A 100% provision is recorded if a batch is not sellable, i.e. if it is defective and/or inconsistent with good manufacturing practices.

Similarly, batches that cannot be sold due to a short expiration date are written down (100% write-downs for expiration dates of less than 6 months). In the event of a shortfall in the sales budget for an item, a provision for impairment is recorded on the basis of the new sales forecasts. The sales outlooks for the items are reviewed monthly with regard to the volume in stock.

6.5.28 TRADE AND OTHER RECEIVABLES

€000	Dec 31, 2021	Dec 31, 2020
Trade receivables	**80,950**	76,224
Impairment of trade receivables	**(3,421)**	(3,477)
Net trade receivables	**77,529**	**72,747**
Prepayments	**2,014**	1,326
Receivables from government agencies	**5,987**	11,817
Other operating receivables	**862**	1,815
Miscellaneous receivables	**808**	898
Provisions	**-**	-
Other receivables	**9,671**	15,856
Total trade and other receivables	**87,200**	**88,602**
Prepaid expenses	**3,830**	2,222
Loans and guarantees	**609**	399
Other	**(0)**	(0)
Total other current assets	**4,439**	**2,621**

All net trade receivables were due in less than one year. Receivables are written down according to the risk of non-recovery and are analyzed individually per customer and per receivable. The Group also applies the following automatic impairment method: receivables aged over 180 days and less than 360 days are 50% covered by provisions; over 360 days they are 100% covered.

The Group has applied IFRS 9 "Financial Instruments" since January 1, 2018. The only impact of its application was the recognition of an additional provision relating to expected losses on Group trade receivables. As of December 31, 2021, this provision stood at €1.2 million, unchanged since the previous year-end.

Trade receivables are recognized at the fair value of the cash to be received. Given the Group's business practices, fair value is usually equal to the nominal value of the receivables. Trade receivables are subsequently stated less impairment recorded after an itemized analysis of the risk of bad debts.

6.5.29 CASH AND CASH EQUIVALENTS

Cash includes bank accounts, investments and cash equivalents, and is measured at fair value. These investments are short-term investments and/or liquid investments readily convertible to known amounts of cash and not subject to risks of changes in value (guaranteed capital).

€000	Dec 31, 2021	Dec 31, 2020
Marketable securities	**15,338**	21,865
Cash	**53,661**	107,576
Cash and cash equivalents in the balance sheet (assets)	**68,999**	**129,441**

Total cash and cash equivalents in the cash flow statement include:

€000	Dec 31, 2021	Dec 31, 2020
Total cash and cash equivalents in the balance sheet	**68,999**	129,441
Bank overdrafts (Note 6.5.31)	**(890)**	(107)
Cash and cash equivalents in the CFS	**68,109**	**129,334**

6.5.30 CAPITAL STOCK AND ADDITIONAL PAID-IN CAPITAL

€000	Number of shares	Capital stock	Additional paid-in capital	Total
At December 31, 2019	**11,881,902**	**29,705**	**41,126**	**70,831**
At December 31, 2020	**11,881,902**	**29,705**	**41,126**	**70,831**
At December 31, 2021	**11,881,902**	**29,705**	**41,126**	**70,831**

At December 31, 2021, the capital stock amounted to €29,704,755 (2020: €29,704,755) divided into 11,881,902 shares (2020: 11,881,902 shares), each with a par value of €2.50.

6.5.30.1 Bonus shares

On May 26, 2020 the Board of Directors decided to grant a total of 5,500 bonus shares.

6.5.30.2 Stock options

None.

6.5.30.3 Treasury stock excluding liquidity contract

As of December 31, 2021, Vetoquinol held 53,240 treasury shares (2020: 53,240).

6.5.30.4 Dividend distribution

Dividends distributed to Group shareholders are recognized as a liability in the period in which they are approved by the shareholders.

The May 27, 2021 shareholders' meeting approved the distribution of dividends attributable to FY 2020 amounting to €5,940,951.00, i.e. €0.50 per share (2020: €4,515,122.76 attributable to FY 2019, i.e. €0.38 per share). At the time the dividend was paid, Vetoquinol held a number of these shares as treasury shares. The dividends attributable to these shares were not paid but were allocated to retained earnings. The total dividend paid in 2021 amounted to €5,913,835.00 (2020: €4,493,911.16).

