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UNIVERSAL REGISTRATION DOCUMENT 2023

including the Annual Financial Report

Contents

2023
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, 2023. 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 24, 2024.

1

PRESENTATION OF THE GROUP

1.1 2023, A REMARKABLE YEAR ON MORE THAN ONE COUNT

2023 was a remarkable year, and I would like to take the opportunity to highlight the following facts:

- Since its inception in Lure in 1933, the laboratory has consistently upheld the values that define our group: a dedication to the welfare of both humans and animals.
- Our laboratory has demonstrated its ability to build a sustainable growth dynamic on its essential products and the development of its business in the USA. Our Essentials now account for almost 60% of our group sales, with the USA accounting for over 20%. Felpreva® and Simplera® have performed well in Europe and the US, respectively, allowing our Group to consolidate its profitability and cash generation at a high level.
- The dedication demonstrated by our employees year after year, ensuring Vetoquinol's continued growth and success. Our teams in 24 diverse countries play a pivotal role in the company's ambitious expansion and development plans for the laboratories.

2023 was a pivotal year for Vetoquinol. The company reached a defining moment, exemplifying the values of a family-run business and the ambition to enhance the quality of life for animals through its dedication to animal health and welfare.

Matthieu Frechin
Chairman and Chief Executive Officer

1.2 VETOQUINOL, YOUR TRUSTED PARTNER IN ANIMAL HEALTH

Vetoquinol was established in 1933 and has since become a leading global player in the animal health industry. Vetoquinol develops, produces and sells pharmaceuticals and non-medicinal products for livestock (cattle, pigs) and pets (dogs, cats).

Vetoquinol is one of the world's Top 10 veterinary pharmaceutical companies. The company is committed to sustainability, growth and responsibility, as well as pursuing its human adventure.

Vetoquinol is dedicated to enriching people's lives through its commitment to animal health and welfare.

1.2.1 Business overview

Vetoquinol is a global leader in the development, manufacturing and sale of veterinary drugs and non-medicinal products, with a dedicated focus on animal health. The veterinary profession is undergoing rapid evolution, and as a leading company in the field, Vetoquinol offers customers comprehensive solutions that include pharmaceutical and nutraceutical products, diagnostics, digital applications, and services.

Vetoquinol has developed a range of products called "Essentials", which offer high potential for growth in the market. These products have been designed to meet the key needs identified by vets for pet owners and cattle and pig breeders. These products are intended for sale on a global scale. Their scale effect improves their economic performance.

Vetoquinol's history began in France. Today, over 90 years later, Vetoquinol products are sold in over 100 countries, including 24 countries in which Vetoquinol operates directly. France accounts for less than 15% of the Group's sales. The USA represents Vetoquinol's largest market.

Vetoquinol develops and markets several patented products, but the active ingredients in most cases have fallen into the public domain. These royalty-free molecules are complemented by galenic and formulation innovations, which are born of the company's know-how and research efforts. These innovations represent strong differentiating factors and competitive advantages.

Vetoquinol is an active member of national, regional and international bodies representing the profession. In particular, Vetoquinol is a corporate member of Health For Animals and Animal Health Europe. These bodies represent all the leading global veterinary pharmaceutical companies.

Vetoquinol has dedicated its entire business for 90 years to the veterinary medicine sector. Its activities benefit the vets, animals, pet owners and breeders that it serves.

As a company that serves four target species representing 80% of the global market, Vetoquinol has a balanced risk profile. Vetoquinol operates in both the pet and livestock segments.

1.2.2 Vetoquinol in key figures

2,500 EMPLOYEES
IN **24 LARGEST COUNTRIES,**
IN THE ANIMAL HEALTH SECTOR

€529M SALES IN 2023,
INCLUDING **€313M** FROM ESSENTIAL PRODUCTS

3 TARGET ANIMAL SPECIES:
DOGS, CATS AND CATTLE

4 STRATEGIC SEGMENTS:
PARASITICIDES, MOBILITY, DERMATOLOGY AND DAIRY COWS

A BROAD CUSTOMER ECOSYSTEM:
VETS, BREEDERS, PET OWNERS, E-TAILERS, PHARMACIES, PET SHOPS

1,000 MARKETING AUTHORIZATIONS

+500 REGISTERED TRADEMARKS

27 MILLION UNITS MANUFACTURED
WITH 4,000 REFERENCES

(veterinary medicines, nutraceuticals, diagnostics and digital solutions)

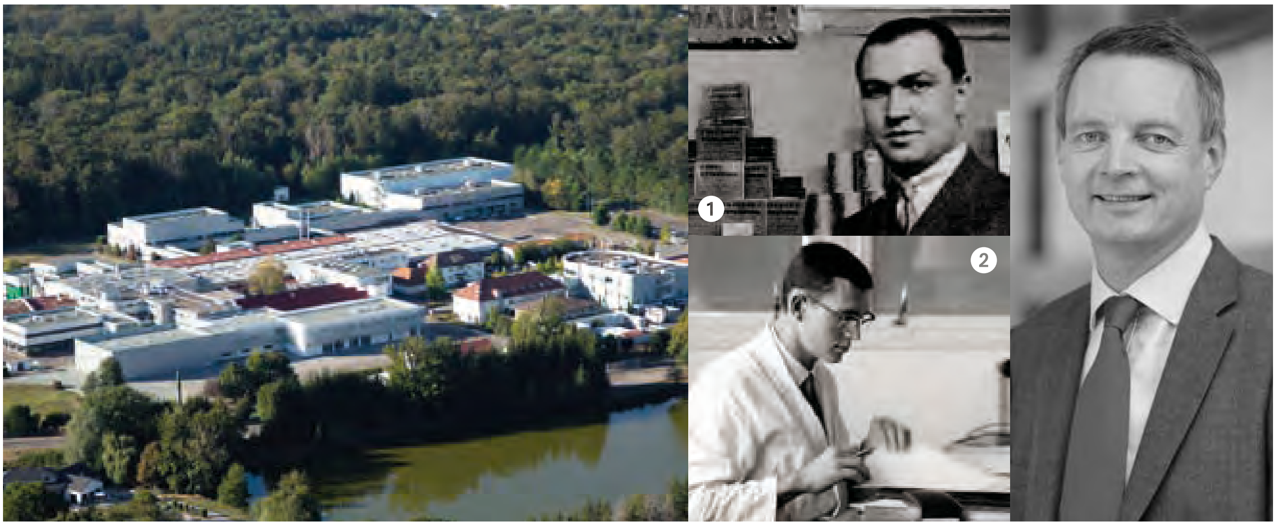
8TH ANIMAL HEALTH COMPANY WORLDWIDE
FAMILY-OWNED COMPANY

3rd generation
at the helm of Vetoquinol

A GLOBAL ANIMAL HEALTH MARKET VALUED AT **€40BN**

1.2.3 Serving animal health for 90 years

Vetoquinol, a fine long history of entrepreneurship



❶ Joseph Frechin ❷ Étienne Frechin ❸ Matthieu Frechin

Joseph Frechin's inspiration

The company's origins can be traced back to 1933, when it was established in a pharmacy in Lure, a small town in eastern France. Joseph Frechin expanded his pharmacy business to include the production of specialised human pharmaceuticals, naming his company "Laboratoires Biochimiques de l'Est". Mr. Frechin proceeded to build a substantial inventory of oxyquinoline, an antiseptic developed by a chemist friend.

This led him to the decision to utilise the product in a veterinary context. Subsequently, he conducted the inaugural trials with the assistance of his father, Charles Frechin, a highly regarded veterinary surgeon in the area. The outcomes were highly encouraging. The remedy, which was named Vetoquinol, became an instant success and was rapidly made available in many forms, including tablets, powder, gel, oblets, vaginal inserts and creams. In 1948, Joseph Frechin expanded the laboratory into a veterinary department, which became the foundation for Vetoquinol.

Étienne Frechin's far-reaching vision

Following the war, Vetoquinol's expansion was driven by the agricultural sector, which was rebuilding its herds and making increasing use of veterinary medicines. Vetoquinol gradually expanded, employing around 100 people.

In 1962, Étienne Frechin took over the family company to focus on its growth and development. He relocated the company headquarters to Magny-Vernois, a village just outside Lure.

Since then, Vetoquinol has expanded its product range and introduced innovative solutions for customers. By 1980, 20% of sales were already generated outside France.

With a total of 280 employees at the time, the company established an international department and set up subsidiaries in the Netherlands, Ireland and Belgium.

Through acquisitions and mergers, Vetoquinol gradually expanded its global network of subsidiaries.

In 2006, the company successfully completed its IPO, enabling it to secure new funds and expand its operations into new markets. This milestone proved to be an excellent opportunity to enhance its brand image and share its vision for the future of the animal health industry.

Matthieu Frechin's commitment

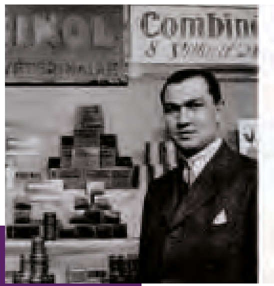
In April 2010, Matthieu Frechin was appointed Chief Executive Officer of Vetoquinol. As the grandson of the company's founder and the third generation to take the helm, his appointment signifies the shareholders' commitment to continuing Vetoquinol's success story, guided by the same principles of boldness, commitment and independence.

To ensure its continued development, Vetoquinol has decided that it should remain independent. The company's manageable size and family shareholding structure facilitate flexibility and responsiveness.

The entrepreneurial focus, innovative approach, and strong team spirit that Matthieu brings to the table are invaluable assets for developing new products and solutions to promote animal health, enhance the daily lives of cattle breeders and pet owners, and assist vets in fulfilling their mission. However, customer needs remain the primary source of our inspiration.

Matthieu Frechin is fostering a new dynamic based on initiative, voluntarism and motivation. This transformation is inspired by Vetoquinol's mission to "enrich people's lives through dedication to animal health and welfare" and by the values shared by employees throughout the Group: trust, dare and collaborate. Vetoquinol is a company that has been shaped by these values. They have created a culture of shared passion, energy, and commitment.

Vetoquinol over the years



1933

Joseph Frechin, a pharmacist in Lure, launched its animal antiseptic "Vetoquinol".

1962

Consolidation of activities at Magny-Vernois.

1977

The renamed company Vetoquinol sets up its first foreign subsidiary, Vetam, in the Netherlands subsidiary.

1980

The company opens an R&D centre in Lure and sets up its "Export" department.

1987

Launch of the anti-inflammatory Tolfedine®.

1990-2000

Vetoquinol establishes a presence in England, Spain, Canada, the United States and Germany.

Launch of the anti-infective Marbocyl® (1995).

2011

With the acquisition of Farmagricola, Vetoquinol establishes a presence in Brazil, the world's 3rd largest market.

European launch of Cimalgex® and Forcyl®.

2001-2010

New international acquisitions (Switzerland, China, Korea, Portugal, Scandinavia, Canada, India...).

Launch of Aurizon®, Prilium®, Propalin®, Clavaseptin®, Vetprofen®, Rubénal®, Kefloril®, Ceftiocyl®.

Acquisition of the Evsco® and Tomlyn® ranges.

Listed on the Paris stock exchange (2006).

2014

Vetoquinol obtains its licence to distribute its products in China.

Acquisition of Bioniche Animal Health in North America.

New flagship products in the field of reproduction.

2016

Creation of a R&D centre in the United States.

Vetoquinol is the first animal health company to obtain ISO 50001 certification for its Magny-Vernois site.

Vetoquinol is awarded best listed SMI-SME in terms of CSR.

2017

Vetoquinol wins 2nd prize in the Gaïa Index 2017 for its commitment to CSR.

Gaïa INDEX

2018

Vetoquinol enters the digital domain by acquiring a majority stake in FarmVet Systems Ltd based in Northern Ireland.

Launch of two products for pets: Sonotix and Flexadin Chews.

2019

Vetoquinol acquires 90% of Clarion Biociencias, a Brazilian company.

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

Acquisition of Phovia®, a fluorescent light energy (FLE) product.

2020

Vetoquinol acquires Profender® and Drontal® for Europe and the United Kingdom, Australia and Switzerland (2021).

2023

Vetoquinol celebrates its 90th anniversary in all its subsidiaries.

Matthieu Frechin becomes Chairman and CEO of Vetoquinol .

Launch of Simplera® in the United States, for the treatment of otitis in dogs.

2022

Launch in Europe of Felpreva®, endectoparasite for cats.

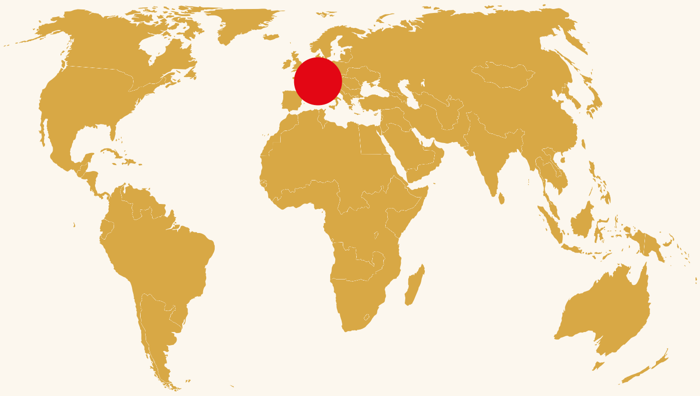
Launch in the United States of Imoxi®, endectoparasite for dogs and cats.

Launch of the new strategic plan "Ambition 2026".

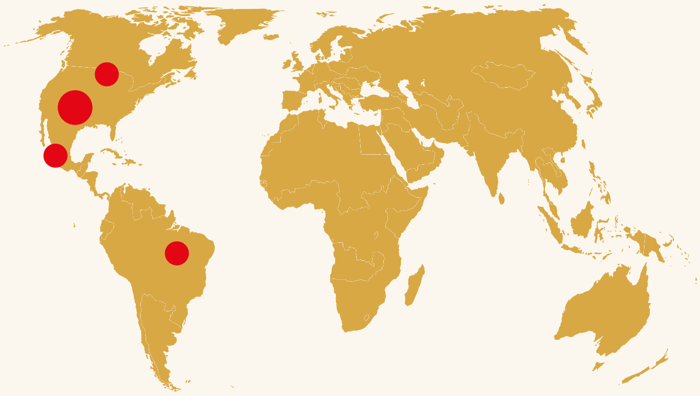
1.2.4 Operations in all main animal health markets

Direct operations in **24 countries**

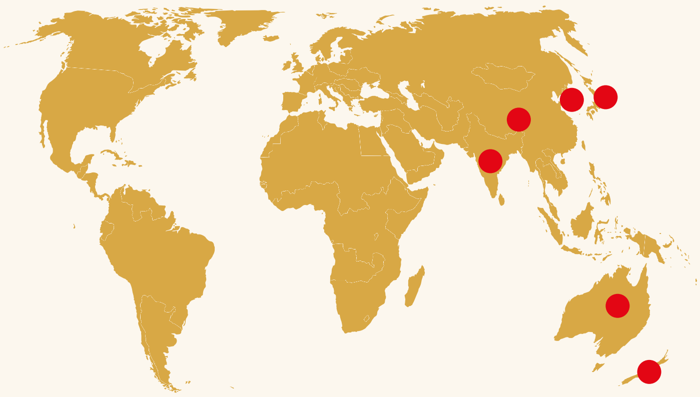
France
Germany
UK
Italy
Spain
Poland
Belgium
The Netherlands
Czech Republic
Austria
Ireland
Portugal
Sweden
Switzerland
USA
Canada
Mexico
Brazil
India
South Korea
China
Australia
Japan
New Zealand



Europe
47%



Americas
38%



Asia-Pacific/
Rest of the
World
15%

Nearly **100 distributors** worldwide

Proven expertise in company acquisitions

Since Vetoquinol's inaugural subsidiary in the Netherlands in 1977, the Group's development has been primarily driven by external growth. The Group management has consistently pursued an acquisitions strategy, with a focus on commercial and industrial synergies to drive organic sales growth.

Commercialisation et distribution

The Group is divided into four territories for operational purposes: The Group is divided into four geographical regions: Europe, the USA, Asia-Pacific and Latin America/ Canada.

In each country, the subsidiary reports to the Business Area (BA) Director to which it is attached, and has its own sales force, marketing department, regulatory department and support functions.

The BA Directors are responsible for managing operations in their respective territories, including partnership management and relationships with local distributors in accordance with the Group's strategy and policies. BA Directors are members of the Group Executive Committee. By the end of December 2023, the Group had a salesforce of nearly 900 people, qualified to meet customer needs across all subsidiaries. Veterinary experts provide regular technical training for these professionals, while in-house trainers offer guidance on sales and communication skills (Sales Excellence Program).

The company's long-term sales policy is focused on maintaining a high-quality relationship between its veterinary representatives and its veterinary partner customers. This is achieved through active listening and a responsive approach to customer needs. Vetoquinol's customer-centric approach is founded on the principles of listening carefully to customers and identifying and marketing solutions that align precisely with their needs.

Vetoquinol is distinguished by its commitment to providing long-term support to its veterinary partners. Vetoquinol's commitment to quality extends beyond the marketing of products to the design and implementation of value-adding initiatives in collaboration with vets to enhance their daily practice and better serve their clients, pet owners, and breeders. Such tools include digital tools for improved observation and training in technical matters, as well as for selling services.

1.3 VETOQUINOL'S STRATEGY

1.3.1 A strategy focusing on Essential products

Vetoquinol is a leading international pharmaceutical company specialising in the research, manufacture and sale of drugs, non-medicinal products and solutions for the animal health industry.

The veterinary market is evolving rapidly, but remains resilient thanks to the introduction of innovative new products, digital technology, and diagnostic tools that enable Vetoquinol and its customers to respond differently and more effectively to the expectations of breeders, pet owners, and vets. At Vetoquinol, we aim to provide our customers with integrated, complete solutions that meet their needs and integrate the necessary components to achieve results that meet their expectations.

The global human population is expanding, and the demand for animal proteins (such as milk, eggs, and meat) is rising. This is driving livestock farmers around the world to seek greater productivity. They must also focus on the quality, health, and welfare of their animals. Vetoquinol benefits from privileged relationships with veterinarians. As a result, it is well placed to offer breeders advice, products and associated services to assist them in meeting the increasingly complex challenges they face. Vetoquinol's proximity and expertise are invaluable in assisting those tasked with maintaining animal health and preventing zoonotic infections.

The pet segment is characterized by sustained growth in mature countries and substantial development potential in emerging countries. Vetoquinol offers products that combine efficacy and simplicity of use, which resonate with the unique emotional bonds that pet owners have with their pets. As an animal health company, Vetoquinol selects and is committed to offering cutting-edge solutions to reinforce and safeguard the bond between humans and animals. Vetoquinol's core mission is to enrich the lives of people and animals by focusing on animal health and welfare.

1.3.2 A multi-specialist strategy geared to “one health”

The number of significant global health crises has risen sharply over the past century, as the global population has grown, transportation has intensified, the environment has deteriorated, and urban areas have expanded. The health crisis has served as a timely reminder of the importance of working within the context of One Health. One Health promotes an integrated, systemic, and unified approach to public, animal, and environmental health. At Vetoquinol, we recognise the interconnectivity of animal and human health and are committed to implementing a coherent policy in terms of safety, health and the environment.

In order to meet the day-to-day needs of veterinarians, Vetoquinol has developed a range of products, which it refers to as "Essentials". These products cover most of their customers' needs. These are products with a proven or potential international reach that are either actual or potential leaders in their respective therapeutic field. Vetoquinol offers comprehensive solutions for the majority of treatment areas, with recognised expertise across a range of therapeutic disciplines, including mobility, parasitology, dermatology and dairy cows.

1.4 A HYBRID GROWTH STRATEGY

Vetoquinol's strategic approach is underpinned by sound financial management and robust control of the development, production and marketing process. The business also draws upon extensive expertise in its core areas to drive consistent profitable growth. The external growth strategy has been consistently applied in a measured and controlled manner, with a clear focus on achieving financial results aligned with the company's established standards.

- Targeted growth: Vetoquinol is focusing its resources on a select group of strategic markets and three target species: cattle, dogs, and cats.
- The market for pet products remains robust in mature countries despite the challenging economic climate. Household spending on pets is high in these countries because pets are regarded as an important member of the family. In the livestock segment, our Group is well positioned to benefit from the increase in the global population and demand for animal proteins.
- Vetoquinol has developed in-depth expertise in targeted therapeutic domains in the pet segment. Vetoquinol has selected dermatology, parasitology, and improving mobility as its key areas of expertise. In the livestock sector, Vetoquinol concentrates its efforts on addressing all pathologies associated with dairy cattle breeding. In 2020, the purchase of Drontal® and Profender® products in Europe gave Vetoquinol access to the pet antiparasitic market. In 2022, the European launch of Felpreva® and its subsequent rollout to other countries in 2023 reinforced the company's expertise in this field. This market represents the largest global value within the animal health sector and this success marks a significant milestone in the Group's history.
- Vetoquinol is consolidating its position in Europe while also winning market share in the Americas and Asia-Pacific. The Vetoquinol Group has reinforced its market position in the United States, the world's leading market for animal health products, and is maintaining its investment strategy in Brazil. The Group has a presence in Asia, with operations in China, India, South Korea, Australia, New Zealand and Japan.

Vetoquinol has therefore been able to extend its international reach, strengthen its position in targeted therapeutic segments, leverage its research efforts and, as a result, maintain a balanced risk profile.

As of December 31, 2023, Vetoquinol boasts a robust financial structure to pursue its hybrid growth strategy and the resources to finance its ambitions for external growth and partnerships, while continuing to drive its development in complete independence.

1.5 VALUE-CREATING BUSINESS MODEL

Our vision

To be by 2033 “the most agile animal health company where employees, experts, partners and customers work together to create customized animal health solutions for a better planet”.

Our mission

To enrich people's lives through our dedication to animal health and welfare.

ASSETS

HUMAN
2,483 employees
in **24** countries

ENVIRONMENTAL
Energy and water

ECONOMIC
€527M shareholders' equity
€130M net cash position*

R&D
5 R&D sites
7.6% of sales invested in R&D
203 people in R&D

INDUSTRIAL
CAPEX > **€19 M**
€78.3 M spent on raw materials and packaging items

SOCIAL
Relations with our stakeholders
2,300 suppliers, partners and customers on 5 continents

FAMILY-OWNED COMPANY
67% founding family
and **33%** floating

** Including IFR 16 (€14.4m).*

GROWTH MODEL

PRODUCTION

5 sites worldwide, EU GMP and US GMP certified

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

60 subcontractors

vetoquinol
ACHIEVE MORE TOGETHER

A leading international pharmaceutical company dedicated to animal health for over 90 years

INNOVATION

4 strategic segments: anti-parasitics, mobility, dermatology and dairy cows

100+ partners: universities, laboratories, biotechs

5 R&D hubs

Sourcing, formulation, clinical development and registration

Trends in the global animal health market

Increase in global human population and animal protein production

- Constant regulatory changes
- Importance of animal welfare

CUSTOMER ACCESS

1,000 employees dedicated to customer service

2 target species: pets and livestock

70% of business with pets and **30%** with livestock

Our customers: veterinarians, breeders and pet owners

MAIN ESSENTIAL PRODUCTS

Forcyl, Lydaxx, Marbocyl, PerMacyl, Tolfine

Cefaseptin, Cimalgex, Clavaseptin, Drontal, Felpreva, Flexadin Advanced, IMOXI, PHOVIA, profender Spot-On, SIMPLERA, UpCard, Zylkène

TRANSFORMATION

Human resources development

Continuous industrial improvement

Customer experience

Environmental responsibility

Digital transformation

CREATING SHARED VALUE

HUMAN

72,000 hours of training
Gender equality implemented
€119 M gross salaries paid and **€39 M** employer contributions

ENVIRONMENTAL

Reduced carbon footprint
Eco-friendly products

ECONOMIC

€529 M in sales in 2023
21.3% EBITDA
€89 M operating cash flow
Expansion of veterinary clinic business

INTELLECTUAL

1,000 marketing authorizations in portfolio
+ 500 registered trademarks

INDUSTRIAL

21 million units manufactured

SOCIAL

Commitment and ethics
Company sustainability
Patronage and donations
Animal welfare

FAMILY-OWNED COMPANY

Company sustainability
Stable payout

1.6 ANIMAL HEALTH WORLD MARKET

1.6.1 Animal health world market

The animal health industry continued to experience growth in 2023, with an estimated increase of 5% (source: Vetoquinol 2023 estimates). This balanced growth was observed across both the pet and livestock markets, driven exclusively by pricing impact.

With regard to species, the animal health market is divided into two categories of activity: livestock (cattle, sheep, pigs, poultry, etc.) and pets (dogs, cats, horses, etc.). These two market segments have distinctive economic characteristics, reflecting their different product and customer bases.

- The livestock segment is characterised by high volumes and a strong focus on profitability, making it sensitive to changes in market conditions, particularly in the event of health crises.
- The pet segment represents a higher value-added market that is also experiencing faster growth.

1.6.2 Animal health market by region

Europe

Europe has consistently been the most significant market for Vetoquinol, with subsidiaries in all major countries.

In Europe, the livestock industry's main growth driver is the vaccines segment, which has offset a continuing decline in the antibiotics market. The pet segment is demonstrating the greatest growth in the areas of parasitology and in specialized pharmaceutical products for dermatology, osteoarthritis and cardiology. The 2020 acquisition of the Drontal® and Profender® ranges, along with the 2022 launch of Felpreva®, has enabled Vetoquinol to establish a strong foothold in the parasitology segment. This aligns with the company's overall strategic vision. In Europe, 2023 saw the launch of Mastatest®, a diagnostic targeting udder infections in dairy cows.

Americas

For the Americas, we can identify two distinct market areas: The North American market, which represents a mature market, and the Latin American market, which represents a developing market, are both significant in the global market.

North America

North America, and the USA in particular, represents the world's largest market for animal health products, accounting for over 30% of the global market. In terms of pet products, the US represents approximately half of the global market in this category. The Canadian market represents the world's 10th largest animal health market.

The North American market is led by the pet segment, with strong performances in parasiticides, dermatology and the introduction of new products. 2023 saw the successful launch of Simplera® in the United States by Vetoquinol, an otological solution dedicated to dogs.

Latin America

The region has experienced significant growth, driven by a strong demand for beef, pork, and poultry. The pet market has also seen a surge in popularity as the population's standards of living have improved.

Brazil is the world's third largest market and home to one of the largest cattle herds, with approximately ten times the cattle of France. Brazil is pursuing a goal of becoming the world's leading producer and exporter of animal proteins, demonstrating both ambition and political will.

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

Vetoquinol is seeking to strengthen its presence in this key territory and establish a recognized position there.

Asia/Pacific (and rest of the world)

Following Latin America, Asia/Pacific represents a territory with considerable growth potential, despite a Chinese market that has been affected by an abrupt halt in growth due to the Covid zero policy and the impact of the swine fever health crisis.

Vetoquinol has a presence in these markets in two ways. Firstly, it operates through subsidiaries in each market. Secondly, it has a network of distributors in most countries in the zone.

Vetoquinol has a direct presence in South Korea, India, China, Australia/New Zealand and Japan. These territories present a significant growth opportunity for the Group across all species and strategic segments. In 2023, Vetoquinol strengthened its position with the launch of Felpreva® in Australia.

Vetoquinol is also represented in most countries in the region through a network of distributors.

1.6.3 Animal health market outlook

The ongoing geopolitical and economic challenges are resulting in high levels of uncertainty in terms of the availability of energy supplies and the procurement of key raw materials. Global inflation is reducing consumer purchasing power and creating an uncertain economic situation, with impacts sometimes more noticeable in certain regions.

In spite of this challenging global context, the animal health sector is demonstrating remarkable resilience.

The following are the main trends that should be observed in the animal health market over the next few years:

Market trends

- The pet segment is expected to make the most significant contribution to growth.
- The livestock segment is affected by regional diseases such as swine fever, bluetongue, avian flu and foot-and-mouth disease. Despite this, it is expected to remain resilient, supported by continued demand for animal proteins.
- The combination of an ageing pet population, coupled with the development of diagnostic and treatment services, is expected to drive the sales of veterinary drugs for the treatment of chronic illnesses.
- The consolidation of clinic chains or groups will likely increase, offering Vetoquinol privileged partnership opportunities. This will put pressure on the economic relationship between Vetoquinol and pharmaceutical manufacturers.
- The rapid growth of new distribution channels will help to expand target coverage, particularly in the pet segment.

Regulatory changes

- The implementation of new, more restrictive sustainable development and public health standards has resulted in increased regulatory constraints.
- Restrictions on the use of antibiotics have become increasingly strict, with non-curative treatments being banned and the rational use of antibiotics being encouraged in curative treatments. This is being done in an attempt to combat antibiotic resistance.
- The introduction of more robust regulatory measures to better safeguard animal health, with a view to preventing and managing animal-based health crises (e.g. swine fever in Asia) and zoonoses (e.g. coronavirus).

Digital transformation

- Digitalisation has been accelerated in the wake of the Covid crisis, with impacts on both the value chain and the customer access channels.
- A digital transformation of the pet and livestock sector is driving innovation in terms of solutions and services.

1.7 VETOQUINOL: AN INDUSTRIAL GROUP

Vetoquinol's production units transform raw materials (active ingredients, excipients) into finished products, to 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 2023, Vetoquinol manufactured over 21 million units in a variety of forms:
- sterile injectable liquids ;
- drinkable liquids ;
- powders and pellets ;
- pastes and cream ;
- tablets ;
- drug premixes ;
- anti-parasite collars and tags ;
- soft chews.

As of December 31, 2023, Vetoquinol had five production units.

In general, Vetoquinol's international sales subsidiaries lease the buildings in which they operate.
- All of the company's plants have received GMP approval for their respective products, with the exception of Tarare, where only non-medicinal products are made. The Princeville site in Canada holds FDA-certification.
- In the event that a product requires technical expertise that Vetoquinol lacks, the company partners with subcontracting firms. These suppliers are monitored and evaluated by the Industrial and Quality department to ensure that the same level of compliance is maintained across all Group facilities.

Vetoquinol also handles the distribution of other companies' products, which are also subject to regular monitoring and auditing by the industrial and quality department.

A systematic quality approach has been implemented across all of the Group's production lines, reflected in the scale of the human resources dedicated to this purpose: for every two people in production, there is one person in quality (assurance or control).

Quality control procedures include:
- control and release of raw materials and packaging items;
- control and release of finished products;
- water, air and environmental compliance.

The Quality Assurance department ensures that all Group plants and external manufacturers comply with all pharmaceutical standards, including those set out by GMP, FDA, PMDA, MAPA, FAMI QS and ISO. They also ensure that the necessary resources, in terms of quantity and quality, are available in the areas of materials, equipment, personnel, organisation, premises and flows.

1.7.1 Sites in France (Lure, Tarare, Paris and Angers)

The Lure site, located in Magny-Vernois, is owned by Vetoquinol.

The site encompasses an area of nearly 16 hectares, including over 24,000 sqm of built areas (floor area), or nearly 37,000 sqm of developed area. This site houses the company's headquarters, industrial activities, R&D, logistics and Group functions. The site also produces veterinary drugs and non-medicinal products for the entire global market. This unit produces sterile injectable liquids, non-sterile liquids and creams, and products in dry forms.

The Tarare site occupies a 10,000 sqm site with two built-up areas totalling 4,000 sqm. Vetoquinol owns the premises. Since February 2014, the Company has held a commercial lease for office premises in Paris, which house the France Division and various Group functions.

In September 2018, the company expanded its operations by purchasing a research and development center located near Angers. This site occupies approximately 100 hectares of leased agricultural land.

1.7.1.1 Classified facilities

The Lure facility is subject to the dual declaration and registration regime applicable to facilities classified under the ICPE (nomenclature revised in 2006 and 2010).

The site is operated in compliance with its updated authorization order, taking into account the site's recent extensions.

