

2012 First half financials and strategic update



September 2012

Agenda



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- **First half 2012 – Financial performance**
 - *Market evolution and Virbac growth levers*

Key points on first half 2012 (1/2)

- Steady growth of sales thanks to companion animal segment (+14.4% organic) especially in the US (Iverhart) and in Europe (CaniLeish vaccine in Southern Europe).
- Increased operating profitability before R&D: +0.7 point on EBIT ratio thanks to :
 - positive evolution of gross margin due to increase weight of CA products;
 - increase of operating expenses excluding R&D lower than sales increase.
- Increase of R&D expense ratio (0,6 point).
- Divestment of business in specialized channels in France.

Key points on first half 2012 (2/2)

- Good generation of operating cash-flow and control of working capital resulting in a sound financial situation and moderate level of net debt.
- Acquisition of Stockguard in New Zealand early July.

Sales evolution – First half 2012

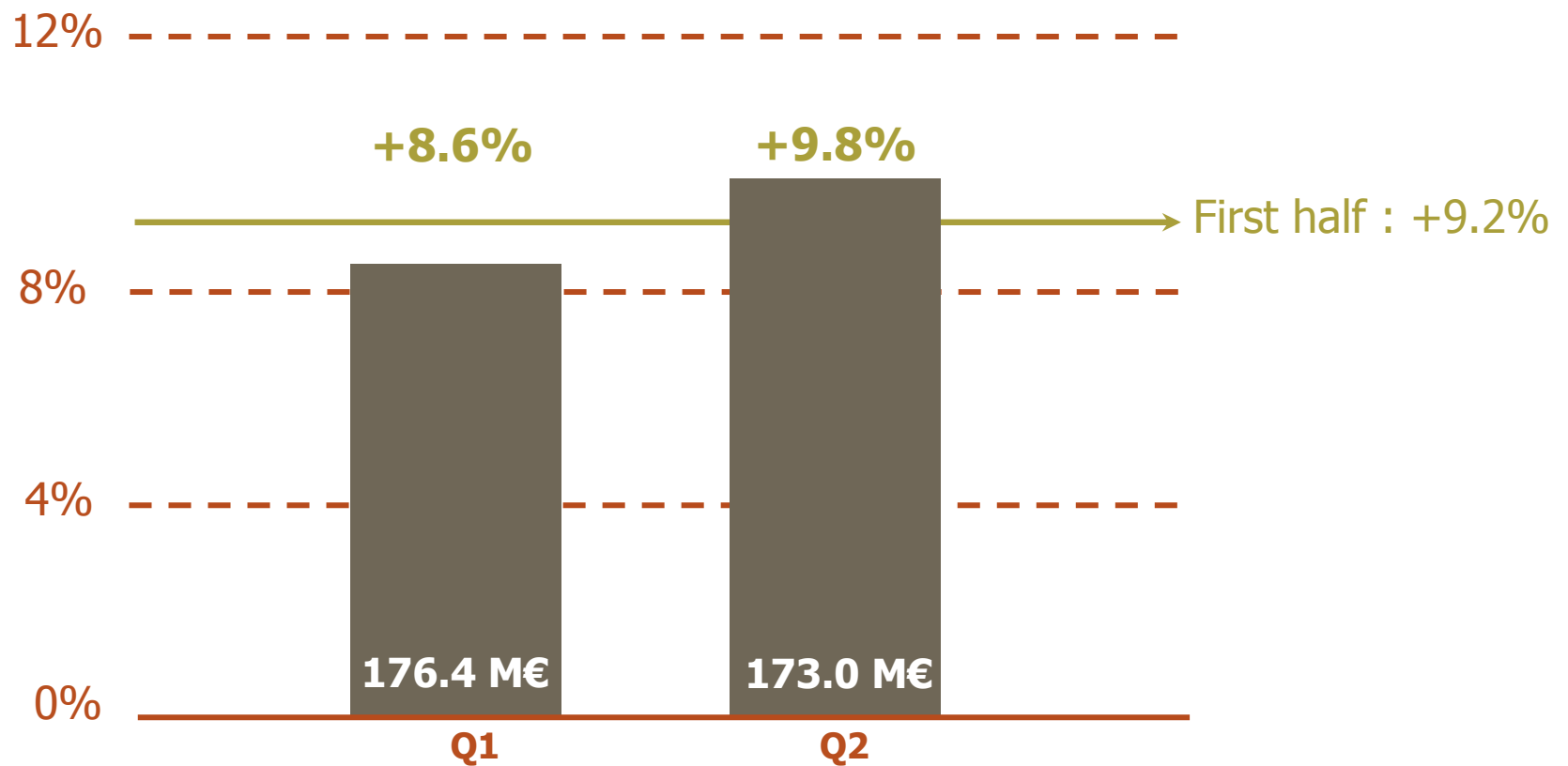


M€



2012 quarterly organic growth

First half 2012

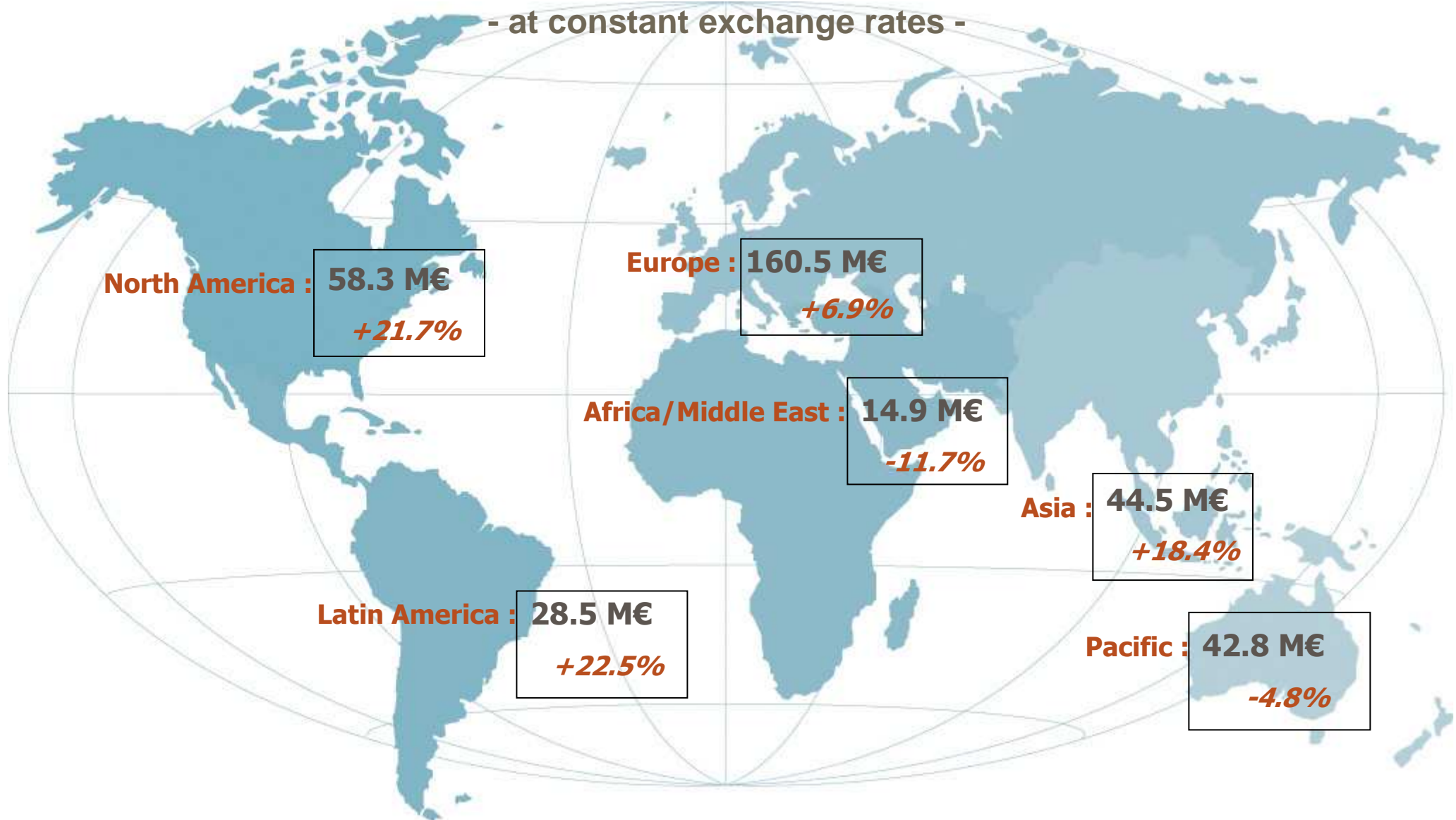


Sales growth by region



First half 2012

- at constant exchange rates -



Growth by segment – first half 2012



Companion animals

Businesses / Ranges	Net Revenue 2012 (M€)	Growth at constant rates						Organic growth					
		< - 5%	- 5% to 0%	0% to +5%	+5% to +10%	+10% to +15%	> 15%	< - 5%	- 5% to 0%	0% to +5%	+5% to +10%	+10% to +15%	> 15%
Companion Animals	216,3					13,9%						14,4%	
Parasiticides	67,4												17,7%
Biologicals	40,1												41,1%
Antibiotics/Dermatology	32,1					11,5%						11,9%	
Specialities	25,5			3,2%						3,2%			
Petfood	12,8				5,1%						5,9%		
Horses	12,3	-6,3%							-6,4%				
Others	26,3			3,8%						4,9%			