The Group dividend distribution policy complies with a minimum payout of 15%.

The Board has proposed a 2021 dividend payout of €0.80 per share payable on June 7, 2022.

6.5.31 FINANCIAL LIABILITIES

Financial liabilities mainly include borrowings from credit institutions and bank overdrafts.

Borrowings are recognized at cost less repayments, net of any transaction costs incurred.

Borrowings with a term of less than one year are classified as current liabilities, with the exception of borrowings for which the Group has an unconditional right to defer repayment for at least 12 months after the balance sheet date. In such cases, the borrowings are classified as non-current liabilities.

In the case of borrowings corresponding to finance lease restatements, the capital borrowed is equal to the initial value of the assets acquired under finance leases, which are recorded in Property, plant and equipment.

Interest expenses are expensed as incurred.
Current and non-current financial liabilities break down as follows:

€000	Dec 31, 2021	Dec 31, 2020
Borrowings and other financial liabilities	**187**	176
Non-current financial liabilities	**6,880**	8,077
Total non-current financial liabilities	**7,067**	**8,253**
Borrowings and other financial liabilities	**3,032**	112,125
Current lease liabilities	**4,394**	**4,371**
Bank overdrafts	**890**	107
Total current financial liabilities	**8,316**	116,603
TOTAL FINANCIAL LIABILITIES	**15,383**	**124,856**

The breakdown of financial liabilities by maturity is as follows:

€000	Total	< 1 year	1-5 years	> 5 years
At December 31, 2020				
Borrowings and other financial liabilities	112,301	112,125	176	-
Lease liabilities	12,448	4,371	7,629	448
Bank overdrafts	107	107	-	-
TOTAL FINANCIAL LIABILITIES	**124,856**	**116,603**	**7,805**	**448**
At December 31, 2021				
Borrowings and other financial liabilities	3,220	3,032	187	-
Lease liabilities	11,274	4,394	6,584	296
Bank overdrafts	890	890	-	-
TOTAL FINANCIAL LIABILITIES	**15,383**	**8,316**	**6,772**	**296**

6.5.31.1 Reconciliation between opening and closing balances

Opening and closing financial liabilities are reconciled as follows (excluding bank overdrafts), applying a distinction between cash flows and non-cash transactions:

€000	Dec 31, 2020	Cash flow	Non-cash transactions				Dec 31, 2021
			Acquisitions	Currency gains/losses	IFRS 16 reclassification/ impact	Changes in fair value	
Borrowings and other financial liabilities - non-current	176	-	-	12	-	-	**187**
Borrowings and other financial liabilities - current	112,125	(109,124)	-	31	-	-	**3,032**
Lease liabilities	12,448	-	-	283	(1,457)	-	**11,274**
Hedging instruments	-	-	-	-	-	-	**-**
TOTAL FINANCIAL LIABILITIES	**124,749**	**(109,124)**	**-**	**326**	**(1,457)**	**-**	**14,494**

6.5.31.2 Breakdown by currency and rate type

€000	Dec 31, 2021	Dec 31, 2020
Fixed rate	620	727
INR	**620**	**727**
Fixed rate	3,437	2,291
BRL	**3,437**	**2,291**
Fixed rate	514	78
AUD	**514**	**78**
Fixed rate	733	882
USD	**733**	**882**
Fixed rate	1,099	1,267
CAD	**1,099**	**1,267**
Fixed rate	79	34
CHF	**79**	**34**
Fixed rate	142	69
CNY	**142**	**69**
Fixed rate	164	244
CZK	**164**	**244**
Fixed rate	656	534
GBP	**656**	**534**
Fixed rate	192	168
KRW	**192**	**168**
Fixed rate	443	132
MXN	**443**	**132**
Fixed rate	157	210
PLN	**157**	**210**
Fixed rate	57	97
SEK	**57**	**97**
Fixed rate on bonds	-	-
Fixed rate and floating swapped to fixed	6,202	7,924
Floating rate	-	110,092
EUR	**6,202**	**118,016**
Fixed rate	14,494	14,657
Floating rate	-	110,092
Total (all currencies combined)	**14,494**	**124,749**
Bank overdrafts	890	107
TOTAL	**15,383**	**124,856**

6.5.31.3 Collateral given as guarantee

None.

