2022 UNIVERSAL REGISTRATION DOCUMENT

including the Annual Financial Report

90 YEARS 1933/2023

vetoquinol
ACHIEVE MORE TOGETHER

www.vetoquinol.com

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2022 UNIVERSAL REGISTRATION DOCUMENT

including the Annual Financial Report

Note: this pdf format document is a translation of three chapters of the Universal Registration Document which serves as Annual Financial Report for the year ended December 31, 2022. It is a partial reproduction of the official version in ESEF format which is available on the Vetoquinol website, www.vetoquinol.com.

The original French Universal Registration Document was filed with the AMF (French Financial Markets Authority) on April 13, 2023.

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PRESENTATION OF THE GROUP

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1.1 VETOQUINOL: 90 YEARS IN THE SERVICE OF ANIMAL HEALTH

The Covid-19 pandemic has led to exceptional growth in the animal health markets in 2020 and 2021. We have been able to include our laboratory in this dynamic. In 2022, the animal health market returned to growth rates close to its pre-pandemic levels. In this context, we have implemented the necessary levers to consolidate Vetoquinol's performance, a performance that guarantees our independence and our long-term future.

In 2022, we adopted our new strategic plan, setting out our direction and roadmap for the next five years. The deployment of this strategic plan allows us to pursue ambitious and transforming projects for the future of our company. It is once again in line with the long-term vision of our laboratory.

Over the past year, we have also launched new high-potential Essential products in all our strategic markets: Phovia®, Imoxi®, Felpreva® and more recently Simplera® are the result of our efforts in terms of innovation. They give concrete expression to our ambition in our strategic segments. Finally, I would like to highlight the major and structuring project of deploying a new ERP. This essential and unifying investment to support the growth of our laboratory also enables us to illustrate one of our corporate values: collaborating to achieve more together.

In 2023, we will celebrate the 90th anniversary of the Vetoquinol laboratory. During all these years, we have never ceased to be close to the needs of our customers, veterinarians, breeders and pet owners, and to support the development of our employees. We have carried out our actions and projects at the heart of animal health by pursuing our mission: "Enriching the lives of people by devoting ourselves to the health and well-being of animals". These 90 years in animal health give us a new impetus, a future to build together. We look forward to seeing you in 2033 to celebrate our centenary.

Matthieu Frechin
CEO
—

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, 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 a far-reaching competitive edge.

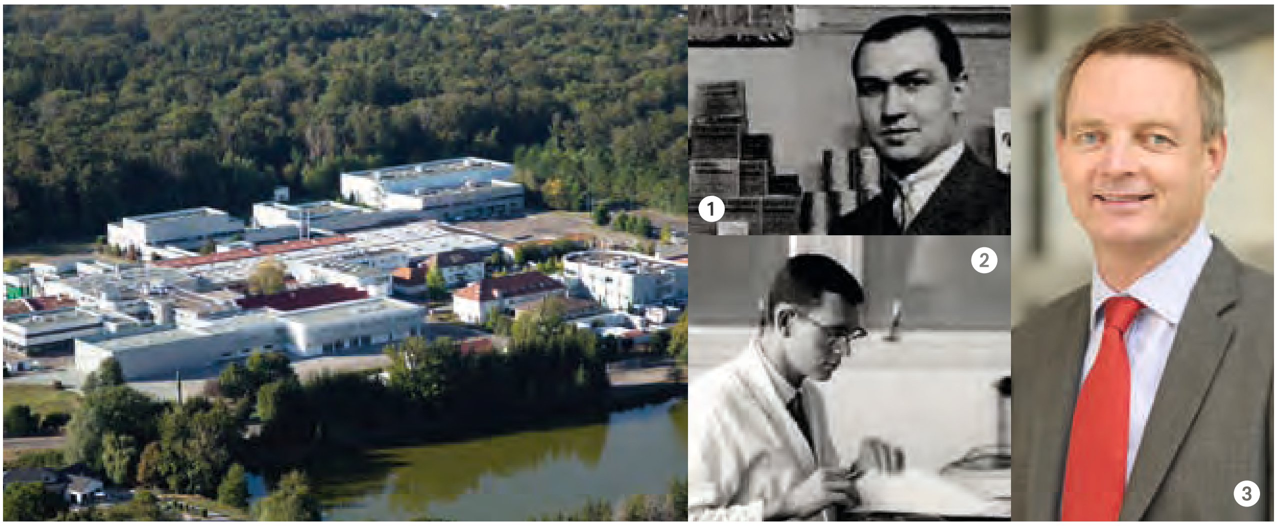
Vetoquinol is an active member of national (in the countries where it has a subsidiary), regional and global organizations that represent the profession. In particular, Vetoquinol is a corporate member of Health For Animals and Animal Health Europe, two associations in which all leading global veterinary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

Vetoquinol, which has devoted its activities exclusively to veterinary medicine for 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 90 YEARS

Vetoquinol, a long and illustrious history of entrepreneurial spirit



❶ *Joseph Frechin* – ❷ *Étienne Frechin* – ❸ *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.

Matthieu Frechin is creating a new dynamic based on initiative, volunteering, and motivation. 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 Group employees: 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®, an 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®, an 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 Zylkène®.
- 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 Zylkène®, 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 corporate 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 the 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

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.

2022

Launch of Felpreva® in Europe, an endectoparasiticide for cats.

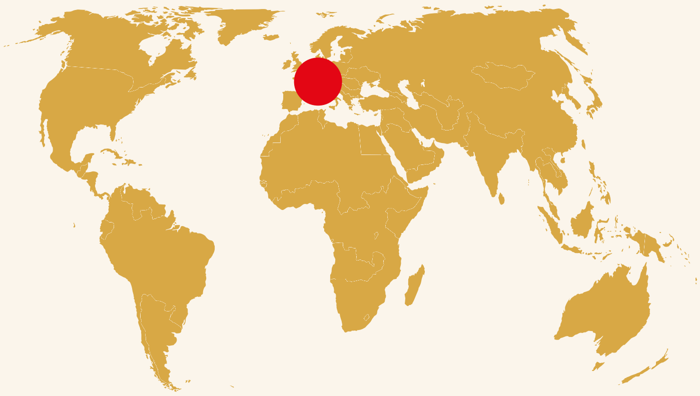
Launch of Imoxi® in the United States, an ectoparasiticide for dogs and cats.

Implementation of the new "Ambition 2026" strategic plan

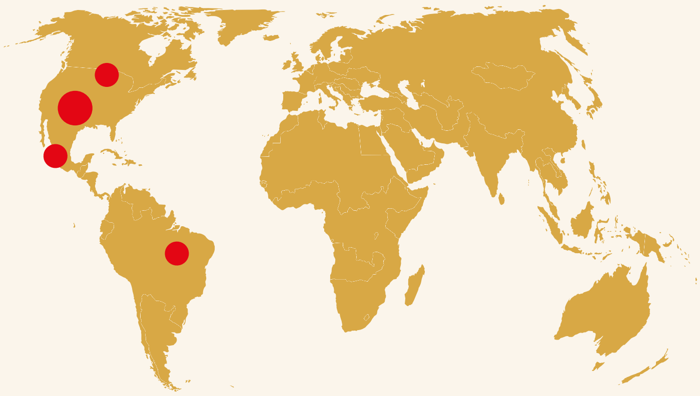
1.2.3 OPERATIONS IN ALL MAIN ANIMAL HEALTH MARKETS

Direct operations in **24 countries**

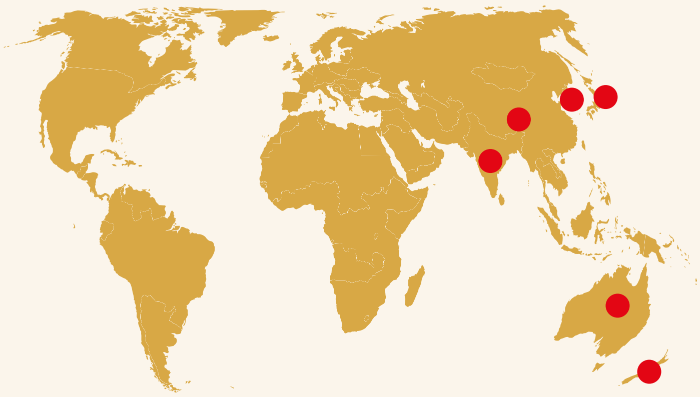
France
Germany
UK
Italy
Spain
Poland
Belgium
The Netherlands
Czech Republic
Austria
Ireland
Portugal
Sweden
Switzerland
USA
Canada
Mexico
Brazil
India
South Korea
China
Australia
Japan
New Zealand



Europe:
47%



Americas:
36%



Asia/
Pacific:
17%

nearly **100** distributors wordwilde

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 four territories: Europe, USA, Asia Pacific, and Latin America-Canada.
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 2022, 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 STRATEGY OF FOCUSING ON ESSENTIAL PRODUCTS

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

The veterinary market is undergoing sweeping changes and remains resilient thanks to product innovation, digital technology and 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.

The need to sustain a growing human population with 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. 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 pets segment is characterized by growth in mature economies and high sustainable growth potential in emerging economies. 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"

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 health crisis was 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. Vetoquinol thus covers most treatments and draws on its proven expertise in various therapeutic areas: mobility, parasitology, dermatology, and dairy cows.

Examples of Essentials products
FOR FARM ANIMALS

Forcyl Marbofloxacine
Marbocyl®
PerMacyl®
Lydaxx® Injectable Solution
Tolfine®

Examples of Essentials products
FOR PETS

Cimalgex Cimicoxib
Marbocyl®
PHOVIA Faster skin recovery by light
Cefaseptin®
Clavaseptin®
Flexadin Advanced
UpCard® Torasemide
Zylkène®
profender SPOT-ON
Drontal®
IMOXI™ Topical Solution (imidacloprid + moxidectin)
Felpreva®

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 three target species: cattle, dogs and cats.
- A resilient market: in mature countries, household spending on pets remains high despite an unfavorable economic climate because of the special place pets enjoy in human families. In the livestock segment, the Group benefits from the expansion of the world population and demand for animal protein.
- In-depth expertise in target therapeutic domains: In the pet segment, Vetoquinol has chosen to focus on dermatology, parasitology and improving mobility. For livestock, Vetoquinol targets its activity at all pathologies related to dairy cattle breeding. In 2020, the acquisition of the Drontal® and Profender® product ranges in Europe enabled Vetoquinol to enter the pet parasiticide market and in 2022 the launch of Felpreva® consolidated its expertise in this field. 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-Pacific. In the Americas, Vetoquinol is strengthening its positions in the USA (No. 1 world market) and continues to invest 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, 2022, 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
2,524 employees presents in **24** countries

FINANCIAL
€485m in shareholders' equity
€76m in net cash after applying IFRS 16

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

INDUSTRIAL
5 production sites
€89m 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

4 strategic segments: parasiticides, mobility, dermatology and dairy cows

+ 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

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*, Felpreva, Flexadin, Forcyl, Imoxi Topical Solution, Lydaxx, Marbocyl, PerMacyl, Phovia, profender** Spot-On, Tolfine, UpCard, Zylkène

DISTRIBUTE

1,000 employees working for our customers

In the **24** largest countries

3 target animal species: dogs, cats, and cattle

68% of activity in pets and **32**% 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

59,000 hours of training
Gender equality
€115m gross salaries paid and **€38m** employer contributions

ECONOMIC

€540m in sales by 2022
21.9% EBITDA and 18.3% operating profit before tax*** (EBIT)
€63m operating cash flow
Development of the of veterinary clinics

INTELLECTUAL

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

INDUSTRIAL

27 million units manufactured

SHAREHOLDERS

Sustainability of the laboratory > **15 %**

ENVIRONMENTAL

Carbon footprint reduction
Eco-friendly products

SOCIETAL

Commitment and ethics
Laboratory durability
Sponsorships and donations
Animal welfare

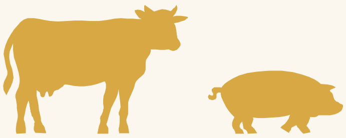
1.6 ANIMAL HEALTH WORLD MARKET

1.6.1 ANIMAL HEALTH WORLD MARKET

The global animal health market grew strongly in 2020 and 2021, despite the various Covid-19-related crises. The year 2022 saw a rebalancing of market growth and positive growth of over 3% (source: 2022 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. Growth in this market was limited in particular by China, which was impacted by a prolonged swine fever crisis and by a zero Covid policy.
- The pet segment is a faster growing, higher value-added market driven by increased purchasing power among pet owners and increased adoption of pets, especially during Covid-related lockdown periods.



Farm animals (cattle, sheep, pigs, poultry)
49%
of the animal health world market

Dogs – cats
51%
of the animal health world market

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. 2022 was also marked by the launch of Felpreva® in Europe, an innovative parasiticide for cats.

Americas

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

North America

North America, and more specifically the United States, is the No. 1 animal health market worldwide with more than 30% of the global market. 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.

The North American market is driven by the pet segment, which is being boosted by parasiticides, dermatology 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.

Brazil has the world's third-largest market and 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 and poultry, but also offers growth potential in the pet market.

Vetoquinol is seeking to strengthen its presence in this key territory and to establish a recognized position there.
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 a territory with strong growth potential despite a Chinese market marked by an abrupt halt in growth linked to the zero-Covid policy and impacted by the swine fever health crisis.

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/New Zealand and Japan. These regions represent strong growth potential for all of the Group's target species and strategic segments.

1.6.3 ANIMAL HEALTH MARKET OUTLOOK

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

After two years of unprecedented growth linked to the impact of increased pet adoptions due to the isolation associated with the Covid-19 lockdown periods, market growth slowed and returned to normal in 2022.

The war in Ukraine is causing severe tensions in terms of energy supply and the zero-Covid policy in China has caused difficulties in the supply of raw materials.

The increase in inflation at the global level could impact the purchasing power of consumers and create an uncertain economic environment, with potentially greater impacts in certain regions.

The animal health market remains resilient in the face of this highly uncertain global environment.

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 remain resilient due to the demand for animal protein.
- 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.
- Stricter regulatory constraints to make more allowance for animal health by combating strictly animal-based health crisis (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 the 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 2022, Vetoquinol manufactured over 27 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, 2022, 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 for 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 products in dry form.

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.

1.7.1.1 Classified facilities

The Lure site is subject to 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 inspections by 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.

1.7.1.2 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.

1.7.1.3 Tarare plant

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

Non-medicinal 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.

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 the 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 parasiticides.

1.7.3 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 sterile and non-sterile injectables plant has a production capacity of 7 million units. The plant has a special unit for producing external antiparasitic devices. The plant has 80 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.

1.7.4 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 produces liquids, pastes, powders and an active ingredient used in one of our proprietary products. It is certified by the FDA, Health Canada and the European Union.

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

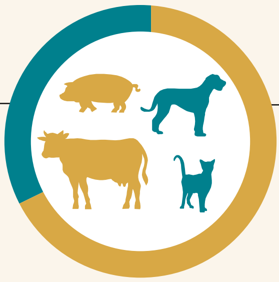
€000	Dec 31, 2022	Dec 31, 2021	Dec 31, 2020
Purchase of intangible assets	**(5,526)**	(18,583)	(135,125)
Purchase of PP&E	**(16,971)**	(13,820)	(10,336)

1.8 FINANCIAL PERFORMANCE

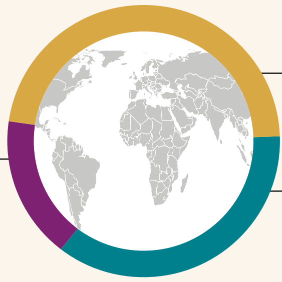
€540m
Group sales
+3.6%
(constant FX rates)

€304m
Essentials sales
+4.5%
(constant FX rates)

Breakdown of Group sales
per business segment



Breakdown of Group sales
by territory



€99m
+18.3% of sales
EBIT before depr. of acq. assets

€48m
Net income
Group share
8.9% of sales

€63m
Cash flow

1.9 NON-FINANCIAL PERFORMANCE

LONG-TERM COMMITMENT TO ADDING NON-FINANCIAL VALUE

2022 GAIA RATING: 60/100 (59/100 IN 2021)

HEALTH AND SAFETY: TOP PRIORITY FOR VETOQUINOL

LTAR* 2022: **2.9** (2021: 3.6)

Number of lost-time accidents in 2022: **13** (2021: 16)

CONSOLIDATION OF THE GENDER EQUALITY INDEX

Equal opportunities 2022 (France): **92/100** (2021: 87/100)

REDUCE CO_2 EMISSIONS PER €M SALES (SCOPE 1 & 2) BY 5% ANNUALLY

** 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.

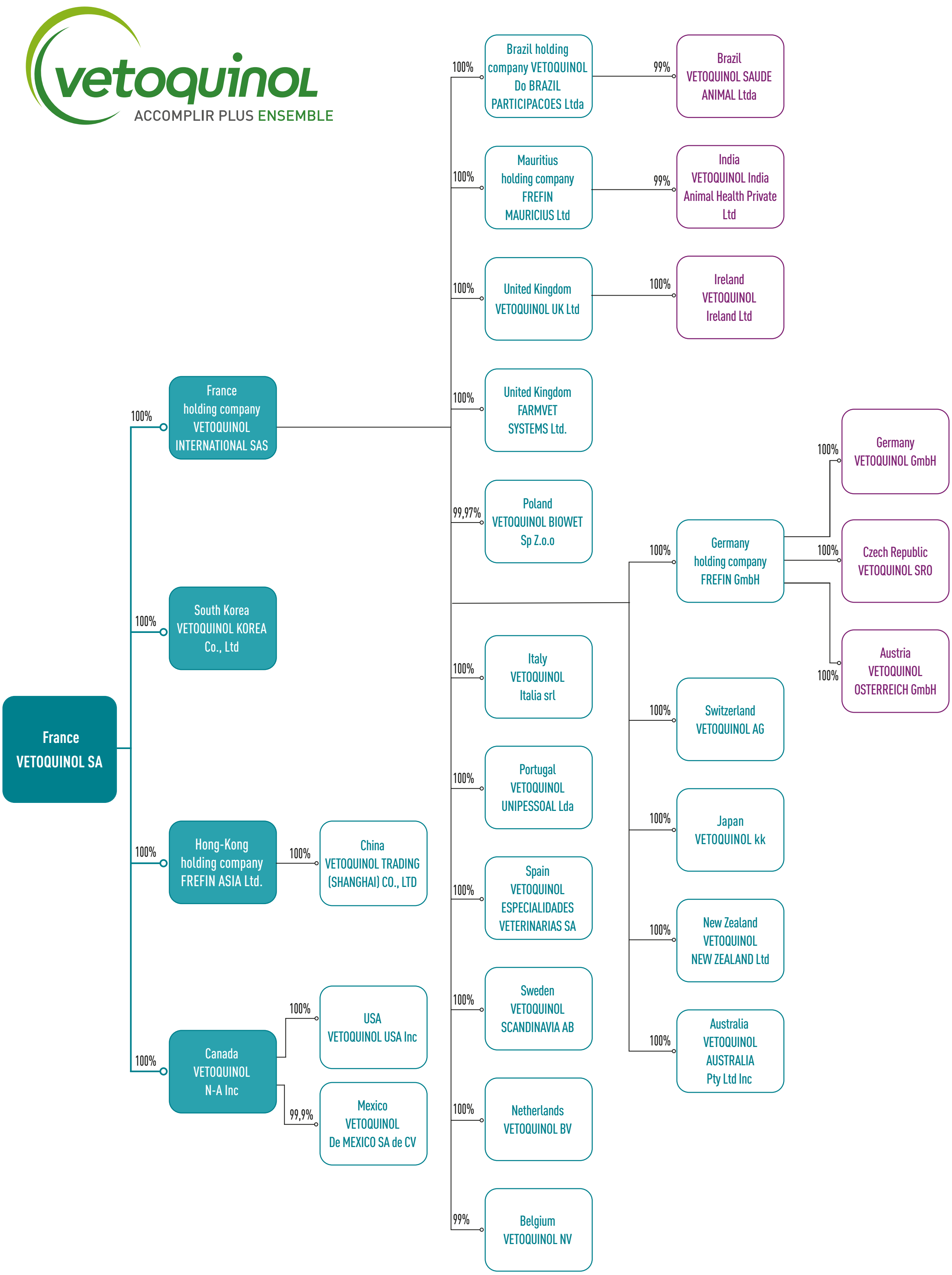
The overall organization of Vetoquinol is centered on the parent company, Vetoquinol SA, which plays the role of Group holding company as well as carrying out a business activity in its own right.