Growth by segment – First half 2012



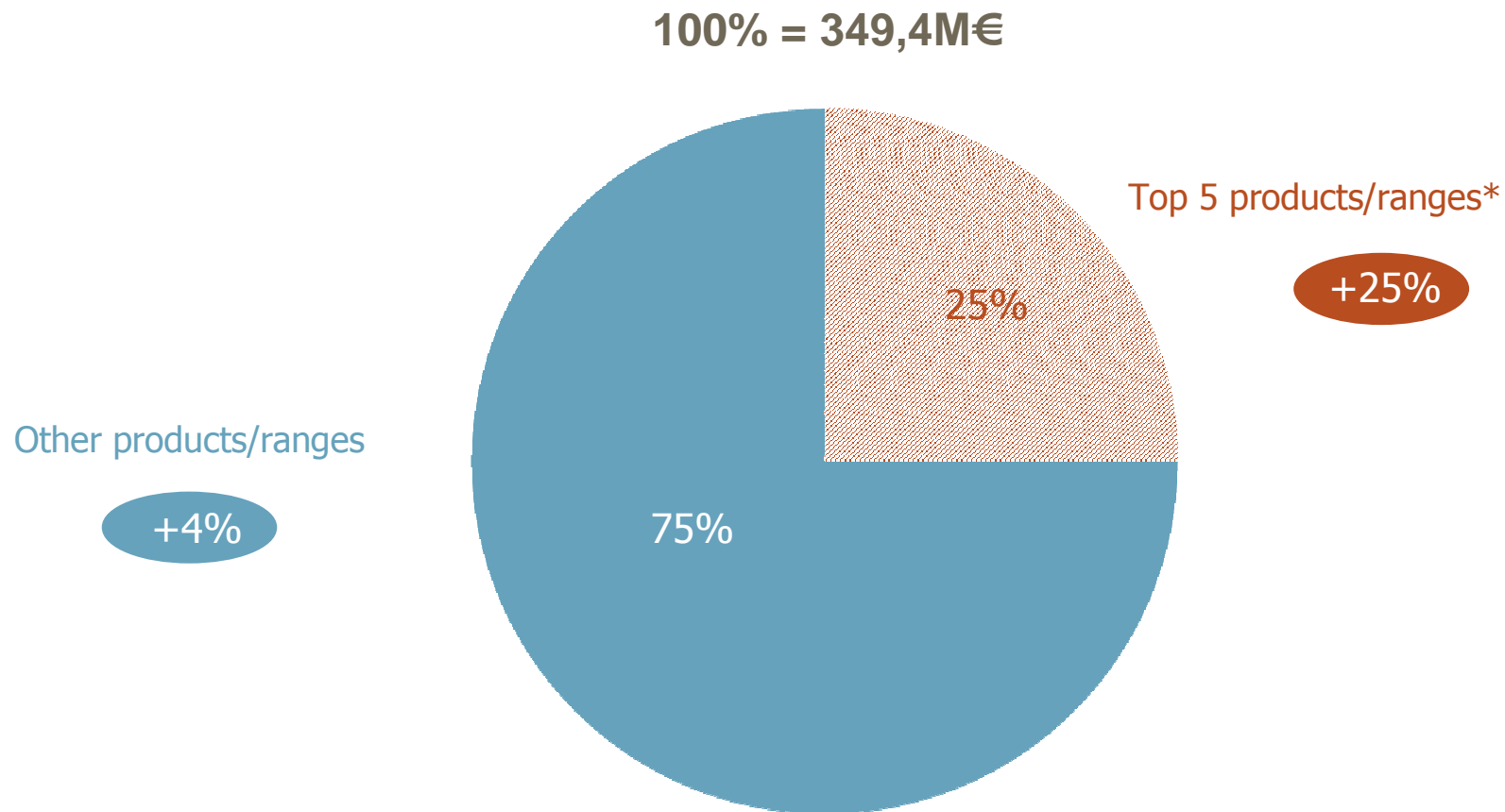
Food producing animals

Businesses / Ranges	Net Revenue 2012 (M€)	Growth at constant rates						Organic growth					
		< - 5%	- 5% to 0%	0% to +5%	+5% to +10%	+10% to +15%	> 15%	< - 5%	- 5% to 0%	0% to +5%	+5% to +10%	+10% to +15%	> 15%
Food Producing Animals	126,6			2,4%					2,2%				
Bovine parasiticides	24,1	-8,6%							-8,6%				
Bovine antibiotics	28,2		-0,5%						-0,5%				
Other bovine products	46,0				9,7%						9,3%		
Antibiotics swine/poultry	18,7			1,2%						1,2%			
Others	9,5					10,8%						10,8%	

Growing concentration of the product portfolio



1st half 2012



* Iverhart, Cydectin, Effipro, Canigen, Canileish

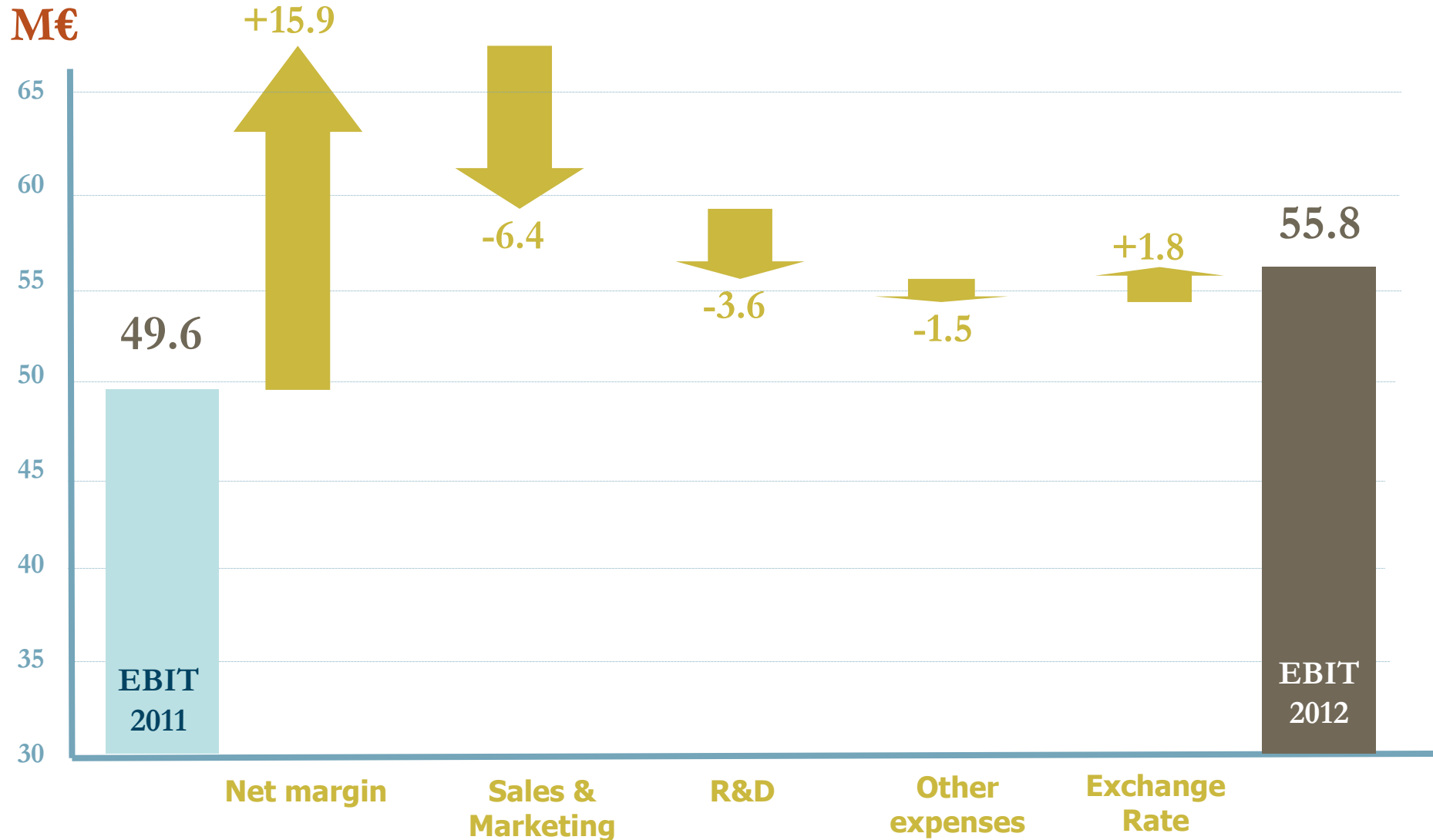
Consolidated profit & loss statement

30.06.2012



Million euros	2012	%	2011	%	% Var.
Net sales	349.4	100.0	314.5	100.0	+11.1%
Margin on material cost	240.7		217.1		+10.9%
Net operating expenses	184.9		167.5		+10.5%
Operating profit from ordinary activities	55.8	16.0	49.6	15.8	+12.3%
Non recurring profit	-1.1				
Operating profit	56.9	16.3	49.6	15.8	+14.6%
Net financial expenses	1.4	0.4	1.1	0.3	+30.1%
Income before tax	55.5	15.9	48.6	15.4	+14.3%
Income tax expense	17.2		15.6		+10.2%
Share in earnings - equity method	0.0		-0.1		-126.2%
Net profit of consolidated entities	38.3	11.0	33.1	10.5	+15.9%
Minority interests	0.4		0.5		-15.5%
Net Profit – Group's Share	37.9	10.9	32.6	10.4	+16.4%
Profit per share	4.50€		3.76€		+19.8%