6.5.31.4 Credit lines

As of December 31, 2021, the Group had open lines of bank credit amounting to €45 million (2020: €16,785,000). These lines had been drawn in an amount of €785,000 at 2021 year-end (€48,000 at 2020 year-end).

6.5.31.5 Liquidity risk

In view of its available cash and cash equivalents as of December 31, 2021, the Group is not exposed to liquidity risk. Contractual cash flows include the notional amounts of the Group's financial liabilities and the non-discounted value of its contractual interest payments.

€000	Carrying amount	Contractual cash flows	Breakdown of contractual cash flows		
			< 1 year	1-5 years	> 5 years
At December 31, 2021					
Borrowings and other financial liabilities	3,220	3,220	3,032	187	-
Bank overdrafts	890	890	890	-	-
Trade payables	46,936	46,936	46,936	-	-
Payables to fixed asset suppliers	3,289	3,289	3,289	-	-
Other operating liabilities	42,070	42,070	42,070	-	-
TOTAL FINANCIAL LIABILITIES	**96,405**	**96,405**	**96,218**	**187**	**-**

€000	Carrying amount	Contractual cash flows	Breakdown of contractual cash flows		
			< 1 year	1-5 years	> 5 years
At December 31, 2020					
Borrowings and other financial liabilities	112,301	112,301	112,125	176	-
Bank overdrafts	107	107	107	-	-
Trade payables	41,469	41,469	41,469	-	-
Payables to fixed asset suppliers	2,756	2,756	2,756	-	-
Other operating liabilities	35,123	35,123	35,123	-	-
TOTAL FINANCIAL LIABILITIES	**191,756**	**191,756**	**191,580**	**176**	**-**

6.5.32 PROVISIONS FOR EMPLOYEE BENEFITS

6.5.32.1 Liabilities for pensions and other long-term employee benefits

The schemes put in place to provide for these benefits are either defined contribution plans or defined benefit plans.

Defined contribution plans: In accordance with the laws and customs specific to each country, Vetoquinol pays contributions based on employee salaries to national bodies in charge of pension and health insurance plans. There is no actuarial liability in this respect. Vetoquinol's payments to such plans are recognized as expenses in the period in which they are incurred.

Defined benefit plans for post-employment benefits: the amount recognized as a liability is the present value of the defined benefit plan obligation at the balance sheet date.

In accordance with revised IAS 19 "Employee Benefits", the corresponding commitments are calculated annually by independent actuaries according to the projected unit credit method in proportion to final years of service.

The amount of future employee benefit payments is estimated using actuarial assumptions as to future salary levels, age at retirement and mortality, then discounted to present value by reference to interest rates on long-term blue chip corporate bonds.

Actuarial gains and losses on pensions and post-employment benefits arising from adjustments due to revised actuarial assumptions and experience are recognized in other comprehensive income, net of deferred taxes, in the period in which they occur.

€000	Dec 31, 2021	Dec 31, 2020
Provision for retirement bonus	**7,078**	7,618
Other employee benefits (CET time savings account, long-service awards, etc.)	**1,869**	1,778
PROVISIONS FOR EMPLOYEE BENEFITS	**8,948**	**9,396**

6.5.32.2 Retirement bonuses

A retirement bonus system has been established for the Vetoquinol sites in France, Poland and Italy. In France, employees qualify for a retirement bonus ("Indemnités de Fin de Carrière") under the national collective bargaining agreement for production and sale of pharmaceutical, parapharmaceutical and veterinary products. The sensitivity testing based on a deviation of +/- 0.25% in the discount rate did not result in any material (+/- €205,000) adjustments to the commitment.