The Lure site is subject to regular inspection by DREAL, with the most recent inspection occurring in July 2023.

The Lure facility is not subject to the Seveso directives. All drugs and their active raw materials are likely to present some environmental risk; however, the drugs produced by Vetoquinol do not present a greater risk than human or veterinary drugs on the market.

1.7.1.2 Environmental protection

Vetoquinol has put in place an adequate environmental protection programme, with particular focus on waste sorting, water consumption, groundwater and surface water pollution prevention, drinking water network protection, noise abatement and energy consumption. Please refer to the information presented in the DPEF in chapter 2 for further details.

1.7.1.3 Tarare site

The Tarare site is not subject to the provisions governing classified facilities.

The non-medicated products manufactured on this site do not present any risk to the environment. Only a small number of raw materials, which may present a hazard under certain circumstances, are present in small quantities at the plant.

Significant investment has been made over the past few years in the security of our premises.

1.7.2 Sites in Poland (Gorzów, Klodawa)

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

- a production site in Gorzów itself, with a built surface area of nearly 8,000 sqm, on a plot of land of approximately 14,000 sqm. The site is home to the Polish subsidiary's management, production units and laboratories.

It comprises:

- a production plant in Gorzów with a built area of nearly 8,000 sqm, on a plot of land of around 34,000 sqm;
- a storage site and logistics centre in Gorzów containing over 1,000 sqm of warehouses on a 6,000 sqm plot of land.

The Gorzów facility liaises with local authorities to manage environmental issues. Over the past three years, inspections have not identified any significant issues.
This site is engaged in the production of veterinary drugs and non-medicinal products for the global market outside the USA. The company produces a range of pharmaceutical products, including sterile injectable liquids, non-sterile liquids, gels, non-sterile suspensions, pellets, powders, tablets and liquid parasiticides. Major investments have been made in this area over the course of 2022/2023.

1.7.3 Goiania site (Brazil)

Vetoquinol Saúde Animal Ltda, a Group subsidiary, is the owner of the Goiania plant, located in Goiás state. The buildings cover an area of 7,725 sqm on a 15,341 sqm plot. The facility manufactures sterile and non-sterile injectable products, with an annual production capacity of seven million units. Furthermore, the site specialises in the production of external parasiticide devices. The Goiânia plant employs 80 people and is fully compliant with all current MAPA regulations. It was recently GMP-certified by the Brazilian authorities. The Goiânia facility houses a product innovation and research centre.

1.7.4 Princeville site (Canada)

Vetoquinol North America Inc. owns the Princeville plant in the province of Quebec. The site covers 20,000 square metres of land and 7,000 square metres of developed premises (laboratories, workshops, warehouses, office space).

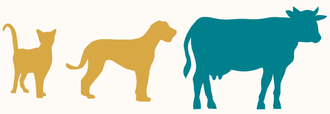
This facility manufactures veterinary pharmaceuticals and non-medicinal products, primarily for the North American market but also for the European and Asian ones. The site produces a variety of products including liquids, pastes, powders and an active ingredient used in one of our proprietary products. This site holds FDA, Health Canada and European Union certifications.

1.7.5 Main investments made over the last three years - excluding IFRS 16

In thousands of euros	Dec. 31, 2023	Dec. 31, 2022	Dec. 31, 2021
Acquisitions of intangible assets	(4,114)	(5,526)	(18,583)
Acquisitions of property, plant and equipment	(14,896)	(16,971)	(13,820)

1.8 FINANCIAL PERFORMANCE

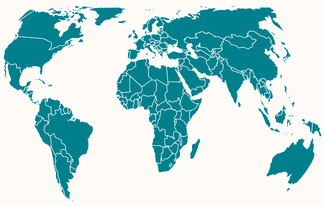
€529 M GROUP SALES IN 2023, INCLUDING
€313 M FROM ESSENTIALS PRODUCTS
(**+4.5%** at constant exchange rates)



3 TARGET ANIMAL SPECIES

DOGS, CATS AND CATTLE

Sales: **70%** pets
and **30%** livestock



3 STRATEGIC TERRITORIES

47% Europe,
38% Americas and
15% Asia-Pacific

EBITDA : €113 M
21.3% of sales

Strong cash flow
generation: **€89 M**

1.9 NON-FINANCIAL PERFORMANCE

Labels and certifications

Gaïa RATING · middlenext · ISO 27001 CERTIFIED by schellman

Gaïa Rating 2022: 60/100 stable vs 2021, in line with benchmark index

Employer commitment

Further growth
for the company

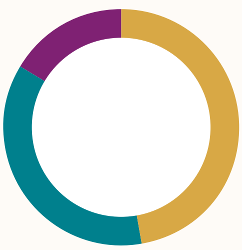
DIVERSITY AT WORK

2,483
employees vs. 2,524 in 2022

People with disabilities

3.90% of France workforce

Employees worldwide



RECRUITING TALENT

98% permanent contracts

48% women vs. **47%** in 2022

TALENT DEVELOPMENT

72,000 hours of training vs. **59,000** in 2022

98% of employees trained in 2023 vs. **95** in 2022

Social commitment

Have a positive impact
on our stakeholders

Stakeholder relations
Employees/Customers/Corporate bodies/
Shareholders/Suppliers/Partners

Responsible purchasing
Strengthen the system and train buyers

Environmental commitment

Continue to limit our impact
on the environment

Impact measure
Total GHG emissions

	Scopes 1 and 2
Carbon footprint in tonnes	9,585
Carbon intensity per €M	31.8

1.10 SIMPLIFIED ORGANIZATIONAL CHART

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

Vetoquinol is organised around its parent company, Vetoquinol SA, which acts as a holding company for the Group and also operates a business in its own right.

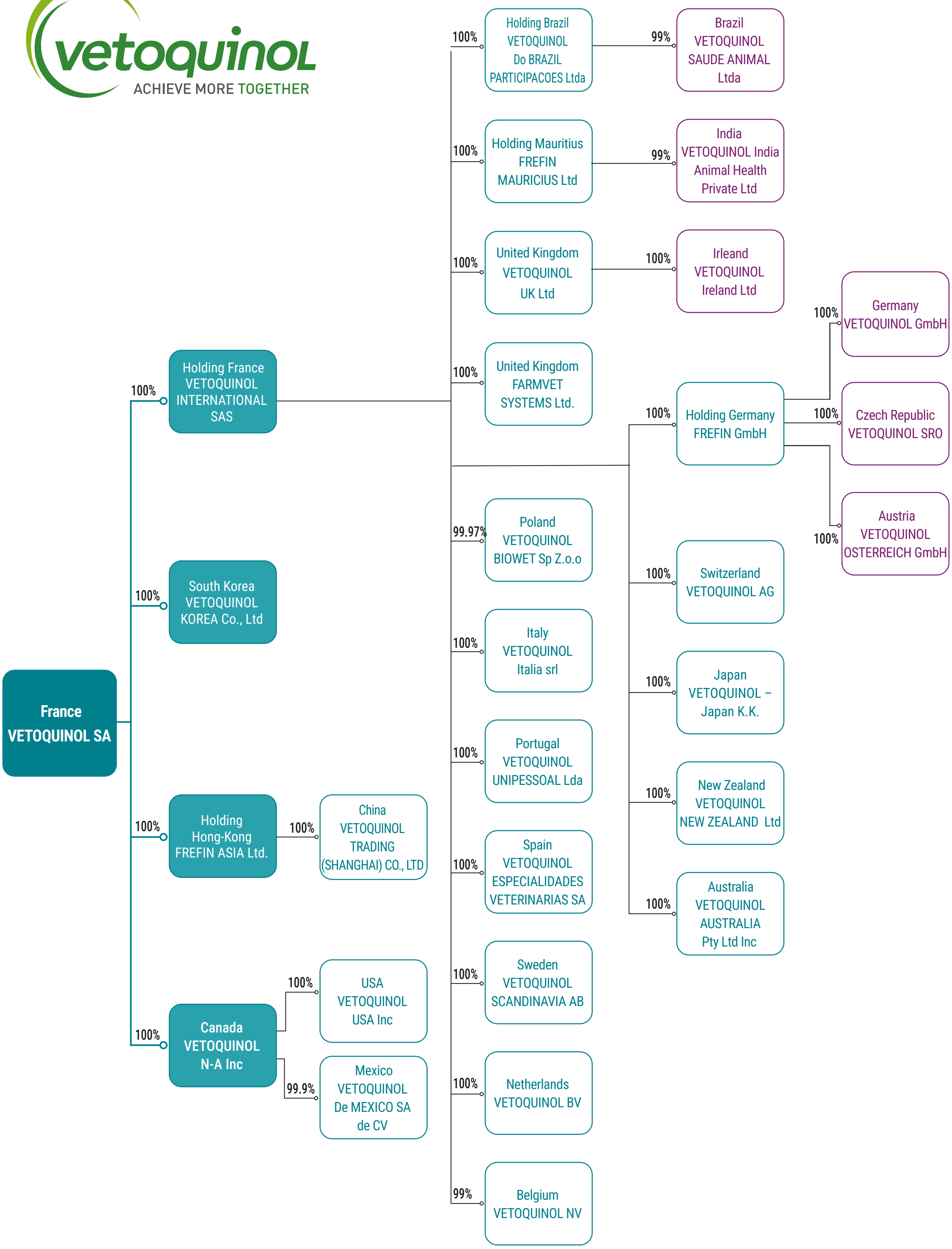
The Group's principal industrial site is located in Lure, where its head office is also situated. The company (Vetoquinol SA) invoices its subsidiaries for the finished products that it manufactures.

The executive functions are centralised in the parent company, Vetoquinol SA.

The organisational structure of the Vetoquinol Group remained unchanged in 2023.

Simplified organizational chart

The Vetoquinol Group's simplified organization chart at December 31, 2023 is as follows:



2

STATEMENT OF NON-FINANCIAL PERFORMANCE

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

The activities, products, services and solutions offered by Vetoquinol are all designed to **improve the welfare of animals and their health, which in turn benefits mankind.** Sustainable development is at the root of our societal, human and environmental concerns, and is aligned with our vision: to be by 2033 "the most agile animal health company where employees, experts, partners and customers together create customized solutions dedicated to animal health for a better planet".

Our strategic plan is built on a roadmap that is both ambitious and demanding. At the heart of this plan is the goal of sustainable development. Our Board of Directors oversees the Group's Corporate Social Responsibility (CSR) roadmap, identifying key issues and allocating resources to enable our teams to implement the necessary actions and achieve the goals we have set ourselves. Our objectives are structured around the following themes, which form the backbone of our CSR actions.

The safety of our employees is our top priority. We are committed to maintaining a safe and healthy work environment and aim to establish a culture of shared vigilance in this area. We are working to control our carbon footprint and reduce CO_2 emissions per million euros of sales over the life of our strategic plan. As part of this commitment, we conducted a comprehensive carbon assessment in 2023, including scope 3. Our goal is to reduce industrial waste and increase the amount of recycled waste. We are pursuing our eco-design and packaging management approach for our products and continuing to roll out our sustainable, ethical, and responsible procurement policy. Finally, the management of water as a sustainable resource is now a key issue for our company, against a backdrop of climate hazards and the need to preserve this critical and strategic resource.

As we enter a new era that will place greater demands on transparency in the field of sustainable development, we reaffirm our company’s commitment to playing a responsible role in this area. We are dedicated to a long-term and sustainable vision, which we share with our employees, customers, and all other stakeholders.

Matthieu Frechin

Chairman and Chief Executive Officer

2.2 CORPORATE SOCIAL RESPONSIBILITY: A PILLAR OF VETOQUINOL'S STRATEGY

One of our core strategic principles is our commitment to sustainable development. We are responsible for overseeing the implementation of the objectives and action plans we have set ourselves in this area.

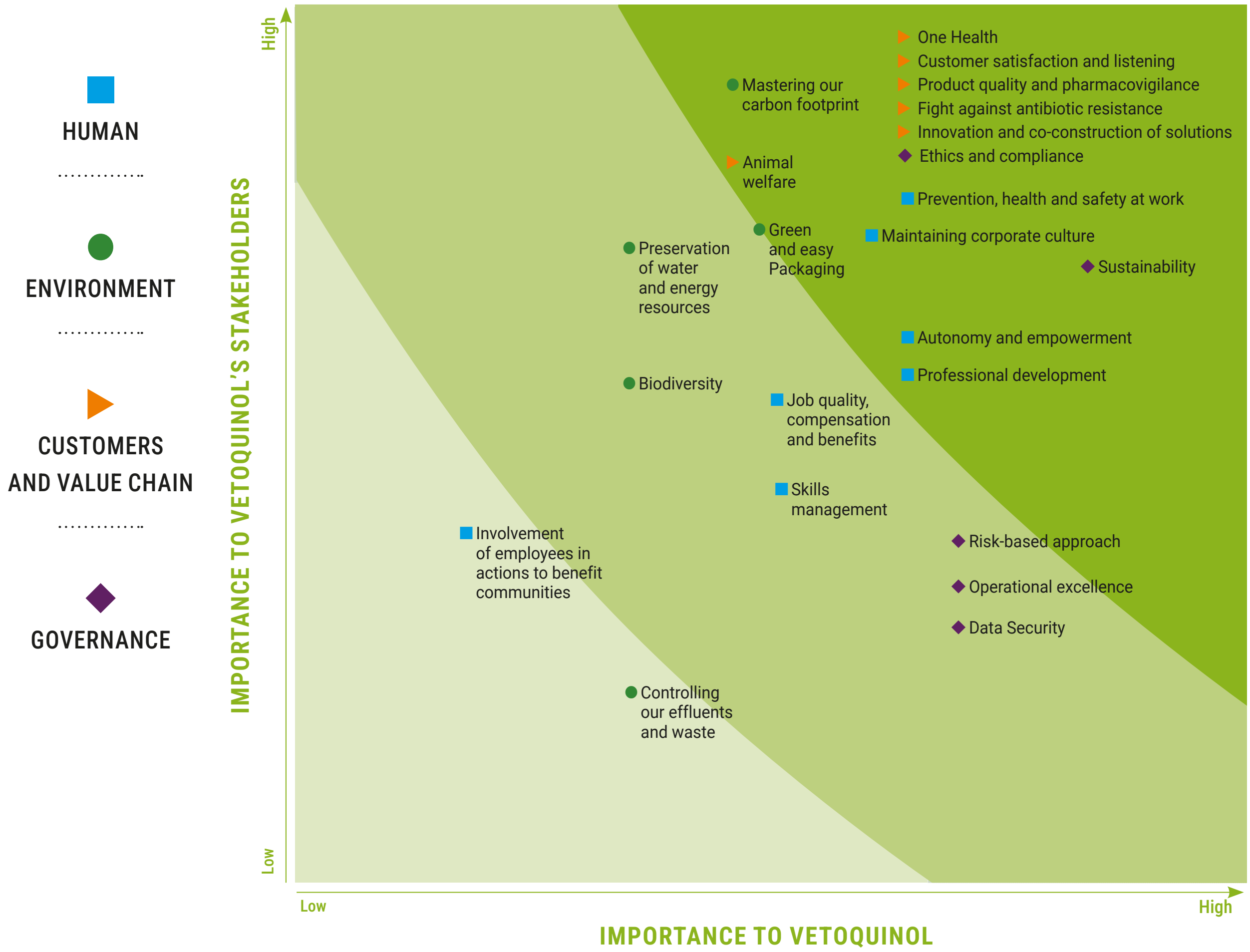
The Group Leadership Committee, comprising the Group's operational and functional managers, is responsible for overseeing the implementation of Vetoquinol's strategy. On a quarterly basis, all elements of the strategy are reviewed, the progress of initiatives is monitored, and corrective action is taken where necessary. A summary is prepared and presented to the Group's Board of Directors, which oversees the implementation of the Group's strategy.

Aligning Vetoquinol managers' objectives with CSR challenges

Vetoquinol's management teams, from the Group Leadership Committee to the subsidiaries' management committees, are dedicated to addressing CSR issues. This commitment is reflected in the allocation of a portion of their variable compensation to the achievement of quantifiable CSR objectives. In 2023, these objectives were based on a number of accidents reflecting our progress in terms of workplace safety, a target for CO_2 emissions (Group scope, Scope 1 and 2) per thousand euros of sales, and the achievement of progress indicators for the Group's sustainable development plan.

2.3 MATERIALITY MATRIX

In order to facilitate continuous improvement and to complete its approach to social and environmental responsibility, the Group has drawn up a materiality matrix. The result of an independent analysis and internal review by the Group Executive Committee, the materiality matrix is presented below.



Issue title	Description and action
Managing our carbon intensity	Reduce CO_2 emissions per million sales scope 1 and scope 2. Estimate scope 3 emissions and identify emission reduction action plans.
Animal welfare	Vetoquinol adheres to the five "fundamental freedoms" which describe society's expectations regarding 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 promote a sanitary context conducive to sustainable development.
Customer satisfaction and listening	Conduct customer satisfaction surveys.
Product quality and pharmacovigilance	A systematic quality approach has been implemented for all human resources used for this purpose. For every two people in production, there is one in quality assurance or quality control.
Combating antibiotic resistance	Vetoquinol is fully committed to combating antibiotic resistance. We do not market antibiotics used for growth promotion and we support veterinarians in the prescription and proper use of anti-infectives.
Innovation and co-construction of solutions	To be the most agile animal health company where stakeholders work together to create customized solutions.
Ethics and compliance	Manage the Group's risks and ensure compliance with the standards applicable to its environment, particularly with regard to ethics and anti-corruption.
Prevention, health and safety at work	Establish a shared culture of vigilance throughout the Group.

Methodological note

The materiality matrix presented above was prepared as follows:
After mapping all of Vetoquinol's stakeholders, as outlined in section 2.5 of the DPEF (Déclaration de Performance Extra-Financière), it became evident that the primary stakeholders are customers, partners, suppliers, employees, and investors. CSR issues have therefore been defined based on the expectations of these stakeholders. Our interactions with investors provide a clear indication of these expectations, particularly through the meetings held throughout the year and the questionnaires they may send us. Additionally, the CSR expectations they express are a valuable source of insight. Furthermore, the working groups run by MiddleNext and Vetoquinol's membership of various professional bodies facilitate the sharing of societal expectations. The issues were rated through interviews with the relevant departments, using an iterative approach. The analysis was linked to the risk approach. The matrix was validated by the Executive Committee. This approach enabled us to formalize our CSR commitments and set the related indicators. In 2022, the materiality matrix was updated in light of the launch of the new "Ambition 2026" strategic plan, which includes ambitious sustainable development objectives. In 2023, there were no significant developments that necessitated a revision to this materiality matrix.

2.4 GREEN TAXONOMY

The European Union (EU) has published European Regulation 2020/852 of June 18, 2020 (known as the "Taxonomy" Regulation) on the establishment of a framework to promote sustainable investments within the EU.

Upon examination of the new Delegated Regulation (EU) 2023/2485, which amends the Climate Delegated Regulation (EU) 2021/2139, and the new Delegated Acts (EU) 2023/2486, relating to the other four environmental objectives, it has been confirmed that none of our activities contribute substantially to these regulations.

Please be aware that Annexes I and II provide definitions of eligible activities, including the corresponding Statistical Nomenclature of Economic Activities in the European Community (NACE) codes, as well as the technical criteria for qualifying them as effectively sustainable according to the taxonomy regulation. Consequently, activities that do not meet these definitions are considered undefined in the reference framework (and therefore ineligible).

Vetoquinol is a leading research, development, manufacturing, and marketing company in the veterinary medicines industry. These activities are not currently considered to make a substantial contribution to the two climate objectives defined by the taxonomy.

Presentation of key performance indicators required for fiscal 2023

It is anticipated that sales of veterinary specialties will be fully captured by the Taxonomy under the pollution prevention and reduction objective. Vetoquinol is therefore presenting 100% of its sales as eligible for the taxonomy.

Capital expenditure indicator (or CapEx)

The CapEx to be considered corresponds to new acquisitions of tangible and intangible fixed assets during the year, before depreciation, amortization, or revaluation. This means that new rights to use leased assets are taken into account as soon as the leases are signed, and not the financing terms.

Capital expenditure also includes new assets resulting from business combinations carried out during the year.

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

In accordance with Delegated Regulation (EU) 2021/2139 of June 4, 2021, the Vetoquinol Group's activities do not meet the criteria for substantial contribution to the first two environmental objectives. As a result, they are not eligible for consideration. Only capital expenditure related to individual measures can be considered.

In 2023, the Vetoquinol Group conducted a comprehensive review of capital expenditures (CapEx) invested in all group subsidiaries, excluding those related to IFRS 16. The methodology employed involved a multi-criteria analysis of CapEx, with the financial materiality of the investment, the nature of the investment, and the eligibility of the retained investments all taken into account. The total amount of eligible capital expenditure (CapEx) identified and validated for the 2023 financial year is €1,367,000, representing 7.2% of the Group's total CapEx for that year.

The table presented in section 2.11 has been updated to align with the company's management approach, which excludes the accounting impacts of restatements associated with IFRS 16 from an operational standpoint.

Operating expenses indicator (or OpEx)

The OpEx (adjusted for IFRS 16) to be considered include those:

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

It should be noted that not all operating expenses need to be taken into account. Only research and development costs, building renovation costs, short-term leasing charges, asset maintenance, upkeep and repair costs, and any other direct expenditure relating to the day-to-day upkeep of tangible assets required for their proper operation should be taken into account.

In accordance with the terms of Delegated Regulation (EU) 2021/2139 of June 4, 2021, the Vetoquinol Group's activities do not contribute substantially to the first two environmental objectives. Consequently, they are not eligible for funding. Only operating expenses related to individual measures can therefore be taken into account.

The Vetoquinol Group has not incurred any operating expenses under these individual measures in 2023. Consequently, the proportion of the Group's OpEx expenses relating to economic activities aligned with the taxonomy is 0%.

As in 2022, a study was conducted on the OpEx and CapEx for buildings and cars to identify any potential alignment. Following a comprehensive methodological study and a review of the questionnaires prepared for this purpose, which are listed below, the three indicators of the green/European taxonomy for the 2023 financial year are as follows:

- share of eligible sales: 100% ;
- eligible OpEx share: not significant and carried forward 0% ;
- share of aligned CapEx (excluding IFRS16): 7.2%.

2.5 VETOQUINOL'S SUSTAINABLE DEVELOPMENT GOALS

In September 2015, 17 Sustainable Development Goals (SDGs) were adopted by 193 UN countries. Also known as the "Agenda 2030", this program aims to transform society by eradicating poverty and ensuring a just and inclusive transition to sustainable and global development.

This report was drawn up after an analysis of the SDGs was carried out for the Vetoquinol Group.

Vetoquinol's sustainability objectives are as follows:

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

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

Ensure gender equality.

Ensure reasonable water consumption and control the treatment of wastewater.

Optimize energy consumption and develop the use of renewable energy.

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

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

Control Vetoquinol's carbon footprint.

Develop and promote ethical business practices.

They contribute to the fulfillment of Vetoquinol's mission: "Enriching human life through dedication to animal health and welfare".

The Vetoquinol Group's dialogue with its stakeholders is summarized in the infographic below:

2.6 OVERALL HEALTH, SAFETY AND ENVIRONMENTAL (HSE) POLICY

The Group's HSE function is responsible for defining the health, safety, and environment policy, which is then implemented in all Vetoquinol entities and plants worldwide.

The Group's HSE policy is based on 12 fundamental principles deployed throughout the Group.

- An HSE representative is appointed within each entity. The individual in question reports directly to local management and functionally to the Group HSE manager. He/she oversees the implementation of local risk prevention programs and ensures compliance with Group regulatory requirements and standards.
- In addition to the Group HSE policy, each entity is responsible for defining a local HSE policy that is tailored to its specific challenges and activities. It must be signed by local management and explained to all staff.
- Each entity has implemented an HSE risk assessment process, which incorporates road risks in particular. The process covers all activities carried out by employees and those carried out by external service providers on a Vetoquinol site. The process also includes an assessment of risks associated with malicious acts.
- Once the risk assessment process is complete, a formal risk reduction plan is created. This plan is subject to regular monitoring and updates.
- In the event that avoidance of a risk is not possible, it is preferable to implement source protection measures that protect all exposed employees over the use of personal protective equipment.
- In the case of a new product project or activity, the HSE risk assessment is carried out as far upstream as possible in order to integrate the appropriate measures.
- A plan to measure exposure to physical and chemical nuisances is implemented for personnel concerned. The results are incorporated into the periodic medical surveillance program.
- It is the responsibility of all staff to receive regular HSE training in relation to risks and activities. All new employees receive HSE awareness training on their first day of work.
- A process for collecting and analyzing accidents and incidents is implemented within each entity. Any significant accident or incident is to be immediately reported to the Group HSE manager, who will then coordinate feedback from other entities.
- Safety indicators are monitored on a regular basis within each entity. Environmental indicators have been established for industrial units, including waste monitoring, effluent discharges, water and energy consumption.
- Each entity is responsible for defining a program of field HSE inspections and observations. This program encompasses all activities involving Vetoquinol employees.
- Each entity ensures the availability of the necessary resources to effectively manage HSE emergencies, such as injury or pollution, as well as an appropriate crisis management organization.

2.6.1 HSE - A core department for the group and its management

Vetoquinol's HSE function is structured as a network. Each Vetoquinol entity is covered by a legal manager and a local HSE representative. The legal manager is delegated by the Group to implement Group HSE policy and local regulations.

The network is organized as follows:

- The Group HSE Manager proposes Group HSE policy and coordinates its deployment. He conducts periodic audits, defines standards, consolidates performance indicators, provides support and expertise, and coordinates the HSE network by promoting the sharing of experience. Over the past two years, due to the impact of the COVID-19 crisis, all Group entities have been audited on the basis of documentation and interviews (digital/remote). In 2023, a full on-site audit was carried out. In 2024, three full on-site audits are scheduled.
- The Industrial Directors (industrial entities) or Country Directors (commercial entities) are responsible for implementing Group standards and programs within their respective entities.
- Over 25 local HSE representatives or coordinators oversee HSE activities within their industrial and commercial entities, in compliance with local regulations and internal standards, and report to the Group HSE manager.

A safety reporting process has been established for all Group entities. Information is reported monthly for industrial units and quarterly for sales units. This process is based on the risk pyramid concept, which tracks the number of accidents, first aid cases, near-misses, and high-risk situations (see 2.7.2.5 Occupational Health and Safety Indicators).

2.6.2 Group HSE standards

An internal HSE referential (diagnostic tool) has been defined to facilitate the deployment of the Group's HSE policy within the various Vetoquinol entities. It outlines a set of best practices for managing and operating in key areas of HSE management. All Group entities have been audited over the past three years. A defined action plan is in place for each audited entity, with progress monitored at least quarterly. In between audits, follow-up visits are conducted to industrial sites to ensure that the action plan is up to date and any necessary adjustments can be made. All industrial and commercial entities have been audited over the past two years.

2.6.3 Managing HSE risks

List of main HSE risks

- Industrial risk of fire or explosion in a workshop or warehouse, mainly linked to the storage and use of flammable liquids and combustible powders.
- The risk of serious injury or occupational illness due to factors such as handling hazardous substances, working on machines, operating machinery, handling or moving around on site.
- Environmental risk linked to effluent and atmospheric emissions, waste, consumption of natural resources or accidental pollution.
- Legal risk associated with non-compliance with HSE regulatory requirements.

The Group places a high priority on managing health and safety risks and environmental impacts as part of a continuous improvement process.

The Group places a high priority on employee HSE training, with regular awareness-raising campaigns conducted in all sectors. Upon joining the Group, each new employee receives HSE training from the very first day on the job. Given the nature of their work, it is of the utmost importance that employees receive training in the risks associated with the products they handle.

Local procedures and operating methods are in place, including those concerning the wearing of personal protective equipment, traffic rules, waste sorting, and hot-spot work. All employees receive regular training in the application of these procedures.

In addition, any external company working on the Company's premises must comply with the HSE procedures and instructions of the relevant site. Prior to any intervention, a Prevention Plan or the local equivalent is prepared, as applicable.

HSE regulations are monitored in each country by the local HSE representative or coordinator.

A comprehensive risk assessment of each workstation is conducted at the design stage and on a regular basis thereafter. Collective protection measures are the preferred option over personal protective equipment.

The company places particular emphasis on the wellbeing of employees who are at risk of exposure to carcinogenic, mutagenic, and reprotoxic (CMR) raw materials. At the same time, the Group is committed to reducing these risks.

Periodic internal HSE inspections of premises are conducted, and corrective action is taken where necessary. A health, safety, and environmental information, preventive maintenance plan has been developed for key health, safety, and environmental equipment (fire-fighting equipment, ventilation systems, lifting equipment, etc.) at each site.

Each site has the requisite human and material resources to deal with emergency situations, and regular training is provided to ensure that staff are fully prepared. For production sites with an emergency plan, managers and technicians responsible for implementing the plan receive regular in-house training in immediate measures. As part of our risk management strategy, we conduct regular crisis simulation exercises. The post-exercise analysis allows us to capitalize on the critical actions taken and improve the reliability of the Group's Business Continuity Plan (BCP).

2.7 VETOQUINOL'S PEOPLE

Regarding our workforce, 2023 is a continuation of 2022.

- Our commercial and production activities saw a return to a more normal level of activity in 2022 and 2023, after a period of sharp increases during the Covid-19 pandemic in 2020 and 2021.
- In 2021, we initiated a project to overhaul our ERP (Enterprise Resource Planning) system in 10 countries. This project has entered the routine phase in 2023. This explains the termination of the contracts of employees on fixed-term contracts who had been recruited to replace the staff involved in this project.

The aforementioned teams, on fixed-term contracts, left our employ during 2023 and were therefore no longer part of our workforce at 12/31/2023.

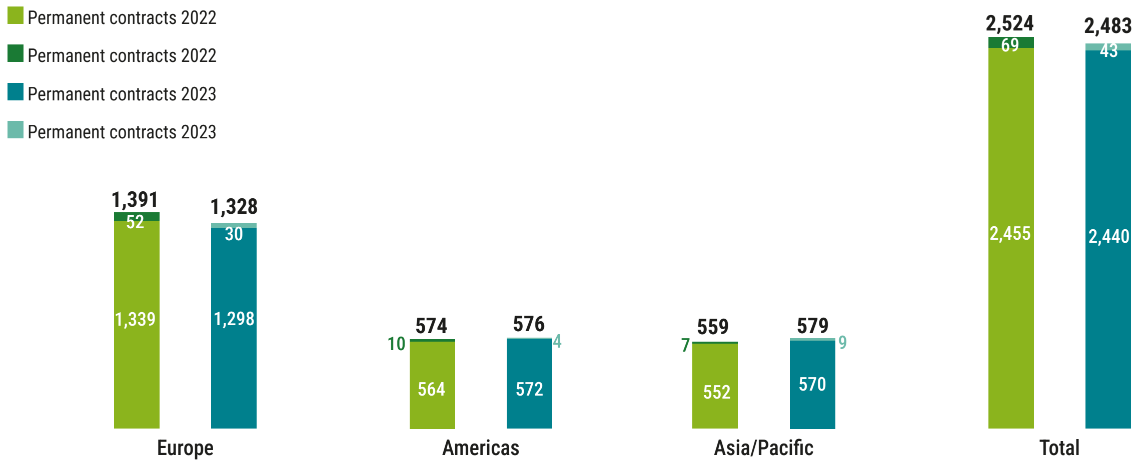
The combination of these two factors resulted in a slight reduction in our workforce size at 12/31/2023 compared to 12/31/2022.

2.7.1 Headcount analysis at December 31, 2023

2.7.1.1 2023 changes in headcount

As of December 31, 2023, the Group employed 2,483 individuals, a decrease of 41 from the end of December 2022. The headcount is therefore stable, down slightly by 1.6% on the previous year. The impact varies by continent and business family. For instance, our sales and marketing teams have been bolstered, while our supply chain and purchasing departments have also seen growth.