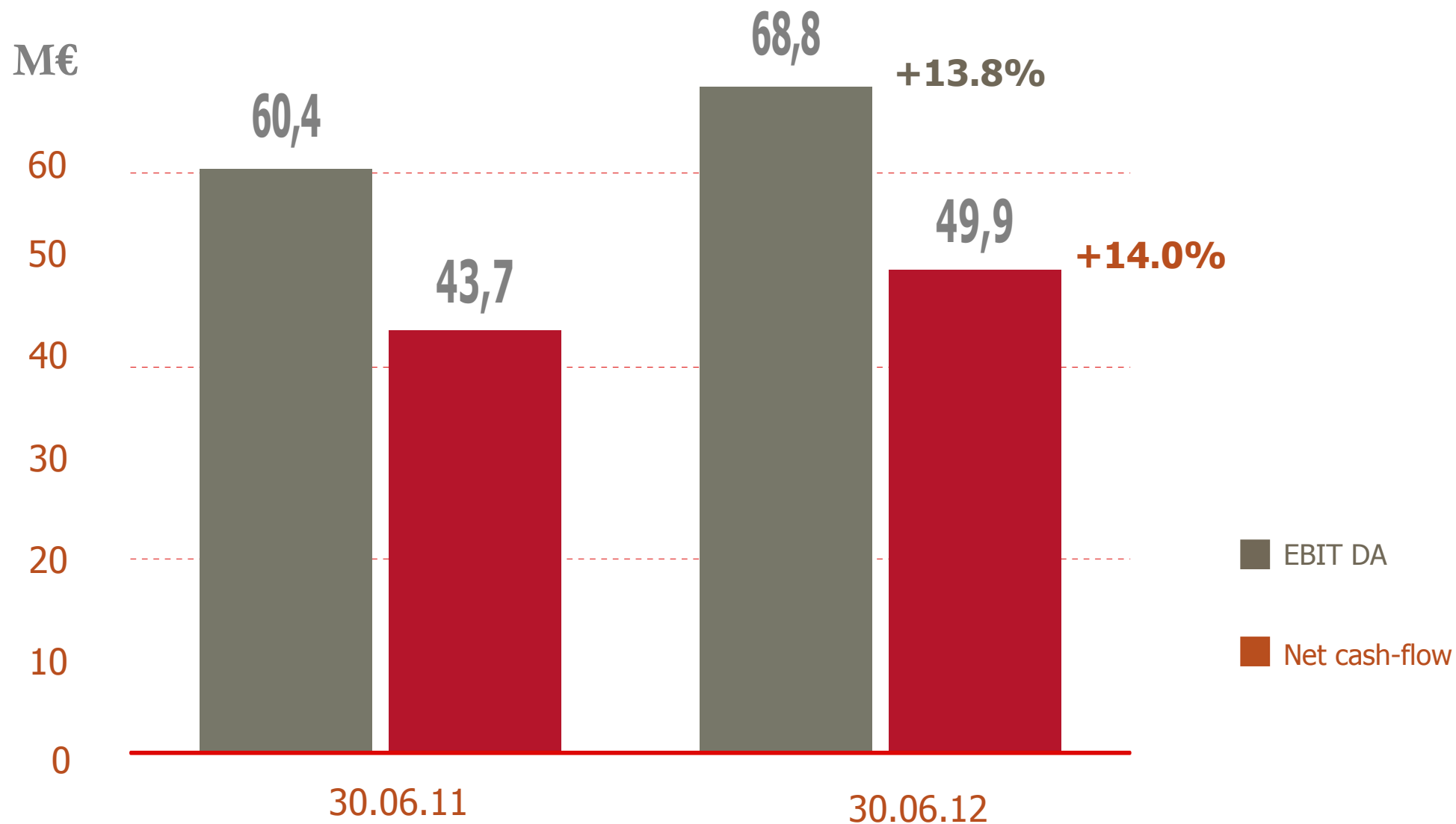
Breakdown of EBIT growth in first half 2012