6.5.32.2.1 Changes in the corresponding liability were as follows:

€000	Dec 31, 2021	Dec 31, 2020
Carrying amount at January 1	**7,618**	**7,209**
Expenses recognized in the income statement	**901**	836
Actuarial gains and losses recognized in other comprehensive income	**(632)**	78
Contributions paid	**(317)**	(219)
Reclassifications	**(209)**	(49)
Benefits paid from the fund	**(280)**	(217)
Exchange differences	(3)	(20)
New liabilities arising from acquisitions	**-**	-
Carrying amount at December 31	**7,078**	**7,618**

6.5.32.2.2 The following amounts were posted to the income statement for the year:

€000	Dec 31, 2021	Dec 31, 2020
Cost of services rendered during the year	**828**	710
Financial cost	**19**	48
Cost of past services	**-**	**-**
Actuarial gains and losses recognized in the income statement	**53**	78
TOTAL	**901**	**836**

6.5.32.2.3 The main actuarial assumptions applied in France are as follows:

	Dec 31, 2021	Dec 31, 2020
Discount rate	**0.80%**	0.70%
Salary increase rate	**2.40%**	2.90%
Social security contribution rate	**45.40%**	45.40%
Mortality table	**TF-TH 2000-2002**	
Staff turnover	**Based on age range**	

6.5.32.3 Other long-term employee benefits

In France, employees qualify for long-service awards as defined by Decree no. 2000-1015 published in the official gazette (Journal Officiel) on October 19, 2000, as set forth in a company agreement or as standard practice. Vetoquinol also has its own system of long-service awards which entitles employees to receive bonuses based on years of service. Similar benefits exist in Poland and India.

6.5.32.3.1 Changes in the corresponding liability were as follows:

€000	Dec 31, 2021	Dec 31, 2020
Carrying amount at January 1	**1,778**	**1,695**
Expenses recognized in the income statement	**290**	202
Actuarial gains and losses recorded in equity	**-**	-
Contributions paid	**(224)**	(33)
Reclassifications	**-**	-
Exchange differences	**25**	(85)
New liabilities arising from acquisitions	-	-
Carrying amount at December 31	**1,869**	**1,778**

6.5.32.3.2 The following amounts were posted to the income statement for the year:

€000	Dec 31, 2021	Dec 31, 2020
Cost of services rendered during the year	**327**	133
Financial cost	**-**	2
Cost of past services	**-**	**-**
Actuarial gains and losses recognized in the income statement	**(36)**	66
TOTAL	**290**	**202**

6.5.32.3.3 The main actuarial assumptions used for long-service awards are as follows:

	Dec 31, 2021	Dec 31, 2020
Discount rate	**0.30%**	0.30%
Award appreciation rate	**0.60%**	0.60%
Social security contribution rate	**45.40%**	45.40%
Mortality table	**TF-TH 2000-2002**	
Staff turnover	**Based on age range**	

6.5.33 OTHER PROVISIONS

Provisions are recognized when the Group has a legal or constructive liability as a result of a past event, when it is probable that an outflow of resources representing economic benefits will be required to settle this liability, and when the liability can be reliably estimated.

Provisions for restructuring mainly cover site restoration costs and employee severance payments. No provision is recognized for future operating losses.

€000	**Provision for litigation**	**Other provisions**	**Total**
At December 31, 2019	**614**	**1,816**	**2,430**
Additional provisions and increases	579	429	**1,008**
Amounts used	-	(180)	**(180)**
Reclassifications	(15)	24	**9**
Write-backs of amounts not used	(76)	-	**(76)**
Provisions arising from acquisitions	-	-	**-**
Exchange differences	(1)	(51)	**(52)**
At December 31, 2020	**1,101**	**2,039**	**3,140**
Additional provisions and increases	-	61	**61**
Amounts used	(441)	(1,330)	**(1,771)**
Reclassifications	-	(24)	**(24)**
Write-backs of amounts not used	-	-	**-**
Provisions arising from acquisitions	-	-	**-**
Exchange differences	-	9	**9**
At December 31, 2021	**660**	**755**	**1,414**

€000	**Dec 31, 2021**	**Dec 31, 2020**
Current	**391**	648
Non-current	**1,023**	2,492
TOTAL	**1,414**	**3,140**

Provisions for litigation concern sales and labor-related disputes and claims.