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



The number of employees on permanent contracts remains stable at the Group level. The post-Covid market is having an impact on our commercial and industrial activities, prompting us to exercise caution when recruiting for vacant positions.

The slight decline of 1.6% in the total workforce (permanent and fixed-term contracts) is primarily attributable to the reduction in fixed-term contracts. By the end of 2023, we had reduced the number of fixed-term contracts within the Group by 38% (from 69 to 43). The majority of these reductions were made up of employees on fixed-term contracts directly or indirectly linked to our ERP redesign project. Furthermore, we have converted a number of fixed-term contracts into open-ended ones.

Furthermore, the composition of our workforce varies by continent.

In Europe, the total number of employees on permanent and fixed-term contracts decreased by 4.5%. This was the continent most affected by the combined impact of slower growth in the post-Covid animal health business and the conclusion of the fixed-term contracts we had previously utilized for the ERP project. The number of permanent employees decreased by 3.1%. France, with the Group's largest workforce, also experienced a 3.1% decline in permanent staff.

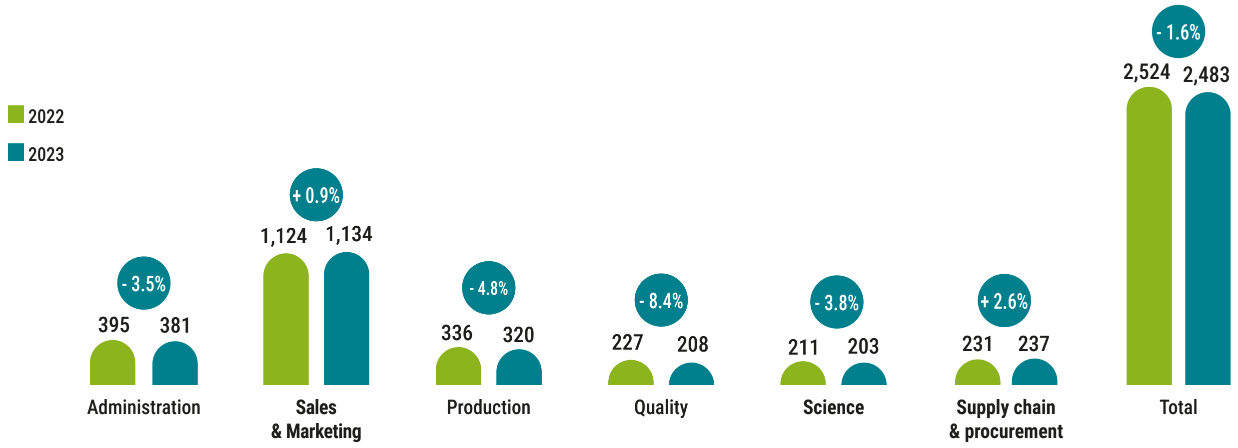
The majority of our workforce growth occurred in the Asia-Pacific region. The number of permanent staff increased by 3.4% as we continued to expand in India.

In North and South America, the workforce grew by 1%, with the majority of this growth occurring in the United States and Canada.

The United States, the world's leading market for animal health products, has seen an increase in sales activity and is strengthening its sales force.

In our other continental subsidiaries, headcount is down, particularly in Brazil and Mexico.

2.7.1.2 Breakdown of headcount by department (permanent and fixed-term contracts)



Vetoquinol strives to control its entire value chain, from R&D (new drug development) to production and marketing. However, we occasionally engage in partnerships or subcontracting to gain access to technologies we do not possess in-house.

We have observed a 2.6% increase in the Supply Chain & Purchasing population, as well as a 0.9% rise in the Sales & Marketing professions, due to recruitment linked 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 conclusion of fixed-term production contracts in France and the realignment of our workforce at our plant in Brazil resulted in a 13.2% reduction in our Production and Quality headcount. These two professions are closely linked in the pharmaceutical industry, which requires a high ratio of quality specialists (approximately one quality employee for every two production employees).

The number of employees in other professions (administration, scientific) also declined between 2022 and 2023.

It is also worth noting that by 2022, we had recruited employees on fixed-term contracts in almost all our businesses and in around ten countries to replace staff who had been mobilized on our ERP overhaul project.

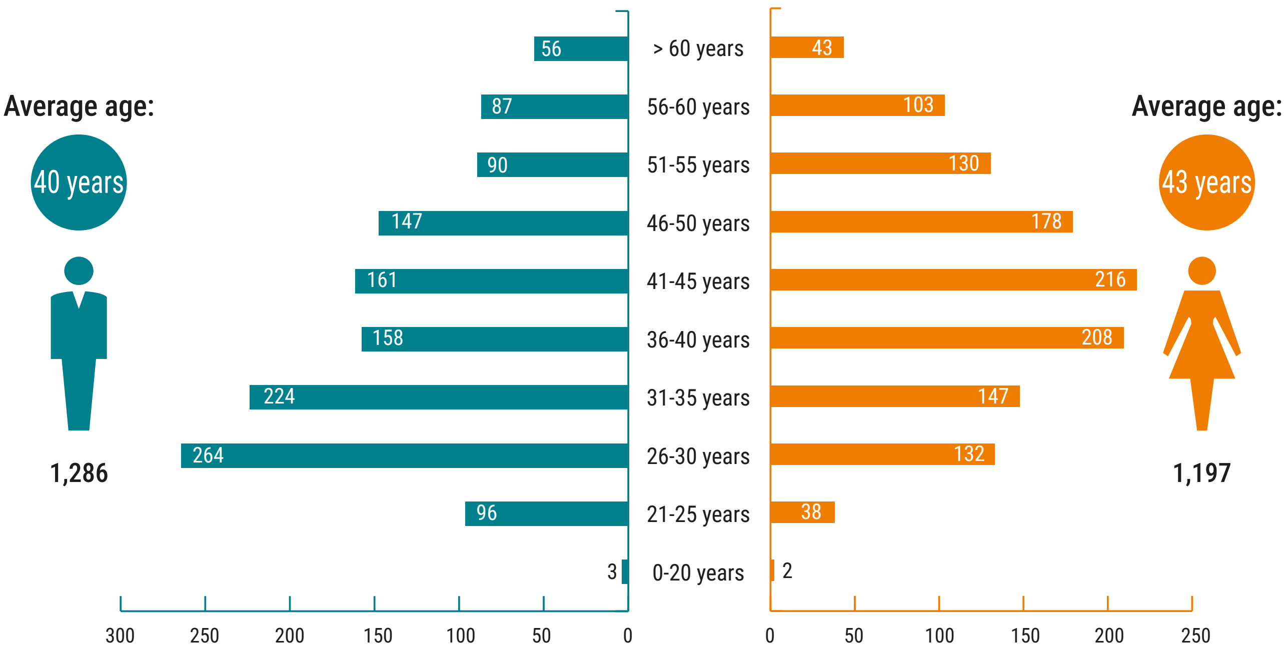
2.7.1.3 Breakdown of headcount by gender and territory

Headcount	Europe	Americas	Asia-pacific	Consolidated total
Women	**809**	**321**	**67**	**1,197**
	61%	*56%*	*12%*	*48.2%*
Men	**519**	**255**	**512**	**1,286**
	39%	*44%*	*88%*	*51.8%*
TOTAL	**1,328**	**576**	**579**	**2,483**
	53.5%	*23.2%*	*23.3%*	*100.0%*

The gender balance within the Group is maintained at a balanced level. The gap is narrowing year on year. In 2020, 45% of our employees were women. This increased to 46% in 2021, 47.5% in 2022, and 48.2% in 2023.

In India, our largest sales force globally is exclusively male due to local working conditions and culture. This is offset by a more female-dominated population in Europe. On a like-for-like basis, excluding India, the female workforce remains the most represented within the Group (59.3%).

2.7.1.4 Age breakdown by gender



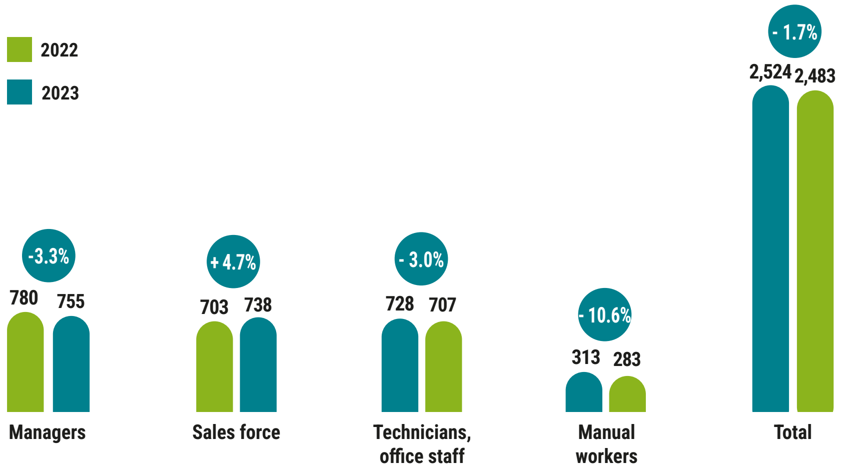
The age pyramid is noteworthy for its impact on the male workforce, with India playing a significant role in the rejuvenation of the male pyramid, with a high proportion of employees in the 26-35 age bracket. The female pyramid more closely aligns with the Group's age groups, with a higher proportion of 36-45 year-olds. This is not unexpected for an international company with over half its employees based in Europe.

The breakdown shows minimal change compared to 2022. 21.5% of employees are under 30, a slight increase from 22.5% in 2022, while 20.5% are over 50, a slight decrease from 19.6% in 2022. The average age within the Group is 41.3, representing a slight increase from 40.8 in 2022.

The average duration of employment is 8.1 years, representing a marginal increase from 2022's 7.8 years.

For acquired companies, the seniority of integrated employees is taken into account.

2.7.1.5 Breakdown by professional category



As our sales force continues to develop to support our new brands, we have nearly equal representation of the three professional categories of managers, technicians, and sales forces in terms of headcount. The pharmaceutical industry requires a significant number of managers, laboratory technicians, and administrative technicians to oversee production and development activities. Given the high level of skills required in the pharmaceutical industry, the proportion of employees in the "blue-collar" category is relatively low. Furthermore, Vetoquinol subcontracts a portion of its production to companies that possess technologies not held in-house.

The decline in the number of "Manual" and "Technical" employees is primarily attributable to a reduction in production volumes at our facilities and a highly competitive job market, which is prompting some of our employees, particularly in Poland, to seek new opportunities.

The majority of the increase in the sales force category was in the United States and India, where we are continuing to expand our commercial presence.

2.7.2 Health and safety in the workplace

2.7.2.1 Health crisis management

The prevention policy initiated during the Covid-19 crisis continued into 2023. Each entity and the Group level had a crisis and health watch unit in place. Sanitary measures were adapted to the evolving epidemic situation. These included maintaining barrier gestures, wearing masks, gauges in communal areas, daily cleaning, travel restrictions and the continuation of telecommuting for compatible positions.

2.7.2.2 Vigilance behavioral program

Our accident prevention policy places a significant emphasis on the individual behavioral aspect and managerial leadership. To this end, we have implemented an internal program called Vigilance within the Group since 2018. The objectives of this program are twofold: to foster the commitment and visible involvement of the managerial line in safety matters and to enhance the awareness of all employees regarding the importance of the behavioral factor in accident causes.

In 2023, we consolidated key activities within the Group, bringing us closer to the objective of a safety culture of Shared Vigilance. Each manager or employee is required to intervene in the event of any risky behavior observed through the practice of safety dialogue.

In line with the Group's vigilance activities, and in order to increase everyone's vigilance, we held a specific workshop on road risk in India. The objective was to increase awareness of road risks and develop an action plan to address this specific risk.

2.7.2.3 Specific actions carried out in 2023

As in previous years, a number of preventive actions were carried out in 2023 at the Group's various sites. These included

- In Gorzow, Poland, the continued installation of fire detection systems, as well as the ongoing replacement of production lighting fixtures.
- In Magny-Vernois in France, the deployment of a sprinkler-type fire protection network on industrial premises, the installation of electric charging stations, and the replacement of obsolete air-conditioning equipment with more energy-efficient, higher-performance units are ongoing.
- In Princeville, Canada, the relocation of gas cylinder storage and improvements to chemical filling stations have enhanced personal safety, while the sustainable development study and waste mapping have reduced the amount of waste generated.
- In Tarare, France, we implemented several energy-saving measures, including the installation of heat pumps, relocation of the nitrogen supply network outside the production area, addition of air handling units, and replacement of lighting.
- In Goiânia, Brazil, we have implemented several measures to enhance safety and sustainability. These include the replacement of lighting fixtures with low-energy alternatives, the provision of explosion risk training, and the mapping of the site.
- At the corporate level, we are continuing to roll out Vigilance training programs, particularly within our sales subsidiaries, and are disseminating new internal standards for field inspections.
- In 2023, the company invested €1,712,000 in HSE initiatives.

Road risk remains the primary cause of serious accidents for our employees. The road accident prevention program, launched in France during 2017, has been rolled out across a significant portion of the Group's entities. The program continued into 2023. The program includes a collective awareness-raising module, a driver charter for company vehicle beneficiaries, on-road driving training (safety and eco-driving), and exhaustive monitoring of claims with or without injuries.

At the Magny-Vernois site (the Group's headquarters and the Group's largest facility in terms of size and activities), safeguarding employees' mental health is one of the Group's prevention priorities. An RPS (Psychosocial Risks) Committee has been in place for several years. The committee is comprised of staff representatives, management, and the medical service. It convenes quarterly or upon request to address emerging risks. A report on its activities is presented at each CSSCT (Commission Santé, Sécurité et Conditions de Travail) meeting. Furthermore, all managers have received training in RPS.

In 2018, the RPS Committee's missions were redefined, with a greater focus on prevention. This involves seeking to reduce risk factors upstream or reduce harm to individuals. Concurrently, an RPS pre-diagnosis was conducted to identify priority sectors and risk factors. In 2019, an in-depth diagnosis was launched within the various departments of Vetoquinol SA, based on a methodology validated by APAVE, with a multi-year schedule. Following each diagnosis, a detailed action plan is created by the department manager and monitored by the Vetoquinol SA RPS committee. The process continued in 2023.

2.7.2.4 Health and safety agreements

French legislation currently requires companies employing more than half of their employees in France to implement an action plan or company-wide agreement aimed at eliminating or reducing legally-defined risk factors.

Vetoquinol is not subject to this obligation, as less than 50% of French employees are exposed to these factors.

Nevertheless, in accordance with its Health, Safety and Environment (HSE) policy, Vetoquinol implements measures to limit the risk of illness and injury to its employees.

Three areas have been identified and are being addressed:
- Handling
- Repetitive work
- Night work.

2.7.2.5 Occupational health and safety indicators

Group Safety Pyramid	2023	2022
Number of lost-time accidents	6	13
Number of accidents without lost time	8	14
Number of first aid interventions	73	48
Number of near-misses and hazardous situations	1,436	1,587
LOST-TIME ACCIDENT FREQUENCY RATE (LTAR OR TF1)	1.3	2.9
ACCIDENT AND FIRST AID FREQUENCY RATE (TAR OR TF3)	19.1	16.5
SEVERITY RATE	0.018	0.115
ANNUAL ACTION PLAN COMPLETION RATE	88%	78%

The frequency rate of lost-time accidents in the pharmaceutical industry in France is approximately 8 (2019: Frequency Index = 14.1, or a frequency rate of approximately 8). The average severity rate in the pharmaceutical industry in France is approximately 0.5, according to AMELI data from 2019.

For Vetoquinol, the year 2023 shows a significant reduction in the total number of lost time accidents compared to 2022 (6 vs. 13). The number of accidents without lost time is also down on 2022 (8 vs. 14).

Behavioral factors continue to be a significant contributing factor in these accidents, further demonstrating the relevance of the Vigilance program.

In terms of statistical indicators, the lost-time accident frequency rate remains well below the French pharmaceutical industry average. The severity rate reflects the low severity of injuries in the vast majority of cases.

The collection of dangerous situations and near-misses continued in 2023. This is a highly encouraging outcome, as the proactive indicator at the "lower" part of the pyramid enables us to take action upstream of accidents.

The overall completion rate for action plans in 2023 stands at 88%, exceeding the target of 55% set for the year. This represents an excellent performance in the context of the health crisis, with a 10-point increase compared to 2022.

For 2024, Vetoquinol has set itself the targets of achieving a maximum of 10 lost-time accidents across the Group as a whole, and collecting at least 1,200 hazardous situations for the fourth year running. The emphasis will be on the behavioral aspect..

2.7.2.6 Compliance with fundamental ILO conventions

The Vetoquinol Group is committed to respecting the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work. This includes:
- Rejection of slavery and forced labor
- Refusal of child labor
- Ban on moral and physical harassment
- Ban on all forms of discrimination in employment and occupation (gender parity agreement)
- Compliance with laws and industry standards on working hours
- Non-discrimination, equal opportunities.

2.7.3 Group attractiveness

The company's culture, human resources management methods, and long-term family shareholding are key factors in maintaining a stable workforce.

In 2021, numerous Group subsidiaries were honored with the "Great Place to Work" certification. The United States, the United Kingdom, Brazil, India, Belgium, the Netherlands, Scandinavia, and the Czech Republic. In 2023, our subsidiaries in the USA, Brazil, and India received the "Great Place to Work" certification.

In an increasingly competitive job market, these labels are crucial for an international group of our size, which often has entities located outside major cities.

Maintaining positive labor relations within the Group's various entities is a crucial aspect of implementing internal policy.

When acquiring companies abroad, the Group places great importance on the quality and longevity of the management teams in place.

The majority of Vetoquinol's sites are situated in suburban or rural areas, which allows employees to engage in outdoor sporting activities during their lunch break, such as walking or jogging.

2.7.3.1 Staff turnover

Vetoquinol consolidates all staff movements across all its entities on a monthly basis in order to monitor staff turnover rates in particular.

The turnover rate in India rose significantly, from 30.2% in 2022 to 38.6% in 2023. This increase can be attributed to the dynamic post-Covid job market, as observed elsewhere. Additionally, the animal health market is experiencing a surge in interest, with numerous Indian and international companies establishing or expanding their operations and recruiting talent to meet their needs.

Given these circumstances, we have chosen to segment India from the rest of the Group, particularly as our Indian subsidiary employs the Group's largest sales force.

Excluding India, the voluntary departure rate in 2023 was 8.7%, down from 9.6% in 2022. Although higher than the 2019 pre-Covid rate (6.5%), the 2023 rate remains within an acceptable range and is not unexpected given the dynamics of post-Covid labor markets.

Including India, the Group's voluntary departure rate for 2023 is 14.4%, higher than that for 2022 (13.5%) and 2019 (pre-Covid), which was 11.3%.

We also observe a decline in the voluntary departure rate in France (combined industrial and commercial sites), with a rate of 5.7% in 2023 compared to 6.5% in 2022. The job market has stabilized, but remains vulnerable. This level is not a cause for concern for the Group. However, current labor market conditions in the countries where the Group operates are making it increasingly difficult to recruit and retain skills.

2.7.3.2 Absenteeism

Vetoquinol monitors absenteeism at all Group entities. The company places a high degree of importance on analyzing data related to short and regular absenteeism. This information can provide insights into employee well-being and the potential for disruption within the company.

The Group's overall absenteeism rate is 4.3%, a decrease from 5.25% in 2022. Excluding maternity and paternity leave, the absenteeism rate is 3.4% in 2023, down from 4.2% in 2022.

Absenteeism rates are analyzed with the managers and human resources officers of the entities concerned, and corrective action plans are defined and implemented where necessary.

The decline in absenteeism rates is largely attributable to the initiatives undertaken by France in this area, including awareness-raising and manager training programs.

Recent studies indicate that absenteeism in the French private sector has been on the rise for several years, reaching an average rate of approximately 5% by 2022 (the 2023 rate is not yet available).

The figures vary from country to country, but never reach alarming levels in any of our subsidiaries. As is the case in many companies, absenteeism at industrial sites is slightly higher than in commercial functions, reaching 5.8% in 2023.

In France, all eligible fathers took advantage of their right to paternity leave in 2023.

(*) The absenteeism rate includes illnesses that last less than 100 days and absences due to workplace accidents.

2.7.4 Recruitment, induction and compensation

The attractiveness of the Group lies in its family values, its corporate culture, its development projects, especially internationally, its ambition, its broad scope of responsibility and its long-term viability.

The dedication of Vetoquinol employees is exemplified on the company's LinkedIn page (https://www.linkedin.com/company/vetoquinol), which boasts over 49,000 subscribers and showcases the Group's activities and daily operations.

Vetoquinol makes a special effort to integrate new employees into the company. Individualized induction courses lasting several weeks are provided for managers joining the company. Function managers in the subsidiaries typically participate in an integration program lasting at least a week at Group headquarters. Additionally, they participate in international business seminars organized by each Group function, which resumed in 2022 after a two-year hiatus due to the pandemic.

The health crisis has presented an opportunity to significantly develop distance learning sessions. This is particularly evident in the case of the induction sessions that are regularly organised for all new employees. This enables all new employees to gain a comprehensive understanding of the company, its history and constraints, the animal health sector, its professions, products, major processes and corporate values: trust, dare, collaborate.

These values serve as a framework for guiding employee behavior in their daily work. They facilitate collaboration across diverse teams and contribute to more unified decision-making.

Vetoquinol's policies and values facilitate the smooth operation of the company as an international group. They serve as a set of shared standards for how employees should work together and behave. It is the responsibility of each individual to embrace these values and adhere to them in order to maintain and enhance the Group's unique identity and culture.

The company implements annual salary increases for its employees, either independently or in accordance with a signed wage agreement with local social partners, where applicable.

In accordance with the legislation in force in different countries, the Group may implement additional benefit plans to provide employees with enhanced reimbursement conditions for healthcare costs and disability/death coverage.

2.7.4.1 Profit sharing

In France, the company has implemented a unique profit-sharing formula (amendment no. 2 dated June 29, 2007) that is based on 5% of the company's operating income.

This formula is only applicable when the resulting amount exceeds the amount calculated by the legal formula..

2.7.4.2 Incentive scheme

In 1987, a profit-sharing scheme was introduced in France to involve all company employees in the smooth running of the business.

A capping rule is applied to ensure that salaries above 2.5 times the annual Social Security ceiling do not generate profit-sharing. This helps to more effectively distribute the benefits of growth to middle managers, technicians, workers, and employees.

Should the results exceed those anticipated at the beginning of the year, a supplementary payment may be made.

For 2023, management and the union delegation were unable to reach an agreement on a new profit-sharing agreement.

Management has chosen to limit the consequences of this situation by allowing employees to benefit from the value created, as has been the case since 1987. Consequently, we decided to pay a bonus for 2023 equivalent to that which would have been paid under the proposed profit-sharing agreement. The payment was made in December 2023 for a total amount of €913,895.

In accordance with the terms of our various successive profit-sharing agreements, it is explicitly stipulated that the sum of the Réserve Spéciale de Participation and the overall profit-sharing envelope for any given year may not exceed 10% of gross salaries.

In addition to any existing legal provisions, certain subsidiaries have established voluntary employee profit-sharing schemes within the Group.

2.7.5 Organization of staff dialogue

Vetoquinol adheres to local legislation on social dialogue.

In France (Vetoquinol SA), employees were elected to the CSE (Comité Social et Économique) in 2022 for a four-year term. The company has one trade union, the CFDT.

In Poland, social dialogue continues with employee representatives elected by the workforce.

In Germany, the Works Council was renewed in 2022.

In Brazil, we collaborate with a union representing the Goiânia region, as there is no union presence in the plant. The external union is responsible for negotiating collective agreements within the branch, particularly wage revisions. They are permitted to enter the company premises to communicate with employees.

In other countries, our subsidiaries are generally below the thresholds for establishing employee representation bodies

2.7.5.1 Collective agreements

In France, one agreement was signed in 2023:

- On July 6, 2023, an amendment to the agreement on night work (the collective agreement to which this amendment relates was signed on July 22, 2021).

The Princeville plant in Quebec regularly negotiates its collective agreement in accordance with local legislation governing unionized sites.

Until December 31, 2023, the agreement in force since 2018 remained in place.

Renewal negotiations for the new agreement are currently underway.

2.7.5.2 Company savings plan

In France, the Company has a company savings plan (PEE), established in 1989 and managed by Société Générale Gestion (S2G), Amundi, and CPR Asset Management.

The PEE enables employees to invest their savings (profit-sharing, incentive, and voluntary payments) in seven different mutual funds.

2.7.5.3 Staff fringe benefits

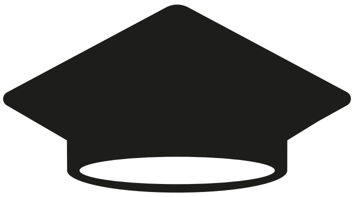
In accordance with current French legislation, the Social and Economic Committee oversees Vetoquinol SA's social projects.

A secure website provides employees with up-to-date information on all social and cultural activities, including contributions to sports activities, trips, discount vouchers, Christmas trees, various events, and more.

In Poland, companies with more than 20 employees are required to set up a social fund. The social fund is governed by its own set of rules and is managed by a joint commission.

2.7.6 Training and skills development

NUMBER OF TRAINING HOURS



97.9% of Group employees trained in 2023

	France	Group (including France)
Average workforce (full-time equivalent or FTE)	751 FTE	2,471 FTE
Total number of training hours	13,775 hours including 2,409 hours of prevention and safety training	71,434 hours
Average number of training hours per employee (FTE)	18.3 hours/employee	28.9 hours/employee
Average number of training hours per employee trained	22 hours/employee trained	29.4 hours/employee trained
Rate of employees trained	84%	97.9%

Vetoquinol is continuing its Group-wide skills development initiative.

The employee training coverage rate is calculated based on the number of employees who have participated in at least one training course during the year. Due to a high staff turnover rate, some countries may have an employee coverage rate higher than their average workforce. For instance, one employee leaving may have been trained, and one employee arriving in the same position may also have benefited from at least one training session during the year. The two figures represent one employee on average over the year, but account for two employees having received at least one training course. This explains the very high training coverage rate, with 98% of Group employees having received at least one training course in 2023.

In 2022, Vetoquinol initiated a project with all Group entities to define a skills reference framework for each type of function. The competency frameworks were integrated into the annual performance review process in 2023 and will also be utilized for employee recruitment and career development.

The deployment of our LMS (Learning Management System), called Vetoquinol Campus, has continued according to a progressive schedule, as outlined with the various subsidiaries. Those involved in the initial deployment phase have chosen to integrate all or some of their employees on the platform, depending on their training priorities for 2023. As a result, over 1,000 employees have completed more than 3,200 hours of digital training.

At the group level, we achieved 71,581 hours of "classic" training in 2023, an increase of +21% compared to 2022.

- In France, the 2023 skills development plan focused on several key areas, including:
- Reinforcing workplace first-aid teams
- Implementing a plan to raise awareness and train managers in absenteeism
- Securing the critical skills needed for the 1,581 "essential products" production operations carried out by the Lure plant
- Providing tailored support in management, sales, negotiation, and digital marketing through expert consultants. In the second half of the year, France distributed its first "Digital Learning" modules on Campus by Vetoquinol to managers. These modules enable managers to train, exchange and react collaboratively to the content on offer. In 2023, the reduction in training hours is due to the implementation of more targeted training initiatives, the launch of digital training programs, and the mobilization of employees on major projects.
- In the rest of Europe, the number of training hours has remained relatively consistent compared to 2022.
- In the United States, training hours increased, particularly in Brazil.
- In Asia-Pacific, training hours are increasing to keep pace with the growth and rotation of the sales force, particularly in India, in order to support the new employees recruited in 2023.

As part of our ERP overhaul project, we began implementing training plans for project team members in 2022. In 2023, these training plans were rolled out to users in 10 different countries.

The Group's human resources department places a high priority on developing employee skills, and a significant budget is allocated to employee training. Nevertheless, we remain committed to identifying and implementing training and development solutions that offer a superior quality, time, and cost ratio (including digital training and in-house training)..

2.7.7 Non-discrimination and Equal opportunities

Vetoquinol does not discriminate in the recruitment, remuneration, or promotion of its employees.

The Group's subsidiaries, often located in remote areas, face ongoing challenges in attracting talent whose spouses may encounter difficulties in finding employment. Pharmaceutical production and control operations, which are conducted in a clean and delicate environment, tend to attract female staff.

In France, the information presented in the comparative situation report, presented to the Social and Economic Committee (Comité Social et Économique - CSE) every year, indicates that the processes applied within the company do not generate inequalities per se. The imbalance in the situation of men and women is primarily a reflection of the socio-cultural context (for example, fewer women applying for certain positions) and of the company's history.

In terms of compensation, there are no inherent disparities between men and women occupying identical roles and with comparable tenure. In certain business sectors, there is a notable underrepresentation of women in positions of greater responsibility. A few isolated instances of salary discrepancies, resulting from individual career paths and affecting women and men equally, will likely necessitate corrective action as part of the year's salary policy.

For 2023, the Professional Equality Index for Vetoquinol SA, the French entity with 753 employees across all functions, was 91/100 (2022: 92/100), well above the minimum set by French regulations at 75% (a composite index whose calculation method is precisely defined by French regulations).

The gender balance is maintained at a relatively stable ratio year on year (see age pyramid).

2.7.7.1 Integration of people with disabilities

Vetoquinol is committed to employing disabled workers to the fullest extent possible. We maintain disabled employees in their roles and seek subcontracting partnerships with ESATs in France whenever feasible.

In 2022, Vetoquinol SA met 65% of the targets set by law in terms of disability, with an employment rate equal to 3.90% (figure published in 2023 for the year 2022).

Vetoquinol SA has been dedicated to a disability policy for several years. The company sought to identify its strengths and areas for improvement in implementing this policy. In 2023, a disability awareness campaign was launched with the assistance of a specialist consultancy firm. General information meetings were held for employees based in France, followed by individual interviews.

Some levels of disability (intermediate) entitle employees to additional days off.

2.7.8 Working hours

Vetoquinol adheres to all legal and contractual obligations regarding working hours in each of its subsidiaries. The organization of working hours within the Group varies according to the local context of each subsidiary and business activity.

Part-time work represents 2% of the Group's employees. This percentage represents a slight increase compared to 2022 (1.9%).

The decision to transition to part-time work is primarily at the discretion of the employee.

The Group's policy is to hire on permanent contracts. The proportion of the total workforce on fixed-term contracts is very small.

As a result of the completion of certain projects, including the renovation of our Injectables workshop in Lure and the overhaul of our ERP system, the number of fixed-term contracts was reduced in 2023.

Contract type	Europe	Americas	Asia-Pacific	Total
Fixed-term	2.3%	0.7%	1.6%	1.7%
Permanent	97.7%	99.3%	98.4%	98.3%
TOTAL HEADCOUNT	**100.0%**	**100.0%**	**100.0%**	**100.0%**

2.8 ENVIRONMENTAL 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 sites and activities that contribute most are included in the calculations for the indicators. All industrial and R&D sites are included in the analysis for the four environmental aspects. The main sales entities, with a sales force of at least 20 employees, are included in the calculations for liquid energy consumption (fuel) and carbon footprint (scopes 1 and 2). Vetoquinol has elected to calculate its scope 3 for France based on 2022 data.

2.8.1 Pollution prevention

Vetoquinol's industrial sites do not directly emit any atmospheric gases or particles. The only emissions from these sites are the combustion products from the company's gas-fired boilers. All air emissions from manufacturing workshops that could potentially produce dust are filtered.

There are no discharges that could affect the soil, and all industrial sites operate on sealed floors to contain any accidental spills. Outside storage facilities are placed in retention basins.

With regard to water discharges, the Canadian and Polish sites have a wastewater network connected to their city's wastewater treatment plant. The Brazilian site has no wastewater discharges into the public network (apart from sanitary water). All wastewater from manufacturing processes is collected and disposed of as waste by a specialized company.