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 2022, Vetoquinol International acquired 45% of the shares of Vetoquinol Zenoak k.k. As a result of this transaction, Vetoquinol International holds 100% of the shares of Vetoquinol Zenoak k.k., whose corporate name was changed to Vetoquinol Japan k.k. and is consolidated like the other Group subsidiaries.

Vetoquinol Group simplified organizational chart as of December 31, 2022:



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2.1 2022: SUSTAINABLE DEVELOPMENT AT THE HEART OF VETOQUINOL'S STRATEGIC PLAN

Sustainable development is central to our strategic plan, with a roadmap that is both ambitious and demanding. This roadmap was approved by our Board of Directors as part of its mission to oversee the Group's CSR challenges, and Vetoquinol's teams are now mobilized to implement the necessary actions and achieve the objectives we have set for ourselves.

We have focused our objectives around the following five themes, which form the backbone of our CSR and sustainable development actions.

As our business grows, we aim to control our carbon footprint and reduce CO2 emissions per million euros of sales over the duration of the strategic plan. Similarly, we aim to reduce our industrial waste and increase the amount of waste we recycle. We are continuing our eco-design and packaging management initiatives for our products, and we are also continuing to deploy a sustainable, ethical and responsible procurement policy. Finally, the safety of our employees remains the Group's top priority. We are committed to preserving the health and safety of our teams and are striving to achieve a culture of shared vigilance in this area.

More than ever, we reaffirm our laboratory's ambition to be a responsible player that is committed to a long-term and sustainable vision with our employees and stakeholders.

Matthieu Frechin

Vetoquinol CEO

2.2 CORPORATE SOCIAL RESPONSIBILITY: THE CORNERSTONE OF VETOQUINOL’S STRATEGY

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

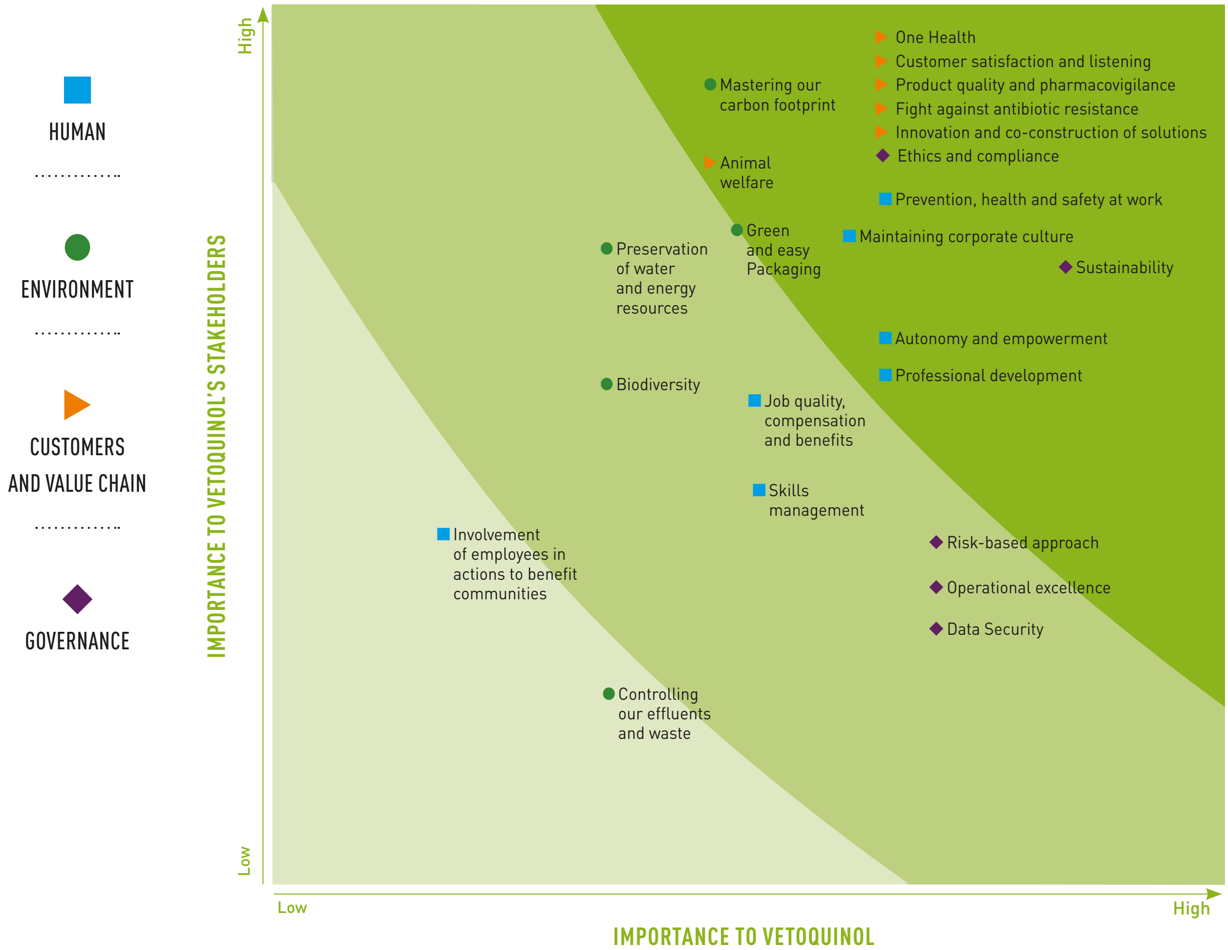
The Group’s Leadership Committee comprising the Group’s thirteen operating and functional directors coordinates the implementation of Vetoquinol’s strategy. Every quarter, all pillars of the strategy are reviewed, a system for monitoring progress with initiatives is defined and, where necessary, corrective 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.

ALIGNING THE OBJECTIVES OF VETOQUINOL MANAGERS WITH CSR ISSUES

Vetoquinol’s management teams, from the Group Leadership Committee to the executive committees of the subsidiaries, are committed to CSR. This commitment is reflected in the allocation of a portion of their variable compensation to the achievement of measurable CSR objectives. In 2022, these objectives had a particular focus on the number of accidents reflecting our progress in terms of safety in the workplace and a target for improving waste recycling.

2.3 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.



Issue	Description and action
Controlling our carbon intensity	Reduce CO_2 emissions per million euros of Scope 1 and Scope 2 sales. Estimate Scope 3 emissions and identify emission reduction action plans.
Animal welfare	Vetoquinol is compliant with the five "fundamental freedoms" that describe society's expectations of the living conditions of animals when they are under human care.
One health	Vetoquinol's commitment to animal health and welfare helps to limit the phenomenon of zoonosis and promotes a sanitary environment conducive to sustainable development.
Customer satisfaction and responsiveness	Conduct customer satisfaction surveys.
Product quality and pharmacovigilance	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.
Fighting antibiotic resistance	Vetoquinol is fully committed to a policy of fighting the spread of antibiotic resistance and does not market antibiotics used for growth promotion. Vetoquinol is also committed to supporting veterinarians in the prescription and proper use of anti-infectives.
Innovation and collaborative solutions	To be the most flexible animal health laboratory, where stakeholders work together to create customized solutions.
Ethics and compliance	Manage the Group's risks and compliance with the standards of its environment, particularly with regard to ethics and anti-corruption.
Prevention, health and safety in the workplace	Establish a culture of shared vigilance within the Group.

Note on methodology

The materiality matrix presented above was produced as follows:

According to the mapping of all Vetoquinol stakeholders set out in section 2.5 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. In 2022, the materiality matrix was updated, particularly in light of the launch of the new "Ambition 2026" strategic plan, which includes ambitious sustainable development objectives.

2.4 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 according to the Taxonomy Regulation. Consequently, activities that do not meet these definitions are considered as not defined in the reference framework ("non-eligible" as such).

Vetoquinol's business is 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.

Overview of key performance indicators required for the 2022 financial year

Under the above regulatory framework, Vetoquinol did not identify any eligible activities within the Group's sales in either 2022 or 2021.

Capital expenditure (or CapEx) indicator

The CapEx to be considered corresponds to new acquisitions of tangible and intangible fixed assets during the year, before depreciation, amortization or revaluation. Accordingly, the new rights of use for the leased assets are taken into account as soon as the leases are signed, not the financing terms. Capital expenditure also includes new assets resulting from business combinations carried out during the year.

Eligible capital expenditure includes:
- CapEx related to potentially sustainable activities,
- CapEx forming part of a plan to make a business sustainable or expand a sustainable business,
- CapEx related to economic activities called "individual eligible measures" in the Taxonomy Directive aimed at reducing the company's environmental footprint, such as expenses related to premises, vehicles and data hosting.

As defined in Delegated Regulation (EU) 2021/2139 of June 4, 2021, the activities of the Vetoquinol Group are not considered to contribute substantially to the first two environmental objectives and are thus not eligible. Therefore, only capital expenditure for individual measures can be taken into account.

As the Vetoquinol Group did not incur any capital expenditure under these individual measures in 2022, the portion of the Group's CapEx related to business activities aligned with the Taxonomy Directive is 0%.

Operating expenditure (or OpEx) indicator

OpEx to be considered includes:

- OpEx related to eligible activities,
- OpEx forming part of a plan to make a business sustainable or expand a sustainable business,
- OpEx related to economic activities called "individual measures" in the Taxonomy Directive aimed at reducing the company's environmental footprint, such as expenses related to premises, vehicles and data hosting.

Not all operating expenditure is to be taken into account. Only research and development costs, building renovation costs, short-term lease expenses, maintenance, upkeep and repair of assets, and any other direct expenses related to the day-to-day upkeep of tangible assets necessary for their proper functioning are to be considered.

As defined in Delegated Regulation (EU) 2021/2139 of June 4, 2021, the activities of the Vetoquinol Group are not considered to contribute substantially to the first two environmental objectives and are consequently not eligible. Therefore, only operating expenditure for individual measures can be taken into account.

As the Vetoquinol Group has not incurred any operating expenditure under these individual measures in 2022, the portion of the Group's OpEx related to business activities aligned with the Taxonomy Directive is 0%.

In the case of Vetoquinol, a study was carried out on the Opex and Capex relating to buildings and vehicles in order to identify whether CAPEX and OPEX were "aligned". Following this in-depth methodological study and the review of the questionnaires prepared for this purpose, presented below, the 3 European/green taxonomy indicators were as follows for the 2022 financial year:

- Percentage of aligned sales: 0
- Percentage of aligned OpEx: 0
- Percentage of aligned CapEx: 0

2.5 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:

SUSTAINABLE DEVELOPMENT GOALS

3 GOOD HEALTH AND WELL-BEING — 8 DECENT WORK AND ECONOMIC GROWTH: Ensure a healthy working environment for all Group employees and develop and promote decent working conditions.

4 QUALITY EDUCATION: Hire, train and develop Vetoquinol people with a focus on internal promotion.

5 GENDER EQUALITY — 10 REDUCED INEQUALITIES: Ensure gender equality.

6 CLEAN WATER AND SANITATION: Ensure reasonable water consumption and control the treatment of wastewater.

7 AFFORDABLE AND CLEAN ENERGY: Optimize energy consumption and develop the use of renewable energy.

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

12 RESPONSIBLE CONSUMPTION AND PRODUCTION: Incorporate sustainable development factors into the industrial production and distribution of our products.

13 CLIMATE ACTION: Control Vetoquinol's carbon footprint.

16 PEACE, JUSTICE AND STRONG INSTITUTIONS: 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:

2.6 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.

2.6.1 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. For 2022, 15 HSE audits were conducted throughout the Group on the basis of documents and interviews (digital/remote) and one complete on-site audit.
- 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 25 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, provisions of first aid, near-misses and high-risk situations are all accounted for (see 2.7.2.5 Health and safety indicators in the workplace).

2.6.2 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 regularly made to the production plants to supplement the action plan if necessary. All industrial and commercial entities were audited between 2021 and 2022.

2.6.3 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 or local equivalent 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.

2.7 VETOQUINOL'S PEOPLE

The year 2022 was marked by a double impact on our workforce:

- As our commercial and production activities increased significantly during the Covid-19 pandemic in 2020 and 2021, there was less activity in 2022.
- The production workforce at our Lure (France) plant experienced significant fluctuations between the end of 2021 and mid-2022 as a result of two projects that generated a temporary increase in workload: the final stage of renovation of the Group's main injectables unit and the creation of a weekend shift in our dry forms workshop to meet strong customer demand in 2021 and early 2022. These fixed-term contract teams were part of our workforce as of 12/31/2021, creating a high base effect, and left us during 2022. They were therefore no longer on our payroll as of 12/31/2022.

These two items generated a slight decrease of 1% in our workforce in 2022, due to a high base effect in 2021. The Group's workforce in 2022 is stable and is being managed prudently in view of the uncertainties concerning the post-Covid animal health market.

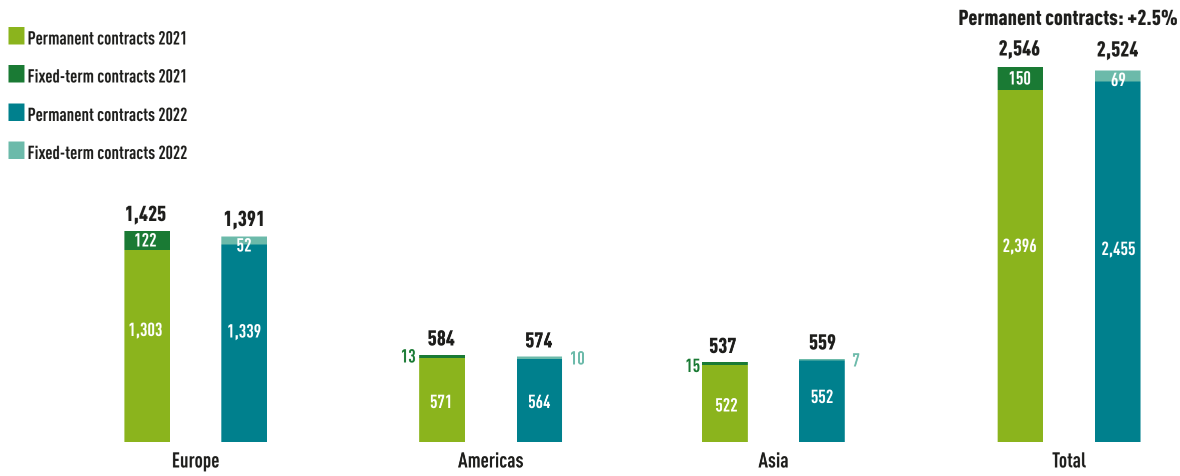
2.7.1 HEADCOUNT ANALYSIS AT DECEMBER 31, 2022

8 DECENT WORK AND ECONOMIC GROWTH

2.7.1.1 2022 changes in headcount

As of December 31, 2022, the Group had 2,524 employees compared to 2,546 at the end of 2021. Headcount is therefore stable, with a slight decrease of 0.9% year on year, with impacts varying between different continents and occupational categories (R&D, Industrial & Quality, Sales & Marketing, Support Functions).

BREAKDOWN OF HEADCOUNT (PERMANENT AND FIXED-TERM CONTRACTS) BY TERRITORY



The slight decline in headcount varies according to the regions concerned.

In Europe, the total number of employees on permanent and fixed-term contracts fell by 2.4%. This continent has been impacted the most by the following two factors: the lower growth in animal health in the post-Covid period and the end of the fixed-term contracts used between the end of 2021 and mid-2022 to build up inventories before the renovation of injectables and to meet the increase in demand for dry forms.

By the end of 2022, we had halved the number of our fixed-term contracts (from 150 to 69) within the Group, the vast majority of which were production operators hired temporarily at the Lure plant.

On the other hand, permanent contracts increased by 2.5% at Group level.

The main growth came from Asia-Pacific. The permanent workforce grew by 5.6% with our continued development in India and the increase in our workforce in all other subsidiaries in the region.

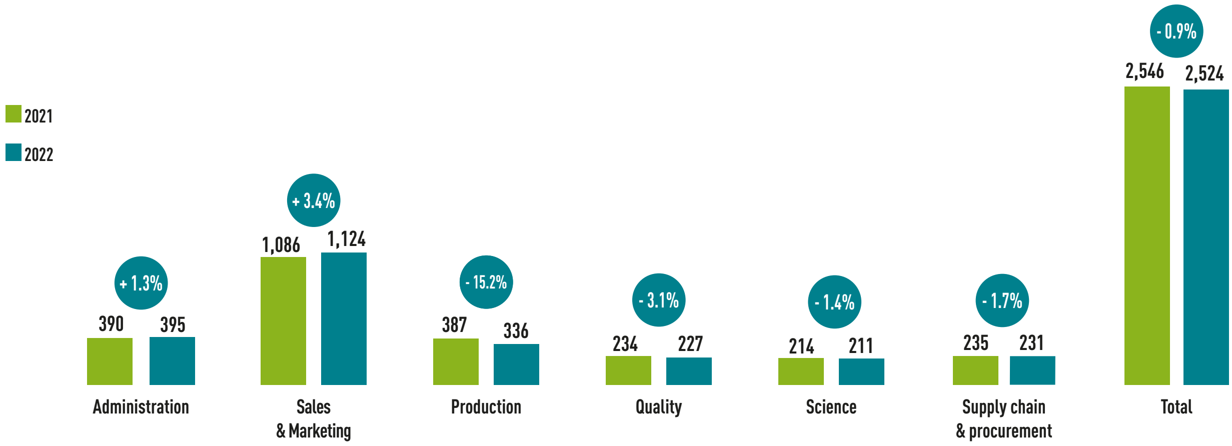
In Europe, the number of permanent employees increased by 2.8%. In France, which has the largest number of employees in the Group, the number of permanent staff increased by 2%. Permanent staffing levels also increased in almost all European subsidiaries to enable the launch of Felpreva, our latest generation cat parasiticide, in 2022.

In North and South America, the workforce declined slightly by 1%, mainly in:

- Brazil,
- Canada, which has been experiencing an extremely dynamic post-Covid job market since 2021, resulting in an increase in our turnover. We are experiencing recruitment difficulties, which resulted in vacancies at the end of 2022 and a 7% decrease in the number of permanent employees.

Conversely, our teams continue to grow in the USA and Mexico.

2.7.1.2 Breakdown of headcount per department



Vetoquinol seeks to have control over its entire value chain, from R&D (new drug development) to production and marketing, even if it means outsourcing to gain access to technologies that it does not have in-house.

The Sales & Marketing workforce grew by 3.4%, due to the recruitment related to the mid-2020 acquisition of Drontal® and Profender®, the launch of Felpreva in Europe and the development of our sales forces in Asia-Pacific.

The end of fixed-term contracts in production in France and the adaptation of our workforce in our plant in Brazil led to a 15% reduction in our Production and Quality workforces. These two business lines are closely linked in the pharmaceutical industry, which requires a high ratio of quality specialists (approximately one Quality employee for every two Production employees).

In late 2021 and early 2022, we recruited production employees on fixed-term contracts for our plant in Lure (France) to enable us to:

- complete a multi-year program for the renovation of our main injectables unit. To do this, we needed to produce sufficient inventories to service our customers while the unit was closed. Once the inventories had been compiled, these employees left us in July 2022.
- meet the strong demand for dry forms among our customers in many countries. As a result, we created an additional weekend team that operated until November 2022.

These employees were no longer included in our workforce as of 12/31/2022, even though a large number of them were in our workforce as of 12/31/2021.

The workforce in the other business lines (Administration, Science, Supply Chain and Purchasing) remained stable between 2021 and 2022. They show either the arrival of some employees who were not yet part of the workforce in 2021, or, conversely, some vacancies following the departure of employees not yet replaced by the end of 2022.

It should also be noted that we recruited employees on fixed-term contracts in almost all of our business lines and in some ten countries to replace employees who were involved in our ERP overhaul project.