Type of provisions	Balance sheet amount as of December 31, 2021	Balance sheet amount as of December 31, 2020
Litigation/termination of employment contract	723	1,164
Restructuring plan – Italian site closure – severance payments		1,128
Restructuring plan – Italian site closure – restoration of premises	300	200
Subtotal – non-current provision	**1,023**	**2,492**
Litigation/termination of employment contract	223	180
Provision for risk of non-use/collection of an asset		215
Provision for risks – litigation	168	253
SUBTOTAL – CURRENT PROVISION	**391**	**648**

6.5.34 TRADE AND OTHER PAYABLES

€000	Dec 31, 2021	Dec 31, 2020
Trade payables	46,936	41,469
Payables to fixed asset suppliers	3,289	2,756
Tax and social security liabilities	43,966	36,578
Other operating liabilities	42,070	35,123
Other miscellaneous liabilities	4,514	37
Total trade and other payables	**140,775**	**115,963**
Deferred income	9	251
Total other current liabilities	**9**	**251**

All trade and other payables are due in less than one year. Other miscellaneous operating liabilities consist overwhelmingly of "annual or quarterly rebates" payable to indirect customers of Vetoquinol.

6.5.35 ASSETS AND LIABILITIES BY ACCOUNTING CATEGORY

The fair value of derivatives is measured using the valuations provided by bank counterparties.

The fair value of non-derivative financial liabilities, as shown in the table below ("fair value" column), corresponds to the present value of future cash flows generated by principal and interest payments, discounted at the market interest rate applicable at the balance sheet date.

"Cash and cash equivalents" are stated at amortized cost given that income and interest are periodically recognized in the income statement. As of December 31, 2021 and December 31, 2020, there were no derivative financial instruments.

€000 – 2021	Assets/liabilities at fair value through profit/loss	Assets/liabilities at amortized cost	Non-financial instruments	Total carrying amount	Fair value
Other equity investments	372	-	-	372	372
Other non-current assets (loans and advances)	-	693	-	693	693
Trade receivables and related accounts	-	91,639	-	91,639	91,639
Cash and cash equivalents	-	68,999	-	68,999	68,999
Derivatives	-	-	-	-	-
Financial assets at Dec 31, 2021	**372**	**161,331**	**-**	**161,703**	**161,703**
Bonds	-	(0)	-	(0)	(0)
Short/long-term borrowings and other financial liabilities	-	4,110	-	4,110	4,110
Lease liabilities	-	11,274	-	11,274	11,274
Derivatives	-	-	-	-	-
Trade payables	-	46,936	-	46,936	46,936
Payables to fixed asset suppliers	-	3,289	-	3,289	3,289
Other operating liabilities	-	42,070	-	42,070	42,070
Financial liabilities at Dec 31, 2021	**-**	**107,679**	**-**	**107,679**	**107,679**

€000 – 2020	Assets/liabilities at fair value through profit/loss	Assets/liabilities at amortized cost	Non-financial instruments	Total carrying amount	Fair value
Other equity investments	400	-	-	400	400
Other non-current assets (loans and advances)	-	637	-	637	637
Trade receivables and related accounts	-	91,223	-	91,223	91,223
Cash and cash equivalents	-	129,441	-	129,441	129,441
Derivatives	-	-	-	-	-
Financial assets at Dec 31, 2020	**400**	**221,301**	**-**	**221,701**	**221,701**
Bonds	-	(0)	-	(0)	(0)
Short/long-term borrowings and other financial liabilities	-	112,408	-	112,408	112,408
Lease liabilities	-	12,448	-	12,448	12,448
Derivatives	-	-	-	-	-
Trade payables	-	41,469	-	41,469	41,469
Payables to fixed asset suppliers	-	2,756	-	2,756	2,756
Other operating liabilities	-	35,123	-	35,123	35,123
Financial liabilities at Dec 31, 2020	**-**	**204,204**	**-**	**204,204**	**204,204**

6.5.36 DIVIDENDS PER SHARE

Dividends paid in 2021 amounted to €5,913,835.00 (2020: €4,493,911.16), i.e. €0.50 per share (2020: €0.38 per share).

At the upcoming shareholders' general meeting on May 19, 2022, shareholders will be asked to approve a dividend payout of €0.80 per share.