In Magny-Vernois, effluent from the production facilities is treated through an in-house biological treatment plant, which is used to remove biodegradable pollutants. This is complemented by a perozonation plant (combining ozone and hydrogen peroxide treatment) to remove non-biodegradable molecules. The site's wastewater treatment process is innovative for the French pharmaceutical industry and has received an innovation grant from the French Water Agency.

Vetoquinol takes pride in promptly addressing any concerns raised by local residents. In the event of a one-off issue, such as during a construction or roadworks project, residents are informed and appropriate measures are taken to mitigate the impact.

In fiscal 2023, Vetoquinol did not pay any compensation in execution of a court ruling on environmental matters. No provisions or guarantees for environmental risks were recorded.

2.8.2 Waste management

With regard to waste, comprehensive monitoring is conducted using indicators, and trends are analyzed to prevent any drift. Sorting at source involves the separation of materials such as wood, cardboard, paper, metals, and electrical and electronic equipment for recycling. Pharmaceuticals that cannot be recycled are incinerated in an approved center for energy recovery.

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 for 2023 reached 34%, a slight decrease from the 35% recorded in 2022 and the 40% achieved in 2021.

The optimal solution for waste is reuse, and Vetoquinol prioritizes this approach, which is already in place for pallets, transport containers, printing paper, and other materials. The rate of recycling or material recovery of waste generated by the Group's industrial sites is an indicator monitored each year (see above).

This decline in production can be attributed to the high level of quality required for production batches, as well as the rejection of those that do not meet the expected standards.

Please note that incineration with energy recovery is not included in this estimate. In terms of volume, the amount of industrial waste generated in 2023 is lower than in 2022. However, the recycling rate for non-hazardous waste improved, reaching 64% in 2023, up from 61% in 2022.

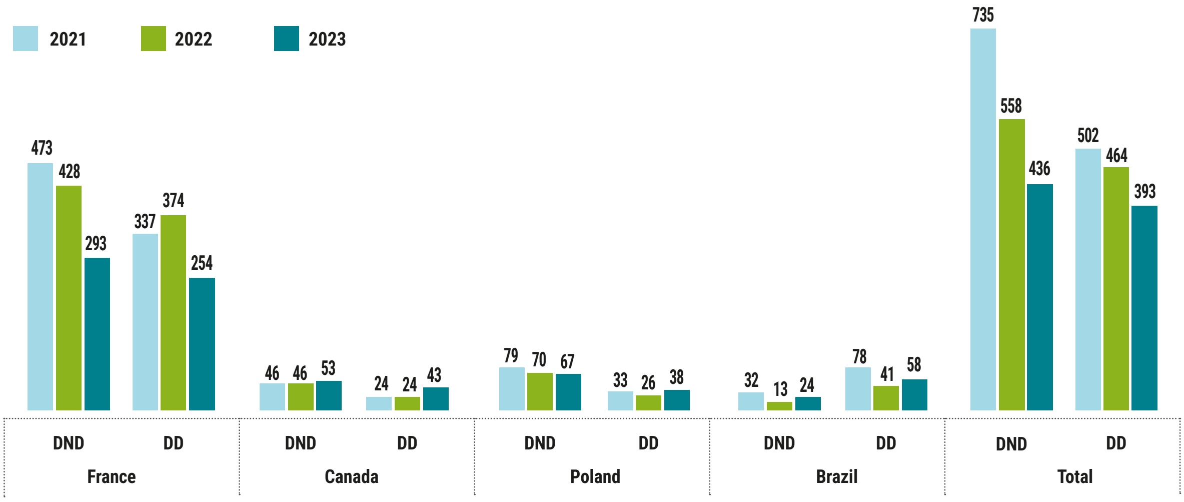
Vetoquinol's objectives are to reduce waste at source and increase the recovery rate by stepping up selective sorting on its sites and seeking new external recovery or recycling channels.

Selective sorting procedures have been implemented at production sites. Examples include:

- Actions to reduce plastic waste, with the introduction of a sorting system for non-food plastic waste at the Magny-Vernois site, and the elimination of plastic cups at all sites in France, Poland, and Canada.
- Waste mapping in Princeville.
- Improved waste collection and sorting systems in the offices of most sites and business units.
- Awareness-raising and communication actions carried out at all sites and business units.

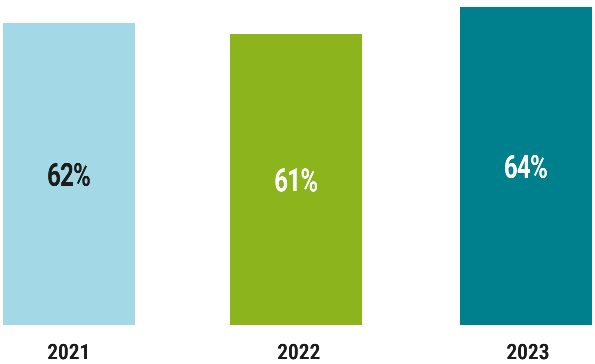
As a company focused on the development, manufacturing, and marketing of veterinary medicines, Vetoquinol does not directly address the issues of food waste, responsible, fair, and sustainable nutrition, or food insecurity.

2.8.2.1 Non-hazardous (NHIW) and hazardous (HIW) industrial waste by country (in tonnes)



2.8.2.2 Overall recycling rate in 2023

2.8.2.3 Non-hazardous waste recycling rate



2.8.3 Sustainable use of resources: water and energy

Water

Water consumption represents a significant challenge for Vetoquinol's production sites, given the need to manufacture oral and injectable medicines. In light of the pharmaceutical industry's evolving constraints, there is a growing demand for increasingly efficient and reproducible cleaning processes. These cleaning operations are typically conducted using water to which detergents have been added, followed by successive rinses with increasingly pure water. The majority of these operations are automated, with programs designed and improved to optimize water use. Meters and sub-meters are installed at strategic locations to enable the monitoring and control of water consumption. The data collected from these devices is analysed to identify any potential issues and to inform the prioritisation of areas for improvement.

The overall consumption of drinking water at industrial and R&D sites in 2023 was 7% lower than in 2022. This is due in part to the work carried out on the water loop at the Magny-Vernois site, and in part to the awareness-raising and communication campaigns carried out at the sites. The decrease can also be attributed to lower manufacturing volumes in the second half of the year.

In 2024, our primary focus will be on studying the feasibility of closed-circuiting our process cooling loop.

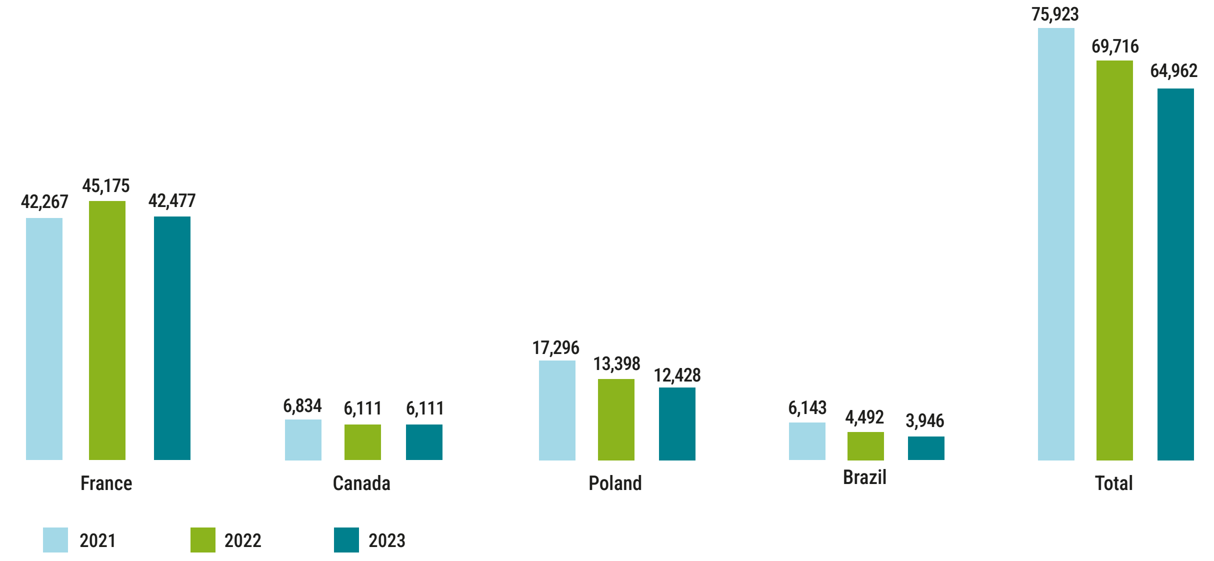
Energy

Energy is another significant challenge for production sites. The Magny-Vernois site received ISO 50001 certification for its energy management system in 2016 and has successfully renewed its certification in 2022. The first surveillance audit was conducted in 2023 as part of the ISO 50001 certification follow-up process. A consumption diagnosis and an action plan have been implemented to reduce energy consumption. The plan is a multi-year initiative that includes investments in more efficient equipment, metering or regulation systems to better manage consumption and monitor discrepancies. It also includes operations to raise staff awareness, whether in terms of their daily actions at work or their consumption at home. Following the same model as the process for reporting safety risk situations, all staff at sites in France are now required to report instances of high energy consumption. This may relate to behavioral, organizational, and/or technical aspects. This process is aligned with the annual ISO plan and helps to enhance staff engagement with a strategic environmental issue.

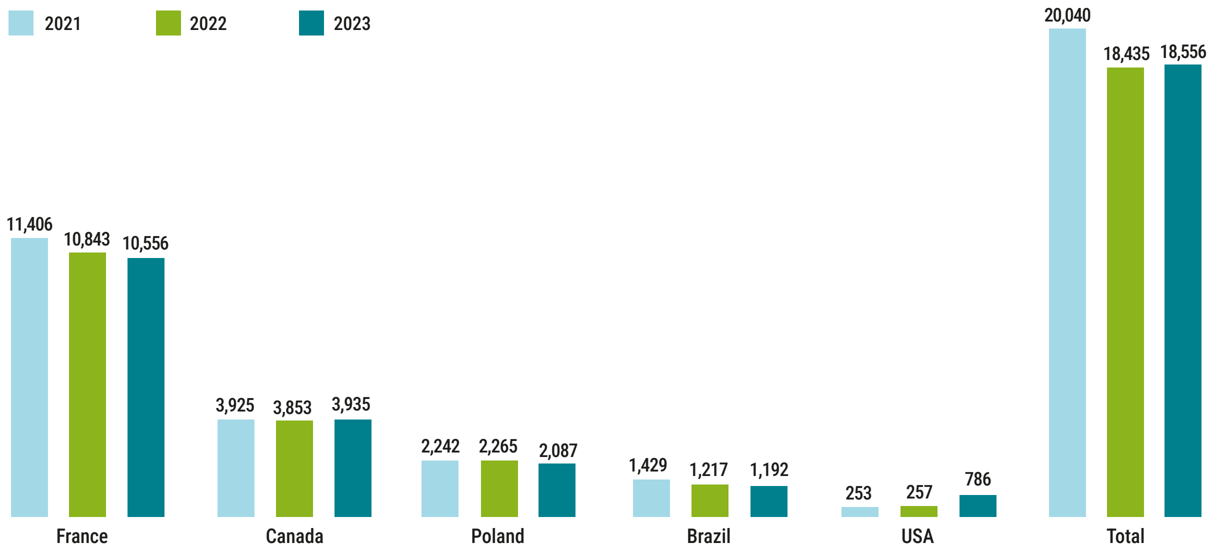
The Group currently monitors energy performance based on gas, liquid energy, and electricity consumption. Gas and electricity consumption remained constant in 2023 compared with 2022. Each Group site (industrial and non-industrial) is implementing an action plan to reduce energy consumption through technical improvements and the development of eco-responsible behavior. In 2023, several noteworthy actions were carried out, including lighting replacement campaigns at several industrial sites, the installation of a heat pump at the Tarare site to disconnect the old, more energy-intensive system, and the insulation of buildings.

The consumption of liquid energy (fuel) remained consistent compared to 2022.

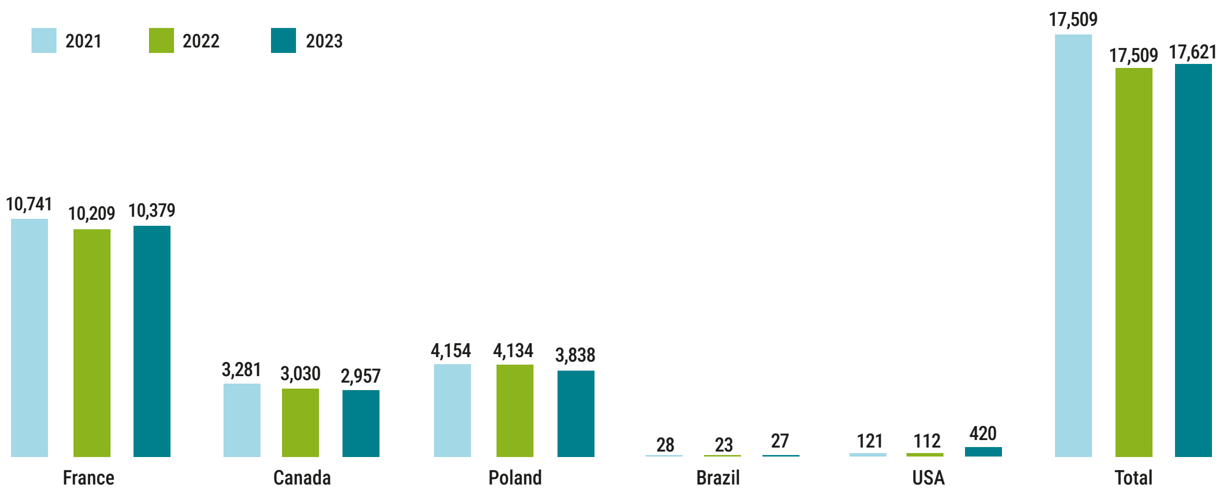
2.8.3.1 Drinking water consumption (m^3)



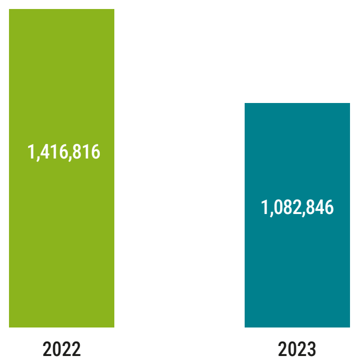
2.8.3.2 Power consumption (MWh)



2.8.3.3 Gas energy consumption (MWh)



2.8.3.4 Liquid energy consumption - fuels (liters)



2.8.4 Environmental protection

2.8.4.1 Carbon emissions

Given its activity and energy sources, Vetoquinol does not have a significant impact on GHG emissions in relation to its added value. The use of natural gas for its production sites, and electricity with low greenhouse gas emissions in France (mainly nuclear) and Canada (mainly hydraulic), contribute to a low energy-related carbon footprint.

Vetoquinol is committed to pursuing further reductions in its carbon footprint. To achieve this, it is essential to calculate our carbon footprint, which serves as a central tool for measuring our impact.

The assessment of greenhouse gas emissions refers to the carbon footprint.

Vetoquinol has been measuring its scope 1 & 2 emissions since 2017. Since 2020, the scope of calculation has been greatly expanded to include all industrial and R&D sites as well as the Group's main sales entities.

The graph below illustrates the emissions expressed in CO_2 equivalent units.

Scope 1 encompasses direct emissions resulting from fuel consumption and any emissions of refrigerant gases at our facilities.

Scope 2 corresponds to indirect emissions linked to electricity consumption, calculated according to country-specific emission factors or local supplier factors (as in the case of Canada with Hydro-Québec).

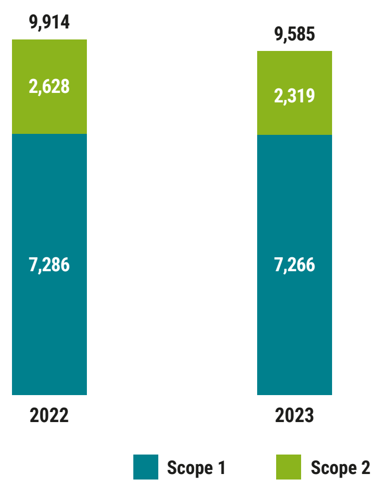
In 2023, greenhouse gas emissions for scopes 1 and 2 totaled approximately 9,585 tonnes of CO_2 equivalent, representing a significant reduction of around 7.7% compared with 2021, when they are estimated to be 10,262 tonnes on an equivalent basis. This reduction is the result of the various environmental initiatives that the Group has undertaken over the last few years.

Vetoquinol has set a target to reduce CO_2 emissions per million euros of sales.

Vetoquinol is dedicated to controlling its carbon emissions in the short, medium, and long term. As previously stated, each Group entity, whether industrial or non-industrial, is committed to implementing an action plan designed to reduce its energy consumption and, consequently, its greenhouse gas emissions. The Group HSE department monitors the progress of this plan on a quarterly basis and reviews it with the Leadership Committee as part of the monitoring of strategic plan indicators.

The ISO 50001 energy management system in place at the Lure site, the Group's primary source of emissions, is continuously reducing greenhouse gas emissions.
With regard to other atmospheric emissions (volatile organic compounds, dust), the implementation of appropriate control systems at all industrial sites effectively controls pollution risks. Atmospheric emissions are controlled by filtration systems.

2.8.4.1.1 Emissions in tonnes of CO_2 equivalent



2.8.4.2 Scope 3 calculation

In 2023, Vetoquinol took the initiative to calculate its scope 3 emissions.

Scope 3 includes indirect emissions linked mainly to upstream and downstream logistics flows, subcontracted manufacturing, and waste processing.

In order to gain an initial understanding of our carbon footprint, including our scope 3 emissions, we defined the perimeter based on 2022 data. This included Vetoquinol SA, the parent company in France and the Group's largest subsidiary, which has several industrial sites, R&D facilities and Group headquarters.

We were assisted in our approach by an external consultancy to ensure compliance with the ADEME carbon footprint calculation method.

The following steps were taken in the process:
- Formation of a pilot team and flow mapping.
- Data collection.
- Consistency analysis.
- Data processing.
- Calculation of GHG emissions.

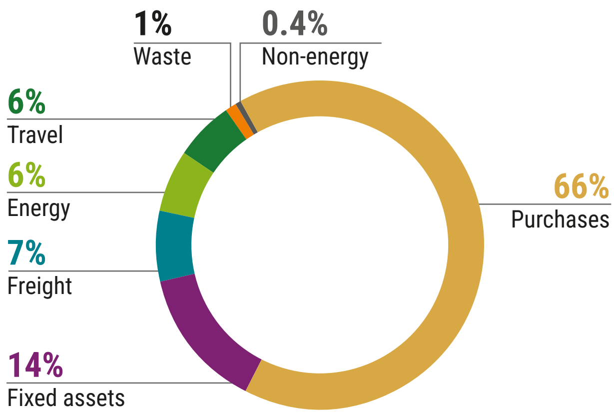
Once the initial results were presented to the project team, it was determined that three emissions items accounted for approximately 90% of our scope 3 emissions. We therefore established collaborative workshops with the objective of engaging departments in the carbon footprint reduction project and identifying action levers that would enable us to define a "carbon reduction trajectory." The following three workshops were therefore organized around the following themes:
- Purchasing and property workshop.
- Travel workshop.
- Freight workshop.

The first two workshops were held at the end of January 2024 with the relevant teams. These workshops brought together over 30 people from different departments over a whole day, and identified concrete action plans for implementation.

The final "freight" workshop will be held by the end of the first quarter of 2024 to complete this work.

We are currently defining our carbon trajectory, which will enable us to set CO_2 emission reduction targets and draw up action plans to reduce our carbon footprint.

The results of the scope 1, 2 and 3 carbon footprint are shown in the graph below, with a calculation uncertainty of between 20 and 25%, which is within the standards of the methodology:



As this is the inaugural year for assessing Scope 3 emissions, Vetoquinol has chosen not to provide raw data, which only cover the scope of Vetoquinol SA.

It should be noted that the deployment of a complete carbon footprint (scope 1, 2 and 3) with the support of independent experts has confirmed the calculations relating to scope 1 and 2 emissions carried out by the company using an internally-developed methodology.

2.8.5 Protection of biodiversity

The Group's activities do not involve manufacturing processes that result in the significant depletion of scarce or non-renewable resources, natural resources, or biodiversity. Vetoquinol is mindful of its environmental impact and takes measures to minimize it on a daily basis.

All new construction projects undergo a landscape study to ensure the preservation of the ecosystem. At the Lure site, Vetoquinol has chosen to preserve a lake and ensure its upkeep, thus preserving the diversity of living natural organisms. Furthermore, a total of approximately one hectare of flowery fallow land was planted in 2023, with the objective of preserving biodiversity. This will benefit birds, insects, and other organisms.

The Lure site kept its forest management contract in 2023, ensuring the sustainable development of the resources surrounding the site.

2.9 OUR PRODUCTS

2.9.1 R&D process overview

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

The process of bringing a molecule (chemical or biotechnological) or compound to regulatory approval can take up to ten years. It is classically segmented into four distinct stages:

1/ Research: The primary objective of this phase is to identify new biological targets involved in pathological processes. Once the targets have been identified and characterized, a large number of potential candidate molecules are tested on them (the screening stage) and their pharmacological activity is measured.

The Group is currently making limited investments and developing 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 developed considerable expertise in developing relevant screening programs and innovative galenic forms that provide a competitive edge, including factors such as tolerance and mode of administration. This initial stage serves to demonstrate the suitability of the candidate molecule(s) for the targeted pathology, thereby establishing a proof of concept.

2/ Preclinical and clinical development:

- Demonstrating efficacy and safety under preclinical conditions. The objective of this stage is to evaluate the candidate molecule in a controlled environment and to establish a preliminary pharmacokinetic (absorption, distribution, metabolism, elimination) and pharmacodynamic profile in the target animal species. These results confirm the suitability of the candidate molecule for the targeted pathology and demonstrate the safety margin of the future drug, i.e., the product's tolerability. Finally, this stage enables us to determine and confirm the dosage regimen, i.e., the optimal treatment regime to ensure maximum efficacy and minimal side effects. In the field of animal health, this type of preclinical study corresponds to phases I and II of human drug development.
- Clinical trials. These trials, conducted on sick animals, represent the final stage of studies conducted before a marketing authorization application is filed. They correspond to phase III of human drug development. The objective of these trials is to confirm data from preclinical studies and verify the efficacy and safety of the drug under future conditions of use. These trials involve a larger number of animals (approximately 200 to 300) than in the preclinical phase.
- Safety studies also aim to guarantee the safety of the veterinary practitioner or owner who will administer the product, as they are in contact with the drug.

- It is a legal requirement that residue studies are carried out for drugs intended for farm animals (cattle, pigs and poultry), whose products (meat, milk and eggs) are consumed by humans. This is to guarantee consumer safety. The objective of these studies is to determine the minimum waiting period between the conclusion of treatment and the slaughter of the animal (in the case of meat) or the marketing of its products (in the case of milk and eggs). It is important to note that the animal or its products cannot enter the agri-food chain during this waiting period.
- In the case of drugs for farm animals, studies are conducted to demonstrate the harmlessness of drug residues released by the animal (feces, urine, etc.) for the environment. These studies, known as ecotoxicology, assess the impact of drug residues on soil, fauna, and flora.

3/ Development of the manufacturing process for the prototype developed and selected above. The objective of this stage is to develop a robust, reproducible manufacturing process leading to a suitable formulation of the drug candidate and to fine-tune all the processes required for the industrialization of the future product. During this phase, the analytical methods used to test the product's stability and the consistency of its subsequent quality throughout its life cycle are also developed. The data is used to define the product's expiration date.

4/ In order to market a veterinary medicinal product, it is necessary to obtain a marketing authorisation (MA). Once submitted to the EMA or to the relevant country authority, the marketing authorisation submission, which brings together all the information obtained during development, undergoes a scientific evaluation by the supervisory authorities (health and/or agriculture). The aim of this evaluation is to verify the quality, safety for the target animal, the user, the consumer and the environment, as well as the efficacy of the veterinary medicinal product itself.

2.9.2 Vetoquinol Group R&D strategy

The Group's R&D activity has two main objectives:

- growth in sales and profitability (i) by bringing to market innovative, high-quality products that meet unmet needs, such as improved efficacy and safety, and ease of administration, compared with products already on the market, (ii) by defending all the Group's relevant marketed products,
- enhancing the Group's reputation and scientific expertise through publications in recognized scientific journals, presentations at scientific events, patent filings and the establishment of a network of scientific experts.

2.9.2.1 Resolute strategic focus

R&D plays a pivotal role in the selection of robust therapeutic areas and target species through comprehensive analysis. This allows R&D resources to be allocated in the most appropriate and optimal way to its portfolio of projects, while simultaneously strengthening its scientific knowledge in these fields.

R&D conducts research programs aimed at therapeutic and galenic innovation, as well as product development programs focused primarily on the Group's areas of expertise: dermatology, mobility, parasitology and dairy farming.

However, the Group remains true to its history, not hesitating to explore new opportunities in other attractive disease areas where its technological expertise and marketing skills can make a difference.

The diverse skill sets of these businesses enable the Group to register innovative products based on new chemical entities and molecules derived from biotechnology, improvements to existing galenics or packaging, or the development of generics. The Group places particular emphasis on the life-cycle management of its marketed products. This involves the development of new formulations, packaging, dosage and administration routes, extensions of indications or species, and registration in new geographical areas.

These programs are further enhanced by an active policy of partnerships with government bodies (INRAE, veterinary schools, foreign universities, etc.) and the private sector. These partnerships are focused on research and development, including the development of new formulations and the application of innovative drug delivery technologies.

2.9.3 Organization of Vetoquinol's scientific division

The Group's R&D organization is structured to develop new products and is continuously optimized through a process of continuous improvement. The organization currently employs approximately 180 individuals, including approximately 60 scientific managers.

The Group allocated 7.6% of its sales to R&D activities, equating to €40.1 million in 2023.

In millions of euros	**2023**	**2022**	**2021**
R&D expenditure	40.1	32.6	31.0
% of sales	7.6%	6.0%	5.9%

The company's research and development (R&D) operations are primarily based in France, with the center of expertise and scientific excellence located at the company's headquarters in Lure. Additionally, the company has a research center in Angers. The objective of R&D is to develop products for worldwide registration. Vetoquinol's R&D is further enhanced by product development units in key global markets, including the USA and Brazil. These units work in close collaboration with the main R&D center in France, contributing to the development and support of our local products.

These teams have enabled us to register dossiers in Europe, America, and Asia, demonstrating the world-class skills maintained by a network of experts. These experts include pharmacologists, toxicologists, and pharmacokineticists; pathologists and clinicians; and scientific leaders in key strategic areas. The Group has gained the trust of this network of experts thanks to its commitment to ethical conduct and scientific credibility.

Another key objective is to foster strategic alliances to ensure the most effective deployment of our innovative offering in the Group's strategic areas.

Vetoquinol's reputation is enhanced by a policy of publishing and presenting at international scientific conferences.

Given the highly regulated environment in which veterinary drugs are developed, the Group's R&D department has chosen to integrate regulatory affairs skills directly into its teams. This allows them to participate in the entire process, from conception to development, with a dual objective: to advise on development strategy and to integrate data with a view to compiling the registration dossier.

The responsiveness of exchanges between scientists is ensured by three departments across the board:

- Quality Assurance audits and actively contributes to the continuous improvement of development processes, thus guaranteeing the required level of good practice in accordance with GLP, GCP, and GMP standards.
- Pharmacovigilance monitors the safe use of products by our customers.
- The Projects Department coordinates the various players involved in research and development, and consolidates all projects across the portfolio to ensure the proper allocation of human and financial resources.

2.9.4 Overview of current R&D programs

In light of the evolution of the animal health market and the increasing medicalization of pets, R&D priorities have undergone a change. The Group, which was originally a company focused almost exclusively on farm animals, is now directing a significant part of its research effort towards pets. It is also engaged in the development of innovative production, formulation, and packaging technologies.

The Group's R&D efforts are focused on the development of breakthrough innovations, as well as incremental innovations and the evolution of existing products.

2.9.5 Dependence on human health research for the development of new molecules

In the field of animal health, innovation occurs in specific areas, including vaccines, reproductive management (productivity), and areas common to human health (antibiotic therapy, pain and inflammation management, cardiology, oncology, etc.) or plant protection (anti-parasitics).

These therapeutic areas present an opportunity for animal health companies backed by a human or plant health group, offering potential access to a wider range of molecules.

For Vetoquinol, this is not a limiting factor for its innovation, as the company has identified several reasons why this is not the case.

- In the field of animal health, there are numerous molecules used in human health whose patents have fallen into the public domain. This presents a significant opportunity for innovation.
- In fields where research is very active in human health (cardiology, pain, cancer), many "biotech" companies are ready to license their technology and/or their molecules in animal health. This allows them to contribute to the financing of the early phases of development in human health.
- Medium-sized human health companies, which do not have an animal health department, appreciate finding pure animal health players to whom they can entrust their molecules. This allows them to focus on their core competencies. This is an intriguing and beneficial addition for these companies. The animal health sector has a distinct growth profile compared to human health, which presents an opportunity for innovation.
- Another avenue for growth is drug repositioning, which involves reorienting existing molecules and developing them for new therapeutic indications.

2.9.6 Antibiotics for veterinary use and antibiotic resistance: a commitment to the rational use of antibiotics in animal health

The discovery of antibiotics represented a significant advancement in the field of medicine during the 20th century, and they continue to be an essential component of the therapeutic toolkit for both doctors and veterinarians. To date, there is no alternative treatment for bacterial infections. However, the extensive and sometimes excessive use of antibiotics has altered the bacterial ecosystem, exerted selection pressure for reduced sensitivity, and contributed to the emergence of bacterial resistance to certain antibiotics.

The fight against the development of bacterial resistance and the preservation of antimicrobial activity have become global public health issues, and Vetoquinol is fully involved in managing the problem as a responsible player. Most European countries have already introduced national plans and set targets for reducing the use of antibiotics in veterinary medicine. The use of so-called critical antibiotics—those particularly prone to resistance, or antibiotics of last resort such as fluoroquinolones and generation 3 and 4 cephalosporins—is now subject to restrictive regulations that have reduced their use. The regulations have had a gradual and ongoing impact on the Group's business in Europe, resulting in a decline in the proportion of sales generated by anti-infective products.

Vetoquinol is dedicated to combating the development of antibiotic resistance. We do not market antibiotics for growth promotion purposes and prohibit this practice. Vetoquinol is also strongly committed to supporting veterinarians in the prescription and proper use of antibiotics. Over the past decade, we have been providing dosage regimens that comply with recommendations in the fight against antibiotic resistance (SISAAB concept), organizing scientific and legislative webinars led by experts, and providing awareness-raising tools for owners.

Vetoquinol has been a pioneer in Europe for over 20 years, conducting epidemiological surveillance of the susceptibility of bacteria responsible for various pathologies in livestock and pets to the antibiotics it markets. This ensures that treatments do not lead to reduced susceptibility or antibiotic resistance, even when used correctly.

Vetoquinol, a company with extensive experience and expertise in the field of anti-infectives, is committed to maintaining its position as a leading provider of curative and targeted treatments for animal health. This commitment is driven by the company's dedication to the rational use of anti-infective drugs. Vetoquinol has initiated and is actively pursuing research programs to identify alternatives to antibiotics.

Finally, Vetoquinol develops and markets rapid diagnostic tools to enable the rational use of the antibiotic arsenal still available to veterinary medicine.

2.9.7 Eco-friendly products

In line with its commitment to sustainable development, Vetoquinol is working to integrate environmental criteria into the development of new products and solutions. Specifically, this entails considering the environmental impact of raw materials and manufacturing processes at an earlier stage, as well as developing products that are inherently more "eco-responsible." In this context, the "Ecopack" project was initiated in 2019. The objective of this project is to reduce the environmental footprint linked to the packaging of our products. This will be achieved by implementing measures such as:

- Densification of palletization plans.
- Kraft cushioning solutions to replace plastic bubble wrap.
- Use of kraft cardboard on secondary packaging to reduce weight.