Evolution of cash-flow



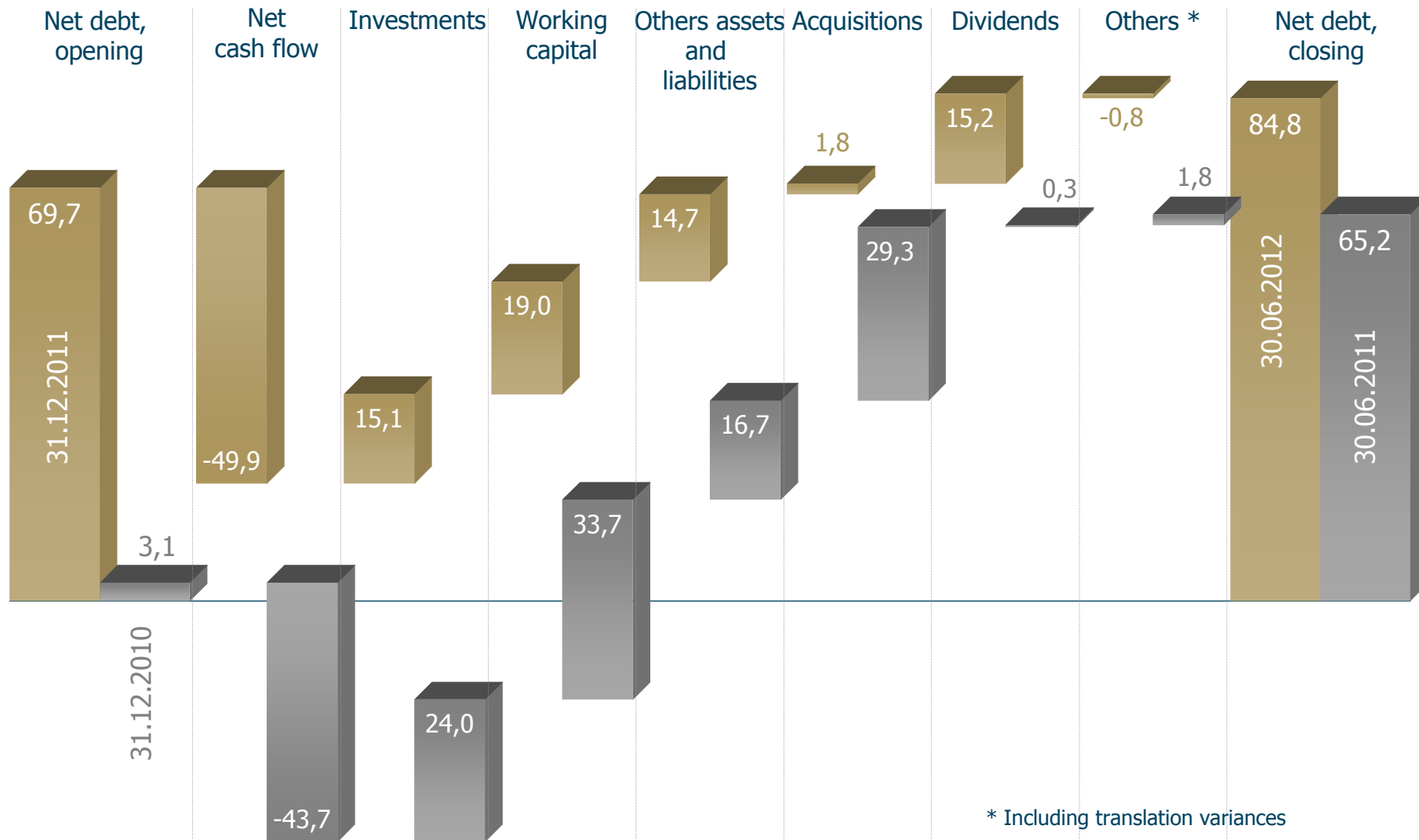
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Evolution of net debt