6.5.37 HEADCOUNT

2021 headcount by functional dept. and geographical region	France	Western Europe (excl. France)	Eastern Europe	Americas	Asia	Consolidated total
Sales & Marketing	98	189	59	259	481	**1,086**
Administration & Management	178	51	47	85	29	**390**
Production	215	0	95	77	0	387
Quality	103	7	53	68	3	234
Procurement & Logistics	102	23	34	61	15	**235**
R&D	137	14	20	34	9	214
Total headcount at Dec 31, 2021	**833**	**284**	**308**	**584**	**537**	**2,546**

2020 headcount by functional dept. and geographical region	France	Western Europe (excl. France)	Eastern Europe	Americas	Asia	Consolidated total
Sales & Marketing	89	174	56	248	454	**1,021**
Administration & Management	155	57	41	81	25	**359**
Production	162	17	93	87	0	359
Quality	97	11	54	73	3	238
Procurement & Logistics	93	27	33	61	13	**227**
R&D	130	13	17	29	7	196
Total headcount at Dec 31, 2020	**726**	**299**	**294**	**579**	**502**	**2,400**

6.5.38 OFF-BALANCE SHEET COMMITMENTS

6.5.38.1 Guarantees given

€000	Dec 31, 2021	Dec 31, 2020
Guarantees and deposits	**8**	8
Mortgages and collateral	**-**	-
TOTAL	**8**	**8**

6.5.38.2 Guarantees received

€000	Dec 31, 2021	Dec 31, 2020
Guarantees and deposits	**-**	-
Liability guarantees	**-**	-
TOTAL	**-**	**-**

In relation to the acquisition of Clarion Biociencias in 2019, the Group placed BRL 20 million in an escrow account to cover potential liability guarantees. The amount was deposited for a 5-year term starting on April 15, 2019. As of December 31, 2021, the balance in the account amounted to BRL 17.8 million (€2,827,000).

6.5.38.3 Capital expenditure commitments

At the balance sheet date, Vetoquinol had contracted the following capital expenditure not recorded in the financial statements:

€000	Dec 31, 2021	Dec 31, 2020
Intangible assets	**355**	484
Property, plant and equipment	**10,380**	2,929
TOTAL	**10,735**	**3,413**

6.5.39 CONTINGENT ASSETS AND LIABILITIES

None.

6.5.40 RELATED PARTY DISCLOSURES

6.5.40.1 Compensation paid to key executives

€000	Dec 31, 2021	Dec 31, 2020
Short-term benefits	**1,454**	1,361
Post-employment benefits	**-**	-
TOTAL	**1,454**	**1,361**

Vetoquinol Group top management comprises:

- Matthieu Frechin, Chief Executive Officer;
- Étienne Frechin, Chairman;
- Dominique Derveaux, Group Chief Operating Officer as from April 1, 2020;
- Alain Masson, Deputy CEO and Chief Pharmacist.

6.5.40.2 Related party transactions

None.

6.5.41 POST-BALANCE SHEET EVENTS

6.5.41.1 Acquisition of entire capital stock of Vetoquinol Zenoaq

On January 26, 2022, the Group finalized the acquisition of all Vetoquinol Zenoaq shares.

The Vetoquinol Zenoaq JV was created in January 2016 to develop, register and market Vetoquinol products in Japan. Since its inception, it has launched eight animal health supplement products and obtained approval for three pharmaceutical veterinary drugs.

Vetoquinol purchased all shares held by Zenoaq, thereby making Vetoquinol Zenoaq a wholly owned subsidiary of the Group.

6.5.41.2 Geopolitical risk related to a major conflict between two countries

Since February 2022, the war in Ukraine has had major direct and indirect repercussions on the global economy.

At the current stage of the conflict, we believe that Vetoquinol has limited exposure to the associated risk, for the following reasons:

Vetoquinol has no direct presence in any form whatsoever (subsidiary, establishment, plant, workforce) in either of these countries. Russia and Ukraine account for a small share of Group sales (less than 1%). Net trade receivables in these two countries are low and amounted to less than 1% of total receivables at December 31, 2021. Purchases from these two countries are non-material.

On the other hand, as a result of the economic tensions arising from this conflict, we remain exposed to the risk of inflation in general raw material prices, energy costs and the cost of gas purchased for our European plants in France and Poland, as well as the impact on logistics flows.

6.5.41.3 Q1 2022 sales

On April 13, 2022, Vetoquinol published its sales for the first quarter of 2022 (see section 3.5.2 of this URD).

6.5.42 LITIGATION AND ARBITRATION

There are no administrative, judicial or arbitration proceedings, including any proceedings of which the Company is aware, either pending or imminent, that could have or that have over the past 12 months had a material impact on the financial position or profitability of the Company and/or the Group.