2.10 SOCIAL FOOTPRINT

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

2.10.1 Territorial, economic and social impact of the group's business

Vetoquinol is a significant contributor to the local economy, both in terms of the economic activity it generates and the jobs it maintains around its industrial sites. The Group's entities are generally located outside major metropolitan areas, where they contribute to local and regional development through their presence and growth, creating employment opportunities.

In France, Vetoquinol plays a role in the training of approximately forty apprentices each year.

Furthermore, the Group has a robust support culture, with numerous entities welcoming students on a regular basis to train the employees of tomorrow.

Vetoquinol plays an active role in local communities by participating in and supporting various social, environmental, and humanitarian initiatives.

Vetoquinol sponsors cultural events and sporting events, as well as clubs.

Vetoquinol is committed to maintaining positive relationships with local residents and ensuring that its facilities blend harmoniously with the surrounding environment.

The company's activities, including those at its industrial sites, have a minimal impact on local residents in terms of noise, visual pollution, and environmental impact.

2.10.1.1 Community initiatives conducted by Vetoquinol and its subsidiaries in 2023

Cultural support

For many years in France, Vetoquinol has been associated with the Musique et Mémoire festival, a key event on the French Baroque scene in the Vosges Saônoises region and a member of the European early music network. Over the years, the festival has maintained a workshop spirit, where music is performed on a human scale, in a privileged relationship between artists, festival team and audience.

Vetoquinol also continued its sponsorship of the UNESCO World Heritage Site, the Chapelle de Ronchamp, designed by architect Le Corbusier over 60 years ago. Vetoquinol is a founding partner of the club of patrons who support and accompany the development and influence of this unique site in the world.

Charitable support

In France, employees participated in the Pink October campaign in support of the League against Breast Cancer, and Vetoquinol matched the amount raised.

Vetoquinol has been a patron of the Vetericare Association for the past four years. The association, founded by veterinarians, helps pet owners by covering the cost of care when they are unable to afford it. In the absence of adequate financing solutions, owners are sometimes forced to consider euthanizing their pets. This untenable situation inevitably gives rise to feelings of anger, injustice, and incomprehension, not only among owners, but also among care teams, who are powerless to deal with these situations, which run counter to their vocation of care. This year, Vetoquinol organized the "Vetoquinol Walks for Vetericare" challenge with the goal of walking 10 million steps to raise €10,000 for the Vetericare association. This objective was achieved thanks to the enthusiastic participation of our employees.

In Canada, Vetoquinol continued its long-standing commitment to the Centraide Foundation for the 14th consecutive year. The foundation's mission is to improve the quality of life of the most vulnerable and to unite the community by encouraging citizens to take action. It helps more than 60,000 people.

2.10.1.2 Nation - Army link

Vetoquinol is in communication with the French Ministry of the Armed Forces with the objective of establishing an agreement to support the military reserve policy. This will entail granting special facilities to Vetoquinol employees who are operational reservists, enabling them to carry out their periods of reservist activity. Secondly, the agreement will aim to establish a climate of trust between Vetoquinol and the Ministry of the Armed Forces based on dialogue. Vetoquinol is committed to implementing this agreement during 2024.

2.10.2 Animal welfare

Vetoquinol has defined its mission as follows: "Enriching people's lives through dedication to animal health and welfare."

The company's products, services, solutions, practices, and activities are designed to improve the health and welfare of animals, thereby enhancing the lives of people.

The term "animal welfare" is defined as "the quality of life as experienced by an individual animal." To assess an animal's level of welfare, it is necessary to combine knowledge, experience, empathy, and sensitivity. The five fundamental freedoms describe society's expectations regarding the living conditions of animals when they are under human care. These principles have been incorporated into the World Organization for Animal Health's (WOAH) definition of animal welfare, which serves as the industry standard. These principles form the foundation of the majority of 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, lesions, and disease.
5. The animal is able to exhibit the typical behaviors expected of its species.

In France, the ANSES (Agence nationale de sécurité sanitaire de l'alimentation, de l'environnement et du travail) has also defined animal welfare as "the positive mental and physical state linked to the satisfaction of the animal's physiological and behavioral needs, as well as its expectations."

The following actions have been implemented:

1. Vetoquinol designs, manufactures, and markets products, services, and solutions to improve the comfort and health—in other words, the welfare—of animals. This is our primary objective.
2. Vetoquinol's animal welfare initiatives contribute to the welfare of people in various roles, including veterinarians, breeders, and private pet owners.
3. All Vetoquinol employees in charge of animals adhere to the ethical principle of the 3Rs (replace, reduce, refine) and act in accordance with the "5 Freedoms" in favor of animal welfare.

This "3Rs" rule forms the basis of European regulations on preclinical studies:

- Replace animals wherever possible with cells or tissues (in vitro) or digital models (alternative preclinical methods).
- Reduce the number of animals used by limiting experiments to those that are absolutely essential, avoiding unnecessary repetition of previous studies, and drafting an experimental protocol that often makes further animal testing unnecessary.
- Refine, i.e. reduce, eliminate or alleviate the pain or distress experienced by the animals, and improve their well-being by controlling the conditions under which they are transported, reared and housed, and by establishing criteria for stopping the procedure early if necessary.

4. Limiting the use of natural resources, saving energy, and reducing waste: Vetoquinol is proud to be one of the first companies in France to have equipped its wastewater treatment plant in Lure with the latest technology to reduce the drug content of the water it discharges into the natural environment by 99%.

At Vetoquinol, we are dedicated to ensuring the welfare of animals and humans now and in the future.

One Health

The "One Health" initiative is based on the conviction that the health of animals, humans, and our shared environment are inextricably linked.

The protection of animal health is an essential component of the broader effort to safeguard human health. The presence of unhealthy animals can present a risk to human health and the surrounding environment. Consequently, the spread of zoonoses is becoming increasingly problematic. Zoonoses have been a contributing factor in the spread of human disease epidemics. Vetoquinol's commitment to animal welfare helps to limit the spread of zoonoses and promote a health context conducive to sustainable development.

2.10.3 Humans and animals: a lifelong relationship

2.10.3.1 Dogs: humans' best friend

The positive effects of pet ownership on human physical and mental well-being are well-documented. The status of animals has evolved throughout history. Initially domesticated for utilitarian purposes, today's pets have become inseparable companions to their masters. Pets excel in their social role, becoming an integral part of the family and sharing daily life in the home. It is not uncommon for animals to provide assistance, moral support, and relief to humans.

Vetoquinol offers a website, www.myhappypet.fr, which is dedicated to pet owners and is available in 12 other countries. The My Happy Pet website provides practical advice, tips, and other useful information for pet owners. Pet owners can also find advice on pet health and welfare on social networks such as Facebook and Instagram at "My Happy Pet Worldwide."

The topics covered range from the everyday care of the animal to more specific issues for which owners require expert guidance. These digital resources are designed to provide guidance to pet owners. A 2014 study by the Veterinary Medicine department at Lyon 1 University found that 75% of pet owners consult the internet for medical information, with 90% of them rating their vet as the most reliable source.

At Vetoquinol, we remain committed to maintaining close relationships with our customers and partners. This allows us to better understand their needs and provide them with the support they require on a daily basis.

2.10.3.2 Animals and children

Pets play a crucial role in a child's development and socialization. They serve as close companions and confidants, providing a unique perspective and ability to observe and hear everything.

The presence of a pet can help to alleviate fear, suffering, or anxiety.

2.10.3.3 Animals and elderly people living alone

Pets offer a number of benefits to their owners, including a sense of reassurance and structure to the day, regular walks, and the opportunity for social contact. Today, many institutions for the elderly accept pets, and many people view them as a guarantee of quality of life and comfort.

For instance, the Haute Autorité de Santé recommended in its 2018 report, "La vie sociale des résidents en Ehpad," that facilities allow animals on the grounds, citing the potential benefits of having pets, including reducing the sense of being uprooted, providing a reassuring presence, and enhancing residents' quality of life.

2.10.3.4 Animals and the disabled

Guide and assistance dogs enhance the independence of individuals with disabilities, provide a constant source of comfort, warmth, and friendship, and facilitate social reintegration. Guide dogs assist blind individuals in navigating independently and safely.

2.10.3.5 The animal during lockdown and remote working

The period of lockdown has led to remote working becoming an integral part of modern working practices. The role and presence of the pet at home and in the workplace have increased dramatically. Pets have become an integral part of modern life, accompanying us on a daily basis. This demonstrates the long-lasting impact of the pet's role and position within the home and family.

2.10.4 Ethics and fair practices

The Group has established the Partnerships, Legal and Risks Department, which is responsible for ensuring risk management, internal control, and the Group's compliance with industry standards, including ethics, anti-corruption, and the General Data Protection Regulation (GDPR).

2.10.4.1 Code of ethics

Vetoquinol's core values are trust, dare, and collaborate to Achieve More Together. These values are embraced by the company's global workforce. These values assume that there are clear and consistent standards of conduct within the Group. These common rules, which must apply to everyone, are set out in the Vetoquinol Code of Ethics.

This Code outlines the commitments, practices, and behaviors that Vetoquinol has chosen and adopted in its internal and external relations. All employees are expected to adhere to the standards set forth in this Code at all times:

- Being loyal to the company, its employees, and partners; always acting with integrity;
- Respecting the law;
- Remaining objective in all circumstances;
- Carrying Vetoquinol's values;
- While preserving Vetoquinol's image of integrity.

The Code of Ethics and the Anti-Corruption Code of Conduct are available on the Vetoquinol website, www.vetoquinol.com.

Vetoquinol is committed to complying with all applicable laws and regulations, regardless of the country in which its activities are carried out.

Vetoquinol strives to maintain business relationships with all partners who adhere to the highest standards of professional ethics.

Vetoquinol is dedicated to upholding the International Labour Organization's Declaration on Fundamental Principles and Rights at Work in all its entities.

Vetoquinol is dedicated to combating all forms of discrimination.

Vetoquinol is committed to ensuring compliance 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 is committed to combating all forms of corruption.

This code of conduct defines the fundamental principles and rules governing corruption and influence peddling in the following areas:

The code of conduct covers the following areas:

- Rules specific to civil servants
- Gifts and invitations
- Donations to charitable or political organizations
- Patronage, sponsorship
- Facilitation payments
- Third-party monitoring
- Conflicts of interest
- Accounting records and internal controls.

All employees are expected to conduct themselves in an exemplary manner within Vetoquinol and to refrain from engaging in any conduct that is contrary to the rules of conduct set out in this code.

This Code has been supplemented by a policy on gifts and invitations to ensure that all employees are aware of the appropriate conduct in this area.

2.10.4.2.2 Whistleblowing system

All employees have access to an internal whistleblowing system, which allows them to report any situation that may be contrary to the anti-corruption Code of Conduct in a secure and confidential manner. The Ethics Committee, comprising the Group Human Resources Director, a Country Director, and the Group Legal and Compliance Expert, is responsible for processing and investigating any alerts transmitted under this system.

2.10.4.2.3 Training

In addition to the training courses offered to a number of its employees, Vetoquinol deploys a "Doing Business Without Corruption" training module among its teams, available in all the Group's languages.

2.10.4.2.4 Corruption risk mapping

Vetoquinol has identified and mapped these risks in the following countries: The countries in question are France, the USA, Mexico, Poland, Italy, India, and China.
The Group places a significant emphasis on the integrity of its suppliers. To assess supplier integrity during the qualification and validation process, an anti-corruption questionnaire has been introduced.

2.10.4.3 The General Data Protection Regulation (GDPR)

Vetoquinol is dedicated to safeguarding the privacy of its employees and partners and has initiated a process of compliance with the General Regulation on the Protection of Personal Data (GPDR).

Vetoquinol has developed a multi-year action plan to strengthen and harmonize its compliance actions across the Group.

This action plan is led by an international, multi-disciplinary team comprising the Group DPO, a legal advisor on personal data, and "Local Privacy Champions."

Vetoquinol regularly conducts training and awareness-raising initiatives for its employees in the area of personal data protection, and develops procedures tailored to the company's specific challenges and risks.

2.10.4.4 Prevention of tax evasion

Vetoquinol places a high priority on maintaining consistent and reliable relationships with its business partners. To ensure transparency and accountability, the company rigorously monitors the accuracy and integrity of the legal and financial information it provides.
Vetoquinol does not engage in any tax planning arrangements that could be considered "aggressive" within the meaning of European Council Directive (EU) 2018/822 of May 25, 2018 on the automatic and obligatory exchange of information on cross-border reportable arrangements, known as "CAD 6."
Furthermore, Vetoquinol does not engage in any tax avoidance schemes prohibited by the "ATAD Directive," as defined in Council Directive (EU) 2016/1164 of July 12, 2016.

2.10.5 Supplier relations

Vetoquinol is dedicated to maintaining the highest standards of professionalism and ethical conduct in its interactions with employees, shareholders, customers, suppliers, and partners. Vetoquinol is committed to acting with integrity, fairness, and objectivity towards its partners.

In order to achieve this, Vetoquinol has drawn up a Code of Ethics which forms the basis of the common rules that must guide all Group employees in their day-to-day behavior and actions (see 2.10.4.1).

Vetoquinol's relationships with its supplier partners are guided by the Group's purchasing policies, which apply to all types of purchases. These include materials and components for production (Direct Purchases), production commodities, services and other services outside production (Indirect Purchases), as well as subcontracting purchases. These Group policies establish a clear framework for all employees, defining structured, secure, methodical, professional, and responsible purchasing practices.

Vetoquinol continued the approach initiated in 2020 by deploying the supplier reference framework in an additional subsidiary in 2023. The Group is confident of continuing this deployment in the other subsidiaries after 2024. In addition to meeting several key requirements for managing relations with the Group's suppliers, this project establishes robust standard practices for managing relations between Vetoquinol and its partners. Notably, it validates certain ethical and anti-corruption aspects through a questionnaire.

In alignment with this standard, in 2023 Vetoquinol enhanced the reliability of its expenditure procedures by streamlining the verification of compliance when placing orders via other core software. This ensures comprehensive compliance across all transactions.

In 2023, our purchasing teams continued to effectively combat the upward trend in the markets, which was mainly due to multiple geopolitical tensions. Prices were particularly influenced by food-related markets, while energy and energy derivatives were deflated. The transport offer was developed with consideration of the favorable supply situation and disruptions in the Red Sea.

Our ongoing efforts to secure supplies through the development of dual sourcing, safety stocks, and contractualization of the most important sources will continue over the long term.

The Group's activities have also been influenced by sustainable development, with a focus on seeking more respectful practices in the supply and choice of raw materials, particularly packaging.

2.11 EUROPEAN GREEN TAXONOMY

Fiscal 2023	Fiscal year 2023			Substantial contribution criteria						Do No Significant Harm ("DNSH") (h)									
Economic activities (1)	Code (a) (2)	Sales (3)	Share of sales, year N (4)	Climate change mitigation (5)	Adapting to climate change (6)	Water (7)	Pollution (8)	Circular economy (9)	Biodiversity (10)	Climate change mitigation (5)	Adapting to climate change (6)	Water (7)	Pollution (8)	Circular economy (9)	Biodiversity (10)	Minimum guarantees (17)	Share of sales taxonomically aligned (A.1.) or taxonomically eligible (A.2.), year N-1 (18)	Enabling activity category (19)	Transitional activity category (20)
	Objective	Currency (M€)	%	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	YES/NO	YES/NO	YES/NO	YES/NO	YES/NO	YES/NO	YES/NO	%	H	T
A. ACTIVITIES ELIGIBLE FOR TAXONOMY - SALES																			
A.1. Environmentally sustainable activities (aligned with taxonomy)																			
Sales of environmentally sustainable activities (aligned with taxonomy) (A.1.)		0	0%																
of which enabling		0	0%															H	
of which transitory		0	0%																T
A.2 Activities eligible for taxonomy but not environmentally sustainable (not aligned with taxonomy) (g)																			
				EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)										
Drug manufacturing	PPC 1.2	529	100%	N/EL	N/EL	N/EL	EL	N/EL	N/EL								0%		
Sales of activities eligible for the taxonomy but not environmentally sustainable (not aligned with the taxonomy) (A.2.)		**529**	**100%**	**0%**	**0%**	**0%**	**100%**	**0%**	**0%**										
A. Sales of activities eligible for taxonomy (A.1. + A.2.)		**529**	**100%**	**0%**	**0%**	**0%**	**100%**	**0%**	**0%**										
B. ACTIVITIES NOT ELIGIBLE FOR THE TAXONOMY																			
Sales of activities not eligible for taxonomy		**0**	**0%**																
TOTAL (A+B)		**529**	**100%**																

Fiscal 2023	Fiscal year 2023			Substantial contribution criteria						Criteria for absence of material harm ("DNSH") (h)									
Economic activities (1)	Code (a) (2)	CAPEX (3)	Share of CAPEX in year N (4)	Climate change mitigation (5)	Adapting to climate change (6)	Water (7)	Pollution (8)	Circular economy (9)	Biodiversity (10)	Climate change mitigation (5)	Adapting to climate change (6)	Water (7)	Pollution (8)	Circular economy (9)	Biodiversity (10)	Minimum guarantees (17)	Share of CAPEX aligned with taxonomy (A.1.) or eligible for taxonomy (A.2.), year N-1 (18)	Enabling activity category (19)	Transitional activity category (20)
	Objective	Currency (k€)	%	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	YES/NO	YES/NO	YES/NO	YES/NO	YES/NO	YES/NO	YES/NO	%	H	T
A. ACTIVITIES ELIGIBLE FOR TAXONOMY - CAPEX																			
A.1. Environmentally sustainable activities (aligned with taxonomy)																			
CAPEX of environmentally sustainable activities (aligned with taxonomy) (A.1.)		0	0%																
of which enabling		0	0%															H	
of which transitory		0	0%																T
A.2 Activities eligible for taxonomy but not environmentally sustainable (not aligned with taxonomy) (g)																			
				EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)										
Renovation of existing buildings	CCM 7.2 / CCA 7.2	530	2.8%	EL	EL	N/EL	N/EL	N/EL	N/EL								0%		
Installation, maintenance and repair of energy-efficient equipment	CCM 7.3 / CCA 7.3	838	4.4%	EL	EL	N/EL	N/EL	N/EL	N/EL								0%		
CAPEX of activities eligible for the taxonomy but not environmentally sustainable (not aligned with the taxonomy) (A.2.)		**1,368**	**7.2%**	**100%**	**100%**	**0%**	**0%**	**0%**	**0%**										
A. CAPEX of taxonomy-eligible activities (A.1. + A.2.)		**1,368**	**7.2%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**										
B. ACTIVITIES NOT ELIGIBLE FOR THE TAXONOMY																			
CAPEX of activities not eligible for taxonomy		**17,642**	**92.8%**																
TOTAL (A+B)		**19,010**	**100%**																

Fiscal 2023	Fiscal year 2023			Substantial contribution criteria						Criteria for absence of material harm ("DNSH") (h)									
Economic activities (1)	Code (a) (2)	OPEX (3)	Share of OPEX in year N (4)	Climate change mitigation (5)	Adapting to climate change (6)	Water (7)	Pollution (8)	Circular economy (9)	Biodiversity (10)	Climate change mitigation (5)	Adapting to climate change (6)	Water (7)	Pollution (8)	Circular economy (9)	Biodiversity (10)	Minimum guarantees (17)	Share of OPEX aligned with taxonomy (A.1.) or eligible for taxonomy (A.2.), year N-1 (18)	Enabling activity category (19)	Transitional activity category (20)
	Objective	Currency (M€)	%	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	YES/NO	YES/NO	YES/NO	YES/NO	YES/NO	YES/NO	YES/NO	%	H	T
A. ACTIVITIES ELIGIBLE FOR TAXONOMY - OPEX																			
A.1. Environmentally sustainable activities (aligned with taxonomy)																			
OPEX from environmentally sustainable activities (aligned with taxonomy) (A.1.)		0	0%																
of which enabling		0	0%															H	
of which transitory		0	0%																T
A.2 Activities eligible for taxonomy but not environmentally sustainable (not aligned with taxonomy) (g)																			
				EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)										
OPEX from activities eligible for taxonomy but not environmentally sustainable (not aligned with taxonomy) (A.2.)		**0**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**										
A. OPEX of activities eligible for taxonomy (A.1. + A.2.)		**0**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**										
B. ACTIVITIES NOT ELIGIBLE FOR THE TAXONOMY																			
OPEX from activities not eligible for taxonomy (total Group external expenses)		**107.3**	**100%**																
TOTAL (A+B)		**107.3**	**100%**																

Taxonomy by objective	Share of Capex/Total Capex	
	Aligned	Eligible
CCM – Climate change mitigation	0.00%	7.20%
CCA – Adaptation	0.00%	7.20%
WTR – Water		0.00%
CE – Circular economy		0.00%
PPC – Pollution		0.00%
BIO – Biodiversity		0.00%

2.12 SUMMARY TABLE OF NON-FINANCIAL INDICATORS

Environment

Wording	Unit	2022	2023
Number of production sites	Number of sites	5	5
Production volumes	Number of units manufactured	27,000,000	21,000,000
Number of Marketing Authorizations (MA)	Number of units	1,000	1,000
Number of R&D centers	Number of centers	5	5
Number of employees dedicated to R&D	Number of employees	211	203
% of sales dedicated to R&D	%	6	7.6
Number of sites with an environmental management system in place	Number of sites	5	5
Eligible investments green taxonomy	K€		1,367
Total gas energy consumption	KWh	17,509	17,621
Total energy consumption oil	liter	1,416,816	1,082,846
Total electricity consumption	MWh	18,435	18,556
Total carbon emissions scope 1	Ktonnes of CO_2	7,286	7,266
Total carbon emissions scope 2 -	Ktonnes of CO_2	2,628	2,319
Total water consumption	m3	69,716	64,962
Total waste production	Tons	1,022	795
Overall recycling rate	%	35%	34%
Non-hazardous waste recycling rate	%	61%	64%
Hazardous waste production	Tons	464	369

Social

Wording	Unit	2022	2023
Total number of entities reporting social indicators	Number of entities	24	24
% of total Vetoquinol workforce	%	100%	100%
Total number of entities reporting safety indicators	Number of entities	24	24
% of total Vetoquinol workforce	%	100%	100%
Total number of employees	Number of employees	2,524	2,483
Workforce Europe	Number of employees	1,391	1,328
Workforce Americas	Number of employees	574	576
Workforce Asia/Pacific and rest of the world	Number of employees	559	579
Total number of men	Number of men	1,324	1,286
% of men in total workforce	%	52%	52%
Total number of women	Number of women	1,200	1,197
% of women in total workforce	%	48%	48%
Average age of workforce		40.8	41.3
Number of managers in workforce	Number of employees	780	755
Average seniority		7.8	8.1
Fixed-term contrats	%	2.7%	1.7%
Permanent contrats	%	97.3%	98.3%
Gender equality index (France)	Index / 100	92	91
% turnover (excluding India)	%	9.6%	8.7%
Absenteeism rate	%	5.3%	4.3%
Accidental deaths	Number of accidental deaths	0	0
Number of lost-time accidents	Number of workplace accidents	13	6
Lost time injury frequency rate (LFTIFR1)	Number of lost-time accidents/1,000,000 hours worked	2.9	1.3
Severity rate	Number of days lost/ 1,000 working hours	0.115	0.018
Annual action plan completion rate		78%	88%
Lost-time accident frequency rate (LFTIFR 2)	Number of lost-time accidents/1,000,000 hours worked	16.5	19.1
% of employees trained	Employees trained/total number of employees	95.0%	97.9%
Total number of training hours	Number of training hours	18,198	13,775

Governance

Wording	Unit	2022	2023
Percentage of capital held by founders, families and executives	%	67.02	67.03
Percentage of capital held by employees (excluding management)	%	0.17	0.17
Percentage of capital held in treasury stock	%	0.42	0.42
Free float	%	32.56	32.55
Average number of shares outstanding	units	11,881,902	11,881,902
Publication of the Board's rules of procedure on the website	yes/no	yes	yes
Governance structure: Board of Directors with or without separation of the roles of Chairman/CEO or Supervisory Board + Executive Board		Discontinued operations	Non-dissociated CA
Number of Board members		8	8
Number of independent or external members on the Board		4	4
Number of independent Board members as declared by the company		4	4
Number of employee representatives on the Board		0	0
Number of non-voting Board members		0	0
Number of women on the Board		3	3
Number of independent or external women on the Board		2	2
Commitment to comply with the MiddleNext Corporate Governance Code		yes	yes
Number of Board meetings		4	4
Average attendance rate of directors at Board meetings	%	87	100
Total number of specialized Board committees		3	3
Audit and Risk Committee		yes	yes
Compensation and/or Appointments Committee		yes	yes
Strategic Committee		yes	yes
Payment policy for directors' fees partly linked to attendance		yes	yes
Formalizing a business conduct and anti-corruption policy		yes	yes
Existence of an whistleblowing system		yes	yes
Existence of a manager or department in charge of CSR/sustainable development issues		yes	yes
Presence on the Executive Committee (or Management Committee) of a person in charge of CSR/sustainable development issues		yes	yes
CSR strategy presented to the Board during the year		yes	yes

Stakeholders

Wording	Unit	2022	2023
Existence of supplier/subcontractor audits		yes	yes
Existence of a quality management system		yes	yes
Presentation of IT risks to governance bodies at least once a year		yes	yes
Existence of an Ethics Committee		yes	yes
Intrusion testing of IT systems		yes	yes
Existence of an internal IT charter		yes	yes
Initiatives to optimize the social impact of products/services		yes	yes

2.13 REPORT BY THE INDEPENDENT THIRD-PARTY BODY

Year ending December 31, 2023

To shareholders,

Further to the request made to us by Vetoquinol Groupe SA (hereinafter "entity") and in our capacity as an independent third-party body ("third party"), accredited by COFRAC Inspection under number 3-2013 rev. 1, (Accréditation Cofrac Inspection, n° 3-2013 rév. 1, scope available on www.cofrac.fr), we have performed work designed to provide a reasoned opinion expressing a conclusion of moderate assurance on the historical information (observed or extrapolated) of the extra-financial performance statement, prepared in accordance with the entity's procedures (hereinafter the "Reporting Criteria"), for the year ended 12/31/2023 (hereinafter the "Information" and the "Statement" respectively), presented in the Group's 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

Based on the procedures we performed, as described in the "Nature and scope of our work" section, and on the information we have obtained, nothing has come to our attention that causes us to believe that the non-financial performance statement is not free from material misstatement and that the Information, taken as a whole, is presented fairly, in accordance with the Reporting Criteria.

Preparation of the extra-financial performance declaration

The absence of a generally accepted and commonly used reference framework or established practices on which to base the assessment and measurement of Information means that different, but acceptable, measurement techniques can be used, which may affect comparability between entities and over time.

Consequently, the Information must be read and understood with reference to the Standards whose significant elements are presented in the Declaration.

Responsibility of the entity

The Board of Directors is responsible for :
- select or establish appropriate criteria for the preparation of Information ;
- draw up a Declaration in compliance with legal and regulatory provisions, including a presentation of the business model, a description of the main non-financial risks, a presentation of the policies applied with regard to these risks as well as the results of these policies, including key performance indicators and, in addition, the information provided for in Article 8 of Regulation (EU) 2020/852 (green taxonomy);
- and to implement such internal control procedures as it determines are necessary to enable the preparation of information that is free from material misstatement, whether due to fraud or error.

The Declaration has been drawn up by applying the entity's reference framework as mentioned above.

Responsibility of the independent third-party organization

It is our responsibility, on the basis of our work, to formulate a reasoned opinion expressing a conclusion of moderate assurance on:
- the compliance of the Declaration with the provisions of article R. 225-105 of the French Commercial Code ;
- the sincerity of the historical information (recorded or extrapolated) provided in application of 3° of I and II of Article R. 225-105 of the French Commercial Code, i.e. the results of policies, including key performance indicators, and actions, relating to the main risks.

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

It is not our role to comment on:
- the entity's compliance with other applicable legal and regulatory provisions (in particular with regard to the information required by Article 8 of Regulation (EU) 2020/852 (green taxonomy), the due diligence plan and the fight against corruption and tax evasion);
- the truthfulness of the information provided for in Article 8 of Regulation (EU) 2020/852 (green taxonomy);
- compliance of products and services with applicable regulations.

Regulatory provisions and applicable professional doctrine

The procedures described below were performed in accordance with the provisions of articles A. 225-1 et seq. of the French Commercial Code, the professional guidance issued by the Compagnie Nationale des Commissaires aux Comptes (CNCC) relating to this work in lieu of an audit program, and the International Standard on Auditing (ISAE) 3000 (revised).

Independence and quality control

Our independence is defined by the provisions of Article L. 822-11 of the French Commercial Code and the Code of Ethics for Statutory Auditors. In addition, we have set up a quality control system comprising documented policies and procedures designed to ensure compliance with the applicable laws and regulations, ethical rules and professional doctrine of the Compagnie Nationale des Commissaires aux Comptes (CNCC).

Means and resources

Our work mobilized the skills of 3 people and took place between February 6, 2024 and April 22, 2024, over a total intervention period of 8 days.

To assist us in our work, we called on our specialists in sustainable development and corporate social responsibility. We conducted 5 interviews with the people responsible for preparing the Declaration, representing in particular the General Management, Administration and Finance, Risk Management, Compliance, Human Resources, Health and Safety, Environment and Purchasing Departments.

Nature and scope of work

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

We believe that the procedures we have performed in the exercise of our professional judgment enable us to provide a moderate level of assurance:

- we have reviewed the activities of all the entities included in the scope of consolidation and the main risks ;
- we have assessed the appropriateness of the Standards in terms of their relevance, completeness, reliability, neutrality and comprehensibility, taking into account, where appropriate, best practices in the sector ;
- we have verified that the Declaration covers each category of information specified in III of Article L. 225-102-1 concerning social and environmental issues, respect for human rights and the fight against corruption and tax evasion ;
- we have verified that the Declaration presents the information required under II of Article R. 225-105 where relevant to the principal risks and includes, where appropriate, an explanation of the reasons for the absence of the information required under 2e paragraph of III of Article L. 225-102-1 ;
- we have verified that the Declaration presents the business model and a description of the principal risks associated with the activity of all the entities included in the scope of consolidation, including, where relevant and proportionate, the risks created by its business relationships, products or services, as well as policies, actions and results, including key performance indicators relating to the principal risks ;
- we consulted documentary sources and conducted interviews to:
  - assess the process for selecting and validating the main risks and the consistency of the results, including the key performance indicators selected, with the main risks and policies presented, and
  - corroborate the qualitative information (actions and results) that we considered to be the most important, as presented in Appendix 1. Our work was carried out at the level of the consolidating entity and in a selection of entities[1] ;
- we have familiarized ourselves with the internal control and risk management procedures implemented by the entity and have assessed the data collection process aimed at ensuring the completeness and accuracy of the information ;
- for the key performance indicators and other quantitative results that we considered most important are presented in Appendix 1,
- we have implemented:
  - analytical procedures to check that the data collected has been properly consolidated and that trends are consistent ;
  - detailed tests, based on sampling or other selection methods, to verify the correct application of definitions and procedures, and to reconcile data with supporting documents. These tests were carried out on a selection of contributing entities, covering between 27% and 100% of the consolidated data selected for these tests ;
- we have assessed the overall consistency of the Declaration in relation to our knowledge of all the entities included in the scope of consolidation.

The procedures performed as part of a moderate assurance engagement are less extensive than those required for a reasonable assurance engagement 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 verification work.