2.7.1.3 Breakdown of headcount per gender and territory

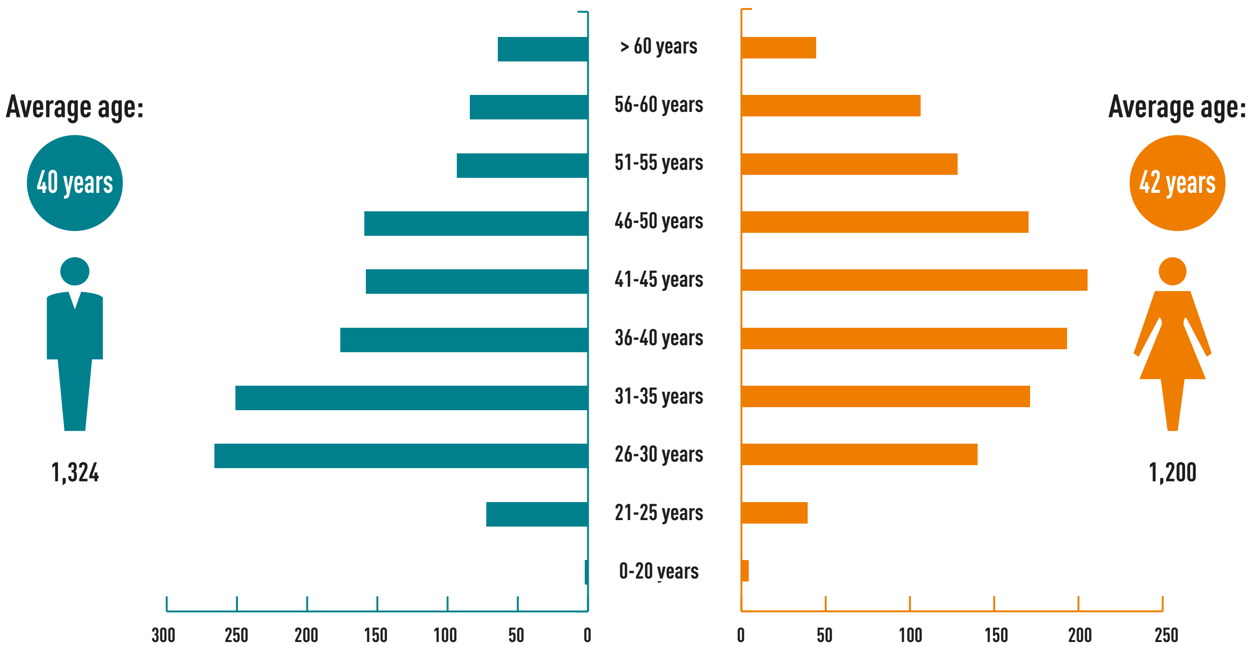
Headcount	Europe	Americas	Asia	Consolidated total
Women	**836**	**304**	**60**	**1,200**
	60%	*53%*	*11%*	*48%*
Men	**555**	**271**	**498**	**1,324**
	40%	*47%*	*89%*	*53%*
TOTAL	**1,391**	**575**	**558**	**2,524**
	55%	*23%*	*22%*	*100%*

The Group has a good gender balance. The gap is narrowing year on year: 45% women in 2020, 46% in 2021 and 48% in 2022.

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 58%, women continue to outnumber men across the Group.

2.7.1.4 Age breakdown per gender



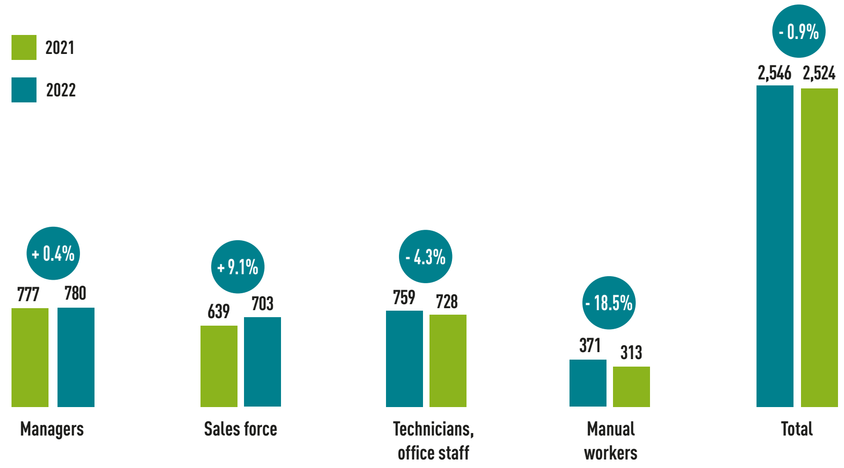
The age pyramid is relatively balanced across all age groups.

This breakdown shows no significant changes from 2021, with 22.5% of the workforce under 30 (compared with 23% in 2021), and similar numbers for those over 50 (19.6% of the total workforce in 2022 compared with 20% in 2021). The average age of Group employees is 40.8 compared to 40.5 in 2021.

The average length of service is 7.8 years, which is stable compared to 2021 (7.7 years).

The length of service of acquired companies' staff is based on their length of service with their respective companies.

2.7.1.5 Breakdown by professional category



With the continued expansion of our sales forces to support our new brands, the three professional categories of Managers, Technicians and Sales Forces are now almost equally represented in terms of headcount. Pharmaceutical production and development activities require many managers, laboratory technicians 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.

The fall in the number of employees in the "Manual Worker" and "Technician" categories is explained by the end of the surge in activity in the Injectables unit (building up of inventories before renovation) and in the dry forms workshop (strong customer demand) at the Lure plant. Departures correspond to the end of fixed-term contracts starting in 2021 and ending in 2022.

The increase in the Sales Force category can be seen in almost all of the Group's countries, which have each recruited between one and five additional veterinary delegates to head up our antiparasitic brands and launch our new brand Felpreva.

India, the largest sales force in the Group, is continuing the restructuring of its sales regions and added 22 veterinary delegates to its sales force in 2022.

2.7.2 HEALTH AND SAFETY IN THE WORKPLACE

3 GOOD HEALTH AND WELL-BEING

2.7.2.1 Management of the health crisis

The Group continued to manage the COVID-19 crisis in 2022 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 continuation of remote working where possible.

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

2.7.2.2 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 since 2020 at the sales subsidiaries despite the health crisis environment.

In 2022, the Group consolidated key activities in order to meet the objective of 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.

In line with the Group's vigilance activities and to increase vigilance by all, a series of penalties for non-compliance with safety rules has been developed. Its purpose is to ensure that violations are addressed and to increase vigilance by all.

2.7.2.3 Specific action carried out in 2022

As usual, numerous prevention initiatives were carried out in 2022 at the Group's various sites. A selection of these are as follows:

- In Gorzow, Poland, the installation of a new fire detection system at the industrial site, at the Zwirowa site, the replacement of diesel forklifts with gas, and the replacement of lighting in production areas and the laboratory.
- In Magny-Vernois, France, the continued deployment of a sprinkler-type fire protection network in industrial premises, the installation of oxygen detectors in premises at risk of anoxia, and the installation of specific local suction systems for powdered chemical products.
- In Princeville, Canada, the installation of new storage cabinets for combustible liquids and the implementation of a protection system for isolated workers.
- In Tarare, France, the creation of a zoning plan for areas at risk of explosion, the strengthening of nitrogen detection systems and the implementation of safety inspections.
- In Goiania, Brazil, the securing of work platforms, the addition of a lifeline and anchor points, the introduction of a low-carbon vehicle policy, and the replacement of lighting with low-energy lighting.
- At Group level: ongoing rollout of Vigilance training courses, particularly at the sales subsidiaries, and dissemination of new internal standards for field inspections and explosion risks.

HSE investments at production plants amounted to €1,140,000 in 2022.

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 It was continued 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. In 2021, a survey was conducted in four departments. Each survey gives rise to a detailed action plan coordinated by the department manager and monitored by the Vetoquinol SA PSR Committee. The process continued in 2022.

2.7.2.4 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.

2.7.2.5 Occupational heath and safety indicators

Group Safety Pyramid	2022	2021
Number of lost-time accidents	13	16
Number of accidents without lost time	14	15
Number of first aid interventions	48	87
Number of near-misses and hazardous situations	1,587	1,337
LOST-TIME ACCIDENT FREQUENCY RATE (LTAR OR TF1)	**2.9**	**3.6**
ACCIDENT AND FIRST AID FREQUENCY RATE (TAR OR TF3)	**16.5**	**26.5**
SEVERITY RATE	**0.115**	**0.06**
ANNUAL ACTION PLAN COMPLETION RATE	**78%**	**77%**

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 2022 fell considerably versus 2021 (75 vs 118). Traffic accidents did not increase in 2022 and remained stable compared to 2021.

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. In the vast majority of cases, the severity rate reflects low injury severity.

The increase in reporting of hazardous situations and near-misses continued during 2022. 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 2022 was 78% compared to a target of at least 55%, which, in the context of a health crisis, is an excellent performance.

For 2023, Vetoquinol is targeting a maximum of 12 lost-time accidents across the Group and aims to report at least 1,200 hazardous situations for the third year running, focusing on behavior.

2.7.2.6 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.

2.7.3 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 were awarded the Great Place to Work certification: USA, UK, Brazil, India, Belgium, Netherlands, Scandinavia, Czech Republic. In 2022, our US subsidiary was recognized as one of the top 20 best companies to work for in the US biopharmaceutical sector.

To attract the talent we need in an increasingly tight job market, these certifications are 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 Group entities 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.

The location of most of Vetoquinol's sites in suburban or rural areas gives employees the opportunity to engage in outdoor sports activities (walking, jogging) during their lunch break. Changing rooms are also available for employees who wish to use them.

2.7.3.1 Staff turnover

Vetoquinol consolidates all staff movements across all companies on a monthly basis, mainly in order to track staff turnover rates.

The 2022 Group staff voluntary departure rate was 13.5%, higher than the 2021 rate (9.4%), which was still impacted to a certain degree by the pandemic. It was also higher than the 2019 (pre-Covid) rate of 11.3%. This increase is explained by the very strong dynamism of the post-Covid labor markets in all Group countries.

The Group rate increase was primarily due to an increase in the voluntary departure rate in India from 20.6% in 2021 to 30.2% in 2022, which has returned to its pre-Covid rate of voluntary departures post-Covid.

There was also an increase in the rate of voluntary departures in France (industrial and commercial sites combined), with a rate of 6.5% in 2022 compared to 3.3% in 2021. As for the Group as a whole, the rate for France in 2022 increased by 2 points compared to the pre-Covid rate in 2019. However, the 2022 rate, well below 10%, is not a cause for concern for the Group, but it does indicate an increase in vacancies in a job market in which talent recruitment is increasingly challenging.

Excluding India, the voluntary departure rate was 9.6% in 2022 (2021: 7.0%), which remains an acceptable and unsurprising rate given the dynamics of the post-Covid labor markets, although it is higher than the 2019 pre-Covid rate (6.5%).

2.7.3.2 Absenteeism

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

The absenteeism rate (*) for the Group as a whole was 5.25%, up from 3.3% in 2021.

Absenteeism was above the Group average in France, Canada and Poland, three countries where we also have plants, and in Belgium.

It should be noted that studies show an increase in absenteeism in the private sector in France over the past several years, reaching an average rate of between 4.6% and 4.8% in 2021 (2022 rate not yet available).

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 or by other infections that have taken over from Covid.

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.

Absences for maternity and paternity leave accounted for 1.4%. In France, they represented 1.2% in 2022, stable compared to 2021 (1.0%).

In France, all new fathers exercised their right to paternity leave in 2021 and 2022.

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.

(*) The absenteeism rate includes illnesses of less than 100 days and absences due to industrial accidents.

2.7.4 RECRUITMENT, INDUCTION AND COMPENSATION

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 43,000 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 the international business line seminars organized by each Group department. These events resumed in 2022 after a two-year hiatus due to the pandemic.

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 of trusting, daring and collaborating.

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 actions taken and decisions made.

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.

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.

2.7.4.1 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.

2.7.4.2 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) to better redistribute the fruits of growth to middle managers, technicians, manual workers and employees.

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 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.

2.7.5 ORGANIZATION OF STAFF DIALOG

Vetoquinol complies with local legislation regarding staff dialog.

In France (Vetoquinol SA), employees were elected to the Social and Economic Committee in 2022 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 Works Council was renewed in 2022.

In Brazil, we are working with a union with ties to the Goiania 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.

2.7.5.1 Collective agreements

Five company agreements were signed in France in 2022:

- February 9, 2022: an agreement on the implementation of the on-call system
- February 19, 2022: an agreement on equality at work
- October 5, 2022: a pre-electoral agreement
- November 10, 2022: an agreement on the functioning of the ESC
- December 23, 2022: an agreement on the 2023 wage policy

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.

2.7.5.2 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.

2.7.5.3 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.

2.7.6 TRAINING AND SKILLS DEVELOPMENT

NUMBER OF TRAINING HOURS

95% of Group employees trained in 2022 over an average of 3 days

	France	Group (including France)
Average workforce (full-time equivalent or FTE)	791 FTE	2,416 FTE
Total number of training hours	18,198 hours including 1,846 hours of prevention and safety training	58,909 hours
Average number of training hours per employee (FTE)	23 hours/employee	23.3 hours/employee
Average number of training hours per employee trained	28.2 hours/employee trained	24.4 hours/employee trained
Rate of employees trained	82%	94.9%

Vetoquinol implements its skills development initiatives at Group level.

In 2022, Vetoquinol launched a project with all Group entities to define a skills benchmark for each department. These benchmarks are gradually being integrated into the 2022 and 2023 annual appraisals and will be used for recruitment and employee development.

In addition, various international pilot projects have made it possible to start the deployment of the new LMS (Learning Management System): Vetoquinol Campus. This LMS already has over 700 users and more than 1,600 hours of training have been completed.

Digital training is not intended to replace traditional training, but a reduction in traditional training hours is likely in favor of digital and collaborative training.

At the Group level, 59,000 hours of "traditional" training were completed in 2022, down 10% from 2021:

- In France, the primary objective in 2022 was to make up for all the training that was not carried out in 2021 due to the pandemic (mandatory, regulatory and priority training) and to allow employees to train in a more flexible and collaborative way. However, major training initiatives had to be postponed to 2023 due to employee involvement in major projects.
- In the rest of Europe, training hours were broadly stable compared to 2021.
- The USA is the first of our subsidiaries to have deployed our new Vetoquinol Campus LMS platform for all its employees. Many digital training sessions have been carried out and have replaced some of the traditional training sessions.
- In Asia Pacific, there was an increase in training hours to support the growth of its sales force, particularly in India and Australia, which doubled its training efforts to support its new employees hired in 2021 and 2022.

As part of our ERP (computerized management system) redesign project, we began rolling out training plans to project team members in 2022. They will be deployed in 2023 to users in 10 different countries.

We also continued to support the industrial department in its skills development projects (specific training courses for the autonomous production units in Lure).

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 program trained 14 new employees.

All in all, despite the reduction in training hours, the average number of hours delivered in 2022 was 23.3 hours per employee, slightly below the 2021 average of 26.4 hours. We are satisfied with the rate of employees trained, with 95% of employees having taken at least one training session in 2022.

Employee skills development is a priority for the Group's human resources department, which ensures that a significant budget is allocated to employee training. However, this does not prevent the Group from constantly seeking to implement training and development solutions with a better quality/time/cost ratio (digital training, in-house training, etc.).

2.7.7 NON-DISCRIMINATION AND EQUAL OPPORTUNITIES

10 REDUCED INEQUALITIES
5 GENDER EQUALITY

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.

In France, 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 2022, women occupied one quarter of the 60 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 2022, the Professional Equality Index for Vetoquinol SA, the French entity with 797 employees across all departments, was 92/100 (2021: 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 is balanced and remains relatively stable from one year to the next (see 'Age breakdown').

2.7.7.1 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 2022, Vetoquinol SA posted a disabled employment rate of 4.50%, thereby complying with 75% of the disabled employment targets defined by law (figure published in 2022 for 2021).

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

2.7.8 WORKING HOURS

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 applies for 1.9% of the Group's employees. This percentage is slightly lower than in 2021 (2.6%), mainly due to a decrease in part-time employees in France offset by an increase in the rest of Europe.

Employees switching to part-time employment have generally chosen this arrangement themselves.

Group policy is 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, 2021 and 2022 to support major projects (integration of Drontal and Profender products, renovation of the Lure "injectables" unit, deployment of a new version of our ERP system in 10 countries, etc.).

Most of the employees on fixed-term contracts left in mid-2022 and are no longer in the workforce as of 12/31/2022. As of that date, they represented 2.7% of the Group's total workforce, half as much as in 2021 (5.9%).

Contract type	Europe	Americas	Asia	Total
Fixed-term	3.7%	1.7%	1.3%	2.7%
Permanent	96.3%	98.3%	98.7%	97.3%
TOTAL HEADCOUNT	**100.0%**	**100.0%**	**100.0%**	**100.0%**

2.8 CARBON FOOTPRINT

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 (Scopes 1 and 2).

2.8.1 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 Brazilian site does 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 2022, 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.

2.8.2 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.

With regard to circular economy issues, Vetoquinol monitors the recycling and/or material recovery rate of waste generated by the Group's industrial sites. The overall recycling rate stood at 35% in 2022 compared to 40% in 2021 and 30% in 2020.

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 monitored every year (see above).

This decrease is explained by the high level of quality required for the manufacturing batches and the rejection of those that do not reach the expected standards.

This estimate excludes energy recycling via incineration. In quantitative terms, the volume of industrial waste in 2022 was equivalent to 2020, but with a higher recycling rate.

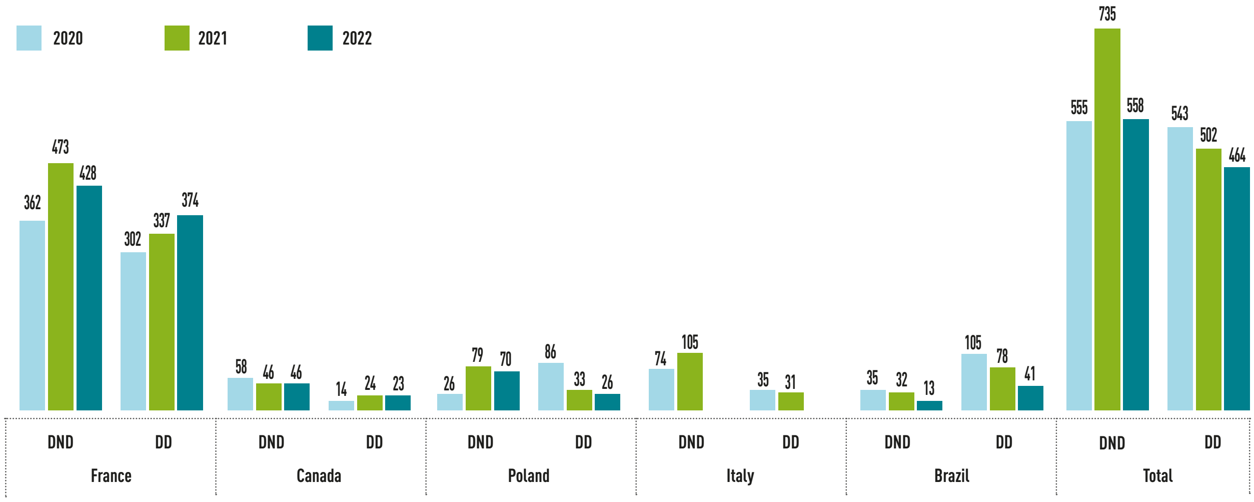
Vetoquinol aims to reduce the volume of waste at source and increase the recycling rate by stepping up waste sorting at all facilities and seeking new outsourced recycling solutions.

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

- measures to reduce plastic waste by setting up a non-food plastic waste sorting 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 offices of most facilities and commercial entities,
- awareness-raising and communication campaigns at all facilities and commercial entities.

As part of its business of developing, manufacturing and marketing veterinary drugs, Vetoquinol is not concerned with issues of food waste, nor with issues of responsible, fair and sustainable food.