Million €

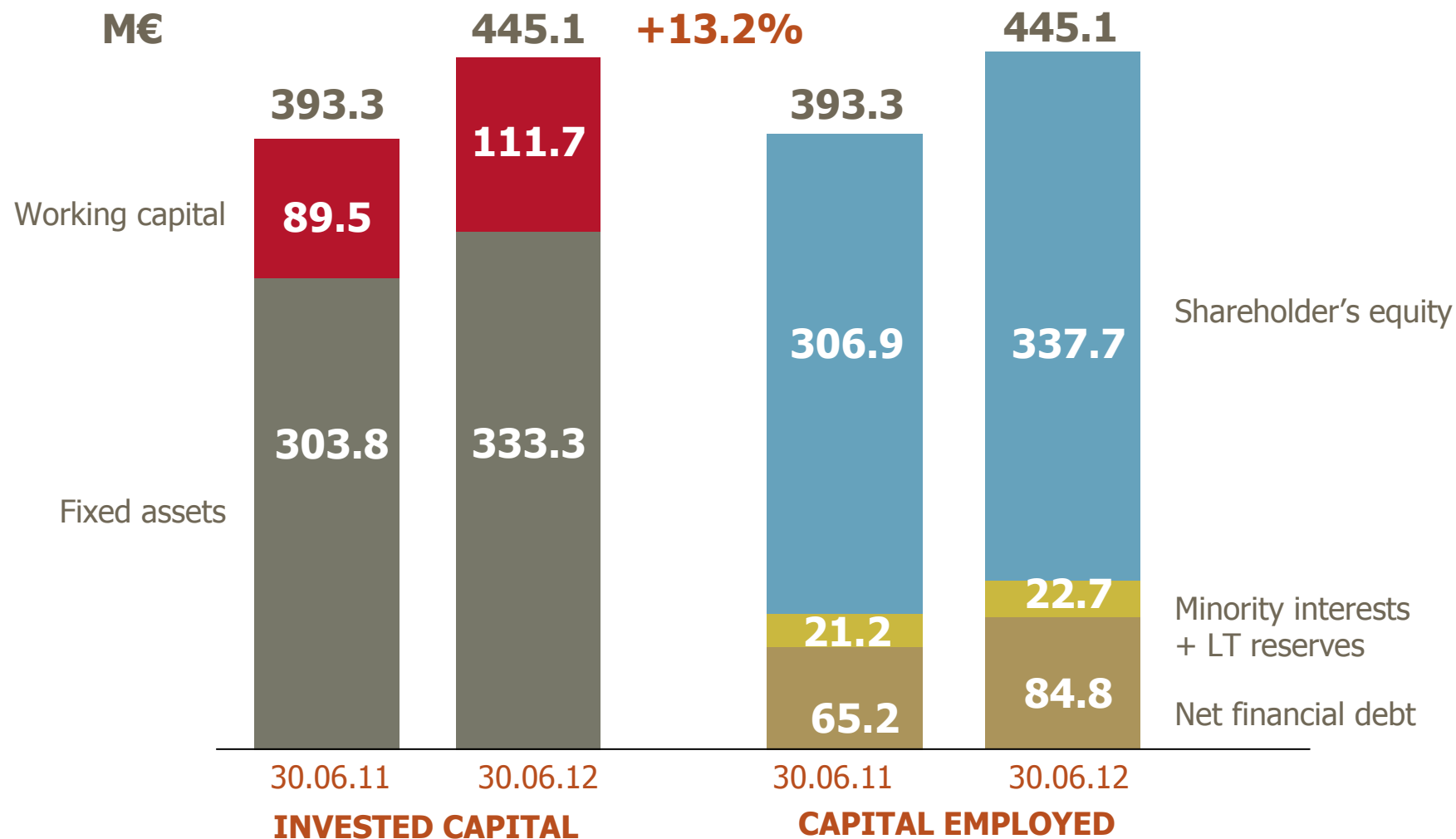


* Including translation variances

Balance sheet analysis



30.06.2012



Balance sheet – financial ratios



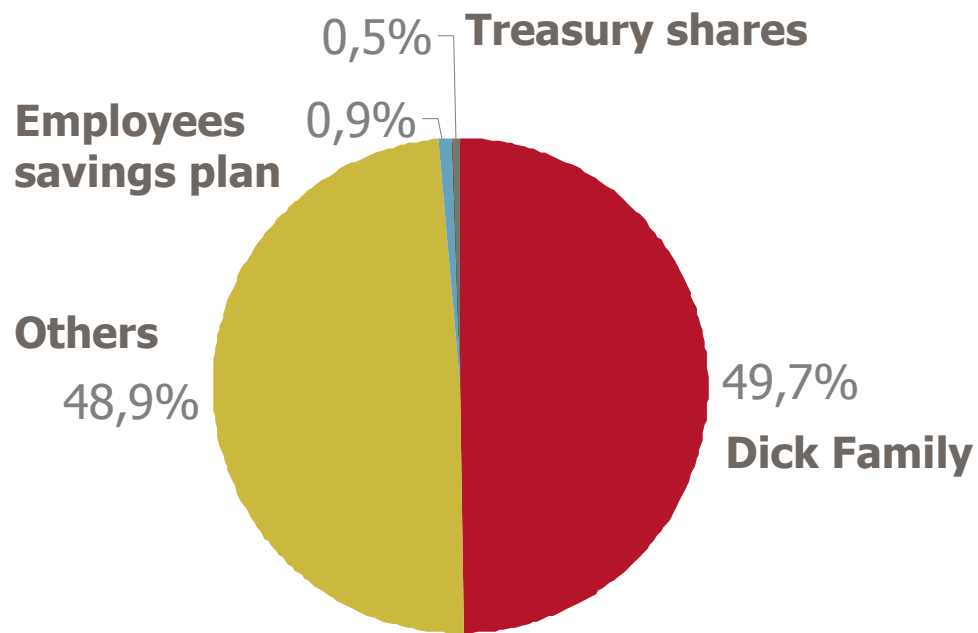
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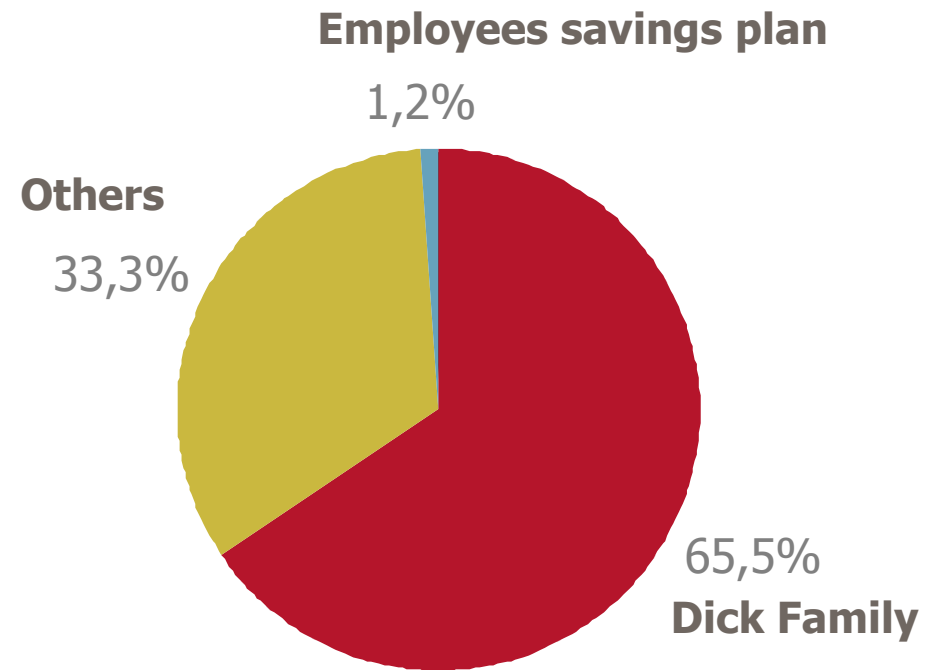
Shareholding