6.5.43 FINANCIAL/COMMERCIAL POSITION

No change in the Group's financial or commercial position has occurred since the close of the period.

6.5.44 FEES

The listed fees relate to the fees for statutory auditors and the members of their networks, in accordance with AMF regulations. These fees relate to the statutory auditing of French companies (essentially the issuer and a sub-holding company), with respect to the certification and review of the individual and consolidated financial statements.

Fees paid abroad include the certification of financial statements of fully consolidated subsidiaries by members of the network.

€000	**Mazars 2021 Amount**	**PwC 2021 Amount**
Statutory audit fees		
Issuer	**95**	113
Fully consolidated subsidiaries	**100**	85
Services other than account certification		
Services required under statutory and regulatory provisions - Issuer		
Services required under statutory and regulatory provisions - Fully consolidated subsidiaries	**38**	
Other services - Issuer		
Other services - Fully consolidated subsidiaries		
TOTAL	**233**	**198**

6.5.44.1 Pre-approval policies and procedures set by the Audit Committee

The Vetoquinol Audit Committee has established a policy and procedures for the approval of auditing services and pre-approval of other services provided by the statutory auditors.

6.5.45 GROUP COMPANIES

Company	Head office	Dec 31, 2021		Dec 31, 2020	
		% held at	% interest	% held at	% interest
Vetoquinol SA	Magny-Vernois – 70200 Lure – France	**100%**	**100%**	100%	100%
Vetoquinol NA Inc.	2000 Chemin Georges – Lavaltrie – Quebec J5T 3S5 Canada	**100%**	**100%**	100%	100%
Vetoquinol USA Inc.	Corporation Trust Center – 1209 Orange Street – Wilmington - Delaware 19801 – USA	**100%**	**100%**	100%	100%
Vetoquinol de Mexico SA de CV	Blvd Manuel Avila Camacho 118 piso 22 Despacho 2202 - Col. Lomas de Chapultepec - Delegation Miguel Hidalgo – Mexico	**100%**	**100%**	100%	100%
Vetoquinol Saude Animal Ltda	Avenida Fausto Dallape Dallape, 90, térreo, sala 1, Terra Preta Cidade de Mairipora – Estado de São Paulo CEP 07662-670 – Brazil	**99%**	**100%**	99%	100%
Vetoquinol Do Brasil Participacoes Ltda	Avenida Fausto Dallape Dallape, 90, térreo, sala 1, Terra Preta Cidade de Mairipora – Estado de São Paulo CEP 07662-670 – Brazil	**100%**	**100%**	100%	100%
Vetoquinol Especiali-dades Veterinarias SA	Carretera de Fuencarral, km 15,700 – Edificio Europa I, Portal 3, piso 2, puerta 5, – 28108 Alcobendas (Madrid) – Spain	**100%**	**100%**	100%	100%
Vetoquinol Unipessoal Lda	Rua Consiglieri Pedroso – n° 123 – Edificio H – Queluz de Baixo – 2730-056 Barcarena – Portugal	**100%**	**100%**	100%	100%
Vetoquinol UK Ltd	Steadings Barn – Pury Hill Business Park – Towcester – United Kingdom – Northants NN12 7LS – UK	**100%**	**100%**	100%	100%
Vetoquinol Ireland Ltd	12 Northbrook Road, Ranelagh, Dublin 6 – Ireland	**100%**	**100%**	100%	100%
Farmvet Systems Ltd	27 High Street - Moneymore - Magherafelt BT45 7PA - United Kingdom	**100%**	**100%**	77%	100%
Vetoquinol NV	Kontichsesteenweg 42 - 263 Aartselaar - Belgium	**99%**	**99%**	99%	99%
Vetoquinol BV	Postbus 9202, 4801 Le Breda – Netherlands	**100%**	**100%**	100%	100%
Vetoquinol International	Magny-Vernois – 70200 Lure – France	**100%**	**100%**	100%	100%
Frefin GmbH	Reichenbachstraße 1 – 85737 Ismaning – Germany	**100%**	**100%**	100%	100%
Vetoquinol GmbH (for-merly Chassot GmbH)	Reichenbachstraße 1 – 85737 Ismaning – Germany	**100%**	**100%**	100%	100%
Vetoquinol Biowet Poland Sp. z.o.o.	ul. Kosynierow Gdynskich 13/14 St. – 66-400 Gorzów WKLP – Poland	**100%**	**100%**	100%	100%
Vetoquinol AG	Freiburgstrasse 255 – 3018 Bern – Switzerland	**100%**	**100%**	100%	100%
Vetoquinol s.r.o.	Walterovo náměstí 329/3 – Mechanika 2 - 158000 Prague – Czech Republic	**100%**	**100%**	100%	100%
Vetoquinol Österreich GmbH	Greindl & Koeck Gußhausstraße 14/5 1040 Vienna – Austria	**100%**	**100%**	100%	100%
Vetoquinol Italia S.r.l.	Via Piana 265 – Capocolle di Bertinoro – Italy	**100%**	**100%**	100%	100%
Vetoquinol Scandinavia AB	Box 9 – 265 21 Astorp – Sweden	**100%**	**100%**	100%	100%
Frefin Mauritius Ltd	5th Floor, Rubis Center 30 Dr Eugene Laurent Street – Port Louis - Republic of Mauritius	**100%**	**100%**	100%	100%
Vetoquinol India Animal Health Private Ltd.	801, Sigma, 8th floor – Hirandani Business Park – Technology Street – Powai – Mumbai 400 076 – India	**100%**	**100%**	100%	100%