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



2.8.2.2 Overall recycling rate in 2022

2.8.3 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 2022 at production plants and R&D sites was down 8% compared to 2021. This decrease is attributable, on the one hand, to investments in new-generation washing machines in the injectables unit, which consumes large amounts of water (these actions are beginning to generate significant savings in water consumption), and on the other hand, to the awareness-raising and communication initiatives carried out at the sites. A decrease in manufacturing volumes in the second half of the year also accounts for this reduction.

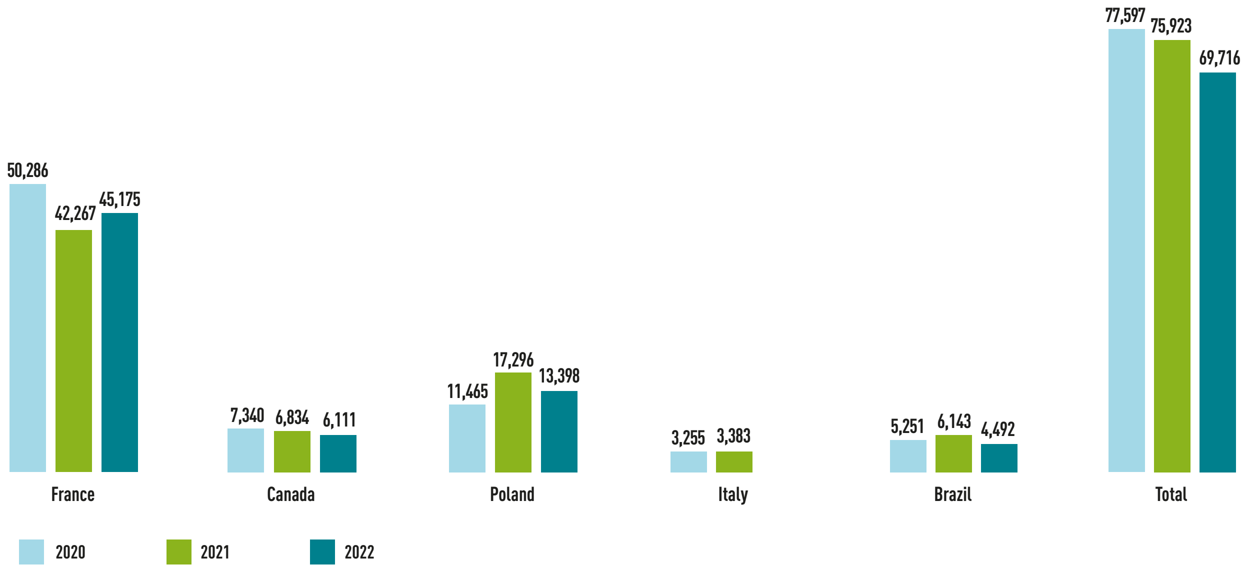
Energy

Energy is another critical issue for production sites. In 2016, Magny-Vernois obtained ISO 50001 certification for its energy management system and its certification was renewed in 2022. 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. 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.

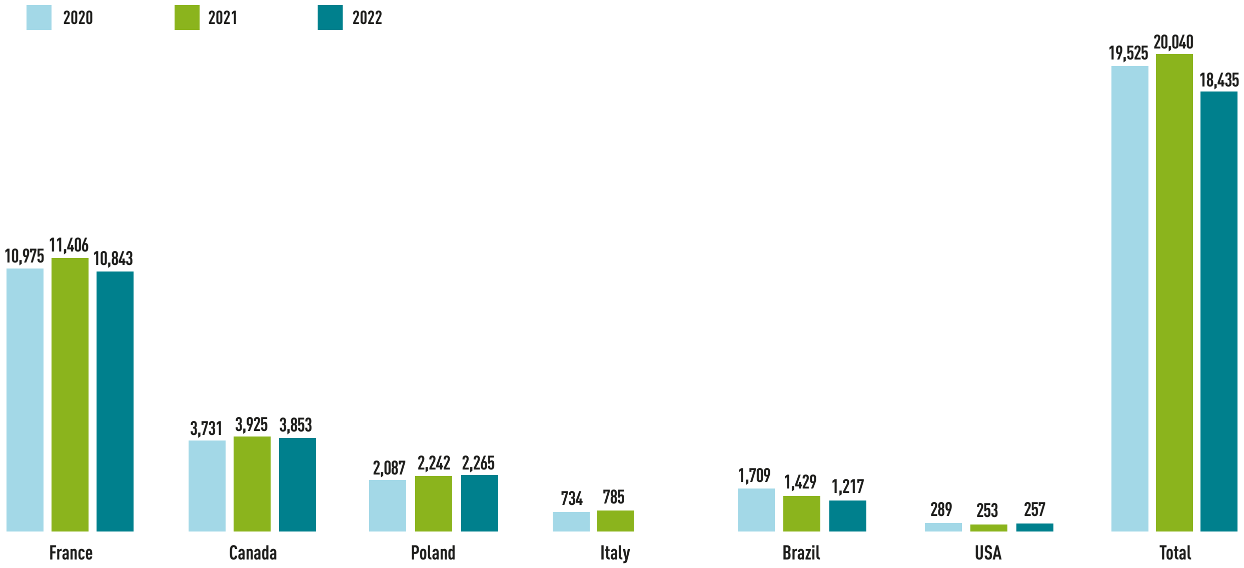
Energy performance is currently monitored within the Group on the basis of gas, liquid energy and electricity consumption. Gas and electricity consumption is expected to fall slightly in 2022 at the Canadian and Polish facilities. This was mainly due to the positive impact of the various initiatives 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 noteworthy actions were carried out in 2022, such as the completion of an energy audit in Poland, the implementation of remote energy and water metering, the installation of charging stations for electric vehicles, the installation of a reversible heat pump, and the insulation of buildings.

Liquid energy consumption (fuel) increased versus 2021, This is mainly related to the resumption of on-site visits by the sales teams, as well as the appearance of natural elements requiring the installation of additional generators in Canada.

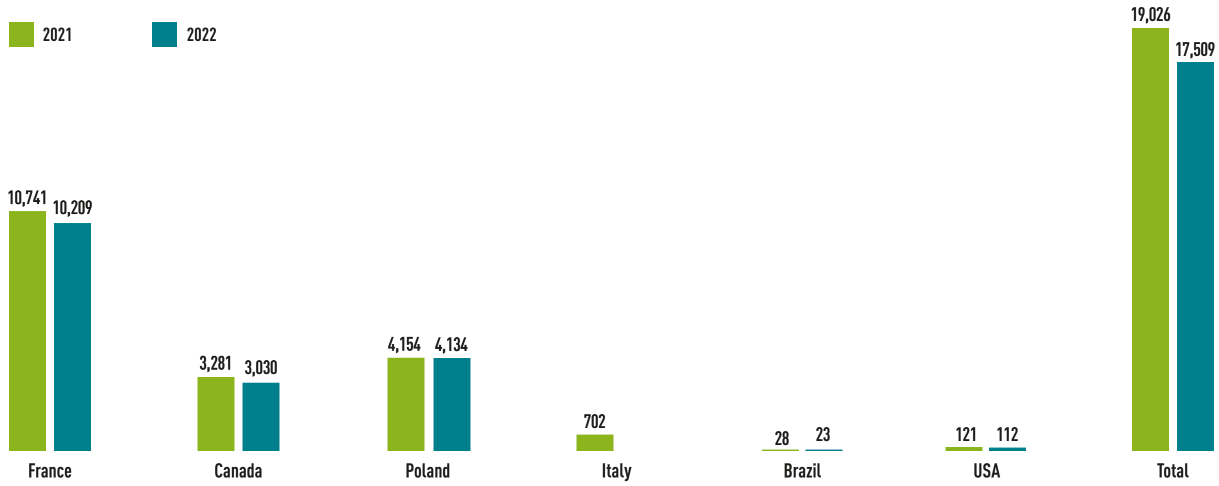
2.8.3.1 Drinking water consumption (m³)



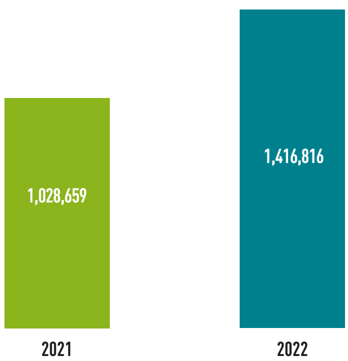
2.8.3.2 Power consumption (MWh)



2.8.3.3 Gas energy consumption (MWh)



2.8.3.4 Liquid energy consumption - fuels (liters)



2.8.4 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.

Vetoquinol wants to continue its commitment to CSR by reducing its carbon footprint. To do this, the calculation of the carbon footprint, a key tool for measuring our impact, is essential.

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 CO2 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 2022, Scope 1 and 2 greenhouse gas emissions amounted to nearly 9,914 tonnes of CO2 equivalent, a significant reduction of around 3.4% from 10,262 tonnes in 2021 at constant scope. This reduction is the result of the various ecological initiatives undertaken by the group over the last few years.

Scope 3 is currently being calculated. It will include our indirect emissions related mainly to the following flows:

- upstream distribution,
- downstream distribution,
- waste and emissions from our CMOs (production subcontractors),
- emissions related to business travel.

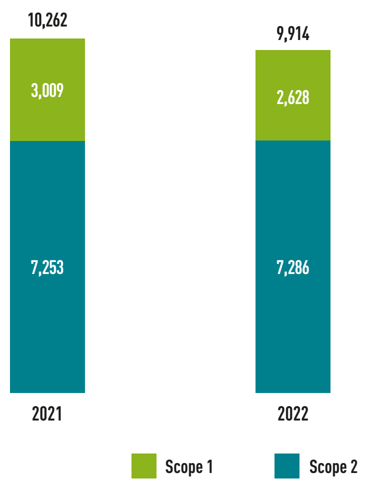
Vetoquinol aims to reduce the volume of its CO2 emissions per million euros of sales.

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 CO2 emitter, helps to continuously reduce the site's greenhouse gas emissions.

Regarding other atmospheric emissions (volatile organic compounds, 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.

2.8.4.1 Emissions in tonnes of CO_2 equivalent



2.8.5 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.

2.9 OUR PRODUCTS

2.9.1 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 before 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.

2.9.2 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.

2.9.2.1 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 pharmaceutical solutions and product development programs focused primarily on the following Group areas of expertise: dermatology, mobility, parasitology and dairy farming.

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 (INRAE, veterinary schools, foreign universities, etc.) and private sector organizations in both research and development (development of new formulations, application of innovative drug delivery technology).

2.9.3 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 €32.6 million or 6.0% of sales.

(In millions of euros)	2022	2021	2020
R&D expenditure	32.6	31.0	28.4
% of sales	6.0%	5.9%	6.6%

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.

2.9.4 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.

2.9.5 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.

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

The discovery of antibiotics was a major advance in medicine in the twentieth century, and they remain an indispensable part of the therapeutic arsenal of both physicians and veterinarians. To this day, there is no other way to treat a bacterial infection. However, the widespread and occasionally excessive use of antibiotics modified the bacterial ecology, exerted a less sensitive evolutionary pressure and contributed to the emergence of bacterial resistance to some antibiotics.

Preventing the development of bacterial resistance and preserving antimicrobial activity have become major public health challenges on a worldwide scale. As a responsible player, Vetoquinol is actively involved in the management of this issue. Most European countries have already established national plans and set targets to reduce the use of antibiotics in veterinary medicine. The use of so-called critical antibiotics (antibiotics that are particularly prone to resistance or antibiotics of last resort, such as fluoroquinolones and third and fourth-generation cephalosporin) is now 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 fully committed to a policy of fighting the spread of antibiotic resistance. It does not market antibiotics used for growth promotion and forbids the practice. Vetoquinol is also strongly committed to supporting veterinarians in the prescription and proper use of antibiotics through such measures as dosage regimens that comply with recommendations in the fight against antibiotic resistance (SISAAB concept) for over ten years, the organization of scientific and legislative webinars led by experts, and the provision of awareness-raising tools for owners.

For over 20 years, at European level Vetoquinol has been and remains a pioneer, carrying 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 and actively pursues research programs to identify alternatives to antibiotics.

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

2.9.7 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 of reducing the environmental footprint of product packaging through such methods as:

- Densification of palletization plans.
- Kraft filling solutions to replace plastic bubble wrap.
- Weight reduction through the use of kraft cardboard for secondary packaging.

2.10 SOCIAL FOOTPRINT

2.10.1 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.

2.10.1.1 Community initiatives conducted by Vetoquinol and its subsidiaries in 2022

Support for Ukraine

Vetoquinol has supported the Ukrainian people through various initiatives, such as:

- sponsoring the French Red Cross to help Ukrainians affected by the Russia/Ukraine conflict,
- partnering with the Ukrainian Equestrian Charity Foundation and donating our Equistro brand of mineral feed to offset nutritional imbalances in horses. The Ukrainian Equestrian Charity Foundation is the largest specialized humanitarian equestrian organization in Ukraine.
- Vetoquinol Poland employees worked to help the Ukrainian people by collecting food and basic necessities. In addition, some employees volunteered in a personal capacity to participate in various ways, such as welcoming Ukrainian families or helping them find accommodation.

Cultural support

Vetoquinol has been associated with the Musique et Mémoire festival in France 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.

Charitable support

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

Vetoquinol has been a sponsor of the Vetericare Association for three years. This association, which is made up of veterinarians, offers financing solutions to provide the necessary care for animals whose owners cannot afford to pay for veterinary care.

In Canada, Vetoquinol continued to support the Centraide foundation. This foundation, which Vetoquinol has been supporting for 13 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.

2.10.2 ANIMAL WELL-BEING

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 (WOAH) 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.

This 3-R rule is the basis for European regulations on pre-clinical studies:

- Replace animals wherever possible with cells or tissues (in vitro) or with digital models (alternative pre-clinical methods).
- Reduce the number of animals used by limiting experiments to those only absolutely necessary, avoiding unnecessary repetition of studies already conducted, and drafting an experimental protocol that often makes further animal testing unnecessary.
- Refine, i.e. reduce, eliminate, or alleviate the pain or distress of animals, improve their welfare by regulating transport, breeding, and living conditions, and establish criteria for early termination of the procedure if necessary.

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.

One Health

The One Health initiative is based on the belief that animal health, human health and our shared environment are part of a highly interdependent system.

The protection of animal health contributes to the protection of human health. This is because unhealthy animals can be a threat to people and their environment. As a result, the spread of zoonotic diseases is a growing concern. Zoonotic diseases have played a role in the outbreak of human diseases. Vetoquinol's commitment to animal welfare helps to limit the phenomenon of zoonosis and promotes a sanitary environment conducive to sustainable development.

2.10.3 HUMANS AND ANIMALS: A LIFELONG RELATIONSHIP

2.10.3.1 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 site advocates for the creation of sites dedicated to veterinarians 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.

2.10.3.2 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.

2.10.3.3 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".

2.10.3.4 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.

2.10.3.5 Animals during lockdown and remote working

Following lockdowns, and with remote working now embedded in modern working practices, the role and presence of pets at home, and even in the workplace, has increased significantly. More than ever, they are everyday companions, illustrating the permanent transformation of the role and the place of pets in households and families.

2.10.4 ETHICS AND FAIR PRACTICES

The Group has 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.

2.10.4.1 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.

2.10.4.2 Anti-corruption compliance program

2.10.4.2.1 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.

2.10.4.2.2 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.

2.10.4.2.3 Training

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

2.10.4.2.4 Corruption risk mapping

Vetoquinol has mapped corruption risks in the following countries: France, USA, Mexico, Poland, Italy, India and China.

The assessment of supplier integrity is a major concern within the Group. An anti-corruption questionnaire has been developed to assess the integrity of suppliers during the qualification and validation process.

2.10.4.3 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.

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".

Vetoquinol regularly conducts training and awareness-raising initiatives for employees on personal data protection and develops procedures tailored to the company's challenges and risks.

2.10.4.4 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".

Vetoquinol also does not take part in tax avoidance schemes prohibited by Council Directive (EU) 2016/1164 of July 12, 2016 (the "ATAD Directive").

2.10.5 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 2.10.4.1).

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 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 2022, Vetoquinol continued to roll out the supplier guidelines launched in 2020 for all subsidiaries. The project is progressing according to plan, with a completion rate of 90% in 2022, 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 robust practices for managing relationships with partners, by validating certain ethical and anti-corruption aspects via a questionnaire.

In 2022, the purchasing teams were confronted with the consequences of the Russia-Ukraine conflict. These principally include a shortage of supply in certain sectors (aluminum and cereals in particular) as well as an overall increase in the cost of all purchases as a result of the energy crisis. On the contrary, as the year progressed, the impacts of the Covid crisis diminished with the return of workers to factories and a less constrained shipping supply.

This effort to secure supplies through the development of dual sourcing, back-up inventories and the contracting of the most important sources will continue in the years to come.

Sustainable development has also marked the Group's activities in the form of the search for more eco-friendly practices in the supply of packaging and in the storage and shipping processes for all materials.

2.11 EUROPEAN GREEN TAXONOMY

Economic activities	Activity codes	Total sales	Percentage of sales	Substantial contribution criteria: Climate change mitigation	Climate change adaptation	Aquatic and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Does Not Significant Harm (DNSH) criteria: Climate change mitigation	Climate change adaptation	Aquatic and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Share of sales aligned with the taxonomy Years N	Category (enabling activity)	Category "(transitional activity)"
		Currency	%	%	%	%	%	%	%	YES/NO	YES/NO	YES/NO	YES/NO	YES/NO	YES/NO	YES/NO	%	Excl.	Tax
A. ACTIVITIES ELIGIBLE FOR THE TAXONOMY																			
A.1 Environmentally sustainable activities (taxonomy-aligned activities)																			
4.1 Power generation using solar photovoltaic technology	N/A	0	0 %	0 %	0 %	0 %	0 %	0 %	0 %	NO	NO	NO	NO	NO	NO	NO	0 %	N/A	N/A
4.25 Heat/cold production through the use of waste heat	N/A	0	0 %	0 %	0 %	0 %	0 %	0 %	0 %	NO	NO	NO	NO	NO	NO	NO	0 %	N/A	N/A
4.8 Bioenergy power generation	N/A	0	0 %	0 %	0 %	0 %	0 %	0 %	0 %	NO	NO	NO	NO	NO	NO	NO	0 %	N/A	N/A
5.5 Collection and transportation of source-separated non-hazardous waste	N/A	0	0 %	0 %	0 %	0 %	0 %	0 %	0 %	NO	NO	NO	NO	NO	NO	NO	0 %	N/A	N/A
5.9 Material recovery from non-hazardous waste	N/A	0	0 %	0 %	0 %	0 %	0 %	0 %	0 %	NO	NO	NO	NO	NO	NO	NO	0 %	N/A	N/A
7.5 Emergency services – Hazardous materials response	N/A	0	0 %	0 %	0 %	0 %	0 %	0 %	0 %	NO	NO	NO	NO	NO	NO	NO	0 %	N/A	N/A
9.6 Remedial activities	N/A	0	0 %	0 %	0 %	0 %	0 %	0 %	0 %	NO	NO	NO	NO	NO	NO	NO	0 %	N/A	N/A
10.1 Non-life insurance: coverage of climate-related hazards	N/A	0	0 %	0 %	0 %	0 %	0 %	0 %	0 %	NO	NO	NO	NO	NO	NO	NO	0 %	N/A	N/A
13.2 Collection and transportation of hazardous waste	N/A	0	0 %	0 %	0 %	0 %	0 %	0 %	0 %	NO	NO	NO	NO	NO	NO	NO	0 %	N/A	N/A
13.3 Treatment of hazardous waste	N/A	0	0 %	0 %	0 %	0 %	0 %	0 %	0 %	NO	NO	NO	NO	NO	NO	NO	0 %	N/A	N/A
13.4 Treatment of hazardous waste for material recovery	N/A	0	0 %	0 %	0 %	0 %	0 %	0 %	0 %	NO	NO	NO	NO	NO	NO	NO	0 %	N/A	N/A
13.7 Decontamination and dismantling of end-of-life equipment	N/A	0	0 %	0 %	0 %	0 %	0 %	0 %	0 %	NO	NO	NO	NO	NO	NO	NO	0 %	N/A	N/A
13.8 Sorting and material recovery of non-hazardous waste	N/A	0	0 %	0 %	0 %	0 %	0 %	0 %	0 %	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0 %	N/A	N/A
Sales from environmentally sustainable activities (taxonomy-aligned)	N/A	0	0 %	0 %	0 %	0 %	0 %	0 %	0 %	NO	NO	NO	NO	NO	NO	NO	0 %	N/A	N/A
A.2 Activities eligible for the taxonomy but not environmentally sustainable (not taxonomy-aligned)																			
3.14 Manufacture of basic organic chemicals	N/A	0	0 %																
5.5 Collection and transportation of source-separated non-hazardous waste	N/A	0	0 %																
9.6 Remedial activities	N/A	0	0 %																
13.2 Collection and transportation of hazardous waste	N/A	0	0 %																
13.3 Treatment of hazardous waste	N/A	0	0 %																
13.4 Treatment of hazardous waste for material recovery	N/A	0	0 %																
13.8 Sorting and material recovery of non-hazardous waste	N/A	0	0 %																
Sales from activities eligible for the taxonomy but not environmentally sustainable (not taxonomy-aligned)	N/A	0	0 %																
TOTAL (A.1 + A.2)	N/A	0	0 %																
B. ACTIVITIES NOT ELIGIBLE FOR THE TAXONOMY																			
Sales from activities not eligible for the taxonomy (€m)		540	100 %																
TOTAL (A + B)		**540**	**100 %**																