Number of shares : 8 458 000

Breakdown February 2012 (after cancellation of shares)



In shares



In voting rights

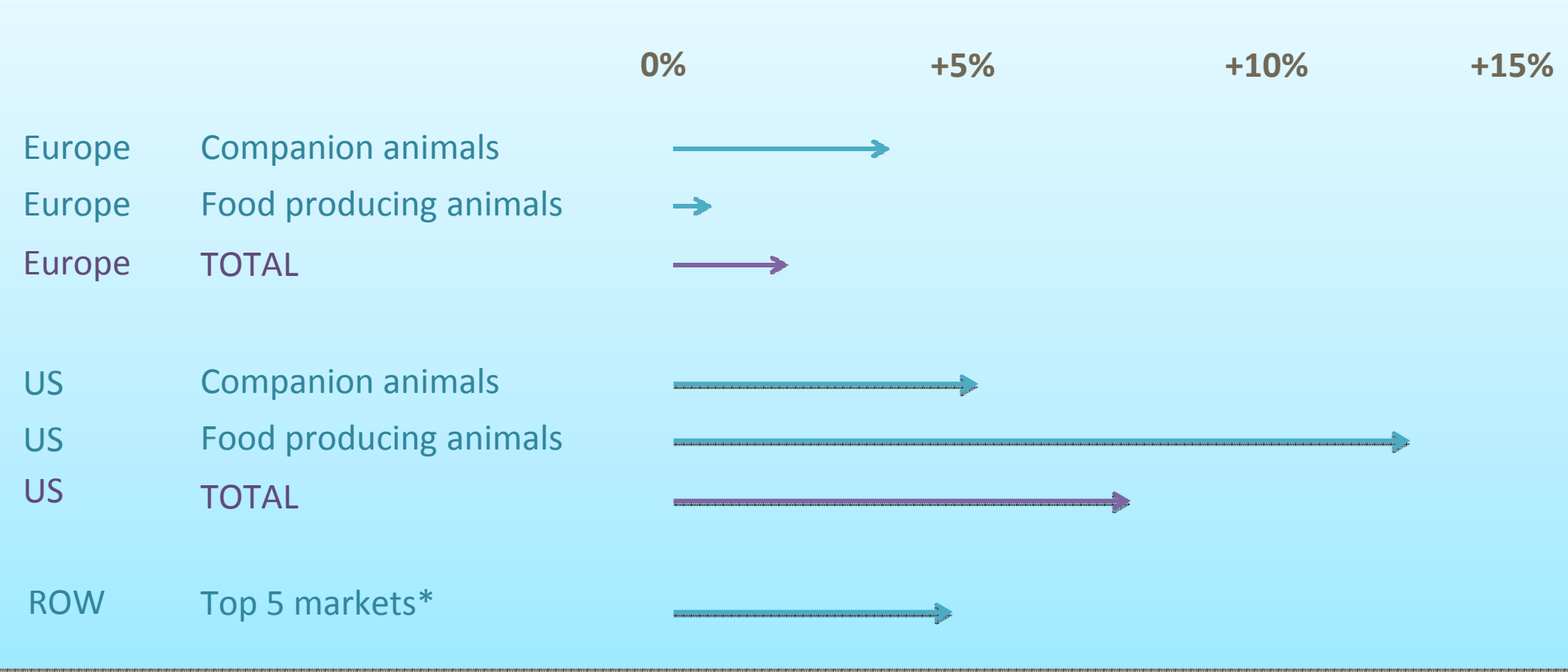
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- *First half 2012 – Financial performance*
 - **Market evolution and Virbac growth levers**