Lyon, April 23, 2024

FINEXFI Isabelle Lhoste

Associate

Appendix 1

VERIFIED QUANTITATIVE INFORMATION

Social themes

- Breakdown of workforce by region
- Breakdown of workforce by profession
- Average age women, average age men, average age
- Share of under-30s
- Share of over-50s
- Breakdown by socio-professional category
- Voluntary departure rate
- Part-time work
- Share of fixed-term contracts, Share of open-ended contracts
- Absenteeism rate - Process Audit
- HF Equality Index - Process Verification
- Total number of training hours France - Process verification
- Lost-time accident frequency rate
- Severity rate
- Number of hazardous situations collected - Process verification

Environmental themes

- Drinking water consumption
- Gas energy consumption
- Electricity consumption
- Liquid energy consumption - fuels
- Non-hazardous industrial waste
- Hazardous industrial waste
- Emissions in CO equivalent2 Scope 1
- Emissions in CO equivalent2 Scope 2
- Scope 1, 2 and 3 carbon footprint results in percent - Process verification

Social issues

- R&D expenditure
- R&D expenditure as % of sales

VERIFIED QUALITATIVE INFORMATION

- Code of ethics and whistle-blowing system, Whistle-blowing report
- Anti-corruption code of conduct, Corruption risk mapping, Supplier anti-corruption questionnaires

(1) Social data: Group scope except for the following indicators: Absenteeism rate, M/F equality index, Number of training hours (France); Number of lost-time accidents, Lost-time accident frequency rate, Severity rate, Number of hazardous situations (France, Brazil).
Environmental data: Scope Lure site (France), Vehicle fleet France, Goiania site (Brazil), Vehicle fleet Brazil
Social data: Group scope

6

CONSOLIDATED FINANCIAL STATEMENTS

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.

In thousands of euros	Notes	2023	2022
Sales	6.5.8	529,271	539,779
Purchases consumed		(155,640)	(158,537)
Other purchases and external expenses	6.5.10	(107,359)	(108,962)
Staff costs	6.5.11	(157,286)	(152,400)
Taxes other than on income		(7,659)	(7,194)
Depreciation and impairment of fixed assets.	6.5.20/6.5.21	(12,344)	(11,804)
Depreciation and impairment of fixed assets - IFRS 16		(5,887)	(5,690)
Provisions and write-backs		(3,536)	(2,112)
Other operating income	6.5.13	6,666	6,935
Other operating expenses	6.5.13	(1,213)	(1,399)
EBIT BEFORE DEPRECIATION OF ACQUIRED ASSETS		**85,013**	**98,617**
% OF SALES		**16.1%**	**18.3%**
Amortization of acquired intangible assets		(13,394)	(14,056)
EBIT		**71,619**	**84,561**
% OF SALES		**13.5%**	**15.7%**
Non-recurring operating income and expenses	6.5.14	2,645	(10,559)
OPERATING INCOME		**74,264**	**74,002**
% OF SALES		**14.0%**	**13.7%**
Income from cash and cash equivalents	6.5.16	3,274	807
Gross cost of debt	6.5.16	(477)	(728)
Interest paid - Lease liabilities		(441)	(271)
NET COST OF DEBT	**6.5.16**	**2,356**	**(191)**
Other financial income	6.5.16	4,731	6,514
Other financial expenses	6.5.16	(4,446)	(7,583)
NET FINANCIAL INCOME/(EXPENSE)	**6.5.16**	**2,642**	**(1,261)**
INCOME BEFORE TAX		**76,906**	**72,742**
Income tax expense	6.5.17	(21,340)	(24,744)
NET INCOME EXCL. EARNINGS OF ASSOCIATES		**55,566**	**47,998**
Earnings/(loss) of associates		0	0
CONSOLIDATED NET INCOME		**55,566**	**47,998**
Attributable to: Parent company shareholders		55,560	47,995
Non-controlling (minority) interests		5	2
Exchange differences on translation of foreign operations reclassifiable to P/L		(3,686)	3,730
Post-tax actuarial gains (losses) not reclassified to P/L		(57)	1,180
Other comprehensive income, net of tax			
Total comprehensive income for the period, net of tax		**51,822**	**52,908**
Attributable to: Parent company shareholders		51,817	52,905
Non-controlling (minority) interests		5	2
Basic EPS (€)	6.5.18	4.70	4.06
Diluted EPS (€)	6.5.18	4.70	4.06

6.2 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In thousands of euros	Notes	Dec 31, 2023	Dec 31, 2022
ASSETS			
Goodwill	6.5.19	75,036	76,173
Other intangible assets	6.5.20	153,995	168,709
Property, plant and equipment	6.5.21/6.5.22	75,695	70,996
Right-of-use assets (leases)		14,004	13,654
Investments in associates		-	-
Other financial assets	6.5.23	1,491	1,444
Deferred tax assets	6.5.17	8,621	10,632
Total non-current assets		328,842	341,608
Inventories	6.5.25	103,538	116,091
Trade and other receivables	6.5.26	99,216	85,350
Current income tax receivables		8,509	7,489
Other current assets	6.5.26	4,663	5,973
Cash and cash equivalents	6.5.27	147,464	93,708
Total current assets		363,390	308,611
Total non-current assets and groups of assets held for sale		-	1,629
TOTAL ASSETS		**692,232**	**651,848**
SHAREHOLDERS' EQUITY			
Capital stock and additional paid-in capital	6.5.28	70,831	70,831
Reserves		400,622	365,745
Net income for the year		55,560	47,995
Equity attributable to parent company shareholders		**527,013**	**484,571**
Non-controlling (minority) interests		97	92
Shareholders' equity		**527,110**	**484,663**
LIABILITIES			
Non-current financial liabilities	6.5.29	172	179
Non-current lease liabilities		9,491	9,382
Deferred tax liabilities	6.5.17	7,169	8,017
Provisions for employee benefits	6.5.30	7,617	7,309
Other provisions	6.5.31	563	803
Other long-term liabilities		721	816
Total non-current liabilities		**25,732**	**26,506**
Trade and other payables	6.5.32	125,980	125,867
Current income tax liabilities		4,940	5,578
Current financial liabilities	6.5.29	2,987	3,296
Current lease liabilities		4,978	4,564
Other provisions	6.5.31	502	1,071
Other current liabilities		2	11
Total current liabilities		139,390	140,387
Total liabilities		**165,122**	**166,893**
Total liabilities related to a group of assets held for sale		-	291
TOTAL EQUITY AND LIABILITIES		**692,232**	**651,848**

6.3 CONSOLIDATED STATEMENT OF CASH FLOWS

In thousands of euros	Notes	Dec 31, 2023	Dec 31, 2022
Consolidated net income		**55,566**	**47,998**
Elimination of non-cash items			
Depreciation, amortization and provisions		28,615	36,772
Depreciation, amortization and provisions - IFRS 16		5,887	5,690
Elimination of (earnings)/loss of associates		-	-
Income tax expense	6.5.18	21,340	24,744
Interest expense	6.5.17	(1,727)	456
Interest expense - IFRS 16		441	271
Provisions for employee benefits		161	48
Capital gains (losses) on sales, net of tax		663	167
Other non-cash items		-	-
Income and expenses from share-based payments		-	51
Cash flows from operating activities		**110,945**	**116,197**
Tax paid	6.5.18	(21,921)	(31,941)
Change in working capital	6.5.26	367	(21,401)
Net cash flow from operating activities		**89,391**	**62,855**
Acquisition of intangible assets	6.5.21	(4,114)	(5,526)
Acquisition of property, plant and equipment	6.5.22	(14,896)	(16,971)
Acquisition of financial assets		-	-
Proceeds from sale of assets		139	579
Repayments - other long-term investments		(10)	(504)
Cash flows from business combinations	6.5.7	0	904
Net cash flow from (used by) investing activities		**(18,881)**	**(21,518)**
Capital increase		0	0
Net (purchase)/sale of treasury stock		-	0
Issuance of debt and other financial liabilities	6.5.31	1,037	2,183
Repayment of financial liabilities		(2,637)	(2,399)
Cash flows from financing activities - IFRS 16		(6,159)	(5,918)
Interest paid	6.5.17	(477)	(737)
Interest received	6.5.17	2,204	274
Dividends paid to parent company shareholders	6.5.30.4	(9,465)	(9,465)
Dividends paid to non-controlling (minority) interests		(1)	(0)
Investment subsidies and government loans		-	-
Other cash flows from financing activities		-	-
Net cash flow from (used by) financing activities		**(15,497)**	**(16,063)**
Exchange gains (losses)		(2,395)	205
Net change in cash		52,618	25,480
Opening net cash and cash equivalents		93,589	68,109
Change in cash and cash equivalents		52,618	25,480
Closing net cash and cash equivalents	6.5.29	**146,207**	**93,589**

6.4 STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

In thousands of euros	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 12/31/2021	**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**
Net income for the year	-	-	-	-	-	55,560	55,560	5	55,566
Other comprehensive income, net of tax	-	(3,686)	(57)	-	(3,743)	-	(3,743)	-	(3,743)
Comprehensive income for the year	**-**	**(3,686)**	**(57)**	**-**	**(3,743)**	**55,560**	**51,817**	**5**	**51,822**
Appropriation of earnings	-	-	-	47,995	47,995	(47,995)	-	-	-
Stock option and bonus share plans	-	-	-	-	-	-	-	-	-
Treasury shares	-	-	-	90	90	-	90	-	90
Dividends paid by the parent company	-	-	-	(9,465)	(9,465)	-	(9,465)	-	(9,465)
Other	-	-	-	(0)	(0)	-	(0)	-	(0)
BALANCE AT 12/31/2023	**70,831**	**(21,977)**	**429**	**422,169**	**400,621**	**55,560**	**527,013**	**97**	**527,110**

6.5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6.5.1 Overview

Vetoquinol is a leading international player in animal health, both for livestock (cattle, pigs) and pets (dogs, cats). Independent and a pure player, Vetoquinol innovates, develops and markets veterinary pharmaceuticals and non-medical products in Europe, the Americas and Asia-Pacific.

Since its creation in 1933, Vetoquinol has combined innovation with geographic diversification. Strengthening the product portfolio and acquisitions in high-potential territories ensure hybrid growth for the group. Vetoquinol employs 2,483 people.

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

The parent company, Vetoquinol SA, is a limited company with its registered office in Magny-Vernois, 70200 Lure.

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

The consolidated financial statements of the Vetoquinol Group were approved by the Board of Directors on 19 March 2002. The financial statements will be submitted to the next Annual General Meeting for approval on 28 May 2024.

6.5.2 Key events

6.5.2.1 Continued launch of Simplera and Felpreva®

Vetoquinol continued to bring new products to market:
- In Europe, Felpreva®, an internal and external parasiticide for cats. With this launch, the Group continues to strengthen its position in the pet market with a product that combines ease of use with a 3-month effect.
- In the United States, Simplera®, an otitis media treatment for dogs.

6.5.2.2 Implementation of a new ERP system

At the beginning of April, the Vetoquinol Group successfully launched its new ERP system for the planned 10 subsidiaries, including the parent company Vetoquinol SA. To date, there have been no critical difficulties affecting the company's operations.

6.5.2.3 Resolution of the dispute with minority shareholders and former shareholders of the VTQ Brazil CGU

Other operating income and expenses totaled €2.6 million (2022: €10.6 million). This net income recorded for 2023 marks the conclusion of discussions on the final acquisition price with the minority shareholders and former shareholders of Clarion (Brazilian subsidiary), as well as reflecting the contracted macroeconomic situation and uncertain valuation of the intangible assets recognized at the time of this subsidiary's acquisition. Please be reminded that in 2022, following the completion of impairment tests on intangible assets, the balance of goodwill for the CGU VTQ Brazil was fully impaired to the tune of -9.5 M€.

6.5.2.4 R&D effort

In 2023, the Group has increased its R&D expenditure to 7.6% of sales (2022: 6.0%), reflecting its commitment to sustainably increase R&D spending to support innovation.

6.5.2.5 Russian-Ukrainian conflict

The Vetoquinol Group does not have a direct presence in Ukraine and Russia. However, the company is exposed to the consequences of the economic tensions caused by this conflict, and in particular to sharp increases in the cost of certain raw materials, energy, and logistics.

6.5.3 Accounting principles

6.5.3.1 Overall framework and environment

The consolidated financial statements for 2023 have been prepared in accordance with the International Accounting Standards and Interpretations (IAS/IFRS) adopted by the European Union and applicable at December 31, 2023. These standards and interpretations have been applied consistently over the years presented.

The application of the other standards, amendments and interpretations effective from January 1st, 2023 did not have a material impact on the Group's financial statements.

The financial statements have been prepared in accordance with the historical cost convention, with the exception of financial assets and liabilities measured at fair value through profit or loss (including derivatives).
The preparation of financial statements in accordance with IFRS requires the use of certain accounting estimates, the main ones of which are described in note 6.5.6.

6.5.3.2 Consolidation and business combinations

6.5.3.2.1 Consolidation scope

A subsidiary is defined as an entity controlled by the Group. The Group is deemed to have control when it:
- holds power over the entity;
- is exposed, or has the right, to variable returns due to its relationship with the entity;
- has the ability to exercise its power in such a way as to influence the amount of returns it obtains.

The Group consolidates subsidiaries over which it exercises de jure or de facto exclusive control. This is presumed in cases where the Group holds, directly or indirectly through its subsidiaries, more than half of the voting rights. The percentage interest method is used to determine non-controlling interests.

The Group accounts for jointly-controlled companies and companies over which it exercises significant influence using the equity method. The activity of these entities is presented separately in our consolidated income statement, on a dedicated line, before net income.

Companies are consolidated from the date on which control is transferred to the Group, and deconsolidated from the date on which the Group ceases to exercise control over them.

The purchase method is used to account for acquisitions of subsidiaries (as defined by IFRS 3). The cost of an acquisition is comprised of the fair value of assets transferred, liabilities assumed or incurred, and equity instruments issued by the acquirer at the acquisition date. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at fair value at the acquisition date, regardless of the amount of minority interests. The excess of the cost of acquisition over the Group's interest in the fair value of assets, liabilities and contingent liabilities recorded constitutes goodwill (note 6.5.20). Conversely, if the Group's share of the fair value of assets, liabilities and contingent liabilities exceeds the acquisition cost, the excess is immediately recognized in the income statement.

The interests of non-controlling shareholders are presented in the balance sheet in a specific category of shareholders' equity. Their share of consolidated net income and other comprehensive income is presented separately after these two aggregates.

Intra-group balances and transactions, including profits and losses and dividends, are eliminated on consolidation. The Group comprises Vetoquinol SA and its subsidiaries. It does not own any jointly-controlled companies or associates.

Please refer to Note 6.5.45, "Group Companies," for a detailed overview of the scope of Group companies.

6.5.3.3 Business combinations

Acquisition costs, other than those related to the issuance of debt or equity securities, are expensed as incurred in connection with a business combination.

Within one year of the acquisition date, the following adjustments are made:
- changes in fair value linked to facts and circumstances existing at the acquisition date result in an adjustment to the cost of the business combination;
- changes in fair value arising from events subsequent to the acquisition date are recognized in the income statement;
- beyond this period, any price adjustment arising from the business combination is recognized in the income statement.

The Group has 12 months from the acquisition date to finalize the accounting for the business combination in question.

6.5.3.4 Foreign currency translation

6.5.3.4.1 Functional currency and presentation currency

The financial statements of each Group entity include items that are measured using the currency of the primary economic environment in which the entity operates, also known as the functional currency. The consolidated financial statements are presented in euros, the company's presentation currency.

6.5.3.4.2 Transactions, assets and liabilities

In Group companies, transactions in foreign currencies are translated into the functional currency at the exchange rate prevailing at the time of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing at the balance sheet date.

Non-monetary items are translated using the historical rate at the transaction date when measured at historical cost, and using the rate at the date of determination of fair value when measured at fair value.

Exchange differences arising from these transactions are recognized in the income statement, with the following exceptions:
- those relating to a gain or loss recognized directly in other comprehensive income, which are recognized in equity;
- those arising from the translation of a net investment in a subsidiary, which are recognized in other comprehensive income and taken to income when the investment is sold.

6.5.3.4.3 Translation of financial statements of Group companies

The financial statements of Group companies denominated in functional currencies other than the presentation currency are translated into the presentation currency as follows :
- assets and liabilities are translated at the closing rate on each balance sheet date ;
- Income statement items are translated at the average annual exchange rate or at the exchange rate on the transaction date for significant transactions;
- all resulting translation differences are recognized as a separate component of other comprehensive income.

6.5.3.5 Impairment of assets

In accordance with the requirements of IAS 36, the Group assesses whether there is any indication that an asset may be impaired. If any such indication exists, the Group estimates the asset's recoverable amount. Additionally, the Group tests annually for impairment an intangible asset with an indefinite useful life, or an intangible asset not yet ready for use, by comparing its carrying amount with its recoverable amount.

An impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

For the purposes of assessing impairment, assets are grouped into Cash Generating Units (CGUs), which represent the lowest level of independent cash flow. The CGUs defined for the Vetoquinol Group are as follows: Vetoquinol United States, Vetoquinol Canada, Vetoquinol France, Vetoquinol United Kingdom, 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.

For non-financial assets (other than goodwill) that have been impaired, any reversal of the impairment loss is reviewed at each annual or interim closing date. Impairment losses are charged first to goodwill. Any unallocated surplus is allocated to the assets associated with the CGU.

6.5.3.6 Climate-related estimates and assumptions

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

At December 31, 2023, based on the work already undertaken, the Group has not identified any item that could have an impact on the consolidated financial statements.

6.5.4 Financial risk management

6.5.4.1 Foreign exchange risk management

The Group centralizes the risk of foreign exchange fluctuations on subsidiaries with industrial sites and, as far as possible, on the parent company, Vetoquinol SA, by ensuring that distribution subsidiaries invoice and are invoiced in their operating currency.

As a result, distribution subsidiaries are not exposed to currency risk. At Vetoquinol SA, foreign currency flows are centralized, and hedging instruments may be put in place as needed. In most cases, these instruments have a term of less than one year, and there are no outstanding instruments at the balance sheet date. Consequently, the hedging provisions of IAS 39 are not applicable at December 31, 2023 or December 31, 2022.

The Group is a net seller of currencies in circulation, such as USD (approx. 7.6 MUSD) and GBP (approx. 2.6 MGBP). The Group's net position is in balance with its needs and resources for other currencies.

As previously stated, the foreign exchange risk associated with the activities of subsidiaries essentially involves only a risk of variation in the consolidated income statement.

Based on the accounts drawn up to the end of 2023 and for foreign subsidiaries only, a 10% appreciation of the euro against all other currencies would have resulted in a €30.2 million decline in consolidated sales (2022: €30.7 million) and a €3.8 million decline in consolidated operating income (2022: €4.4 million).

Conversely, a 10% appreciation of the euro against other currencies would have resulted in an increase of €37.0 million in sales (2022: €37.5 million) and a €4.6 million boost to consolidated operating income (2022: €5.4 million).

Due to sales in foreign currencies, the company is exposed to foreign exchange risk between the date of invoicing and the date of collection in foreign currencies, as well as the sale of foreign currencies on the market.

Foreign exchange gains and losses, as well as any gains and losses on hedging transactions, are recognized in the financial result. Most of these transactions are entered into and settled during the year, over very short periods, which explains why no amount is recorded in the balance sheet at the balance sheet dates.

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

In thousands of euros	EUR	USD	CAD	GBP	INR	PLN	BRL	AUD	CHF	Other currencies	Total
Dec. 31, 2023											
Trade receivables	35,527	15,865	11,612	10,553	4,437	402	6,668	1,682	1,051	4,694	92,491
Impairment of trade receivables	(1,993)	-	(2)	(14)	(226)	(154)	(336)	-	(33)	(412)	(3,169)
Net trade receivables	**33,534**	**15,865**	**11,610**	**10,539**	**4,210**	**248**	**6,332**	**1,682**	**1,019**	**4,282**	**89,322**
Prepayments	1,599	74	485	-	42	7	279	-	2	22	2,510
Prepaid expenses	2,476	264	311	126	69	139	116	18	2	686	4,207
Receivables from government agencies	2,647	-	-	74	477	500	1,341	17	46	1,093	6,195
Other operating receivables	100	-	-	45	-	22	43	23	-	33	266
Miscellaneous receivables	1,001	129	10	0	17	1	188	0	2	31	1,379
Provisions	-	-	-	-	-	-	-	-	-	-	-
Total other receivables	**7,821**	**467**	**806**	**246**	**605**	**669**	**1,968**	**58**	**52**	**1,865**	**14,556**
Trade and other payables	78,439	12,710	10,457	9,297	3,036	2,914	3,635	1,372	687	3,436	125,982
Net trade and other payables	**78,439**	**12,710**	**10,457**	**9,297**	**3,036**	**2,914**	**3,635**	**1,372**	**687**	**3,436**	**125,982**
Total gross balance sheet exposure	**(37,084)**	**3,621**	**1,959**	**1,489**	**1,780**	**(1,997)**	**4,666**	**368**	**384**	**2,711**	**(22,104)**

In thousands of euros	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)**

6.5.4.2 Interest rate risk management

The Group's general interest-rate risk management policy is to use interest rate swaps. In accordance with IAS 39, the Group applies hedge accounting when the conditions are met. In the event that these conditions are not met or the stakes are not significant, as has been the case in recent years, derivatives are recorded in the balance sheet at fair value, with any change in fair value recognized in the income statement in accordance with the provisions of IAS 39.

The Group's exposure to interest-rate risk is not material, and primarily concerns two balance sheet items: financial debt and cash. As of December 31, 2023, 92.9% of the Group's financial debt (including bank overdrafts) bore interest at a fixed rate, compared to 99.3% in 2022. As of December 31, 2023, the Group had €1.3 million in floating-rate commitments (2022: €0.1 million).

The Group's investments with major banks are at fixed rates with guaranteed capital. Based on the financial statements at the end of 2023, an increase of 100 basis points in interest rates would have resulted in an increase in income of €703,000 (€653,000 in 2022).

6.5.4.3 Liquidity risk management

The Group's cash and cash equivalents, excluding bank overdrafts, totaled €147.5 million at December 31, 2023 (2022: €93.7 million), and consisted of cash and fixed-interest-bearing time deposits. As of December 31, 2023, these DATs and cash equivalents totaled €75.9 million (2022: €37.9 million).

In 2023, the Group generated cash flow before net cost of debt and tax of €110.9 million, compared with €116.2 million the previous year.

Given the Group's financial position at December 31, 2023, the Group considers that it is not exposed to any liquidity risk. As of December 31, 2023, the Group's cash position was sufficient to meet its financial maturities of less than one year. Net cash and cash equivalents, excluding IFRS 16, stood at €144.3 million at December 31, 2023 (2022: €90.2 million).

The collection of trade receivables and cash is handled locally by each of the Group's subsidiaries. The Group's Finance Department is responsible for ongoing reporting of subsidiaries' cash movements. This enables the Group to refine its net positions and maintain its ability to meet its financial commitments.

6.5.4.4 Credit risk management

Credit risk represents the risk of financial loss to the Group should a customer or counterparty to a financial instrument default on its contractual obligations. For the Group, this risk can only arise from trade receivables. As far as investments are concerned, the Group limits its exposure to credit risk by investing only in liquid and secured securities. Given the characteristics of the DATs used, management believes that bank counterparties will not default.

The Group's exposure to credit risk is mainly influenced by the individual characteristics of its customers. The Group currently distributes its products in over a hundred countries worldwide, supported by subsidiaries in 24 countries and a network of 100 distribution partners.

In certain geographical areas, the concentration of wholesalers and/or purchasing groups could result in a revision of Group margins following the renegotiation of these contracts. However, this risk appears limited, as the Group is sufficiently large and diversified geographically and by product not to be subject to such pressure. By way of illustration, the Group's largest wholesale distributor accounts for 7.0% of 2023 consolidated sales (2022: 6.7%).

Customers who do not meet the Group's creditworthiness requirements can only enter into transactions if they pay for their orders in advance.

The sale of goods is subject to a retention-of-title clause, which provides the Group with a guarantee in the event of non-payment. The Group does not require specific guarantees for trade and other receivables.

The carrying amount of the Group's financial assets represents the maximum exposure to credit risk at December 31, 2023, i.e. €98.9m (2022: €86.5m).

6.5.5 Capital management

The Group's policy is to maintain a solid capital base in order to preserve the confidence of investors, creditors, and the market and to support the future development of the business. The Board of Directors, with the assistance of Executive Management, monitors the number and diversity of shareholders, the return on equity, and the level of dividends paid to holders of common shares.

The Group occasionally makes purchases of its own shares on the market. The pace of these purchases is contingent upon market prices. These shares are primarily utilized in conjunction with stock option and bonus share plans. The Chairman and/or the Chief Executive Officer will make decisions regarding purchases or sales on a case-by-case basis. The Group does not have a defined share buyback program. In addition to these irregular transactions, the Group has a liquidity contract (see Note 6.5.30).

During the year, the Group did not modify its capital management policy.

6.5.6 Information on judgments and estimates

The preparation of financial statements requires management to exercise judgment and to make estimates and assumptions that affect the reported amounts of assets and liabilities, income and expenses, and disclosures of contingent assets and liabilities. The estimates made and the underlying assumptions adopted are estimated on the basis of past experience and other factors considered reasonable in the light of current circumstances and forecasts. Consequently, actual values may differ from estimated values.

The estimates and assumptions prepared on the basis of information available at the balance sheet date relate to the following:

- provisions for trade receivables and year-end discounts;
- the amount of the provision for expected credit losses (IFRS 9);
- product life cycle duration;
- provisions for restructuring, environmental issues and litigation;
- the valuation of goodwill, intangible assets and property, plant and equipment acquired and their estimated useful life;
- pension commitments.

6.5.7 Business combinations

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

There were no business combinations in 2023. For your reference, on January 26, 2022, the Group finalized the acquisition of all the shares in Vetoquinol Zenoaq, our Japanese subsidiary. This event had no impact on goodwill. However, it did result in a cash inflow impact on the Group's cash flow statement in the line dedicated to changes in the scope of consolidation and business combinations, with an inflow of €904,000.

6.5.8 Operating segments - IFRS 8

For the 2023 and 2022 financial years, sales are generated primarily by the sale of veterinary products and services. The Group does not generate revenue from patent, know-how, manufacturing, or brand licenses.

In accordance with IFRS 15, revenue is defined as the value of the payment that the Group anticipates receiving in exchange for the transfer of goods or services to its customers. Group sales are recognized upon transfer of control of the products, after deduction of trade discounts and rebates.

To account for its sales, the Group follows the steps outlined below:
The following steps are taken to account for sales:
- Contract identification
- Identification of the different performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price
- Income recognition when benefit obligations are met

6.5.8.1 Segment reporting - IFRS 8

In accordance with IFRS 8, the segment information presented is based on internal management data reported to the Group Operations Committee, the Group's chief operating decision-maker. The Group's operating segments are geographical segments, and are monitored individually in terms of internal reporting.

A geographical segment is defined as a group of assets and operations engaged in providing products or services in a particular economic environment, and which is exposed to risks and profitability that differ from those of the other economic environments in which the Group operates.

The Group's worldwide organization is divided into three zones, each of which is defined by the location of the Group's assets and operations.

The Group's geographical segments are as follows:
- Europe
- Americas
- Asia/Pacific, distributors and rest of the world

Additionally, the Group monitors and reports on the proportion of sales generated by pets and livestock.

6.5.8.2 Operating segment results for fiscal 2023

In thousands of euros **By asset location**	**Europe**	**USA**	**Americas excl. USA**	**Asia/Pacific (rest of the world)**	**Consolidated total**
Sales	**392,664**	**123,602**	**112,744**	**60,632**	**689,642**
Inter-segment sales	(122,454)	(1,923)	(35,960)	(35)	(160,371)
Total external sales	**270,210**	**121,679**	**76,784**	**60,597**	**529,271**
EBIT	**34,850**	**17,336**	**12,566**	**6,867**	**71,619**
Non-recurring operating income and expenses	(4)	23	2,626	0	2,645
Operating income	**34,846**	**17,358**	**15,192**	**6,867**	**74,264**
Net financial income/(expense)					2,642
Income before tax					**76,906**
Income tax					(21,340)
Income after tax					**55,566**
Earnings/(loss) of associates					-
CONSOLIDATED NET INCOME					**55,566**

Tracking by destination zone or end market (geographical area).

In thousands of euros **By region**	Europe	USA	Americas excl. USA	Asia/Pacific (rest of the world)	Consolidated total
Sales	349,798	151,844	97,332	90,668	689,642
Inter-segment sales	(98,925)	(31,258)	(19,165)	(11,023)	(160,371)
TOTAL EXTERNAL SALES	**250,873**	**120,585**	**78,167**	**79,645**	**529,271**

The Vetoquinol Group also tracks sales by species.

In thousands of euros **By species**	Pets	Livestock	Consolidated total
Sales	490,634	199,007	689,642
Inter-segment sales	(118,880)	(41,491)	(160,371)
TOTAL EXTERNAL SALES	**371,755**	**157,516**	**529,271**

6.5.8.3 Operating segment results for fiscal 2022

In thousands of euros **By asset location**	Europe	USA	Americas excl. USA	Asia/Pacific (rest of the world)	Consolidated total
Sales	**403,465**	**112,766**	**104,911**	**68,924**	**690,067**
Inter-segment sales	(126,832)	(2,906)	(20,458)	(93)	(150,288)
Total external sales	**276,633**	**109,860**	**84,454**	**68,832**	**539,779**
EBIT	**45,393**	**22,591**	**3,100**	**13,477**	**84,561**
Non-recurring operating income and expenses	(1,088)	0	(9,471)	0	(10,559)
Operating income	44,305	22,591	6,371	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 zone or end market (geographical area).

In thousands of euros **By geographical area**	Europe	USA	Americas excl. USA	Asia/Pacific (rest of the world	Consolidated total
Sales	341,302	127,689	107,212	113,865	690,067
Inter-segment sales	(89,418)	(19,768)	(20,795)	(20,308)	(150,288)
TOTAL EXTERNAL SALES	**251,884**	**107,921**	**86,417**	**93,557**	**539,779**

The Vetoquinol Group also tracks sales by species.

In thousands of euros **By species**	Pets	Livestock	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**

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

In thousands of euros	Europe	USA	Americas excl. USA	Asia/Pacific (rest of the world)	Consolidated total
31/12/2023					
Depreciation and amortization	(19,557)	(2,431)	(3,196)	(554)	(25,738)
Provisions and write-backs	(1,184)	(1,671)	(119)	(562)	(3,536)
Depreciation - IFRS 16	(3,641)	(762)	(892)	(593)	(5,887)
Goodwill impairment	-		-	-	-
Expenses on grants of bonus shares	-		-	-	-
31/12/2022					
Depreciation and amortization	(19,528)	(2,527)	(3,223)	(581)	(25,860)
Provisions and write-backs	(823)	(249)	(1,010)	(30)	(2,112)
Depreciation - IFRS 16	(3,472)	(670)	(894)	(655)	(5,690)
Goodwill impairment	-		(9,475)	-	(9,475)
Expenses on grants of bonus shares	(72)		-	-	(72)

6.5.8.5 Segment assets, liabilities and investments

The segment assets and liabilities presented here include deferred taxes.

In thousands of euros	Europe	USA	Americas excl. USA	Asia/Pacific (rest of the world)	Consolidated total
December 31, 2023					
Assets	479,244	77,544	78,577	56,867	692,232
Liabilities	118,154	3,906	27,783	15,279	165,122
Acquisition of assets	15,723	223	1,750	35	17,731
Acquisition of assets – IFRS 3 – Business combinations	-		-	-	-
December 31, 2022					
Assets	411,006	81,553	89,618	68,042	650,219
Liabilities	92,494	19,104	36,991	18,304	166,893
Acquisition of assets	22,786	282	1,153	278	24,499
Acquisition of assets – IFRS 3 – Business combinations	-		-	-	-

6.5.9 Research & Development costs

Research and development costs expensed in 2023 total €40.1 million, representing 7.6% of sales (2022: €32.6 million, or 6.0% of sales).