Company	Head office	Dec 31, 2021		Dec 31, 2020	
		% held at	% interest	% held at	% interest
Frefin Asia Ltd	Wayson Commercial Building – 28 Connaught Road West – Sheung Wan – Hong Kong	**100%**	**100%**	100%	100%
Vetoquinol Korea Co. Ltd	#11001-A, M-city tower, 195, Beakmaro, Ilsandong-gu, Goyang-si, Gyeonggi-do – South Korea	**100%**	**100%**	100%	100%
Vetoquinol Trading (Shanghai) Co. Ltd.	Suite 1607, Block C, 85 Loushanguan, Changning District, Shanghai, People's Republic of China	**100%**	**100%**	100%	100%
Vetoquinol Australia Pty Ltd Inc.	Cornwall Stodart- Level 10, 114 William Street, Melbourne – Vic 3000 – Australia	**100%**	**100%**	100%	100%
Vetoquinol New Zealand Ltd	60 Parnell Road - Parnell – 1052 Auckland - New Zealand	**100%**	**100%**	100%	100%
Vetoquinol-Zenoaq K.K.	1-1 Tairanoue, Sasagawa, Asaka-machi, Koriyama, Fukushima – Japan 963-0102	**55%**	**55%**	55%	55%

All Group companies are exclusively controlled except Vetoquinol-Zenoaq K.K (50-50 joint control, although Vetoquinol owns 55% of the capital - the only company accounted for using the equity method).

Farmvet Systems:

On 31 December 2021, the Group acquired the remaining 23.1% equity stake for €1.2 million and now holds the entire capital stock of Farmvet Systems Ltd. As of December 31, 2020, the Group held a 76.9% equity stake in Farmvet Systems Ltd; it was agreed that the remaining 23.1% stake would be sold via a cross put/call mechanism, with a minimum sale price of €1.2 million recognized in the 2020 financial statements.

Clarion Biociencias Ltda Laboratories merged in 2020 into Vetoquinol Saude Animal Ltda:

On April 15, 2019, the Vetoquinol Group signed an agreement to acquire 90% of the shares of Clarion. The price paid amounted to BRL 222.7 million (€51.9 million). It was agreed that the remaining 10% stake would be sold via a cross put/call mechanism, with a fixed sale price of BRL 24.7 million (€3.9 million at the closing rate) recognized in the financial statements. The Vetoquinol Group has a stated policy of taking 100% control. These options are exercisable in May 2022. Following the March 2020 merger of Clarion Biociencias Ltda into Vetoquinol Saude Ltda, the put/call sale agreement now corresponds to a 0.2% share in Vetoquinol Saude Animal Ltda.

6.6 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

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ACHIEVE MORE TOGETHER

Vetoquinol SA

French public limited company with capital of €29,704,755

676 250 111 RCS Vesoul

www.vetoquinol.com

Vetoquinol Head Office – Magny-Vernois
70200 Lure – Tel.: +33 (0)3 84 62 55 55
E-mail: relations.investisseurs@vetoquinol.com