Estimates of market growth

1st half 2012



* Brazil, Mexico, Australia, China, Japan

Market share gains and losses in top markets



1st half 2012

EUROPE

France	+
Germany	- / =
Spain	+++
Italy	++
UK	+

Companion animals	++
Food producing animals	- / =

OUTSIDE OF EUROPE

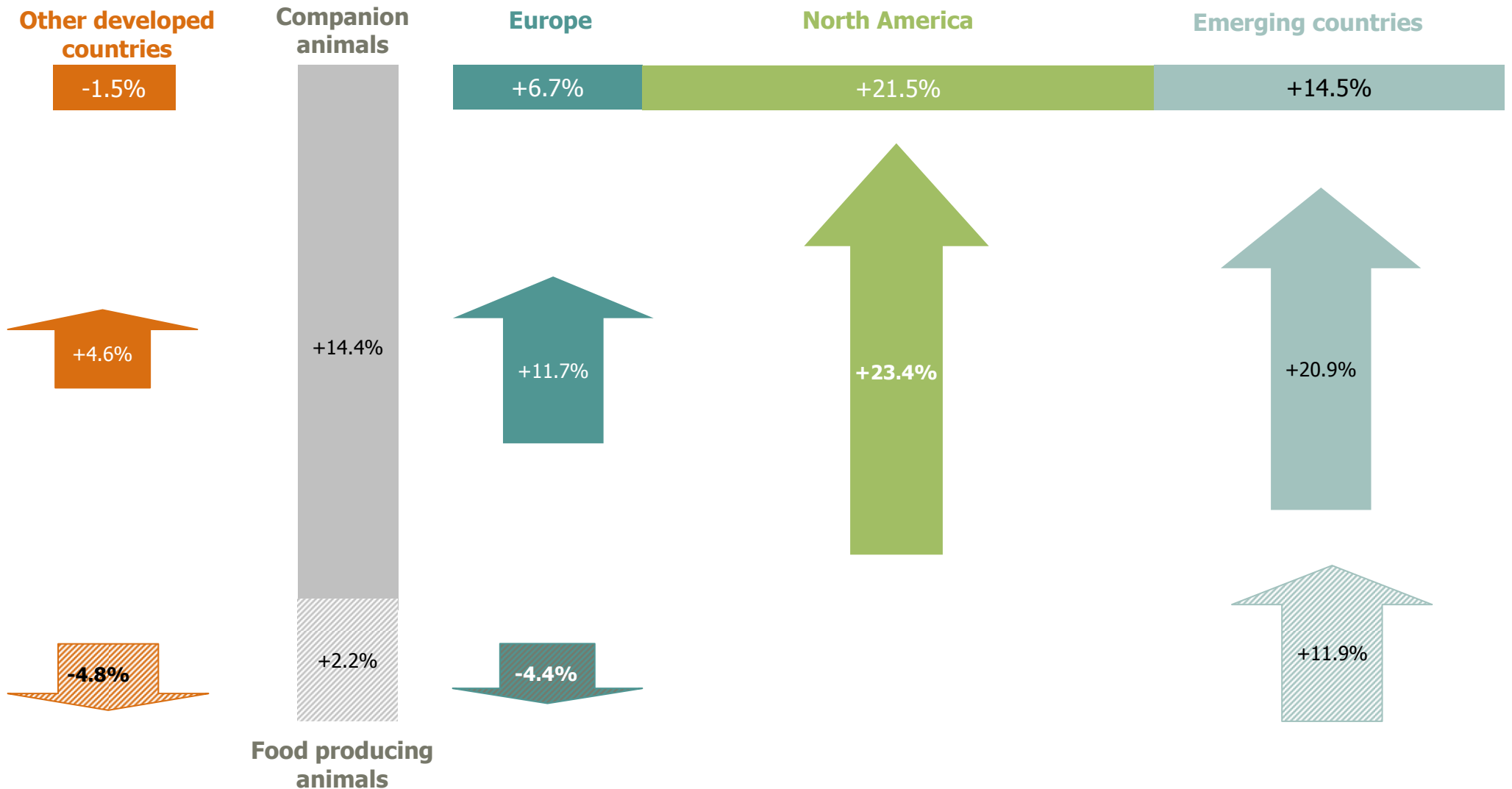
US	++
Australia	-
India	=
Mexico	+
Brazil	++
Japan	++