6.5.10 Other purchases and external expenses

In thousands of euros	2023	2022
General subcontracting	19,428	15,414
Lease and rental payments (*)	1,993	2,189
Maintenance	4,977	5,112
Insurance	1,794	1,786
Analyses and research	1,784	2,814
Third-party staff	1,378	2,231
Fees and commissions paid to intermediaries	24,417	24,610
Advertising, publications, public relations	23,115	23,569
Freight and collective transportation of staff	10,107	13,008
Business travel and entertainment	11,646	10,661
Postage and telecommunications	1,700	2,007
Royalties on concessions, patents, licenses, trademarks, etc.	983	1,097
Other external services	3,151	3,529
Miscellaneous	886	936
TOTAL	**107,359**	**108,962**

(*) In 2023, €6,146k (€5,913k in 2022) is deducted from leases in connection with the IFRS 16 restatement (commercial leases, vehicle and IT equipment leases). The residual amount corresponds to short-term leases outside the scope of IFRS 16.

The International Financial Reporting Standards (IFRS) 16 standard introduces a unified lease accounting model for lessees. This model recognizes a right of use as an asset and a lease liability as a liability. In the income statement, the lessee recognizes depreciation and interest expense..

6.5.11 Staff costs

In thousands of euros	2023	2022
Wages and salaries	118,701	114,818
Social security charges (*)	36,422	36,225
Severance pay	1,295	606
Provisions for employee benefits (Note 6.5.32)	832	907
Employee long-term benefits – actuarial gains and losses recognized to P/L	35	(230)
Expenses on grants of stock options	-	-
Expenses on grants of bonus shares	-	72
TOTAL EMPLOYEE BENEFITS	**157,286**	**152,400**

(*) The cost of defined-contribution pension plans is included in total payroll costs.

6.5.12 Share-based payments - bonus shares

As of the end of 2023, no further bonus share plans were outstanding.

A bonus share plan was established in 2020. The impact of the application of IFRS 2 for the 2022 financial year was 72 K€. Bonus shares are valued on the basis of the share price at the grant date, less the present value of dividends not received during the vesting period (Black & Scholes valuation model). The shares distributed under this plan were fully distributed in fiscal 2022.

6.5.13 Other operating income and expenses

In thousands of euros	2023	2022
Operating grants	290	258
Investment grants transferred to income for the year	99	-
Expense reclassifications	10	413
Gains on asset sales	139	579
Research tax credit (Crédit d'Impôt Recherche - CIR)	5,087	4,095
Other income	1,041	1,591
OTHER OPERATING INCOME	**6,666**	**6,935**
Book values of assets sold	(52)	(281)
Other expenses	(1,161)	(1,118)
OTHER OPERATING EXPENSES	**(1,213)**	**(1,399)**
TOTAL	**5,453**	**5,537**

Vetoquinol's CIR is related to research expenditure and is therefore recognized in operating income.

Other expenses include a loss on receivables of €0.2m. At the end of 2022, other expenses included bad debt losses of €0.3 million.

Other products include :

In thousands of euros	2023	2022
Fees and royalties		-
Freight costs passed on to customers	289	580
Compensation received*	55	14
Net asset disposals	-	-
Other	697	996
TOTAL	**1,041**	**1,591**

6.5.14 Non-recurring operating income and expenses

In thousands of euros	2023	2022
Restitution of escrow account (Brazil)	3,748	-
Net proceeds from debt payable to minority interests (Brazil)	2,449	-
Miscellaneous (USA)	23	4
Other operating income	**6,220**	**4**
Impairment of intangible assets (FarmVet Systems)	-	(1,009)
Impairment of intangible assets and property, plant and equipment (Brazil)	(3,573)	-
Impairment of goodwill (Brazil)	-	(9,475)
Miscellaneous, penalties (France)	(2)	(32)
Other non-recurring operating expenses	**(3,575)**	**(10,563)**
TOTAL	**2,645**	**(10,559)**

During the first half of 2023, the Group concluded discussions on the final acquisition price with the minority shareholders and former shareholders of Clarion (CGU VTQ Brazil), resulting in a net profit of €2.6 million. This profit is distributed as follows:
- The entire escrow account was released in favor of Vetoquinol for €3.7 million.
- Additionally, a net gain of €2.4 million was recognized on the balance of shares acquired, resulting from the reduction in debt initially recognized in 2019. At December 31, 2022, debt amounted to €5.2 million, and the price actually paid to minority shareholders was €2.8 million.
- Finally, an impairment of €3.5 million was recognized on the acquisition of Clarion's intangible assets.

In 2022, the Group made the decision to cease operations of FarmVet Systems outside of the UK. Consequently, we have taken an exceptional write-off of the non-patented developed technology asset recognized for the area outside the UK.

6.5.15 Leases - IFRS 16

The leases at the transition date are primarily comprised of contracts that qualified as operating leases under IAS 17.

For this transition, right-of-use assets have been valued at January 1, 2019, based on the discounted rental amount.

The most significant changes introduced by this standard are as follows:
- The recognition of a right-of-use asset of €14.0 million at December 31, 2023 (€13.7 million at December 31, 2022) and a financial liability of €14.5 million at December 31, 2023 (€13.9 million at December 31, 2022).
- Neutralization of rental expenses for €6.1 million in 2023 (€5.9 million in 2022). Conversely, depreciation and financial expenses are now recorded at 5.9 million euros and 441,000 euros, respectively, in 2023 (5.7 million euros and 271,000 euros in 2022).

The principles are as follows:
- The lease term for a contract is the non-cancellable period, unless the Group is reasonably certain of exercising the renewal or termination options provided for in the contract.
- The discount rate used to calculate the right of use and the rental liability is determined on the basis of the marginal debt ratio at the contract commencement date.
- Liabilities are valued at the present value of remaining lease payments, discounted using the incremental borrowing rate of each lessee (entity by entity).
- In the absence of an implicit rate defined in the contract, the discount rate applied is the average 10-year marginal rate that the lessee would have had to pay.

The average discount rate for rental liabilities as of December 31, 2023, is 3.0% (2.7% as of December 31, 2022). This discount rate is representative of the weighted average rate applied to rental debt.

The main contracts that have been restated are property leases and transport vehicle leases.

The Group has elected to utilize the two exemptions provided for in IFRS 16, which permit the exclusion of short-term contracts and contracts for low-value assets from the balance sheet:
- Short-term leases of 12 months or less.
- Leases on low-value assets: these concern leases where the replacement value of the assets is less than or equal to US$5,000.

The table below outlines the rights of use recognized as assets, by asset class.

In thousands of euros	Dec 31, 2023	Dec 31, 2022
Land	0	1
Buildings	8,628	9,710
Plant, machinery and equipment	1	2
Vehicles	5,185	3,736
Furniture, office equipment, hardware	190	206
TOTAL	**14,004**	**13,654**

IMPACT ON THE FINANCIAL STATEMENTS (IN THOUSANDS OF EUROS)

IFRS 16 balance sheet impact	Dec 31, 2023	Dec 31, 2022
Pre-IFRS 16 non-current assets	314,838	327,954
Right-of-use assets (leases)	14,004	13,654
POST-IFRS 16 NON-CURRENT ASSETS	**328,842**	**341,608**
Pre-IFRS 16 current liabilities	134,411	135,823
Lease liabilities due in less than one year	4,978	4,564
POST-IFRS 16 CURRENT LIABILITIES	**139,390**	**140,387**
Pre-IFRS 16 non-current liabilities	16,241	17,124
Lease liabilities due in over one year	9,491	9,382
POST-IFRS 16 NON-CURRENT LIABILITIES	**25,732**	**26,506**

INCOME STATEMENT - IFRS 16 IMPACT	2023	2022
Pre-IFRS 16 other purchases and external expenses	(113,505)	(114,875)
Canceled rent payments	6,146	5,913
POST-IFRS 16 EXTERNAL EXPENSES	**(107,359)**	**(108,962)**
Pre-IFRS 16 depreciation and impairment of fixed assets	(12,344)	(11,804)
Depreciation and impairment of fixed assets - IFRS 16 impact	(5,887)	(5,690)
POST-IFRS 16 DEPRECIATION AND IMPAIRMENT OF FIXED ASSETS	**(18,231)**	**(17,494)**
Pre-IFRS 16 gross cost of debt	(477)	(728)
Interest paid - Lease liabilities	(441)	(271)
POST-IFRS 16 GROSS COST OF DEBT	**(917)**	**(998)**
Pre-IFRS 16 income tax expense	(21,340)	(24,744)
Deferred tax - IFRS 16 impact	-	-
POST-IFRS 16 INCOME TAX EXPENSE	**(21,340)**	**(24,744)**
TOTAL IMPACT ON INCOME STATEMENT	**(182)**	**(48)**

6.5.16 EBITDA

In thousands of euros	2023	2022
Operating income	**74,264**	**74,002**
Provisions and write-backs recorded under non-recurring operating income and expenses	3,573	10,358
Provisions and write-backs	3,536	2,112
Depreciation and impairment of fixed assets	25,738	25,860
Depreciation and impairment of fixed assets - IFRS 16	5,887	5,690
EBITDA	**112,997**	**118,021**
% OF SALES	**21,3%**	**21,9%**

- Excluding the favorable non-recurring impact of the €6.1 million reduction in the acquisition price of Clarion, Group EBITDA would have been €106.9 million (20.2% vs. revenues).

6.5.17 Net financial income/(expense)

In thousands of euros	Dec 31, 2023	Dec 31, 2022
Interest income from cash and cash equivalents	3,274	807
Net gains on sale of cash equivalents	-	-
INCOME FROM CASH AND CASH EQUIVALENTS	**3,274**	**807**
Interest on bonds	-	-
Interest on borrowings and overdrafts	(477)	(728)
Interest on other borrowings - IFRS 16	(441)	(271)
Interest on finance leases	-	-
GROSS COST OF DEBT	**(917)**	**(998)**
NET COST OF DEBT	**2,356**	**(191)**

In thousands of euros	Dec 31, 2023	Dec 31, 2022
Currency gains	4,673	4,578
Other income	58	1,936
OTHER FINANCIAL INCOME	**4,731**	**6,514**
Financial expenses related to employee benefits	(161)	(48)
Currency losses	(4,066)	(5,273)
Other expenses	(219)	(2,262)
OTHER FINANCIAL EXPENSES	**(4,446)**	**(7,583)**
OTHER FINANCIAL INCOME AND EXPENSES	**285**	**(1,069)**

6.5.18 Income tax

Deferred taxes are recognized in respect of temporary differences between the tax base of assets and liabilities and their carrying amount in the consolidated financial statements. No deferred tax is recognized if it arises from the initial recognition of an asset or liability relating to a transaction, other than a business combination, which, at the time of the transaction, affects neither accounting profit nor taxable profit. No deferred tax liability is recognized on initial recognition of goodwill.

Deferred taxes are determined using tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

For the purposes of calculating the deferred taxes of French companies, the standard French corporate income tax rate of 25.83% is applied, as set out in the 2023 tax legislation. This is in line with the 2022 rate of 25.83%.

In the event that the realization date of the temporary difference is after 2023, the associated deferred taxes are calculated at the rate of 25.83%.

Vetoquinol SA underwent a tax audit over the period 2022 and 2023, covering the 2019 and 2020 financial years as part of its business activities. The audit concluded on December 13, 2023, with no significant tax reassessment.

Income tax expense breaks down as follows:

In thousands of euros	Dec 31, 2023	Dec 31, 2022
Current income tax expense	(20,292)	(24,080)
Deferred tax income/(expense)	(1,047)	(664)
TOTAL	**(21,340)**	**(24,744)**

The reconciliation between theoretical tax at the statutory rate in France and effective tax is as follows:

In thousands of euros	Dec 31, 2023	Dec 31, 2022
Net income for the year	**55,566**	**47,998**
CIR restatement	(5,087)	(4,080)
CVAE restatement as per IAS 12	(403)	(840)
Non-recurring items - GW impairment	(2,626)	9,475
(Earnings)/loss of associates	-	-
Income tax expense	21,340	24,744
Income before tax adjusted for tax credits	**68,790**	**77,296**
Theoretical tax at 25.83% (2022: 25.83%)	**17,765**	**19,962**
Non-deductible expenses and non-taxable income	1,570	119
Impact of change in tax rate	-	(297)
Change in tax losses b/fwd and c/fwd	736	2,626
Tax rate differences for foreign companies	(1,116)	(2,010)
Other taxes (under IAS 12) (*)	973	1,139
Impact of reduced rate	32	(59)
Withholding taxes	1,261	2,430
Taxes with no tax base (tax credits, etc.)	(35)	934
Miscellaneous	154	(99)
Effective tax	**21,340**	**24,744**
EFFECTIVE TAX RATE	**31.02%**	**32.01%**

(*) Impact generated by the restatement of CVAE-type taxes.

Analysis of movements in deferred tax assets during the year:

In thousands of euros	Dec 31, 2023	Dec 31, 2022
Opening balance	**10,632**	**12,376**
Recognized in the income statement	(1,858)	(1,506)
Recognized in other comprehensive income	20	(411)
Changes in consolidation scope	-	-
Reclassifications	(231)	178
Exchange differences	58	(4)
CLOSING BALANCE	**8,621**	**10,632**

Analysis of movements in deferred tax liabilities during the year:

In thousands of euros	Dec 31, 2023	Dec 31, 2022
Opening balance	**8,017**	**8,317**
Recognized in the income statement	(811)	(842)
Recognized in other comprehensive income	-	-
Changes in consolidation scope	-	-
Changes in deferred tax liabilities via goodwill	-	-
Transfers to liabilities held for sale	-	(258)
Reclassifications	73	435
Exchange differences	(111)	364
CLOSING BALANCE	**7,169**	**8,017**

In 2023, unrecognized deferred tax assets resulting from tax losses recognized in subsidiaries total €1.7 million (2022: €2.2 million).

In accordance with IAS 12, a company may offset its deferred tax assets and liabilities, subject to certain conditions. Please refer to the "Reclassification" section above for further details.

Analysis of net deferred taxes by type:

In thousands of euros	Dec 31, 2023	Dec 31, 2022
Intangible assets	(6,928)	(7,086)
Component-based approach (net)	271	255
Other temporary differences (net)	2,114	2,190
Internal margin on inventories	5,319	6,744
Restatement of finance leases	(36)	(36)
Employee benefits	1,693	1,565
Tax losses carried forward	-	-
Regulated provisions	(1,311)	(1,343)
Other (net)*	330	326
TOTAL	**1,453**	**2,616**
Of which: Deferred tax assets	8,621	10,632
Deferred tax liabilities	(7,169)	(8,017)

** Including currency translation adjustments.*

6.5.19 Earnings per share

6.5.19.1 Basic earnings per share

Basic earnings per share are calculated by dividing net income attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year, adjusted for the number of treasury shares held.

In thousands of euros	Dec 31, 2023	Dec 31, 2022
Net income attributable to holders of common shares (In thousands of euros)	55,560	47,995
Weighted average number of common shares	11,881,902	11,881,902
Treasury shares at end of period (direct holding)	(47,740)	(47,740)
Treasury shares at end of period (liquidity contract)	(1,652)	(2,574)
Adjusted weighted average number of shares outstanding over the period	11,832,510	11,831,588
BASIC EARNINGS PER SHARE (€)	**4.70**	**4.06**

6.5.19.2 Diluted earnings per share

At December 31, 2023, there are no further bonus share plans. At December 31, 2022, dilutive potential shares include bonus share allocations. Diluted earnings per share are calculated by adjusting net income attributable to ordinary shareholders by the weighted average number of shares outstanding during the year, adjusted for the effects of all dilutive potential ordinary shares.

	Dec 31, 2023	Dec 31, 2022
Net income attributable to holders of common shares (In thousands of euros)	55,560	47,995
Expenses on grants of bonus shares	**-**	**72**
Earnings used to calculate diluted earnings (In thousands of euros)	**55,560**	**48,067**
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)	(47,740)
Treasury shares at end of period (liquidity contract)	(1,652)	(2,574)
Adjusted weighted average number of shares outstanding over the period	**11,832,510**	**11,831,588**
Dilutive effect of bonus share grants	-	-
Number of shares including dilutive effect	**11,832,510**	**11,831,588**
Diluted earnings per share (€)	4.70	4.06

6.5.20 Goodwill

6.5.20.1 Goodwill

Goodwill is valued at cost, less any accumulated impairment losses. For the initial valuation of goodwill, see section 6.5.3.3.

In accordance with IAS 36, goodwill is allocated to cash-generating units for the purposes of the impairment tests described below. Goodwill is tested for impairment at least once a year, with more frequent testing if there are indications of impairment. It is carried at cost, less any accumulated impairment losses. Impairment losses are not reversible.

In thousands of euros	Dec 31, 2023	Dec 31, 2022
January 1		
Opening book value	**76,173**	**83,458**
Acquisitions related to business combinations	-	-
Impairment losses recognized in the income statement	-	(9,475)
Reclassifications/allocation of goodwill	-	-
Exchange differences, net	(1,137)	2,190
At December 31		
Closing book value	**75,036**	**76,173**

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

In accordance with the requirements of IAS 36, an impairment test was carried out on all Cash-Generating Units ("CGUs") containing goodwill.

The CGUs defined for the 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.

The breakdown of goodwill allocated to these cash-generating units is as follows:

In thousands of euros	Dec 31, 2023	Dec 31, 2022
Vetoquinol Biowet Poland	2,196	2,036
Vetoquinol GmbH/Germany	1,705	1,705
Vetoquinol UK	405	396
Farmvet Systems	-	-
Vetoquinol Ireland	421	421
Vetoquinol Switzerland	1,217	1,145
Vetoquinol Austria	772	772
Vetoquinol Czech Republic	972	997
Vetoquinol USA	24,961	25,809
Vetoquinol Belgium	500	500
Vetoquinol Italy	6,465	6,465
Vetoquinol Brazil	-	-
Vetoquinol Scandinavia	993	991
Vetoquinol Asia	41	43
Vetoquinol India	7,730	8,057
Vetoquinol SA France	14,437	14,445
Vetoquinol Australia	1,723	1,748
Vetoquinol Canada	10,497	10,644
TOTAL	**75,036**	**76,173**

The discrepancy in value between 2022 and 2023 is solely attributable to translation adjustments for goodwill denominated in foreign currencies.

The change in goodwill in 2022 was due to impairment losses on the Vetoquinol Brazil CGU and to translation adjustments.

The recoverable amount of intangible assets is determined using the discounted cash flow method, which is based on their value in use. This method determines the recoverable amount of the asset by calculating the present value of the estimated future cash flows expected to be derived from the asset's continued use and its eventual disposal at the end of its useful life. This value is then reduced by the working capital requirements and the value of other assets existing at the test date. This valuation includes a terminal value obtained by discounting to infinity a cash flow deemed normative at the end of the forecast period.

Cash flow projections have been prepared over a five-year period, based on a forecast business plan for fiscal 2024 prepared by management and the following key assumptions for the years 2025 to 2028:

WACC rates have been determined by CGU taking into account:
- risk-free rate: between 3.0% and 3.5%;
- market risk premium: between 5.5% and 5.8%;
- pre-tax cost of debt: between 5.5% and 8.1%;
- a sector Gearing of 4.9%;
- a country risk premium and the country's tax rate;
- a sector median debt-free Beta of 0.91;
- Equity size premium of 1.2%;
- WACC rates ranged from 9.3% to 14.2% depending on the CGU;
- Perpetual growth rates have been set according to the country in which the CGU is located, and vary from 2.0% to 4.5% depending on the country.

A summary table for CGUs where the amount of goodwill is significant outlines the primary assumptions and highlights the key sensitivities.

In 2022, an impairment charge of €9.5 million was recognized following the completion of impairment tests on fixed assets, corresponding to a write-down of the goodwill of the Brazilian CGU. This reflected the lower outlook for this CGU in a contracted and uncertain market context and conditions.

No further impairment losses were recognized on the other CGUs in 2022.

There has been no impairment charge recognized in 2023.

Similarly, an impairment test was conducted on the Equistro brand, an intangible asset with an indefinite life, using a sales growth rate of 2.0% to infinity and a discount rate of 9.5%. Please refer to the table below for further details on this brand, which is included under the heading "Other subsidiaries." The results of this impairment test indicate that no impairment loss has been recognized.

A sensitivity analysis was conducted by varying the discount rate by +/- 1%. This analysis did not reveal any significant negative differences at the end of 2023 or at the end of 2022.

CGU	Goodwill in K€ at end December 2023	Value of non-amortized trademarks in K€ at end December 2023	Other intangible assets incl. "product list"/ Products - Proprietary	Total balance sheet intangible assets + Goodwill	Estimated Recoverable Value (RV) based on value in use	Difference in % between Net Book Value and Recoverable Value	Growth rate to infinity	Impact in % on VR if growth rate to infinity decreases by -1%.	Discount rate (WACC) used	Impact in % on VR if WACC increases by +1%.
Vetoquinol India	7,730	3,950	0	11,680	49,383	76.3%	4.5%	-7%	14.2%	-10%
Vetoquinol Italy	6,465	- 0	184	6,649	47,261	85.9%	2.0%	-7%	11.2%	-10%
Vetoquinol USA	24,961	0	12,628	37,589	247,832	84.8%	2.3%	-9%	9.7%	-13%
Vetoquinol SA	14,437	6,828	111,781	133,046	266,781	50.1%	2.1%	-10%	9.8%	-14%
Vetoquinol Canada	10,497	- 0	113	10,610	276,401	96.2%	2.1%	-10%	9.5%	-13%
Subtotal - selection	**64,090**	**10,778**	**124,707**	**199,575**	**887,658**	**77.5%**		**-9%**		**-13%**
Other subsidiaries	10,946	9,082	9,429	29,456	311,004	90.5%				
TOTAL ASSETS	**75,036**	**19,859**	**134,136**	**229,031**	**1,198,662**					

6.5.21 Intangible assets

In thousands of euros	Concessions, licenses and patents	Software	Trademarks	"product lists / Products - Proprietary	Other intangible assets	Total
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**
Acquisitions	100	3,728	-	-	178	4,006
Acquisitions through business combinations	-	-	-	-	-	-
Purchase price allocation - asset recognition	-	-	-	-	-	-
Change in consolidation method	-	-	-	-	-	-
Disposals (net book value)	-	(96)	-	-	-	(96)
Reclassifications	(894)	36	11	(1,535)	2,368	(15)
Depreciation and amortization	(334)	(1,918)	(9)	(12,021)	(3,971)	(18,253)
Deconsolidation	-	-	-	-	-	-
Exchange differences, net	(20)	22	(175)	(277)	95	(356)
At December 31, 2023						
GROSS BOOK VALUE	**14,071**	**29,744**	**21,036**	**176,695**	**30,937**	**272,482**
ACCUMULATED DEPRECIATION	**(12,422)**	**(15,262)**	**(1,176)**	**(60,771)**	**(28,856)**	**(118,487)**
NET BOOK VALUE	**1,648**	**14,482**	**19,859**	**115,924**	**2,081**	**153,995**

The "Trademarks" column includes, at the end of December 2023:

- the Equistro brand® for €8.9 million, which is an asset with an indefinite useful life and therefore not depreciated;
- the Drontal® and Profender® brands for €6.8m;
- other brands (around forty at a cost of €3.9 million) were recognized at the time of the 2009 acquisition of Wockardt® (India); these brands are individually insignificant, and the India CGU to which they are allocated is subject to an overall impairment test.

The "Products/Specialties" column at the end of 2023 consists mainly of the following intangible items:

- products/specialties valued at €4,576,000 when Clarion was acquired,
- products/specialties valued at €5,685,000 (2022: €7,002,000) on the acquisition of Bioniche's animal health division,
- Drontal® and Profender® products/specialties for €96.1m by the end of 2023 (2022: €106.7m),
- other products/specialties for the balance of 9,609 K€ (2022: 10,187 K€).

6.5.21.1 R&D expenses

In accordance with IAS 38, research costs are expensed and internal development costs are recognized as intangible assets only if all six criteria defined by IAS 38 are met. Given the inherent risks and uncertainties associated with regulatory approvals and the R&D process, the criteria for capitalization are not deemed to have been met until marketing approval has been obtained.

Payments made for the separate acquisition of research and development work are recognized as "other intangible assets" when they meet the definition of an intangible asset. This is determined by whether the asset is a controlled resource from which Vetoquinol expects future economic benefits and whether it is identifiable. This means that the asset must be separable or result from contractual or legal rights. In accordance with paragraph 25 of IAS 38, the initial recognition criterion, which pertains to the probability of future economic benefits generated by the intangible asset, is presumed to have been met for research and development work when acquired separately. In this context, amounts paid to third parties in the form of upfront or milestone payments for pharmaceutical products that have not yet obtained marketing approval are capitalized. These rights are amortized on a straight-line basis over their useful life, commencing from the time marketing authorization is obtained.

Payments related to research and development agreements for access to technologies or databases, as well as payments for the acquisition of generic files, are also capitalized. Intangible assets are amortized over their useful life as soon as they are brought into service.

Subcontracting agreements and expenditure on research and development service contracts or payments relating to ongoing research and development collaborations, which remain independent of the outcome of the latter, are expensed over the periods in which the services are received.

6.5.21.2 Other intangible assets

Intangible fixed assets are recorded in the balance sheet at historical cost and are systematically amortized over their useful life, with the exception of rights, trademarks, and other components of the Equistro® range, which have an indefinite useful life. An impairment test is carried out at least annually to validate that no impairment needs to be recorded.

The amortization periods are consistent across the Group:

Categories	Method	Period
Licenses and patents	Linear	5 to 15 years
Software	Linear	3 to 5 years
Products and/or MAs	Linear	10 to 15 years
Other inc. customer relations	Linear	10 years

6.5.22 Property, plant and equipment

Property, plant, and equipment are recorded at the acquisition cost (initially the purchase price plus incidental expenses and acquisition costs) or production cost, less depreciation. The straight-line depreciation method is considered a sound economic decision. In accordance with revised IFRS 3, fixed assets are revalued at fair value when they are recognized following a business combination. Land is not subject to depreciation. The Group applies the following depreciation periods for property, plant and equipment subject to depreciation:

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

In thousands of euros	Land	Buildings	Plant and equipment	Other property, plant and equipment	PP&E in progress, advances and down payments	Total
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**
Additions	18	1,785	2,191	431	9,301	13,725
Acquisitions through business combinations	-	-	-	-	-	-
Purchase price allocation - asset recognition	-	-	-	-	-	-
Change in consolidation method	-	-	-	-	-	-
Disposals (net book value)	-	(6)	(4)	(25)	(690)	(726)
Depreciation and amortization	(156)	(4,439)	(5,064)	(1,398)	-	(11,058)
Exchange differences, net	24	327	95	85	489	1,021
Deconsolidation	895	(259)	-	1,065	-	1,701
Reclassifications	282	3,376	5,696	1,002	(10,321)	35
At December 31, 2023						
GROSS BOOK VALUE	**4,651**	**92,393**	**79,743**	**21,265**	**13,795**	**211,846**
ACCUMULATED DEPRECIATION	**(1,331)**	**(62,568)**	**(55,835)**	**(16,418)**	**-**	**(136,151)**
NET BOOK VALUE	**3,319**	**29,825**	**23,908**	**4,847**	**13,795**	**75,695**

6.5.23 IFRS 5

This is not applicable as of December 31, 2023. As of the end of December 2023, the Group has ceased to apply the IFRS 5 classification and adjusted its financial statements to reflect the fair value of these assets.

6.5.24 Other financial assets

As of December 31, 2023, other financial assets include the equity interests in PAT (Plant Advanced Technologies) for a net value of €169,000. In November 2017, Vetoquinol acquired a stake in PAT, which is headquartered in Vandœuvre-lès-Nancy.

PAT specializes in the identification, optimization, and production of rare plant biomolecules for the cosmetics, pharmaceutical, and agrochemical industries. PAT is a pioneer in the field of environmentally-friendly, globally patented know-how, with a particular focus on the development of PAT milking plants® and Target Binding®. The company is listed on Euronext Growth Paris.

Other financial assets mainly comprise deposits and guarantees paid, considered as receivables, and as such valued at amortized cost. They are not material at Group level.

6.5.25 Derivative

As of December 31, 2023, the Group held no derivative instruments. However, as part of its foreign exchange and interest rate risk management, the Group occasionally enters into derivative contracts. These instruments are exclusively used by the Group's centralized treasury department and are intended to hedge risks. With regard to currency hedging, these contracts mainly involve the purchase of forward contracts with maturities of less than one year. The Group primarily employs interest-rate hedging instruments in the form of swaps.

The Group applies the hedge accounting provisions of IAS 39 to its hedging transactions. Derivative financial instruments are recognized in the balance sheet at fair value at the balance sheet date, depending on the type of hedge:

- For cash flow hedges, the change in the fair value of the derivative is recorded in an equity account called "cash flow hedge reserve." The change in the fair value of the derivative is reversed through the income statement as and when the hedged risk is realized (for the effective portion of the hedge, the ineffective portion is recorded in the income statement).
- For fair value hedges, the change in the fair value of the derivative is recognized in the income statement, as is the change in the fair value of the hedged item.

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

6.5.26 Impact of change in working capital in the cash flow statement

In thousands of euros	Dec. 31, 2022	Changes in scope of consolidation	Change in working capital in CFS	Reclassifications	Currency differences	Restructuring impacts	Dec. 31, 2023
Inventories	116,091	-	(12,578)	-	25	-	103,538
Trade and other receivables	85,350	-	14,104	(12)	(227)	-	99,216
Other current assets	5,973	-	(1,344)	7	28	-	4,663
Other long-term liabilities	816	-	(88)	(7)	0	-	721
Government loans	-	-	-	-	-	-	-
Trade and other payables (excl. payables to fixed asset suppliers)	120,576	0	646	(3)	749	-	121,968
Other current liabilities	11	-	(9)	-	0	-	2
Government loans (portion due in less than 1 yr)	-	-	-	-	-	-	-
WCR RECONCILIATION	**86,010**	**(0)**	**(367)**	**5**	**(923)**	**-**	**84,726**

6.5.27 Inventories

Purchased raw materials, packaging materials and merchandise are valued at acquisition cost, using the weighted average cost method.

Finished products are valued at production cost, which includes consumption of materials, direct and indirect production expenses, and depreciation of production assets.

In certain instances, the FIFO (first-in, first-out) method is employed to determine the value of various inventories. This practice is minimal and inconsequential.

When the current value at the balance sheet date (market value for finished goods and merchandise, and value in use for work-in-progress and raw materials) is lower than the book value, an impairment loss is recognized for the amount of the difference. This depreciation is applied to slow-moving items or items whose expiration date is too close to their probable realization date.

6.5.27.1 Analysis of inventories by type

In thousands of euros	Dec 31, 2023			Dec 31, 2022		
	Gross value	Impairment	Net book value	Gross value	Impairment	Net bookvalue
Raw materials & consumables	37,018	(1,422)	35,596	36,507	(1,126)	35,380
Other supplies	797	-	797	-	-	-
Work in progress	17,188	(2,091)	15,097	17,867	(972)	16,895
Semi-finished and finished goods	43,265	(7,646)	35,619	49,663	(3,342)	46,321
Goods purchased for resale	16,672	(243)	16,429	18,881	(1,386)	17,495
TOTAL	**114,940**	**(11,402)**	**103,538**	**122,917**	**(6,826)**	**116,091**

6.5.27.2 Analysis of inventory impairment

In thousands of euros	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**

In thousands of euros	Dec 31, 2022	Additions	Reclassifications	Write-backs	Currency differences	Dec 31, 2023
Raw materials & consumables	1,126	1,498	-	(1,216)	14	1,422
Work in progress	972	2,194	-	(1,089)	13	2,091
Semi-finished and finished goods	3,342	11,027	-	(6,670)	(53)	7,646
Goods purchased for resale	1,386	169	-	(1,292)	(20)	243
TOTAL	**6,826**	**14,888**	**-**	**(10,267)**	**(45)**	**11,402**

The Group monitors inventories on an individual basis, with particular attention to pharmaceutical batches. A 100% provision is recorded for unsaleable batches that are defective and/or do not comply with good manufacturing practice.