Economic activities	Activity codes	Absolute CapEx in €m	Percentage of CapEx	Substantial contribution criteria: Climate change mitigation	Climate change adaptation	Aquatic and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Does Not Significant Harm (DNSH) criteria: Climate change mitigation	Climate change adaptation	Aquatic and marine resources	Circular economy	Pollution	Biodiver-sity and ecosystems	Minimum safeguards	Share of CapEx aligned with the taxonomy Years N	Category (enabling activity)	Category "(transitional activity)"
		Currency	1%	1%	1%	1%	1%	1%	1%	YES/NO	YES/NO	YES/NO	YES/NO	YES/NO	YES/NO	YES/NO	1%	Excl.	Tax
A. ACTIVITIES ELIGIBLE FOR THE TAXONOMY																			
A.1 Environmentally sustainable activities (taxonomy-aligned activities)																			
4.25 Heat/cold production through the use of waste heat		0	0 %	0 %	0 %	0 %	0 %	0 %	0 %	NO	NO	NO	NO	NO	NO	NO	0 %	N/A	N/A
4.8 Bioenergy power generation		0	0 %	0 %	0 %	0 %	0 %	0 %	0 %	NO	NO	NO	NO	NO	NO	NO	0 %	N/A	N/A
5.5 Collection and transportation of source-separated non-hazardous waste		0	0 %	0 %	0 %	0 %	0 %	0 %	0 %	NO	NO	NO	NO	NO	NO	NO	0 %	N/A	N/A
5.9 Material recovery from non-hazardous waste		0	0 %	0 %	0 %	0 %	0 %	0 %	0 %	NO	NO	NO	NO	NO	NO	NO	0 %	N/A	N/A
7.5 Emergency services – Hazardous materials response		0	0 %	0 %	0 %	0 %	0 %	0 %	0 %	NO	NO	NO	NO	NO	NO	NO	0 %	N/A	N/A
8.2. Programming, consulting and other computer activities		0	0 %	0 %	0 %	0 %	0 %	0 %	0 %	NO	NO	NO	NO	NO	NO	NO	0 %	N/A	N/A
9.6 Remedial activities		0	0 %	0 %	0 %	0 %	0 %	0 %	0 %	NO	NO	NO	NO	NO	NO	NO	0 %	N/A	N/A
13.2 Collection and transportation of hazardous waste		0	0 %	0 %	0 %	0 %	0 %	0 %	0 %	NO	NO	NO	NO	NO	NO	NO	0 %	N/A	N/A
13.3 Treatment of hazardous waste		0	0 %	0 %	0 %	0 %	0 %	0 %	0 %	NO	NO	NO	NO	NO	NO	NO	0 %	N/A	N/A
13.4 Treatment of hazardous waste for material recovery		0	0 %	0 %	0 %	0 %	0 %	0 %	0 %	NO	NO	NO	NO	NO	NO	NO	0 %	N/A	N/A
13.7 Decontamination and dismantling of end-of-life equipment		0	0 %	0 %	0 %	0 %	0 %	0 %	0 %	NO	NO	NO	NO	NO	NO	NO	0 %	N/A	N/A
13.8 Sorting and material recovery of non-hazardous waste		0	0 %	0 %	0 %	0 %	0 %	0 %	0 %	NO	NO	NO	NO	NO	NO	NO	0 %	N/A	N/A
Sales from environmentally sustainable activities (taxonomy-aligned)		0	0 %	0 %	0 %	0 %	0 %	0 %	0 %	NO	NO	NO	NO	NO	NO	NO	0 %	N/A	N/A
A.2 Activities eligible for the taxonomy but not environmentally sustainable (not taxonomy-aligned)																			
3.14 Manufacture of basic organic chemicals		0	0 %	0 %	0 %	0 %	0 %	0 %	0 %	NO	NO	NO	NO	NO	NO	NO	0 %	N/A	N/A
5.5 Collection and transportation of source-separated non-hazardous waste		0	0 %																
9.6 Remedial activities		0	0 %																
13.3 Treatment of hazardous waste		0	0 %																
13.4 Treatment of hazardous waste for material recovery		0	0 %																
Sales from activities eligible for the taxonomy but not environmentally sustainable (not taxonomy-aligned)		0	0 %																
TOTAL (A.1 + A.2)		**0**	**0 %**																
B. ACTIVITIES NOT ELIGIBLE FOR THE TAXONOMY																			
CAPEX from activities not eligible for the taxonomy (€m)		0	0 %																
TOTAL (A + B)		0	0 %																

Economic activities	Activity codes	Total OPEX	Percentage of OPEX	Substantial contribution criteria: Climate change mitigation	Climate change adaptation	Aquatic and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Does Not Significant Harm (DNSH) criteria: Climate change mitigation	Climate change adaptation	Aquatic and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Share of OPEX aligned with the taxonomy Years N	Category (enabling activity)	Category "(transitional activity)"
		Currency	1%	1%	1%	1%	1%	1%	1%	YES/NO	YES/NO	YES/NO	YES/NO	YES/NO	YES/NO	YES/NO	1%	Excl.	Tax
A. ACTIVITIES ELIGIBLE FOR THE TAXONOMY																			
A.1 Environmentally sustainable activities (taxonomy-aligned activities)																			
4.1 Power generation using solar photovoltaic technology	N/A	0	0 %	0 %	0 %	0 %	0 %	0 %	0 %	NO	NO	NO	NO	NO	NO	NO	0 %	N/A	N/A
4.25 Heat/cold production through the use of waste heat	N/A	0	0 %	0 %	0 %	0 %	0 %	0 %	0 %	NO	NO	NO	NO	NO	NO	NO	0 %	N/A	N/A
4.8 Bioenergy power generation	N/A	0	0 %	0 %	0 %	0 %	0 %	0 %	0 %	NO	NO	NO	NO	NO	NO	NO	0 %	N/A	N/A
5.5 Collection and transportation of source-separated non-hazardous waste	N/A	0	0 %	0 %	0 %	0 %	0 %	0 %	0 %	NO	NO	NO	NO	NO	NO	NO	0 %	N/A	N/A
5.9 Material recovery from non-hazardous waste	N/A	0	0 %	0 %	0 %	0 %	0 %	0 %	0 %	NO	NO	NO	NO	NO	NO	NO	0 %	N/A	N/A
7.5 Emergency services – Hazardous materials response	N/A	0	0 %	0 %	0 %	0 %	0 %	0 %	0 %	NO	NO	NO	NO	NO	NO	NO	0 %	N/A	N/A
9.6 Remedial activities	N/A	0	0 %	0 %	0 %	0 %	0 %	0 %	0 %	NO	NO	NO	NO	NO	NO	NO	0 %	N/A	N/A
10.1 Non-life insurance: coverage of climate-related hazards	N/A	0	0 %	0 %	0 %	0 %	0 %	0 %	0 %	NO	NO	NO	NO	NO	NO	NO	0 %	N/A	N/A
13.3 Treatment of hazardous waste	N/A	0	0 %	0 %	0 %	0 %	0 %	0 %	0 %	NO	NO	NO	NO	NO	NO	NO	0 %	N/A	N/A
13.4 Treatment of hazardous waste for material recovery	N/A	0	0 %	0 %	0 %	0 %	0 %	0 %	0 %	NO	NO	NO	NO	NO	NO	NO	0 %	N/A	N/A
13.7 Decontamination and dismantling of end-of-life equipment	N/A	0	0 %	0 %	0 %	0 %	0 %	0 %	0 %	NO	NO	NO	NO	NO	NO	NO	0 %	N/A	N/A
13.8 Sorting and material recovery of non-hazardous waste	N/A	0	0 %	0 %	0 %	0 %	0 %	0 %	0 %	NO	NO	NO	NO	NO	NO	NO	0 %	N/A	N/A
Sales from environmentally sustainable activities (taxonomy-aligned)	N/A	0	0 %	0 %	0 %	0 %	0 %	0 %	0 %	NO	NO	NO	NO	NO	NO	NO	0 %	N/A	N/A
A.2 Activities eligible for the taxonomy but not environmentally sustainable (not taxonomy-aligned)																			
4.25 Heat/cold production through the use of waste heat	N/A	0	0 %	0 %	0 %	0 %	0 %	0 %	0 %	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0 %	N/A	N/A
5.5 Collection and transportation of source-separated non-hazardous waste	N/A	0	0 %																
5.9 Material recovery from non-hazardous waste	N/A	0	0 %																
13.3 Treatment of hazardous waste	N/A	0	0 %																
13.4 Treatment of hazardous waste for material recovery	N/A	0	0 %																
13.8 Sorting and material recovery of non-hazardous waste	N/A	0	0 %																
Sales from activities eligible for the taxonomy but not environmentally sustainable (not taxonomy-aligned)	N/A	0	0 %																
TOTAL (A.1 + A.2)	**N/A**	**0**	**0 %**																
B. ACTIVITIES NOT ELIGIBLE FOR THE TAXONOMY																			
OPEX from activities not eligible for the taxonomy (€m)		0	0 %																
TOTAL (A + B)		**0**	**0 %**																

2.12 REPORT BY THE INDEPENDENT THIRD-PARTY BODY

Year ended December 31, 2022

Dear Shareholders,

Further to the request submitted to us by Vetoquinol Groupe SA (hereafter "entity") and in our capacity as an independent third party body ("third party"), authorized by COFRAC Inspection under number 3-2013, available on www.cofrac.fr, we have undertaken procedures to provide a reasoned opinion expressing a moderate level of assurance with respect to the historical information (observed or extrapolated) of the Statement of Non-Financial Performance, prepared in accordance with the procedures of the Entity (hereinafter the "Guidelines"), for the year ended December 31, 2022 (hereinafter the "Information" and the "Statement" respectively), presented in the Group management report in accordance with the provisions of Articles L. 225-102-1, R. 225-105 and R. 225-105-1 of the French Commercial Code.

Conclusion

On the basis of the procedures we conducted, as described in the "Nature and scope of our work" section, and the information we collected, we have not identified any material misstatements liable to call into question the compliance of the statement of the Group's non-financial performance with applicable regulatory provisions and the fact that the Information, taken as a whole, is presented fairly in accordance with the guidelines.

Preparation of Statement of Non-Financial Performance

The lack of a generally accepted and commonly used framework or established practices on which to base the assessment and measurement of information allows for the use of different, but acceptable, measurement techniques that may affect comparability across entities and over time.

Consequently, the Information should be read and understood with reference to the Guidelines, the main provisions of which are presented in the Statement.

Entity's responsibility

The Board of Directors is required to:

- select or establish appropriate criteria for the preparation of the Information;
- draw up a Statement in compliance with statutory and regulatory provisions including a presentation of the business model, a description of the main non-financial risks, a presentation of the policies applied in response to these risks and the results of said policies, including key performance indicators and the information required by Article 8 of Regulation (EU) 2020/852 (green taxonomy); and
- implement the internal controls it deems necessary to ensure that the Information is free from material misstatement, whether due to fraud or error.

The Statement has been prepared in accordance with the Guidelines for the entity as set forth above.

Responsibility of the independent third-party body

It is our responsibility, on the basis of our work, to establish a substantiated opinion expressing a conclusion of limited assurance regarding:

- compliance of the Statement with the provisions of Article R. 225-105 of the French Commercial Code;
- fair presentation of the historical information (recorded or extrapolated) provided in application of Article R. 225-105 I (3) and II of the French Commercial Code, namely the results of the policies, including key performance indicators, and the measures taken in response to the main risks.

As it is our responsibility to form an independent conclusion on the Information prepared by the management, we are not permitted to be involved in the preparation of such Information, as this could compromise our independence.

We are not required to express an opinion regarding:

- the entity's compliance with other applicable statutory and regulatory provisions (including the information required by Article 8 of Regulation (EU) 2020/852 (green taxonomy), the vigilance plan and the prevention of corruption and tax evasion);
- the accuracy of the information required by Article 8 of Regulation (EU) 2020/852 (green taxonomy);
- compliance of products and services with applicable regulations.

Regulatory provisions and applicable professional standards

We conducted our work described below in accordance with the provisions of Articles A. 225-1 et seq. of the French Commercial Code, the professional standards issued by the Compagnie Nationale des Commissaires aux Comptes (CNCC) relating to this work in lieu of an audit program, and international auditing standard ISAE 3000 (revised).

Independence and quality control

Our independence is defined by the terms of Article L. 822-11 of the French Commercial Code and by the code of ethics for statutory auditors. In addition, we have implemented a quality control system comprising documented policies and procedures designed to guarantee compliance with applicable statutory and regulatory provisions, ethical principles and the professional standards of the Compagnie Nationale des Commissaires aux Comptes (CNCC) relating to this activity.

Means and resources

Our work involved three people and took place between December 15, 2022 and March 29, 2023 over a total working period of eight days.

We called upon our specialists in sustainable development and corporate social responsibility to assist us in our work. We conducted six interviews with individuals responsible for the preparation of the Statement, representing in particular the senior management, administration and finance, risk management, compliance, human resources, health and safety, environment and purchasing departments.

Nature and scope of audit

We planned and performed our work taking into account the risks of material misstatement of the Information.

We believe that the procedures that we conducted, exercising our professional judgment, allow us to formulate a limited assurance opinion:

- we reviewed the activities of all entities included in the scope of consolidation and the description of the main risks;
- we assessed the appropriateness of the Guidelines in terms of their relevance, completeness, reliability, objectiveness and clarity, taking industry good practices into account where applicable;
- we verified whether the Statement covered each information category listed by Article L. 225-102 1 (III) of the French Commercial Code with regard to social and environmental issues, as well as the defense of human rights and prevention of corruption and tax evasion;
- we verified that the Statement presents the information required by Article R. 225-105 (II) when it is relevant to the principal risks and includes, where applicable, an explanation of the reasons for the absence of the information required by the second paragraph of Article L. 225-102-1 (III);
- we verified whether the Statement presented the business model and a description of the main risks related to the business activity of all entities included in the consolidation scope, including, where relevant and proportionate, the risks generated by its business relationships, products or services, as well as the policies, measures and results, including key performance indicators pertaining to the main risks;
- we consulted documentary sources and conducted interviews to:
  - assess the process for selecting and validating key risks and the consistency of the results, including the key performance indicators selected, with the key risks and policies presented, and
  - corroborate the qualitative information (actions and results) that we considered most important presented in Appendix 1. Our work was carried out at the level of the consolidating entity and in a selection of entities[1];
- we reviewed the internal control and risk management procedures implemented by the entity and assessed the collection process aimed at ensuring the completeness and accuracy of the information;

1 Environmental data: Lure, Gorzow (except for liquid fuel consumption: France, USA, Poland). Corporate data: Group (except for the indicators Number of lost-time accidents, Frequency rate, Number of near-misses and Severity rate: Lure, Gorzow)

- with regard to the key performance indicators and other quantitative results that we deemed to be the most important presented in Appendix 1,
- we conducted:
  - analytical procedures to verify the correct consolidation of the data collected and the consistency of comparative data;
  - sample tests or tests based on other means of selection aimed at verifying the due application of definitions and procedures and reconciling the data contained in the supporting documentation. This work was performed on a selection of contributing entities covering between 31% and 100% of the consolidated data selected for these tests;
- we assessed the consistency of the Statement as a whole with our knowledge of all of the entities included in the consolidation scope.

The procedures performed for a moderate assurance assignment are less extensive than those required for a reasonable assurance assignment performed in accordance with the professional standards of the Compagnie Nationale des Commissaires aux Comptes; a higher level of assurance would have required more extensive audit work.

Lyon, April 12, 2023

FINEXFI
Isabelle Lhoste
Partner

APPENDIX 1

Verified quantitative information:

Corporate information:

- Number of employees
- Breakdown of headcount per territory
- Breakdown of headcount per department
- Breakdown of headcount per gender and territory
- Average age of men
- Average age of women
- Workforce under 30
- Workforce over 50
- Average age
- Average length of service
- Breakdown by professional category
- Number of lost-time accidents
- Lost-time accident frequency rate
- Severity rate
- Number of near-misses and hazardous situations
- Annual action plan completion rate
- Voluntary departure rate
- Rate of absenteeism
- Total number of training hours
- Part time
- Type of contract by territory

Environmental information:

- Quantity of non-hazardous and hazardous industrial waste
- Drinking water consumption
- Power consumption (MWh)
- Gas energy consumption (MWh)
- Liquid energy consumption – fuels (liters)

Verified qualitative information:

- Profit-sharing agreement
- Election of employees to the ESC
- Agreement on the implementation of the on-call system
- Agreement on equality at work
- Pre-electoral memorandum of understanding
- Agreement on wage policy
- Professional Equality Index
- Sponsorships: French Red Cross; Musique et Mémoire; French Cancer League

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	2022	2021
Sales	6.5.8	539,779	521,272
Purchases consumed		(158,537)	(149,412)
Other purchases and external expenses	6.5.10	(108,962)	(107,698)
Staff costs	6.5.11	(152,400)	(147,590)
Taxes other than on income		(7,194)	(5,976)
Depreciation and impairment of fixed assets	6.5.21/6.5.22	(11,804)	(13,630)
Depreciation and impairment of fixed assets - IFRS 16		(5,690)	(5,177)
Provisions and write-backs		(2,112)	(993)
Other operating income	6.5.13	6,935	11,937
Other operating expenses	6.5.13	(1,399)	(1,909)
EBIT BEFORE DEPRECIATION OF ACQUIRED ASSETS		**98,617**	**100,825**
% OF SALES		**18.3%**	**19.3%**
Amortization of acquired intangible assets		(14,056)	(14,065)
EBIT		**84,561**	**86,760**
% OF SALES		**15.7%**	**16.6%**
Non-recurring operating income and expenses	6.5.14	(10,559)	(484)
OPERATING INCOME		**74,002**	**86,276**
% OF SALES		**13.7%**	**16.6%**
Income from cash and cash equivalents	6.5.17	807	366
Gross cost of debt	6.5.17	(728)	(502)
Interest paid - Lease liabilities		(271)	(115)
NET COST OF DEBT	**6.5.17**	**(191)**	**(251)**
Other financial income	6.5.17	6,514	3,893
Other financial expenses	6.5.17	(7,583)	(3,404)
NET FINANCIAL INCOME/(EXPENSE)	**6.5.17**	**(1,261)**	**237**
INCOME BEFORE TAX		**72,742**	**86,514**
Income tax expense	6.5.18	(24,744)	(23,775)
NET INCOME EXCL. EARNINGS OF ASSOCIATES		**47,998**	**62,739**
Earnings/(loss) of associates		0	129
CONSOLIDATED NET INCOME		**47,998**	**62,868**
Attributable to: Parent company shareholders		47,995	62,861
Non-controlling (minority) interests		2	8
Exchange differences on translation of foreign operations reclassifiable to P/L		3,730	11,857
Post-tax actuarial gains (losses) not reclassified to P/L		1,180	459
Other comprehensive income, net of tax			
Total comprehensive income for the year, net of tax		**52,908**	**75,185**
Attributable to: Parent company shareholders		52,905	75,177
Non-controlling (minority) interests		2	8
Basic EPS (€)	6.5.19	4.06	5.31
Diluted EPS (€)	6.5.19	4.06	5.33

6.2 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

€000	Notes	Dec 31, 2022	Dec 31, 2021
ASSETS			
Goodwill	6.5.20	76,173	83,458
Other intangible assets	6.5.21	168,709	178,523
Property, plant and equipment	6.5.22/6.5.23	70,996	61,958
Right-of-use assets (leases)		13,654	11,032
Investments in associates		-	1,003
Other financial assets	6.5.24	1,444	1,065
Deferred tax assets	6.5.18	10,632	12,376
Total non-current assets		341,608	349,415
Inventories	6.5.27	116,091	111,594
Trade and other receivables	6.5.28	85,350	87,200
Current income tax receivables		7,489	1,458
Other current assets	6.5.28	5,973	4,439
Cash and cash equivalents	6.5.29	93,708	68,999
Total current assets		308,611	273,690
Total non-current assets and groups of assets held for sale		1,629	1,456
TOTAL ASSETS		**651,848**	**624,561**
SHAREHOLDERS' EQUITY			
Capital stock and additional paid-in capital	6.5.30	70,831	70,831
Reserves		365,745	307,572
Net income for the year		47,995	62,861
Equity attributable to parent company shareholders		**484,571**	**441,263**
Non-controlling (minority) interests		92	91
Shareholders' equity		**484,663**	**441,354**
LIABILITIES			
Non-current financial liabilities	6.5.31	179	187
Non-current lease liabilities		9,382	6,880
Deferred tax liabilities	6.5.18	8,017	8,317
Provisions for employee benefits	6.5.32	7,309	8,948
Other provisions	6.5.33	803	1,023
Other long-term liabilities		816	824
Total non-current liabilities		**26,506**	**26,178**
Trade and other payables	6.5.34	125,867	140,775
Current income tax liabilities		5,578	7,276
Current financial liabilities	6.5.31	3,296	3,922
Current lease liabilities		4,564	4,394
Other provisions	6.5.33	1,071	391
Other current liabilities		11	9
Total current liabilities		140,387	156,768
Total liabilities		**166,893**	**182,946**
Total liabilities related to a group of assets held for sale		291	260
TOTAL EQUITY AND LIABILITIES		**651,848**	**624,561**

6.3 CONSOLIDATED STATEMENT OF CASH FLOWS

€000	Notes	Dec 31, 2022	Dec 31, 2021
Consolidated net income		**47,998**	**62,868**
Elimination of non-cash items			
Depreciation, amortization and provisions		36,772	26,431
Depreciation, amortization and provisions - IFRS 16		5,690	5,177
Elimination of (earnings)/loss of associates		-	(129)
Income tax expense	6.5.18	24,744	23,775
Interest expense	6.5.17	456	457
Interest expense - IFRS 16		271	115
Provisions for employee benefits		48	19
Capital gains (losses) on sales, net of tax		167	704
Other non-cash items		-	-
Income and expenses from share-based payments		51	129
Cash flows from operating activities		**116,197**	**119,545**
Tax paid	6.5.18	(31,941)	(26,192)
Change in working capital	6.5.26	(21,401)	(3,638)
Net cash flow from operating activities		**62,855**	**89,715**
Purchase of intangible assets	6.5.21	(5,526)	(18,583)
Purchase of PP&E	6.5.22	(16,971)	(13,820)
Purchase of available-for-sale assets		-	-
Acquisition of financial assets		-	-
Proceeds from sale of assets		579	261
Loan repayments - other financial assets		(504)	(74)
Net cash flow from (used by) business combinations	6.5.7	904	(1,230)
Net cash flow from (used by) investing activities		**(21,518)**	**(33,445)**
Capital increase		-	-
Net (purchase)/sale of treasury stock		0	-
Issuance of debt and other financial liabilities	6.5.31	2,183	1,543
Repayment of financial liabilities		(2,399)	(110,576)
Cash flows from financing activities - IFRS 16		(5,918)	(5,357)
Interest paid	6.5.17	(737)	(594)
Interest received	6.5.17	274	46
Dividends paid to parent company shareholders	6.5.30.4	(9,465)	(5,914)
Dividends paid to non-controlling (minority) interests		(0)	(1)
Investment subsidies and government loans		-	-
Other cash flows from financing activities		-	-
Net cash flow from (used by) financing activities		**(16,063)**	**(120,853)**
Exchange gains (losses)		205	3,358
Net change in cash		25,480	(61,224)
Opening net cash and cash equivalents		68,109	129,334
Change in cash and cash equivalents		25,480	(61,224)
Closing net cash and cash equivalents	**6.5.29**	**93,589**	**68,109**

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 12/31/2020	**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 parent 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**
Net income for the year	-	-	-	-	-	47,995	47,995	2	47,998
Other comprehensive income, net of tax	-	3,730	1,180	-	4,910	-	4,910	-	4,910
Comprehensive income for the year	**-**	**3,730**	**1,180**	**-**	**4,910**	**47,995**	**52,905**	**2**	**52,908**
Appropriation of earnings	-	-	-	62,861	62,861	(62,861)	-	-	-
Stock option and bonus share plans	-	-	-	51	51	-	51	-	51
Treasury shares	-	-	-	(184)	(184)	-	(184)	-	(184)
Dividends paid by the parent company	-	-	-	(9,465)	(9,465)	-	(9,465)	(1)	(9,466)
Other	-	-	-	-	0	-	0	(0)	(0)
BALANCE AT 12/31/2022	**70,831**	**(18,290)**	**486**	**383,549**	**365,745**	**47,995**	**484,571**	**92**	**484,663**

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 2,521 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 21, 2023. They will be submitted for shareholder approval at the next Ordinary General Meeting, due to be held on May 25, 2023.

6.5.2 KEY EVENTS

6.5.2.1 Impairment of residual goodwill of the Vetoquinol Brazil CGU

In the tense macroeconomic environment of 2022, the prospects for the recovery of Vetoquinol's activity in Brazil proved to be more difficult than anticipated; they were unfavorably impacted, and resulted in the recording of a non-recurring non-cash expense of €9 million for the impairment of Brazilian goodwill. The Group continues to work on a recovery plan for its subsidiary in Brazil with the aim of aligning the performance of that market with the Group's.

6.5.2.2 Launch of Felpreva® in Europe

In 2022, Vetoquinol carried out the European launch of Felpreva®, an internal and external antiparasitic medicine used to treat cats. With this launch, the Group is strengthening its position in the pet market with a product that combines ease of use with a 3-month efficacy period.

6.5.3 ACCOUNTING PRINCIPLES

6.5.3.1 Overall framework and environment

The consolidated financial statements for the year ended December 31, 2022 have been prepared in accordance with the international accounting standards and interpretations (IAS/IFRS) adopted by the European Union and applicable at December 31, 2022. 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, 2022 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 Russia-Ukraine conflict and health situation

The Vetoquinol laboratory has no direct presence in Ukraine and Russia, but it remains exposed to the consequences of the economic tensions of this conflict, in particular the sharp increase in the cost of purchasing certain raw materials, energy and logistics.

The laboratory also remains attentive and vigilant to developments in the health crisis in the countries where it sells its products and purchases goods and services. It continues to make every effort to ensure the health and safety of its employees while respecting its commitments to its customers and stakeholders. In 2022, the Group continued its activities against the backdrop of the health crisis and eased some of the constraints on travel. This resumption of stronger activity in this area has resulted in higher costs in 2022 without jeopardizing the Group's ability to continue its operations. China has been particularly impacted by anti-Covid measures.

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. Until 2021, it had one joint venture, Vetoquinol-Zenoaq KK (Japan), which is recognized using the equity method. Since the beginning of 2022, the Group has held all the capital of this subsidiary and has fully consolidated it.

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, 2022, 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 2022 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 21 million) and GBP (c. GBP 20 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 2022 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 €30.7 million decrease in consolidated sales (2021: €27.6 million) and a €4.4 million decrease in consolidated operating income (2021: €4.0 million).

Conversely, a 10% reduction in the value of the euro compared to other currencies would have resulted in a €37.5 million increase in sales (2021: €33.8 million) and a €5.4 million increase in consolidated operating income (2021: €4.9 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, 2022											
Trade receivables	32,773	10,812	9,521	5,403	4,266	1,490	5,963	1,406	652	5,707	77,993
Impairment of trade receivables	(2,163)	(18)	(2)	(8)	(243)	(293)	(456)	-	(20)	(169)	(3,373)
Net trade receivables	**30,610**	**10,794**	**9,519**	**5,395**	**4,023**	**1,198**	**5,507**	**1,406**	**631**	**5,538**	**74,620**
Prepayments	1,182	77	259	-	69	6	412	-	-	14	2,020
Prepaid expenses	3,394	773	571	119	67	145	59	12	7	378	5,524
Receivables from government agencies	2,813	-	-	156	379	278	1,673	26	50	1,475	6,851
Other operating receivables	494	458	-	45	-	19	41	4	-	36	1,096
Miscellaneous receivables	693	(0)	7	(0)	29	96	250	-	110	27	1,211
Provisions	-	-	-	-	-	-	-	-	-	-	-
Total other receivables	**8,576**	**1,308**	**837**	**320**	**544**	**543**	**2,435**	**43**	**167**	**1,931**	**16,702**
Trade and other payables	75,005	11,022	10,016	9,174	3,031	2,591	8,883	1,396	742	4,019	125,878
Net trade and other payables	**75,005**	**11,022**	**10,016**	**9,174**	**3,031**	**2,591**	**8,883**	**1,396**	**742**	**4,019**	**125,878**
Total gross balance sheet exposure	**(35,820)**	**1,079**	**340**	**(3,459)**	**1,536**	**(851)**	**(941)**	**53**	**57**	**3,451**	**(34,555)**

€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	32	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**	**50**	**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)**	**(19)**	**(125)**	**1,808**	**(49,145)**

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, 2022, 99.3% of the Group's financial liabilities (including bank overdrafts) bore interest at a fixed rate (2021: 94.2%). Floating rate commitments amounted to €0.1 million as of December 31, 2022 (2021: €0.9 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 2022 financial statements, a 100-basis point increase in interest rates would have increased earnings by €653,000 (2021: €528,000 increase in earnings).

6.5.4.3 Liquidity risk management

Group cash excluding bank overdrafts stood at €93.6 million as of December 31, 2022 (2021: €68.1 million). Cash equivalents comprise fixed-rate term deposits with major retail banks amounting to €28.3 million (2021: €15.3 million).

2022 Group free cash flow before net cost of debt and tax amounted to €116.2 million, compared to €119.5 million the previous year.

In light of its financial position at December 31, 2022, the Group considers that it is not exposed to liquidity risk. As of December 31, 2022, the Group's cash was sufficient to meet its financial liabilities due in less than one year. Net cash excluding IFRS 16 amounted to -€90.2 million as of December 31, 2022, compared to -€64.9 million as of December 31, 2021.

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 6.7% of consolidated revenues in 2022 (2021: 6.0%).

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, 2022 this amounted to €86.5 million (2021: €87.3 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

On January 26, 2022, the Group completed the acquisition of all shares of Vetoquinol Zenoaq, our Japanese subsidiary. This event had no impact on goodwill. This resulted in a cash inflow to the Group's CFS on the line dedicated to changes in the scope of consolidation and business combinations (+€904,000). 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, This transaction was carried out via the unwinding of the PUT/CALL initially contracted in 2018, and since then, the Group has held a 100% stake in that subsidiary.

6.5.8 OPERATING SEGMENTS – IFRS 8

2022 and 2021 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 2022 operating segment results

€000 **By asset location**	**Europe**	**Americas**	**Asia Pacific (rest of world)**	**Consolidated total**
Sales	**403,465**	**217,678**	**68,924**	**690,067**
Inter-segment sales	(126,832)	(23,364)	(93)	(150,288)
Total external sales	**276,633**	**194,314**	**68,832**	**539,779**
EBIT	**45,393**	**25,691**	**13,477**	**84,561**
Non-recurring operating income and expenses	(1,088)	(9,471)	0	(10,559)
Operating income	**44,305**	**16,220**	**13,477**	**74,002**
Net financial income/(expense)				(1,261)
Income before tax				**72,742**
Income tax				(24,744)
Income after tax				**47,998**
Earnings/(loss) of associates				-
CONSOLIDATED NET INCOME				**47,998**

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

€000 Per region	Europe	Americas	Asia Pacific (rest of world)	Consolidated total
Sales	341,302	234,900	113,865	690,067
Inter-segment sales	(89,418)	(40,562)	(20,308)	(150,288)
TOTAL EXTERNAL SALES	**251,884**	**194,338**	**93,557**	**539,779**

The Group also tracks sales by species.

€000 By species	Pets	Food-producing animals	Consolidated total
Sales	477,462	212,605	690,067
Inter-segment sales	(112,152)	(38,136)	(150,288)
TOTAL EXTERNAL SALES	**365,310**	**174,469**	**539,779**

6.5.8.3 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 Per 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	Food-producing animals	Consolidated total
Sales	458,437	236,082	694,518
Inter-segment sales	(123,573)	(49,673)	(173,246)
TOTAL EXTERNAL SALES	**334,864**	**186,409**	**521,272**

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, 2022				
Depreciation and amortization	(19,528)	(5,751)	(581)	(25,860)
Provisions and write-backs	(823)	(1,259)	(30)	(2,112)
Depreciation - IFRS 16	(3,472)	(1,564)	(655)	(5,690)
Goodwill impairment	-	(9,475)	-	(9,475)
Expenses on grants of bonus shares	(72)	-	-	(72)
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)

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, 2022				
Assets	411,006	171,171	68,042	650,219
Liabilities	92,494	56,096	18,304	166,893
Acquisition of assets	22,786	1,435	278	24,499
Acquisition of assets – IFRS 3 – Business combinations	-	-	-	-
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	-	-	-	-

6.5.9 R&D COSTS

R&D costs incurred and expensed in 2022 amounted to €32.6 million, or 6.0% of sales (2021: €31.0 million, or 5.9% of sales).

6.5.10 OTHER PURCHASES AND EXTERNAL EXPENSES

€000	2022	2021
General subcontracting	15,414	14,208
Lease and rental payments (*)	2,189	1,630
Maintenance	5,112	5,396
Insurance	1,786	1,316
Analyses and research	2,814	2,855
Third-party staff	2,231	3,023
Fees and commissions paid to intermediaries	24,610	27,291
Advertising, publications, public relations	23,569	26,853
Freight and collective transportation of staff	13,008	10,965
Business travel and entertainment	10,661	7,088
Postage and telecommunications	2,007	1,818
Royalties on concessions, patents, licenses, trademarks, etc.	1,097	1,316
Other external services	3,529	3,170
Miscellaneous	936	769
TOTAL	**108,962**	**107,698**

(*) In 2022, €5,913,000 (€5,322,000 in 2021) 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	2022	2021
Wages and salaries	114,818	110,842
Social security charges (*)	36,225	34,301
Severance pay	606	1,011
Provisions for employee benefits (Note 6.5.32)	907	1,174
Employee long-term benefits – actuarial gains and losses recognized to P/L	(230)	17
Expenses on grants of stock options	-	-
Expenses on grants of bonus shares	72	245
TOTAL EMPLOYEE BENEFITS	**152,400**	**147,590**

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

6.5.12 SHARE-BASED PAYMENTS – BONUS SHARES

A bonus share plan was implemented in 2020; the impact of applying IFRS 2 amounted to €72,000 in 2022 (€245,000 in 2021). 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). The shares under this plan were distributed in full in 2022. There was no bonus share plan outstanding at 2022 year-end.

6.5.13 OTHER OPERATING INCOME AND EXPENSES

€000	2022	2021
Operating grants	258	388
Investment grants transferred to income for the year	-	-
Expense reclassifications	413	298
Gains on asset sales	579	261
Research tax credit (Crédit d'Impôt Recherche - CIR)	4,095	3,566
Other income	1,591	7,423
OTHER OPERATING INCOME	**6,935**	**11,937**
Book values of assets sold	(281)	(615)
Other expenses	(1,118)	(1,294)
OTHER OPERATING EXPENSES	**(1,399)**	**(1,909)**
TOTAL	**5,537**	**10,028**

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

Other expenses included bad debt losses of €0.3 million. In 2021, other expenses included bad debt losses of €0.1 million.

Other income consists of:

€000	2022	2021
Fees and royalties		-
Freight costs passed on to customers	580	538
Compensation received*	14	4,008
Net asset disposals	-	1,341
Other	996	1,537
TOTAL	**1,591**	**7,423**

** Settlement compensation received in 2021 following dispute resolution*

6.5.14 NON-RECURRING OPERATING INCOME AND EXPENSES

€000	2022	2021
Miscellaneous	4	6
Non-recurring operating income	**4**	**6**
Impairment of intangible assets (FarmVet Systems)	(1,009)	-
Impairment of intangible assets (Canada)	-	-
Goodwill impairment (Note 6.5.20.2)	(9,475)	-
Restructuring costs (Italy)	(47)	(490)
Miscellaneous, penalties (France)	(32)	6
Other non-recurring operating expenses	**(10,563)**	**(490)**
TOTAL	**(10,559)**	**(484)**

At the end of December 2022, the Group decided to cease operations of FarmVet Systems outside the United Kingdom. As a result, we applied an exceptional amortization to the non-patented developed technology asset recognized for the area outside the United Kingdom.

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, 2022, of a €13.7 million right-of-use asset (€11.0 million at December 31, 2021) and a €13.9 million financial liability (€11.3 million at December 31, 2021);
- lease expenses amounting to €5.9 million in respect of 2022 were eliminated (€5.3 million in 2021). This action was offset by the recognition of €5.7 million depreciation charges and €271,000 financial expenses for 2022 (€5.2 million and €115,000 in 2021).

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, 2022 was 2.7% (1.0% at December 31, 2021). This discount rate corresponds to the average rate 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, 2022**	**Dec 31, 2021**
Land	1	1
Buildings	9,710	6,779
Plant, machinery and equipment	2	2
Vehicles	3,736	3,942
Furniture, office equipment, hardware	206	308
TOTAL	**13,654**	**11,032**

IMPACT ON FINANCIAL STATEMENTS (€000)

IFRS 16 balance sheet impact	Dec 31, 2022	Dec 31, 2021
Pre-IFRS 16 non-current assets	327,954	338,382
Right-of-use assets (leases)	13,654	11,032
POST-IFRS 16 NON-CURRENT ASSETS	**341,608**	**349,415**
Pre-IFRS 16 current liabilities	135,823	152,374
Lease liabilities due in less than one year	4,564	4,394
POST-IFRS 16 CURRENT LIABILITIES	**140,387**	**156,768**
Pre-IFRS 16 non-current liabilities	17,124	19,299
Lease liabilities due in over one year	9,382	6,880
POST-IFRS 16 NON-CURRENT LIABILITIES	**26,506**	**26,178**

INCOME STATEMENT - IFRS 16 IMPACT	2022	2021
Pre-IFRS 16 other purchases and external expenses	(114,875)	(113,021)
Canceled rent payments	5,913	5,322
POST-IFRS 16 EXTERNAL EXPENSES	**(108,962)**	**(107,698)**
Pre-IFRS 16 depreciation and impairment of fixed assets	(11,804)	(13,630)
Depreciation and impairment of fixed assets - IFRS 16 impact	(5,690)	(5,177)
POST-IFRS 16 DEPRECIATION AND IMPAIRMENT OF FIXED ASSETS	**(17,494)**	**(18,807)**
Pre-IFRS 16 gross cost of debt	(728)	(502)
Interest paid - Lease liabilities	(271)	(115)
POST-IFRS 16 GROSS COST OF DEBT	**(998)**	**(617)**
Pre-IFRS 16 income tax expense	(24,744)	(23,775)
Deferred tax - IFRS 16 impact	-	-
POST-IFRS 16 INCOME TAX EXPENSE	**(24,744)**	**(23,775)**
TOTAL IMPACT ON INCOME STATEMENT	**(48)**	**30**

6.5.16 EBITDA

€000	2022	2021
Operating income	**74,002**	**86,276**
Provisions and write-backs recorded under non-recurring operating income and expenses	10,358	(823)
Provisions and write-backs	2,112	993
Depreciation and impairment of fixed assets	25,860	27,695
Depreciation and impairment of fixed assets - IFRS 16	5,690	5,177
EBITDA	**118,021**	**119,317**
% OF SALES	**21.9%**	**22.9%**

6.5.17 NET FINANCIAL INCOME/(EXPENSE)

€000	Dec 31, 2022	Dec 31, 2021
Interest income from cash and cash equivalents	807	366
Net gains on sale of cash equivalents	-	-
INCOME FROM CASH AND CASH EQUIVALENTS	**807**	**366**
Interest on bonds	-	-
Interest on borrowings and overdrafts	(728)	(502)
Interest on other borrowings - IFRS 16	(271)	(115)
Interest on finance leases	-	-
GROSS COST OF DEBT	**(998)**	**(617)**
NET COST OF DEBT	**(191)**	**(251)**

€000	Dec 31, 2022	Dec 31, 2021
Currency gains	4,578	3,845
Other income	1,936	48
OTHER FINANCIAL INCOME	**6,514**	**3,893**
Financial expenses related to employee benefits	(48)	(19)
Currency losses	(5,273)	(2,966)
Other expenses	(2,262)	(419)
OTHER FINANCIAL EXPENSES	**(7,583)**	**(3,404)**
OTHER FINANCIAL INCOME AND EXPENSES	**(1,069)**	**489**

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. 25.83% for the 2022 financial year (2021: 27.37%).