Similarly, batches that cannot be sold due to an expiration date that is too short are depreciated (100% depreciation for expiration dates of less than six months). In the event of low sales budgets for an item, a provision for depreciation is recorded based on new sales forecasts. Sales forecasts are reviewed on a monthly basis, taking into account inventory volumes.

6.5.28 Trade and other receivables

In thousands of euros	Dec 31, 2023	Dec 31, 2022
Trade receivables	92,491	77,993
Impairment of trade receivables	(3,169)	(3,373)
Net trade receivables	**89,322**	**74,620**
Prepayments	2,510	2,020
Receivables from government agencies	6,195	6,851
Other operating receivables	266	1,096
Miscellaneous receivables	922	763
Provisions	-	-
Other receivables	**9,893**	**10,730**
Total trade and other receivables	**99,216**	**85,350**
Prepaid expenses	4,207	5,524
Loans and guarantees	456	449
Other	0	(0)
Total other current assets	**4,663**	**5,973**

All net trade receivables are due within one year. The value of receivables is reduced to reflect the risk of non-recovery. This is done on a customer-by-customer basis, with each receivable being analysed individually. However, the Group also applies the following automatic impairment procedure: receivables over 180 days and under 360 days are provisioned at 50%; over 360 days, receivables are provisioned at 100%.

The Group has applied the International Financial Reporting Standards (IFRS) 9 "Financial Instruments" since January 1, 2018. The application of this standard has resulted in the recognition of an additional provision to account for anticipated losses on the Group's trade receivables. As of December 31, 2023, the provision stood at €964,000 (€964,000 at December 31, 2022).

Receivables are recognized at their fair value, which is the cash receivable amount. Given the Group's business practices, this is generally equal to the face value of the receivable. Receivables are then recognized net of provisions for impairment, which are established following an individual analysis of the risk of non-recovery.

6.5.29 Cash and cash equivalents

Cash and cash equivalents include bank balances, investments, and cash equivalents and are carried at fair value. These are short-term investments and/or liquid investments that can be readily converted into a known amount of cash and are not subject to risks of changes in value (capital guarantee)..

In thousands of euros	Dec 31, 2023	Dec 31, 2022
Marketable securities	13,874	28,282
Cash	133,590	65,426
Cash and cash equivalents in the balance sheet (assets)	**147,464**	**93,708**

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

In thousands of euros	Dec 31, 2023	Dec 31, 2022
Total cash and cash equivalents in the balance sheet	147,464	93,708
Bank overdrafts (Note 6.5.31)	(1,257)	(119)
Cash and cash equivalents in the CFS	**146,207**	**93,589**

6.5.30 Capital stock and additional paid-in capital

In thousands of euros	Number of shares	Capital stock	Additional paid-in capital	Total
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, 2023	**11,881,902**	**29,705**	**41,126**	**70,831**

At December 31, 2023, the share capital of €29,704,755 (2022: €29,704,755) was made up of 11,881,902 shares (2022: 11,881,902 shares) with a par value of €2.50 each.

6.5.30.1 Bonus shares

At its meeting on May 26, 2020, the Board of Directors approved the allocation of a total of 5,500 free shares. The 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

At the end of 2023, Vetoquinol held 47,740 of its own shares (2022: 47,740).

6.5.30.4 Dividend distribution

Dividend distributions to Group shareholders are recorded as liabilities over the period in which they were authorized by the shareholders.

At the Annual General Meeting on May 25, 2023, shareholders approved a dividend payment of €9,505,521.60, or €0.80 per share. This is in line with the previous year's dividend of €9,505,521.60, which was also €0.80 per share. At the time of payment, Vetoquinol held some of these shares, so the amount of the dividend corresponding to these shares was not paid out and was allocated to retained earnings. The total amount of dividends paid in 2023 is €9,464,535.20 (2022: €9,464,995.20).

The Group's dividend policy is to pay out at least 15% of net income.

The Board of Directors has proposed a dividend payment of €0.85 per share, to be paid on June 6, 2024, for the 2023 fiscal year.

6.5.31 Financial liabilities

Financial liabilities are primarily comprised of borrowings from credit institutions and bank overdrafts.

Borrowings are carried at amortized cost, net of transaction costs incurred.

Borrowings due to be settled within one year are classified as current liabilities, except where the Group has an unconditional right to defer settlement of the debt for at least 12 months after the balance sheet date. In such cases, they are classified as non-current liabilities.

For borrowings corresponding to restated finance leases, the principal amount borrowed corresponds to the original value of the assets acquired under finance leases, which is included under property, plant, and equipment.

Interest costs are expensed as incurred.

Please find below details of current and non-current financial liabilities:

In thousands of euros	Dec 31, 2023	Dec 31, 2022
Borrowings and other financial liabilities	172	179
Non-current lease liabilities	9,491	9,382
Total non-current financial liabilities	**9,663**	**9,561**
Borrowings and other financial liabilities	1,730	3,177
Current lease liabilities	4,978	4,564
Bank overdrafts	1,257	119
Total current financial liabilities	**7,965**	**7,861**
TOTAL FINANCIAL LIABILITIES	**17,628**	**17,422**

Borrowings by maturity break down as follows:

In thousands of euros	Total	< 1 year	1 to 5 years	> 5 years
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**
At December 31, 2023				
Borrowings and other financial liabilities	1,901	1,730	172	-
Lease liabilities	14,469	4,978	8,814	677
Bank overdrafts	1,257	1,257	-	-
TOTAL FINANCIAL LIABILITIES	**17,628**	**7,965**	**8,986**	**677**

6.5.31.1 Reconciliation between opening and closing balances

The reconciliation between opening and closing financial debts (excluding bank overdrafts), distinguishing between cash and non-cash cash flows, is as follows:

In thousands of euros	Dec 31, 2022	Cash flow	Non-cash transactions				Dec 31, 2023
			Acquisitions	Currency gains/losses	Reclassification/ Impact of IFRS 16	Changes in fair value	
Borrowings and other financial liabilities - non-current	179	-	-	(7)	-	-	172
Borrowings and other financial liabilities - current	3,177	(1,600)	-	152	-	-	1,730
Lease liabilities	13,946	-	-	(37)	560	-	14,469
Hedging instruments	-	-	-	-	-	-	0
TOTAL FINANCIAL LIABILITIES	**17,303**	**(1,600)**	**-**	**108**	**560**	**-**	**16,371**

6.5.31.2 Breakdown by currency and type of interest rate

In thousands of euros	Dec 31, 2023	Dec 31, 2022
Fixed rate	431	640
INR	**431**	**640**
Fixed rate	2,190	3,177
BRL	**2,190**	**3,177**
Fixed rate	307	416
AUD	**307**	**416**
Fixed rate	2,221	1,836
USD	**2,221**	**1,836**
Fixed rate	648	850
CAD	**648**	**850**
Fixed rate	191	58
CHF	**191**	**58**
Fixed rate	62	117
CNY	**62**	**117**
Fixed rate	47	140
CZK	**47**	**140**
Fixed rate	842	1,115
GBP	**842**	**1,115**
Fixed rate	98	156
JPY	**98**	**156**
Fixed rate	125	186
KRW	**125**	**186**
Fixed rate	314	449
MXN	**314**	**449**
Fixed rate	85	108
PLN	**85**	**108**
Fixed rate	42	17
SEK	**42**	**17**
Fixed rate on bonds	-	-
Fixed rate & floating swapped to fixed	8,766	8,039
Floating rate	-	-
EUR	**8,766**	**8,039**
Fixed rate	16,371	17,303
Floating rate	-	-
Total (all currencies combined)	**16,371**	**17,303**
Bank overdrafts	1,257	119
TOTAL	**17,628**	**17,422**

6.5.31.3 Collateral given as guarantee

None.

6.5.31.4 Credit lines

- At December 31, 2023, the Group had credit lines of €45,000,000 (2022: €45,000,000) with banks. These credit lines were not used at either end of 2023 or 2022.

6.5.31.5 Liquidity risk

Given the cash position at the end of December 2023, the Group is not exposed to liquidity risk. The contractual cash flows include the notional amounts of financial liabilities and undiscounted contractual interest.

In thousands of euros	Carrying amount	Contractual cash flows	Breakdown of contractual cash flows		
			< 1 year	1 to 5 years	> 5 years
At December 31, 2023					
Borrowings and other financial liabilities	1,901	1,901	1,730	172	-
Bank overdrafts	1,257	1,257	1,257	-	-
Trade payables	42,001	42,001	42,001	-	-
Payables to fixed asset suppliers	4,012	4,012	4,012	-	-
Other operating liabilities	41,170	41,170	41,170	-	-
TOTAL FINANCIAL LIABILITIES	**90,341**	**90,341**	**90,170**	**172**	**-**

In thousands of euros	Carrying amount	Contractual cash flows	Breakdown of contractual cash flows		
			< 1 year	1 to 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**	**-**

6.5.32 Provisions for employee benefits

6.5.32.1 Liabilities for pensions and other long-term employee benefits

The plans in place to provide these benefits can be classified as either defined contribution or defined benefit plans.

Defined contribution plans: In accordance with the laws and practices of each country, Vetoquinol makes contributions based on salaries to national organizations in charge of pension and welfare schemes. There are no actuarial liabilities in this regard. Vetoquinol's payments are expensed as incurred.

Defined benefit post-employment plans: The liability recognized in the balance sheet is the present value of the defined benefit obligation at the balance sheet date.

In accordance with IAS 19 (revised), "Employee Benefits," the corresponding commitments are calculated annually by independent actuaries using the projected unit credit method with pro rata seniority at term.

The amounts of commitments corresponding to benefits granted to employees are valued on the basis of assumptions concerning salary increases, retirement age and mortality, then discounted to their present value on the basis of the interest rates on long-term bonds issued by top-tier issuers.

Actuarial gains and losses related to pensions and post-employment benefits resulting from adjustments linked to changes in actuarial assumptions and experience are recognized in other comprehensive income, net of deferred taxes, in the period in which they arise.

In thousands of euros	Dec 31, 2023	Dec 31, 2022
Provision for retirement bonus	5,885	5,631
Other employee benefits (CET time savings account, long-service awards, etc.)	1,732	1,678
PROVISIONS FOR EMPLOYEE BENEFITS	**7,617**	**7,309**

6.5.32.2 Retirement bonuses

Retirement bonuses are in place for the French, Polish and Italian sites. In France, employees are entitled to end-of-career benefits under the national collective agreement for the manufacture and sale of pharmaceutical, parapharmaceutical and veterinary products. A sensitivity analysis, conducted by varying the discount rate by +/- 0.25%, did not reveal any significant difference in the commitment, with a maximum difference of +/- 150 K€.

6.5.32.2.1 Changes in the corresponding liability were as follows:

In thousands of euros	Dec 31, 2023	Dec 31, 2022
Carrying amount at January 1	**5,631**	**7,078**
Expenses recognized in the income statement	674	628
Actuarial gains and losses recognized in other comprehensive income	77	(1,591)
Contributions paid	(328)	(310)
Reclassifications	(14)	33
Benefits paid from the fund	(175)	(202)
Exchange differences	19	(6)
New liabilities arising from acquisitions	-	-
CARRYING AMOUNT AT DECEMBER 31	**5,885**	**5,631**

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

In thousands of euros	Dec 31, 2023	Dec 31, 2022
Cost of services rendered during the year	475	560
Financial cost	161	48
Cost of past services	-	-
Actuarial gains and losses recognized in the income statement	37	20
TOTAL	**674**	**628**

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

	Dec 31, 2023	Dec 31, 2022
Discount rate	3.20%	3.40%
Salary increase rate	2.70%	2.70%
Social security contribution rate	45.40%	45.40%
Mortality table	TF-TH 2000-2002	
Staff turnover	By age group	

6.5.32.3 Other long-term employee benefits

In France, employees are entitled to long-service awards in accordance with Decree no. 2000-1015 in the Official Journal of October 19, 2000, as well as company agreements or customary practice. Vetoquinol also has its own long-service award system, under which employees receive bonuses according to their length of service. Similar benefits are also in place in Poland and India..

6.5.32.3.1 Changes in the corresponding liability were as follows:

In thousands of euros	Dec 31, 2023	Dec 31, 2022
Carrying amount at January 1	**1,678**	**1,869**
Expenses recognized in the income statement	194	49
Actuarial gains and losses recorded in equity	-	-
Contributions paid	(164)	(203)
Reclassifications	-	-
Exchange differences	24	(37)
New liabilities arising from acquisitions	-	-
CARRYING AMOUNT AT DECEMBER 31	**1,732**	**1,678**

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

In thousands of euros	Dec 31, 2023	Dec 31, 2022
Cost of services rendered during the year	195	299
Financial cost	-	-
Cost of past services	-	-
Actuarial gains and losses recognized in the income statement	(2)	(250)
TOTAL	**194**	**49**

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

	Dec 31, 2023	Dec 31, 2022
Discount rate	3,10%	3,30%
Award appreciation rate	0,60%	0,90%
Social security contribution rate	45,40%	45,40%
Mortality table	TF-TH 2000-2002	
Staff turnover	By age group	

6.5.33 Other provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) resulting from past events; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and the amount of the obligation can be reliably estimated.

Restructuring provisions include, in particular, the cost of restoring premises to their original condition and severance pay. No provision is made for future operating losses.

In thousands of euros	Provision for litigation	Other provisions	Total
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**
Additional provisions and increases	418	66	484
Amounts used	(577)	(745)	(1,322)
Reclassifications	-	19	19
Write-backs of amounts not used	-	-	-
Provisions arising from acquisitions	-	-	-
Exchange differences	-	10	10
At December 31, 2023	**590**	**475**	**1,065**

In thousands of euros	Dec 31, 2023	Dec 31, 2022
Current	502	1,071
Non-current	563	803
TOTAL	**1,065**	**1,874**

Provisions for litigation pertain to provisions for commercial and industrial disputes.

Type of provisions	Balance sheet amount at end December 2023	Balance sheet amount at end December 2022
Litigation/termination of employment contract	453	803
Restructuring plan – Italian site closure – severance payments	110	0
Restructuring plan – Italian site closure – restoration of premises	0	0
SUBTOTAL – NON-CURRENT PROVISION	**563**	**803**
Litigation/termination of employment contract	162	231
Provision for risk of non-use/collection of an asset	0	0
Provision for risks – litigation	340	840
SUBTOTAL – CURRENT PROVISION	**502**	**1071**

6.5.34 Trade and other payables

In thousands of euros	Dec 31, 2023	Dec 31, 2022
Trade payables	42,001	39,041
Payables to fixed asset suppliers	4,012	5,289
Tax and social security liabilities	37,975	37,562
Other operating liabilities	41,170	38,433
Other miscellaneous liabilities	822	5,542
Total trade and other payables	**125,980**	**125,867**
Deferred income	2	11
TOTAL OTHER CURRENT LIABILITIES	**2**	**11**

All trade payables are due within one year. Other sundry operating liabilities consist mainly of "annual or quarterly discounts" payable to our indirect customers.

6.5.35 Assets and liabilities by accounting category

The fair value of derivative financial instruments is based on valuations provided by banking counterparties.

The value of non-derivative financial liabilities shown in the table below (in the "Fair value" column) represents the present value of future cash flows generated by repayment of principal and interest, discounted at market interest rates at the balance sheet date.

Cash and cash equivalents are carried at amortized cost, as income and interest are recognized in the income statement on a regular basis. As of December 31, 2023, there were no outstanding derivative financial instruments.

In thousands of euros - 2023	Assets/liabilities at fair value through profit/loss	Assets/ liabilities at amortized cost	Non-financial instruments	Total carrying amount	Fair value
Other equity investments	169	-	-	169	169
Other non-current assets (loans and advances)	-	1,322	-	1,322	1,322
Trade receivables and related accounts	-	103,879	-	103,879	103,879
Cash and cash equivalents	-	147,464	-	147,464	147,464
Derivatives	-	-	-	-	-
Financial assets 2023	**169**	**252,664**	**-**	**252,833**	**252,833**
Bonds	-	(0)	-	(0)	(0)
Short/long-term borrowings and other financial liabilities	-	3,159	-	3,159	3,159
Lease liabilities	-	14,469	-	14,469	14,469
Derivatives	-	-	-	-	-
Trade payables	-	42,001	-	42,001	42,001
Payables to fixed asset suppliers	-	4,012	-	4,012	4,012
Other operating liabilities	-	41,170	-	41,170	41,170
Financial liabilities 2023	**-**	**104,811**	**-**	**104,811**	**104,811**

In thousands of euros - 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 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 2022	**-**	**100,184**	**-**	**100,184**	**100,184**

6.5.36 Dividends per share

Dividends paid in 2023 amounted to €9,464,535.20 (2022: €9,464,995.20), i.e. €0.80/share (2022: €0.80/share).

The dividend to be proposed at the Annual General Meeting on May 28, 2024 will be €0.85 per share.

6.5.37 Headcount

2023 Headcount by functional dept. and geographical region	France	Western Europe (excluding France)	Eastern Europe	Americas	Asia	Consolidated total
Administration	128	46	34	74	32	314
Sales & Marketing	102	189	62	262	519	1,134
IT	40	11	7	8	2	68
Production	163	0	86	70	0	319
Quality	91	7	44	62	4	208
Science	132	13	16	35	7	203
Procurement & Logistics	98	27	32	65	15	237
Total workforce 2023	**754**	**293**	**281**	**576**	**579**	**2,483**

2022 Headcount by functional dept. and geographical region	France	Western Europe (excluding 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 workforce 2022	**797**	**294**	**300**	**572**	**558**	**2,521**

6.5.38 Off-balance sheet commitments

6.5.38.1 Guarantees given

In thousands of euros	Dec 31, 2023	Dec 31, 2022
Guarantees and deposits	8	8
Mortgages and collateral	-	-
TOTAL	**8**	**8**

6.5.38.2 Guarantees received

In thousands of euros	Dec 31, 2022	Dec 31, 2021
Guarantees and deposits	-	-
Liability guarantees	-	-
TOTAL	**-**	**-**

In connection with the acquisition of Clarion Biociëncias in 2019, the Group has paid the sum of 20 MBRL into an escrow account to cover any liability guarantees. The escrow period will conclude on April 15, 2024. As of December 31, 2022, the balance remaining in the escrow account was 19.3 MBRL (€3,430 K). Upon completion of the purchase price for Clarion Biociëncias, the escrow account will be closed.

6.5.38.3 Capital expenditure commitments

Investments contracted at the balance sheet date but not recorded in the accounts are as follows:

In thousands of euros	Dec 31, 2023	Dec 31, 2022
Intangible assets	80	25
Property, plant and equipment	4,956	5,692
TOTAL	**5,036**	**5,717**

6.5.39 Contingent assets and liabilities

None.

6.5.40 Related party disclosures

6.5.40.1 Compensation paid to key executives

In thousands of euros	Dec 31, 2023	Dec 31, 2022
Short-term benefits	1,170	1,511
Post-employment benefits	-	-
TOTAL	**1,170**	**1,511**

The Vetoquinol Group's key executives are:
- Matthieu Frechin, Chairman and Chief Executive Officer as of July 1, 2023, previously Chief Executive Officer;
- Étienne Frechin, Chairman until July 1, 2023;
- Dominique Derveaux, Group Executive Vice President;
- Alain Masson, Executive Vice President and Chief Pharmacist.

6.5.40.2 Related parties transactions

None.

6.5.41 Post-balance sheet events

6.5.41.1 Q1 2023 sales

On April 29, 2024, Vetoquinol published its sales for the 1st quarter of fiscal 2024.

6.5.42 Litigation and arbitration

To the best of our knowledge, there are no governmental, legal, or arbitration proceedings, including any proceedings of which the company is aware, which are pending or threatened. Furthermore, there is no reason to believe that any such proceedings are likely to have or have had a material impact on the financial position or profitability of the company and/or the Group in the past 12 months.

6.5.43 Financial / commercial situation

There have been no material changes in the financial or commercial situation since the end of the year.

6.5.44 Fees

The fees presented here relate to the fees paid to the statutory auditors and members of their networks in accordance with AMF regulations. These fees relate to the statutory auditors of French companies (principally the issuer and a sub-holding company), in respect of the certification and review of individual and consolidated financial statements.
Fees paid outside France include the certification of financial statements by members of the network of fully consolidated subsidiaries.

In thousands of euros	Mazars	PWC
	2023	2023
	Amount	Amount
Fees for certification of financial statements		
Transmitter	105	159
Fully consolidated subsidiaries	194	116
Services other than certification of financial statements		
SACC required by law and regulations - Issuer		
SACC required by law and regulations - Fully consolidated subsidiaries		
Other SACC - Issuer		
Other SACC - Fully consolidated subsidiaries		
TOTAL	**299**	**275**

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

Vetoquinol's Audit Committee has established a policy and procedures for the approval of audit services and the pre-approval of other services to be provided by the Statutory Auditors.

6.5.45 Group companies

Companies	Head office	Dec. 31, 2023		Dec. 31, 2022	
		% held	% interest	% held	% interest
Vetoquinol SA	Magny-Vernois - 70200 Lure - France	**100%**	**100%**	100%	100%
Vetoquinol NA Inc.	2000 Chemin Georges - Lavaltrie - Québec J5T 3S5 Canada	**100%**	**100%**	100%	100%
Vetoquinol USA Inc.	Corporation trust Center - 1209 Orange Street - Wilmington - Delaware 19801 - United States	**100%**	**100%**	100%	100%
Vetoquinol de Mexico SA de CV	Blvd Manuel Avila Camacho 118 piso 22 Despacho 2202 - Col. Lomas de Chapultepec - Delegation Miguel Hidalgo - Mexico	**100%**	**100%**	100%	100%
Vetoquinol Saude Animal Ltda	Rua 11, quadra 7, Lote 4, Polo Empresarial Goias Etapa VI, Aparecida de Goiania-GO, CEP 74985-235 - Brazil	**99%**	**100%**	99%	100%
Vetoquinol Do Brasil Participacoes Ltda	Avenida Lavandisca, 777 escritorio- 11, Indianopolis, Sao Paulo, SP, CEP 04515-011 - 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 - UK	**100%**	**100%**	100%	100%
Vetoquinol NV	Galileilaan 11/401 - 2845 Niel - Belgium	**99%**	**99%**	99%	99%
Vetoquinol BV	Postbus 9202, 4801 LE Breda - The 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 - Mechanika 2 - 158 00 Prague - Czech Republic	**100%**	**100%**	100%	100%
Vetoquinol Österreich GmbH	Gußhausstraße 14/5 1040 Wien - Austria	**100%**	**100%**	100%	100%
Vetoquinol Italia S.r.l	Via Luigi Galvani 18 - 47122 Forlì - 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, Changing District - 200336, Shanghai, People's Republic of China	**100%**	**100%**	100%	100%
Vetoquinol Australia Pty Ltd Inc.	Level 4, 380 Collins 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 Japan K.K.	Axon Hamamatsucho Building, Shiba Daimon 1-1-23, Minato-ku, TOKYO 105-0012 - Japan	**100%**	**100%**	100%	100%

All Group companies are exclusively controlled.

6.6 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Year ending December 31, 2023

To the Annual General Meeting of Vetoquinol SA,

6.6.1 Opinion

In accordance with the terms of our engagement by the Annual General Meeting, we have audited the accompanying consolidated financial statements of Vetoquinol SA for the year ended December 31, 2023.

In our opinion, the consolidated financial statements provide a true and fair view of the results of operations for the year ended December 31, 2003, as well as the financial position and assets and liabilities of the Group at that date, in accordance with International Financial Reporting Standards as adopted by the European Union.

The opinion expressed above is consistent with the content of our report to the Audit Committee..

6.6.2 Basis for opinion

6.6.2.1 Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under these standards are set out in the section of this report entitled "Statutory Auditors' Responsibilities Relating to the Audit of the Consolidated Financial Statements".

6.6.2.2 Independence

Our audit was conducted in accordance with the independence rules set out in the French Commercial Code and the Code of Ethics for Statutory Auditors for the period from January 1st, 2023 to the date of issue of our report. In particular, we did not provide any services prohibited by Article 5(1) of Regulation (EU) No. 537/2014.

6.6.3 Justification of assessments - Key audit matters

In accordance with the requirements of articles L.821-53 and R.821-180 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we bring to your attention the key points of the audit relating to the risks of material misstatement which, in our professional judgment, were the most significant for the audit of the consolidated financial statements for the year, as well as our responses to these risks.

These assessments were made in the context of our audit of the consolidated financial statements taken as a whole, and of the formation of our opinion expressed above. We do not express an opinion on any individual component of these consolidated financial statements.

6.6.3.1 Valuation of goodwill

Identified risk

As of December 31, 2023, the net value of goodwill was 75 million euros. Please refer to note 6.5.20.1, "Goodwill," for a detailed description of the accounting principles used to measure goodwill. The breakdown by cash-generating unit ("CGU") is presented in note 6.5.20.2 to the consolidated financial statements. Goodwill is reviewed annually, or more frequently if events indicate that it may be impaired, in accordance with the procedures set out in notes 6.5.3.5 "Impairment of assets" and 6.5.20.2 "Impairment tests - Valuation of fixed assets" to the consolidated financial statements. The recoverable amount has been determined by reference to the value in use, calculated on the basis of the present value of the estimated future cash flows of the group of assets making up each CGU.

We consider the valuation of goodwill to be a key area of our audit, given the materiality of these assets in the consolidated financial statements and the level of management judgment involved in determining the recoverable amount of these assets.

Our response

In the context of our audit of the consolidated financial statements, our work consisted of the following:

- Reviewing impairment tests prepared by management with the assistance of external advisors.
- Assessing the reasonableness of cash flow projections by interviewing financial management and comparing them with actual 2023 results.
- Comparing the 2024 We compared the cash flows used in the tests with the 2024 budgets drawn up by management. We also assessed the consistency and reasonableness of the main assumptions used, including the growth rate and discount rate. Finally, we carried out a critical review of management's analysis of the sensitivity of value in use to changes in the main assumptions used.

Furthermore, we have evaluated the suitability of the information presented in Note 6.5.20 to the consolidated financial statements..

6.6.4 Specific testings

In accordance with professional standards applicable in France, we have also verified the information provided in the Board of Directors' management report regarding the Group.

We have no matters to report regarding the fair presentation and consistency of the information in the Board of Directors' management report with the consolidated financial statements.

We certify that the consolidated statement of non-financial performance required under Article L.225-102-1 of the French Commercial Code is included in the Group management report. It should be noted that, in accordance with the provisions of Article L.823-10 of said Code, the information contained in this statement has not been verified by us for fair presentation or consistency with the consolidated financial statements and must be reported on by an independent third-party organization.

6.6.5 Other verifications or information required by law and regulations

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

In accordance with the professional standards applicable in France relating to the preparation of financial statements in accordance with the Single European Electronic Reporting Format, we have also verified that the consolidated financial statements, which are to be included in the Annual Financial Report referred to in I of Article L.451-1-2 of the French Monetary and Financial Code and which are the responsibility of the Chief Executive Officer, comply with the format defined by European Delegated Regulation no. 2019/815 of December 17, 2018. As these are consolidated financial statements, our procedures include verifying that the presentation of these financial statements complies with the format defined by the aforementioned regulation.

Based on our work, we can confirm that the consolidated financial statements included in the Annual Financial Report comply with the single European electronic reporting format in all material respects.

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

Furthermore, it is not our responsibility to verify that the consolidated financial statements which 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

We were appointed as Statutory Auditors of Vetoquinol SA by your General Meeting on May 23, 1990 for PricewaterhouseCoopers Audit and on May 30, 2017 for Mazars.

As of December 31, 2023, PricewaterhouseCoopers Audit has been engaged by the company for 34 years, including 18 years since the company's shares were admitted to trading on a regulated market. Mazars has been engaged by the company for seven years.

6.6.6 Responsibilities of management and persons charged with corporate governance in relation to the consolidated financial statements

It is the responsibility of management to prepare consolidated financial statements that give a true and fair view in accordance with IFRS as adopted by the European Union. Furthermore, management must implement such internal control procedures as it determines are necessary to ensure that the consolidated financial statements are free from material misstatement, whether due to fraud or error.

When preparing the consolidated financial statements, management is responsible for assessing the company's ability to continue as a going concern, presenting the necessary information relating to going concern in these statements, and applying the going concern accounting policy, unless the company is to be wound up or cease trading.

It is the responsibility of the Audit Committee to oversee the financial reporting process and the effectiveness of internal control and risk management systems, as well as internal audit, with respect to procedures relating 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 Statutory Auditors' responsibilities relating to the audit of the consolidated financial statements

6.6.7.1 Audit procedure and objective

It is our responsibility to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance that the consolidated financial statements, taken as a whole, are free from material misstatement. Reasonable assurance refers to a high level of assurance, but does not guarantee that an audit performed in accordance with professional standards will identify all material misstatements. Any misstatements may be the result of fraud or error. They are considered material when it is reasonable to expect that they could, individually or in aggregate, influence the economic decisions made by users of the financial statements.

As stipulated by Article L.821-55 of the French Commercial Code, our role as statutory auditors does not include guaranteeing the viability or quality of your company's management.

In an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit.

In addition, the auditor:

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error.
- Designs and implements audit procedures to address these risks.
- Obtains audit evidence that it believes to be sufficient and appropriate to provide a basis for its opinion. The risk of not detecting a material misstatement resulting from fraud is higher than that of a material misstatement resulting from error. Fraud may involve collusion, falsification, deliberate omission, misrepresentation, or circumvention of internal controls.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, and not for the purpose of expressing an opinion on the effectiveness of internal control;
- Assesses the appropriateness of the accounting methods used and the reasonableness of the accounting estimates made by management, as well as the related disclosures in the consolidated financial statements;

- Assesses the appropriateness of the accounting methods used and the reasonableness of the accounting estimates made by management. Furthermore, it assesses the appropriateness of management's application of the going concern accounting policy and, based on the information gathered, determines whether there is any significant uncertainty linked to events or circumstances that could call into question the company's ability to continue as a going concern. This assessment is based on information gathered up to the date of the report, with the understanding that subsequent events or circumstances could potentially impact the company's ability to continue as a going concern. If the auditor determines that there is a material uncertainty, he draws the attention of the readers of his report to the information provided in the consolidated financial statements concerning this uncertainty. If this information is not provided or is not relevant, the auditor issues a qualified opinion or a refusal to certify.;
- Assesses the overall presentation of the consolidated financial statements, and whether they give a true and fair view of the underlying transactions and events.
- With regard to the financial information of the persons or entities included in the scope of consolidation, gathers information that it considers sufficient and appropriate to express an opinion on the consolidated financial statements. He is responsible for directing, supervising, and performing the audit of the consolidated financial statements and for expressing an opinion on these financial statements.

6.6.7.2 Report submitted to the Audit Committee

We provide the Audit Committee with a report that outlines the scope of our audit, the work program implemented, and the conclusions drawn from our work. Furthermore, we report to the Audit Committee on any material weaknesses in the internal control procedures relating to the preparation and processing of financial and accounting information.

The matters set out in the report to the Audit Committee include the risks of material misstatement that we considered to be the most important for the purposes of our audit of the consolidated financial statements for the year. These constitute the key points of our audit, which it is our responsibility to describe in this report.

Furthermore, we provide the Audit Committee with the declaration required by Article 6 of EU Regulation no. 537-2014, confirming our independence in accordance with the applicable rules in France, as set out in particular in Articles L.821-27 to L.821-34 of the French Commercial Code and in the Code of Ethics for Statutory Auditors. When necessary, we engage in discussions with the Audit Committee regarding the risks that may impact our independence and the measures we have in place to mitigate them.

Lyon, April 23, 2024

The Statutory Auditors

PricewaterhouseCoopers Audit	**Mazars**
Michel Bouzigues	Séverine Hervet

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