When the temporary difference is expected to be reversed after 2022, the related deferred taxes are calculated at the rate of 25.83%.

As part of its operations, VSA is currently undergoing a tax audit covering the years 2019-2020. The audit is currently ongoing and is focused on the transfer pricing policy. VSA is challenging the substance and form of the 2019 interruptive notice issued by the DVNI; the audit is currently ongoing. No provision was recorded in the accounts at the end of December 2022.

Income tax expense is broken down as follows:

€000	Dec 31, 2022	Dec 31, 2021
Current income tax expense	(24,080)	(26,811)
Deferred tax income/(expense)	(664)	3,036
TOTAL	**(24,744)**	**(23,775)**

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

€000	Dec 31, 2022	Dec 31, 2021
Net income for the year	**47,998**	**62,868**
CIR restatement	(4,080)	(3,553)
CVAE restatement as per IAS 12	(840)	(989)
Non-recurring items - GW impairment	9,475	-
(Earnings)/loss of associates	-	(129)
Income tax expense	24,744	23,775
Income before tax adjusted for tax credits	**77,296**	**81,971**
Theoretical tax at 25.83% (2021: 27.37%)	**19,962**	**22,439**
Non-deductible expenses and non-taxable income	119	(700)
Impact of change in tax rate	(297)	142
Change in tax losses b/fwd and c/fwd	2,626	1,686
Tax rate differences for foreign companies	(2,010)	(2,735)
Other taxes (under IAS 12) (*)	1,139	1,378
Impact of reduced rate	(59)	(40)
Withholding taxes	2,430	1,749
Taxes with no tax base (tax credits, etc.)	934	(233)
Miscellaneous	(99)	87
Effective tax	**24,744**	**23,775**
EFFECTIVE TAX RATE	**32.01%**	**29.00%**

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

Analysis of movements in deferred tax assets during the year:

€000	Dec 31, 2022	Dec 31, 2021
Opening balance	**12,376**	**9,810**
Recognized in the income statement	(1,506)	2,161
Recognized in other comprehensive income	(411)	(173)
Changes in consolidation scope	-	-
Reclassifications	178	508
Exchange differences	(4)	70
CLOSING BALANCE	**10,632**	**12,376**

Analysis of movements in deferred tax liabilities during the year:

€000	Dec 31, 2022	Dec 31, 2021
Opening balance	**8,317**	**8,431**
Recognized in the income statement	(842)	(874)
Recognized in other comprehensive income	-	-
Changes in consolidation scope	-	-
Changes in deferred tax liabilities via goodwill	-	-
Transfers to liabilities held for sale	-	(258)
Reclassifications	178	508
Exchange differences	364	510
CLOSING BALANCE	**8,017**	**8,317**

Unrecognized deferred tax assets arising from 2022 tax losses reported by subsidiaries amounted to €2.2 million (2021: €0.9 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, 2022	Dec 31, 2021
Intangible assets	(7,086)	(6,814)
Component-based approach (net)	255	264
Other temporary differences (net)	2,190	1,992
Internal margin on inventories	6,744	7,409
Restatement of finance leases	(36)	(36)
Employee benefits	1,565	1,948
Tax losses carried forward	(0)	342
Regulated provisions	(1,343)	(1,432)
Other (net)*	293	386
TOTAL	**2,583**	**4,059**
Of which: Deferred tax assets	10,632	12,376
Deferred tax liabilities	(8,017)	(8,317)

** 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, 2022	Dec 31, 2021
Net income attributable to holders of common shares (€000)	47,995	62,861
Weighted average number of common shares	11,881,902	11,881,902
Treasury shares at end of period (direct holding)	(47,740)	(53,240)
Treasury shares at end of period (liquidity contract)	(2,574)	(900)
Adjusted weighted average number of shares outstanding over the period	11,831,588	11,827,762
BASIC EARNINGS PER SHARE (€)	**4.06**	**5.31**

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, 2022, just as at December 31, 2021, potentially dilutive instruments include bonus shares granted.

	Dec 31, 2022	Dec 31, 2021
Net income attributable to holders of common shares (€000)	47,995	62,861
Expenses on grants of bonus shares	**72**	**245**
Earnings used to calculate diluted earnings (€000)	**48,067**	**63,106**
Weighted average number of shares outstanding over the year	11,881,902	11,881,902
Treasury shares at end of period (direct holding)	(47,740)	(53,240)
Treasury shares at end of period (liquidity contract)	(2,574)	(900)
Adjusted weighted average number of shares outstanding over the period	**11,831,588**	**11,827,762**
Dilutive effect of bonus share grants	-	5,500
Number of shares including dilutive effect	**11,831,588**	**11,833,262**
Diluted earnings per share (€)	4.06	5.33

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, 2022	Dec 31, 2021
At January 1		
Opening book value	**83,458**	**79,858**
Acquisitions related to business combinations	-	-
Impairment losses recognized in the income statement	(9,475)	-
Reclassifications/allocation of goodwill	-	-
Exchange differences, net	2,190	3,599
At December 31		
Closing book value	**76,173**	**83,458**

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, 2022	Dec 31, 2021
Vetoquinol Biowet Poland	2,036	2,073
Vetoquinol GmbH/Germany	1,705	1,705
Vetoquinol UK	396	418
Farmvet Systems	-	-
Vetoquinol Ireland	421	421
Vetoquinol Switzerland	1,145	1,091
Vetoquinol Austria	772	772
Vetoquinol Czech Republic	997	967
Vetoquinol USA	25,809	24,449
Vetoquinol Belgium	500	500
Vetoquinol Italy	6,465	6,465
Vetoquinol Brazil	-	8,168
Vetoquinol Scandinavia	991	1,075
Vetoquinol Asia	43	40
Vetoquinol India	8,057	8,434
Vetoquinol SA France	14,445	14,447
Vetoquinol Australia	1,748	1,753
Vetoquinol Canada	10,644	10,679
TOTAL	**76,173**	**83,458**

The difference in value between 2021 and 2022 is a result of impairment losses on the Vetoquinol Brazil CGU as well as exchange differences for Goodwill denominated in foreign currencies.

Changes in goodwill for 2021 resulted solely from exchange differences.

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 2023 Business Plan projections drawn up by management and the following main assumptions for the years 2024-2027:

WACC rates were determined for each CGU, taking into account the following:
- risk-free rate: 3.5%;
- market risk premium of 5.8%;
- pre-tax cost of debt of 6.0%;
- a sector gearing ratio of 5.3%;
- a country risk premium and the country's tax rate;
- a median deleveraged Beta for the sector: 0.79;
- an equity size premium of 1.2%;
- WACC rates range from 7.4% to 13.4% depending on the CGU;
- Growth rates to infinity have been set according to the country in which the CGU is located and vary from 1.4% 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.

The €9.5 million impairment expense recognized in 2022 following impairment tests carried out on fixed assets corresponds to goodwill impairment of the Brazil CGU; this expense reflected the worsening of the outlook for that CGU in view of tense and uncertain market conditions.

No impairment loss was identified for any other CGUs in 2022.

No impairment expense was recognized in 2021.

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 an 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, 2022 and 2021.

CGU	Goodwill at 12/31/2022 (€000)	Value of non-amortized trademarks at 12/31/2022 (€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	8,057	4,117	24	12,198	58,357	79.1%	4.0%	-8%	13.0%	-11%
Vetoquinol Italy	6,465	0	142	6,607	124,279	94.7%	2.0%	-10%	9.1%	-13%
Vetoquinol USA	25,809	0	15,313	41,122	304,841	86.5%	2.0%	-10%	9.0%	-14%
Vetoquinol SA	14,445	6,828	119,111	140,383	375,109	62.6%	1.4%	-16%	7.8%	-23%
Vetoquinol Canada	10,644	0	188	10,832	191,349	94.3%	2.0%	-12%	8.8%	-16%
Subtotal - selection	**65,420**	**10,945**	**134,777**	**211,142**	**1,053,935**	**80.0%**		**-12%**		**-17%**
Other subsidiaries	10,753	9,088	13,899	33,740	301,740	88.8%				
TOTAL ASSETS	**76,173**	**20,033**	**148,675**	**244,882**	**1,355,675**					

6.5.21 INTANGIBLE ASSETS

€000	Concessions, licenses and patents	Software	Trademarks	"Product lists"/Products - Proprietary	Other intangible assets	Total
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**
Acquisitions	61	4,975	-	-	201	5,236
Acquisitions through business combinations	-	-	-	-	-	-
Purchase price allocation - asset recognition	-	-	-	-	-	-
Change in consolidation method	-	-	-	-	-	-
Disposals (net book value)	-	(23)	(2)	-	(5)	(30)
Reclassifications	(30)	(0)	30	-	0	(0)
Depreciation and amortization	(411)	(2,853)	-	(12,637)	(1,068)	(16,968)
Deconsolidation	-	-	-	-	-	-
Exchange differences, net	90	(21)	(194)	1,642	430	1,947
AT DECEMBER 31, 2022						
GROSS BOOK VALUE	**16,001**	**31,870**	**20,161**	**181,912**	**25,931**	**275,875**
ACCUMULATED DEPRECIATION	**(13,203)**	**(19,159)**	**(128)**	**(52,156)**	**(22,520)**	**(107,166)**
NET BOOK VALUE	**2,797**	**12,711**	**20,033**	**129,757**	**3,410**	**168,709**

At the end of December 2022, 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 €4.1 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, 2022:

- products/proprietary arising from the acquisition of Clarion and valued globally at €5,811,000,
- products/proprietary arising from the acquisition of the Bioniche animal health division and valued at €7,002,000 (2021: €7,642,000),
- Drontal® and Profender® products/proprietary amounting to €106.7 million at December 31, 2022 (2021: €116.1 million),
- remaining products/proprietary valued at €10,187,000 (2021: €11,333,000).

6.5.21.1.1 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.

6.5.21.1.2 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, 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**
Additions	337	2,953	4,355	971	10,647	19,263
Acquisitions through business combinations	-	-	-	-	-	-
Purchase price allocation - asset recognition	-	-	-	-	-	-
Change in consolidation method	-	-	-	-	-	-
Disposals (net book value)	-	(24)	(205)	(50)	(437)	(716)
Depreciation and amortization	(117)	(3,617)	(4,710)	(1,457)	-	(9,900)
Exchange differences, net	(6)	267	118	13	2	393
Deconsolidation	-	-	-	-	-	-
Reclassifications	101	2,759	1,267	478	(4,605)	(0)
AT DECEMBER 31, 2022						
GROSS BOOK VALUE	**3,433**	**86,634**	**72,496**	**17,029**	**15,016**	**194,607**
ACCUMULATED DEPRECIATION	**(1,175)**	**(57,592)**	**(51,502)**	**(13,341)**	**-**	**(123,611)**
NET BOOK VALUE	**2,257**	**29,042**	**20,994**	**3,687**	**15,016**	**70,996**

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 is the best estimate of the corresponding assets' realizable value. The Group has maintained the IFRS 5 classification of these assets for a value of €1.6 million (€1.3 million at the end of 2021) with respect to the offers received at the end of 2022. The disposal of these assets in 2023 is therefore highly probable.

6.5.24 OTHER FINANCIAL ASSETS

Other financial assets at December 31, 2022 include equity investments in PAT (Plant Advanced Technologies) amounting to €266,000 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, 2022, as at December 31, 2021, 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, 2021	Changes in consolidation scope	Change in working capital in CFS	Reclassifications	Currency differences	Impact of restructuring	Dec 31, 2022
Inventories	111,594	2	3,938	-	558	-	116,091
Trade and other receivables	87,200	-	(2,962)	-	1,112	-	85,350
Other current assets	4,439	20	1,605	(165)	74	-	5,973
Other long-term liabilities	824	-	(6)	-	(1)	-	816
Government loans	-	-	-	-	-	-	-
Trade and other payables (excl. payables to fixed asset suppliers)	137,486	30	(18,815)	(82)	1,958	-	120,576
Other current liabilities	9	-	1	-	1	-	11
Government loans (portion due in less than 1 yr)	-	-	-	-	-	-	-
WCR RECONCILIATION	**64,914**	**(8)**	**21,401**	**(83)**	**(214)**	**-**	**86,010**

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.

In some regions, the FIFO (first in, first out) method is also used to value the various inventories. This practice is marginal and not significant.

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, 2022			Dec 31, 2021		
	Gross value	Impairment	Net book value	Gross value	Impairment	Net book value
Raw materials & consumables	36,507	(1,126)	35,380	29,460	(960)	28,501
Other supplies	-	-	-	-	-	-
Work in progress	17,867	(972)	16,895	16,110	(772)	15,339
Semi-finished and finished goods	49,663	(3,342)	46,321	48,003	(1,972)	46,031
Goods purchased for resale	18,881	(1,386)	17,495	23,227	(1,503)	21,724
TOTAL	**122,917**	**(6,826)**	**116,091**	**116,801**	**(5,206)**	**111,594**

6.5.27.2 Analysis of inventory impairment

€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**

€000	Dec 31, 2021	Additions	Reclassifications	Write-backs	Currency differences	Dec 31, 2022
Raw materials & consumables	960	1,532	(174)	(1,189)	(3)	1,126
Work in progress	772	988	-	(788)	(0)	972
Semi-finished and finished goods	1,972	3,874	-	(2,489)	(15)	3,342
Goods purchased for resale	1,503	1,576	-	(1,739)	46	1,386
TOTAL	**5,206**	**7,971**	**(174)**	**(6,205)**	**27**	**6,826**

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, 2022	Dec 31, 2021
Trade receivables	77,993	80,950
Impairment of trade receivables	(3,373)	(3,421)
Net trade receivables	**74,620**	**77,529**
Prepayments	2,020	2,014
Receivables from government agencies	6,851	5,987
Other operating receivables	1,096	862
Miscellaneous receivables	763	808
Provisions	-	-
Other receivables	**10,730**	**9,671**
Total trade and other receivables	**85,350**	**87,200**
Prepaid expenses	5,524	3,830
Loans and guarantees	449	609
Other	(0)	(0)
Total other current assets	**5,973**	**4,439**

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, 2022, this provision stood at €964,000 (€1.2 million as of 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, 2022	Dec 31, 2021
Marketable securities	28,282	15,338
Cash	65,426	53,661
Cash and cash equivalents in the balance sheet (assets)	**93,708**	**68,999**

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

€000	Dec 31, 2022	Dec 31, 2021
Total cash and cash equivalents in the balance sheet	93,708	68,999
Bank overdrafts (Note 6.5.31)	(119)	(890)
Cash and cash equivalents in the CFS	**93,589**	**68,109**

6.5.30 CAPITAL STOCK AND ADDITIONAL PAID-IN CAPITAL

€000	Number of shares	Capital stock	Additional paid-in capital	Total
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, 2022	**11,881,902**	**29,705**	**41,126**	**70,831**

At December 31, 2022, the capital stock amounted to €29,704,755 (2021: €29,704,755) divided into 11,881,902 shares (2021: 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. These shares were distributed in full on May 26, 2022.

6.5.30.2 Stock options

None.

6.5.30.3 Treasury stock excluding liquidity contract

As of December 31, 2022, Vetoquinol held 47,740 treasury shares (2021: 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 19, 2022 shareholders' meeting approved the distribution of dividends attributable to FY 2021 amounting to €9,505,521.60, i.e. €0.80 per share (2021: €5,940,951.00 attributable to FY 2020, i.e. €0.50 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 2022 amounted to €9,464,995.20 (2021: €5,913,835.00).

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

The Board has proposed a 2022 dividend payout of €0.8 per share payable on June 6, 2023.

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, 2022	Dec 31, 2021
Borrowings and other financial liabilities	179	187
Non-current lease liabilities	9,382	6,880
Total non-current financial liabilities	**9,561**	**7,067**
Borrowings and other financial liabilities	3,177	3,032
Current lease liabilities	4,564	4,394
Bank overdrafts	119	890
Total current financial liabilities	**7,861**	**8,316**
TOTAL FINANCIAL LIABILITIES	**17,422**	**15,383**

The breakdown of financial liabilities by maturity is as follows:

€000	Total	< 1 year	1-5 years	> 5 years
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**
At December 31, 2022				
Borrowings and other financial liabilities	3,356	3,177	179	-
Lease liabilities	13,946	4,564	7,919	1,463
Bank overdrafts	119	119	-	-
TOTAL FINANCIAL LIABILITIES	**17,422**	**7,861**	**8,098**	**1,463**

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, 2021	Cash flow	Non-cash transactions				Dec 31, 2022
			Acquisitions	Currency gains/losses	IFRS 16 reclassification/ impact	Changes in fair value	
Borrowings and other financial liabilities - non-current	187	-	-	(8)	-	-	179
Borrowings and other financial liabilities - current	3,032	(223)	-	368	-	-	3,177
Lease liabilities	11,274	-	-	61	2,611	-	13,946
Hedging instruments	-	-	-	-	-	-	0
TOTAL FINANCIAL LIABILITIES	**14,494**	**(223)**	**-**	**421**	**2,611**	**-**	**17,303**

6.5.31.2 Breakdown by currency and rate type

€000	Dec 31, 2022	Dec 31, 2021
Fixed rate	640	620
INR	**640**	**620**
Fixed rate	3,177	3,437
BRL	**3,177**	**3,437**
Fixed rate	416	514
AUD	**416**	**514**
Fixed rate	1,836	733
USD	**1,836**	**733**
Fixed rate	850	1,099
CAD	**850**	**1,099**
Fixed rate	58	79
CHF	**58**	**79**
Fixed rate	117	142
CNY	**117**	**142**
Fixed rate	140	164
CZK	**140**	**164**
Fixed rate	1,115	656
GBP	**1,115**	**656**
Fixed rate	156	-
JPY	**156**	**-**
Fixed rate	186	192
KRW	**186**	**192**
Fixed rate	449	443
MXN	**449**	**443**
Fixed rate	108	157
PLN	**108**	**157**
Fixed rate	17	57
SEK	**17**	**57**
Fixed rate on bonds	-	-
Fixed rate and floating swapped to fixed	8,039	6,202
Floating rate	-	-
EUR	**8,039**	**6,202**
Fixed rate	17,303	14,494
Floating rate	-	-
Total (all currencies combined)	**17,303**	**14,494**
Bank overdrafts	119	890
TOTAL	**17,422**	**15,383**

6.5.31.3 Collateral given as guarantee

None.

6.5.31.4 Credit lines

- As of December 31, 2022, the Group had open lines of bank credit amounting to €45 million (2021: €45 million). These lines of credit were undrawn at the end of 2022 (€785,000 at the end of 2021).

6.5.31.5 Liquidity risk

In view of its available cash and cash equivalents as of December 31, 2022, 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, 2022					
Borrowings and other financial liabilities	3,356	3,356	3,177	179	-
Bank overdrafts	119	119	119	-	-
Trade payables	39,041	39,041	39,041	-	-
Payables to fixed asset suppliers	5,289	5,289	5,289	-	-
Other operating liabilities	38,433	38,433	38,433	-	-
TOTAL FINANCIAL LIABILITIES	**86,238**	**86,238**	**86,059**	**179**	**-**

€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**	**-**

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, 2022	Dec 31, 2021
Provision for retirement bonus	5,631	7,078
Other employee benefits (CET time savings account, long-service awards, etc.)	1,678	1,869
PROVISIONS FOR EMPLOYEE BENEFITS	**7,309**	**8,948**

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 (+/- €135,000) adjustments to the commitment.

6.5.32.2.1 Changes in the corresponding liability were as follows:

€000	Dec 31, 2022	Dec 31, 2021
Carrying amount at January 1	**7,078**	**7,618**
Expenses recognized in the income statement	628	901
Actuarial gains and losses recognized in other comprehensive income	(1,591)	(632)
Contributions paid	(310)	(317)
Reclassifications	33	(209)
Benefits paid from the fund	(202)	(280)
Exchange differences	(6)	(3)
New liabilities arising from acquisitions	-	-
CARRYING AMOUNT AT DECEMBER 31	**5,631**	**7,078**

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

€000	Dec 31, 2022	Dec 31, 2021
Cost of services rendered during the year	560	828
Financial cost	48	19
Cost of past services	-	-
Actuarial gains and losses recognized in the income statement	20	53
TOTAL	**628**	**901**

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

	Dec 31, 2022	Dec 31, 2021
Discount rate	3.40%	0.80%
Salary increase rate	2.70%	2.40%
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, 2022	Dec 31, 2021
Carrying amount at January 1	**1,869**	**1,778**
Expenses recognized in the income statement	49	290
Actuarial gains and losses recorded in equity	-	-
Contributions paid	(203)	(224)
Reclassifications	-	-
Exchange differences	(37)	25
New liabilities arising from acquisitions	-	-
CARRYING AMOUNT AT DECEMBER 31	**1,678**	**1,869**

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

€000	Dec 31, 2022	Dec 31, 2021
Cost of services rendered during the year	299	327
Financial cost	-	-
Cost of past services	-	-
Actuarial gains and losses recognized in the income statement	(250)	(36)
TOTAL	**49**	**290**

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

	Dec 31, 2022	Dec 31, 2021
Discount rate	3.30%	0.30%
Award appreciation rate	0.90%	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, 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**
Additional provisions and increases	215	670	885
Amounts used	(126)	(316)	(441)
Reclassifications	-	14	14
Write-backs of amounts not used	-	-	-
Provisions arising from acquisitions	-	-	-
Exchange differences	-	1	1
At December 31, 2022	**750**	**1,124**	**1,874**

€000	Dec 31, 2022	Dec 31, 2021
Current	1,071	391
Non-current	803	1,023
TOTAL	**1,874**	**1,414**

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

Type of provisions	Balance sheet amount as of December 31, 2022	Balance sheet amount as of December 31, 2021
Litigation/termination of employment contract	803	723
Restructuring plan – Italian site closure – severance payments	0	0
Restructuring plan – Italian site closure – restoration of premises	0	300
SUBTOTAL – NON-CURRENT PROVISION	**803**	**1023**
Litigation/termination of employment contract	231	223
Provision for risk of non-use/collection of an asset	0	0
Provision for risks – litigation	840	168
SUBTOTAL – CURRENT PROVISION	**1071**	**391**

6.5.34 TRADE AND OTHER PAYABLES

€000	Dec 31, 2022	Dec 31, 2021
Trade payables	39,041	46,936
Payables to fixed asset suppliers	5,289	3,289
Tax and social security liabilities	37,562	43,966
Other operating liabilities	38,433	42,070
Other miscellaneous liabilities	5,542	4,514
Total trade and other payables	**125,867**	**140,775**
Deferred income	11	9
TOTAL OTHER CURRENT LIABILITIES	**11**	**9**

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, 2022 and December 31, 2021, there were no derivative financial instruments.

€000 – 2022	Assets/liabilities at fair value through profit/loss	Assets/ liabilities at amortized cost	Non-financial instruments	Total carrying amount	Fair value
Other equity investments	266	-	-	266	266
Other non-current assets (loans and advances)	-	1,178	-	1,178	1,178
Trade receivables and related accounts	-	91,323	-	91,323	91,323
Cash and cash equivalents	-	93,708	-	93,708	93,708
Derivatives	-	-	-	-	-
Financial assets at Dec 31, 2022	**266**	**186,208**	**-**	**186,474**	**186,474**
Bonds	-	(0)	-	(0)	(0)
Short/long-term borrowings and other financial liabilities	-	3,475	-	3,475	3,475
Lease liabilities	-	13,946	-	13,946	13,946
Derivatives	-	-	-	-	-
Trade payables	-	39,041	-	39,041	39,041
Payables to fixed asset suppliers	-	5,289	-	5,289	5,289
Other operating liabilities	-	38,433	-	38,433	38,433
Financial liabilities at Dec 31, 2022	**-**	**100,184**	**-**	**100,184**	**100,184**

€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**

6.5.36 DIVIDENDS PER SHARE

Dividends paid in 2022 amounted to €9,464,995.20 (2021: €5,913,835.00), i.e. €0.80 per share (2021: €0.50 per share).

At the upcoming shareholders' general meeting on May 23, 2023, shareholders will be asked to approve a dividend payout of €0.8 per share.

6.5.37 HEADCOUNT

2022 headcount by functional dept. and geographical region	France	Western Europe (excl. France)	Eastern Europe	Americas	Asia	Consolidated total
Administration	137	47	36	75	28	323
Sales & Marketing	101	191	65	260	505	1,122
IT	44	10	7	9	1	71
Production	176	0	89	71	0	336
Quality	102	7	52	62	4	227
Science	137	16	16	34	8	211
Procurement & Logistics	100	23	35	61	12	231
Total headcount at Dec 31, 2022	**797**	**294**	**300**	**572**	**558**	**2,521**

2021 headcount by functional dept. and geographical region	France	Western Europe (excl. France)	Eastern Europe	Americas	Asia	Consolidated total
Administration	136	44	39	72	28	319
Sales & Marketing	98	189	59	259	481	1,086
IT	42	7	8	13	1	71
Production	215	0	95	77	0	387
Quality	103	7	53	68	3	234
Science	137	14	20	34	9	214
Procurement & Logistics	102	23	34	61	15	235
Total headcount at Dec 31, 2021	**833**	**284**	**308**	**584**	**537**	**2,546**

6.5.38 OFF-BALANCE SHEET COMMITMENTS

6.5.38.1 Guarantees given

€000	Dec 31, 2022	Dec 31, 2021
Guarantees and deposits	8	8
Mortgages and collateral	-	-
TOTAL	**8**	**8**

6.5.38.2 Guarantees received

€000	Dec 31, 2022	Dec 31, 2021
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, 2022, the balance in the account amounted to BRL 19.3 million (€3,430,000).

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, 2022	Dec 31, 2021
Intangible assets	25	355
Property, plant and equipment	5,692	10,380
TOTAL	**5,717**	**10,735**

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, 2022	Dec 31, 2021
Short-term benefits	1,511	1,454
Post-employment benefits		-
TOTAL	**1,511**	**1,454**

Vetoquinol Group top management comprises:
- Matthieu Frechin, Chief Executive Officer;
- Étienne Frechin, Chairman;
- Dominique Derveaux, Group Chief Operating Officer;
- 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 Brazil

An agreement providing for a reduction in the buyback debt recognized at December 31, 2022 was signed with the minority shareholders of Vetoquinol Brazil in March 2023.
In exchange for this agreement, Vetoquinol would take over various obligations. This agreement must still be approved by a competent court of law.
The minority interest buyback liability was recognized as of December 31, 2022 at €5.2 million.

6.5.41.2 Q1 2023 sales

On April 19, 2023, Vetoquinol published its sales for the first quarter of 2023.

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	PwC
	2022	2022
	Amount	Amount
Statutory audit fees		
Issuer	98	120
Fully consolidated subsidiaries	167	96
Services other than account certification		
Services required under statutory and regulatory provisions - Issuer	5	5
Services required under statutory and regulatory provisions - Fully consolidated subsidiaries		
Other services - Issuer		
Other services - Fully consolidated subsidiaries		
TOTAL	**270**	**221**

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, 2022		Dec 31, 2021	
		% 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 - Alcadía 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 Especialidades 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 Amílcar Cabral nº7, 3ºPiso, Sala 5 – Agualva, 2735-534 – Agualva-Cacém – 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 - Co Londonderry - Magherafelt BT45 7PA - United Kingdom	**100%**	**100%**	100%	100%
Vetoquinol NV	Galileilaan 11/401 – 2845 Niel – 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 (formerly 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 námestí 329/3 – Jinonice – 158 00 Prague – Czech Republic	**100%**	**100%**	100%	100%
Vetoquinol Österreich GmbH	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 Åstorp – 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.	Office no. 501, Hamilton-B Building, Hiranandani Business Park, Ghodbunder Road, Thane – 400607 - India	**100%**	**100%**	100%	100%
Frefin Asia Ltd	Rooms 2310 & 2312, 23/F, Wayson Commercial Building – 28 Connaught Road West – Sheung Wan – Hong Kong	**100%**	**100%**	100%	100%
Vetoquinol Korea Co. Ltd	(Janghang-dong) 195, M CITY Tower, Baengma-ro,Ilsandong-gu, Goyang-si, Geyonggi-do – South Korea	**100%**	**100%**	100%	100%
Vetoquinol Trading (Shanghai) Co. Ltd.	Suite 1607, Block C, 85 Loushanguan Road, Oriental International Plaza, Chang Ning District - 200336, Shanghai, People's Republic of China	**100%**	**100%**	100%	100%
Vetoquinol Australia Pty Ltd Inc.	Level 4, 380 William Street, Melbourne – Vic 3000 – Australia	**100%**	**100%**	100%	100%
Vetoquinol New Zealand Ltd	Level 4, 74 Taharoto Road, Takapuna, Auckland, 0622 - New Zealand	**100%**	**100%**	100%	100%
Vetoquinol-Zenoaq K.K.	Axon HAMAMATSUCHO Building, Shiba Daimon 1-1-23,, Minato-ku, TOKYO 105-0012 - Japan	**100%**	**100%**	55%	55%

All Group companies are wholly owned.

6.6 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2022

To the shareholders' general meeting,

6.6.1 OPINION

In compliance with the terms of our engagement by your General Meeting, we have audited the consolidated financial statements of Vetoquinol S.A. for the financial year ended December 31, 2022, as appended to this report.
We hereby certify that the consolidated financial statements are, with reference to IFRS as adopted within the European Union, in order and accurate and fairly present the result of operations of the financial year ended as well as the financial position, assets and liabilities of the persons and entities included in the consolidation at the end of said financial year.
The above opinion is consistent with the content of our report to the Audit Committee.

6.6.2 BASIS OF OPINION

6.6.2.1 Auditing framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the evidence we have gathered provides a reasonable basis for our opinion.
Our responsibilities pursuant to these standards are described in the section of this report entitled "Responsibilities of the Statutory Auditors in the audit of the consolidated financial statements".

6.6.2.2 Independence

We conducted our audit in compliance with the rules of independence set out in the French Commercial Code and in the code of ethics for statutory auditors for the period from January 1, 2022 to the issue date of our report and, in particular, we did not provide any service prohibited by Article 5(1) of Regulation (EU) no. 537/2014.

6.6.3 JUSTIFICATION OF ASSESSMENTS - KEY AUDIT MATTERS

In accordance with the provisions of Articles L. 823-9 and R. 823-7 of the French Commercial Code relating to the justification of our assessments, we draw to your attention the key audit matters in relation to risks of material misstatement which, in our professional judgment, were of most significance in the audit of the consolidated financial statements for the financial year, as well as our responses to those risks.

These assessments formed part of our audit of the consolidated financial statements, taken as a whole, and contributed to the formation of the opinion expressed above. We do not express an opinion on elements of these consolidated financial statements taken individually.

6.6.3.1 Valuation of goodwill

Risk identified

As of December 31, 2022, the net value of goodwill amounted to €76.2 million. The accounting principles applied to the valuation of goodwill are set out in Note 6.5.20.1 "Goodwill" and the allocation per cash-generating unit (CGU) is presented in Note 6.5.20.2 to the consolidated financial statements. Your Group reviews the valuation of goodwill once a year or more frequently if circumstances indicate possible impairment, in accordance with the conditions set out in Note 6.5.3.6 "Impairment of assets" to the consolidated financial statements. The recoverable amount was determined by reference to the value in use calculated on the basis of the discounted value of the estimated future cash flows expected from the group of assets comprising each CGU.

We believe that the valuation of goodwill represents a key audit matter, in light of the materiality of these assets in the Group's financial statements and the level of judgment required on the part of management to determine the recoverable amount of these assets.

Our response

As part of our audit of the consolidated financial statements, our work involved:

- reviewing the impairment tests prepared by management with the help of external consultation;
- assessing the reasonableness of the cash flow forecasts by means of interviews with members of the finance department and comparisons with actual results in 2022;
- comparing the 2023 cash flows used in the tests with the 2023 budgets prepared by management;
- assessing the consistency and reasonableness of the major assumptions made (including growth rate and discount rate);
- performing a critical analysis of the tests carried out by management on the sensitivity of the value in use to changes in the main assumptions made.

We have also assessed the appropriateness of the information provided in Note 6.5.20 to the consolidated financial statements.

6.6.4 SPECIFIC TESTING

In accordance with professional standards applicable in France, we also carried out specific testing, as required by law and regulations, on the information relating to the Group provided in the management report prepared by the Board of Directors.

We have no comment to make regarding the accuracy of this information or its consistency with the consolidated financial statements.

We hereby certify that the consolidated statement of non-financial performance provided for in Article L.225-102-1 of the French Commercial Code is included in the Group management report, on the understanding that, in accordance with the provisions of Article L.823-10 of said Code, we have not assessed the information provided in this statement for fairness or consistency with the consolidated statements and this information must be the subject of a report by an independent third-party body.

6.6.5 OTHER VERIFICATIONS OR INFORMATION REQUIRED BY LAWS AND REGULATIONS

6.6.5.1 Presentation format of the consolidated financial statements to be included in the Annual Financial Report

In accordance with the professional standard on the due diligence of statutory auditors in relation to the annual and consolidated financial statements presented in accordance with the single European electronic reporting format, we also verified the compliance with this format defined by European Delegated Regulation No. 2019/815 of December 17, 2018 in the presentation of the consolidated financial statements intended for inclusion in the annual financial report referred to in I of Article L.451-1-2 of the French Monetary and Financial Code, which have been prepared under the responsibility of the Chief Executive Officer. With respect to the consolidated financial statements, our work includes verifying that the presentation of these financial statements complies with the format defined by the above-mentioned regulation.

Based on our work, we conclude that the presentation of the consolidated financial statements for inclusion in the annual financial report complies, in all material respects, with the Single European Electronic Reporting Format.

In view of the technical limitations inherent in the macro-tagging of the consolidated financial statements in accordance with the Single European Electronic Reporting Format, the content of certain tags in the notes to the financial statements may not be rendered identically to the consolidated financial statements attached to this report.

Furthermore, we are not required to verify that the consolidated financial statements that will be included by your company in the annual financial report filed with the AMF correspond to those on which we have performed our work.

6.6.5.2 Appointment of the statutory auditors

PricewaterhouseCoopers Audit was appointed statutory auditor of Vetoquinol SA by your shareholders' general meeting of May 23, 1990, while Mazars was appointed by the shareholders' general meeting of May 30, 2017.

As of December 31, 2022, PricewaterhouseCoopers Audit was in its 33th consecutive year as statutory auditor, including 17 years since the Company shares were admitted for trading on a regulated market, while Mazars was in its sixth year as statutory auditor.

6.6.6 RESPONSIBILITIES OF MANAGEMENT AND PERSONS CHARGED WITH GOVERNANCE OF THE COMPANY IN RELATION TO THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for preparing consolidated financial statements that give a true and fair view of operations in accordance with IFRS as adopted by the European Union, as well as for the implementation of the internal controls it deems necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

During the preparation of the consolidated financial statements, management is responsible for assessing the Company's capacity to continue as a going concern, for presenting in these financial statements, where applicable, the required information relating to the going concern basis of accounting and for applying the accounting policy for a going concern, unless there is a plan to liquidate the Company or cease its activity.

The Audit Committee is responsible for monitoring the financial information preparation process and the efficiency of the internal control and risk management procedures as well as, where applicable, internal audit, as regards the procedures applied with regard to the preparation and processing of accounting and financial information.

The consolidated financial statements have been approved by the Board of Directors.

6.6.7 RESPONSIBILITIES OF THE STATUTORY AUDITORS IN THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

6.6.7.1 Audit procedure and objective

It is our responsibility to prepare a report on the consolidated financial statements. It is our aim to obtain reasonable assurance that the consolidated financial statements taken as a whole do not contain any material misstatement. Reasonable assurance means a high level of assurance, but this does not guarantee that an audit performed in accordance with professional standards always enables every material misstatement to be detected. Misstatements may result from fraud or error and are deemed to be material when it can be reasonably expected that they might, individually or collectively, influence the financial decisions taken by the users of the financial statements on the basis of those statements.

As stipulated in Article L.823-10-1 of the French Commercial Code, our certification of the financial statements does not entail any guarantee of the viability or quality of your Company's management.

Within the framework of an audit conducted in accordance with professional standards applicable in France, the statutory auditors exercise their professional judgment throughout the audit.

Furthermore, the statutory auditors:

- identify and evaluate the risk of the financial statements containing material misstatements, whether due to fraud or error, develop and implement audit procedures in response to these risks, and gather sufficient and appropriate evidence for their opinion. The risk of failing to detect a material misstatement resulting from fraud is higher than in the case of a material misstatement due to error, since fraud can involve collusion, falsification, deliberate omissions, false declarations or the bypassing of the internal control system;
- obtain an understanding of the aspects of internal control that are relevant to the audit in order to develop appropriate audit procedures, but not in order to express an opinion as to the effectiveness of the internal control system;
- assess the appropriateness of the accounting methods used and the reasonableness of the accounting estimates made by management, as well as of the related information provided in the consolidated financial statements;

- assess the appropriateness of management's use of the going concern principle in accounting and, according to the evidence obtained, the existence or non-existence of material uncertainty connected with events or situations likely to cast doubt on the Company's ability to continue its operations. This assessment is based on the evidence obtained up to the date of their report, on the understanding however that subsequent circumstances or events may cast doubt on the Company's ability to continue as a going concern. If they conclude that there is material uncertainty, they are obliged to draw the attention of readers of their report to the information contained in the financial statements concerning this uncertainty or, if this information is not provided or is irrelevant, to issue a certification with reservations or refuse to certify;
- evaluate the overall presentation of the consolidated financial statements and assess whether they give a true and fair view of the underlying events and transactions;
- with regard to the financial information concerning persons or entities included in the consolidation scope, collect the evidence that they deem sufficient and appropriate in order to express an opinion on the consolidated financial statements. They are responsible for managing, supervising and carrying out the audit of the consolidated financial statements as well as the opinion expressed on these financial statements.

6.6.7.2 Report submitted to the Audit Committee

We submit to the Audit Committee a report on the scope of the audit work and the work program implemented, as well as the findings arising from our work. In addition, where necessary, we draw the Audit Committee's attention to any material deficiencies in the internal control system that we have identified as regards procedures related to the preparation and processing of accounting and financial information.

The elements communicated in the report submitted to the Audit Committee include the risks of material misstatement that we deem to be the most significant for the audit of the consolidated financial statements for the period and which thereby constitute the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration required under Article 6 of Regulation (EU) no. 537-2014 confirming our independence, within the meaning of the applicable regulations in France, as established primarily by Articles L. 822-10 to L. 822-14 of the French Commercial Code and in the code of ethics for statutory auditors. Where applicable, we discuss with the Audit Committee any risks to our independence and the safeguard measures applied.

Lyon, April 12, 2023

The Statutory Auditors

PricewaterhouseCoopers Audit
Michel Bouzigues

Mazars
Séverine Hervet

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