Growth relative to market

-	or	+	less than 10%
--	or	++	10% to 30%
---	or	+++	more than 30%

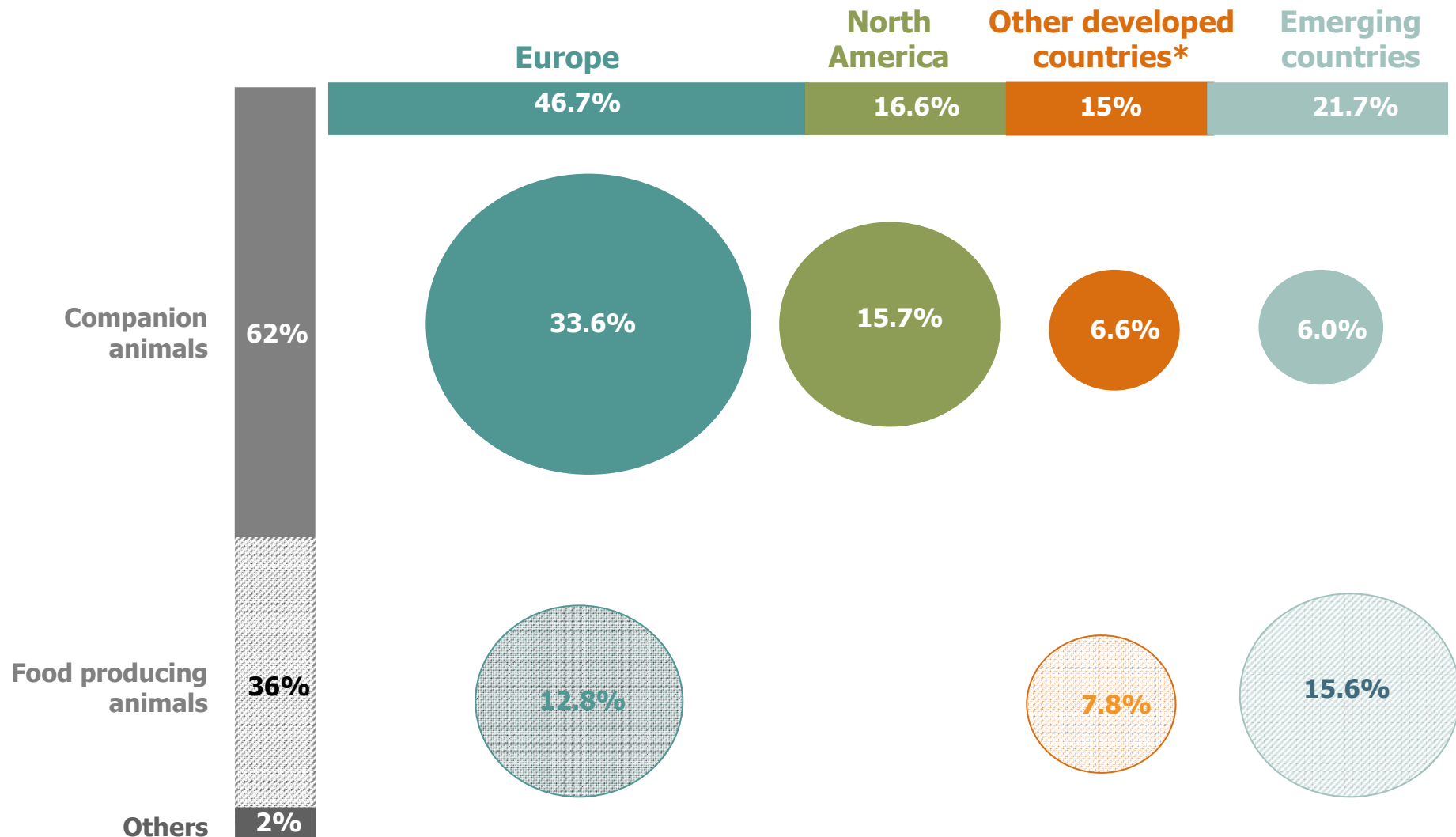
Growth rates per segment (proforma at constant rates)

- YTD June 2012



Sales breakdown by region and business

- YTD June 2012



* Australia, New Zealand, Japan, Korea

Europe



KEYS FACTS

- Substantial growth in companion animals, essentially due to the successful rollout of the CaniLeish vaccine. On track to reach the 2012 forecast of 15m€ (i.e. 12% of the European Dog Vaccine market);
- Effipro share maintained in spite of launch of three Fipronil based products by major competitors (combined market share less than 25% of Effipro).

SHORT TERM PERSPECTIVES

- Lower growth in the second part of the year.

US



KEYS FACTS

- Substantial market share gain in the heartworm market, due to a competitor's plant closure ;
- Good launch of Easotic, in line with expectations ;
- Disappointing launch of Effitix, due to distribution lock out by major competitor (exclusivity contracts, not challenged by FTC after initial investigation).

SHORT TERM PERSPECTIVES

- Positive trend on Iverhart share should continue till year end ;
- Some plans underway to capitalize on the Effitix technology and get some business from the flea and tick market ;
- Positive impact of sales force expansion.

KEYS FACTS

- Solid growth in emerging markets, in spite of less buoyant market growth (Brazil, Mexico, South Africa ...) and Japan (catch up of 2011 and launch of new products) ;
- Slight decline in Australia (market slowdown and slow start of the year due to strong demand by distributors at the end of 2011).

SHORT TERM PERSPECTIVES

- Solid growth overall (improvement in Australia, solid growth in India and Brazil...) ;
- Positive impact of Stockguard acquisition ;
- Other acquisitions projects fairly advanced.

Acquisition/ Divestment



- Acquisition of Stockguard in New Zealand
 - Intramammaries, injectable antibacterials, reproduction, vitamin and trace elements products for dairy cattle and sheep
 - Strengthening of Virbac's position on the dairy cattle market in New Zealand and further opportunities for future expansion in this segment in the other regions of the world.
 - Closing : July 2nd
 - Full year impact: Sales of 6 M€ with around 40% EBIT ratio.
 - Cash consideration: MNZD 43.9 (27.4M€) of which MNZD 6.0 earn out.
- Divestment of Virbac business in OTC channels in May 2012
 - Impact in 2012: - 3.5 M€ of sales, - 0.3 M€ EBIT recurring. Non recurring profit of 1.1 M€.
 - 2013 full year impact: around 5 M€ in sales. 0 EBIT

Mid term perspectives

2013

A softer organic growth likely :

- Global economic situation, especially in Europe
- Limited growth perspectives for Iverhart (competitor's re-entry) and CaniLeish (one injection in year 2 for existing customers)
- Lower level of new product launches

but

- Impact of life cycle management (full potential of existing products still to be captured, especially those recently launched)
- Initiatives in the US parasiticide market
- Growth in emerging markets
- Impact of potential acquisitions

2014

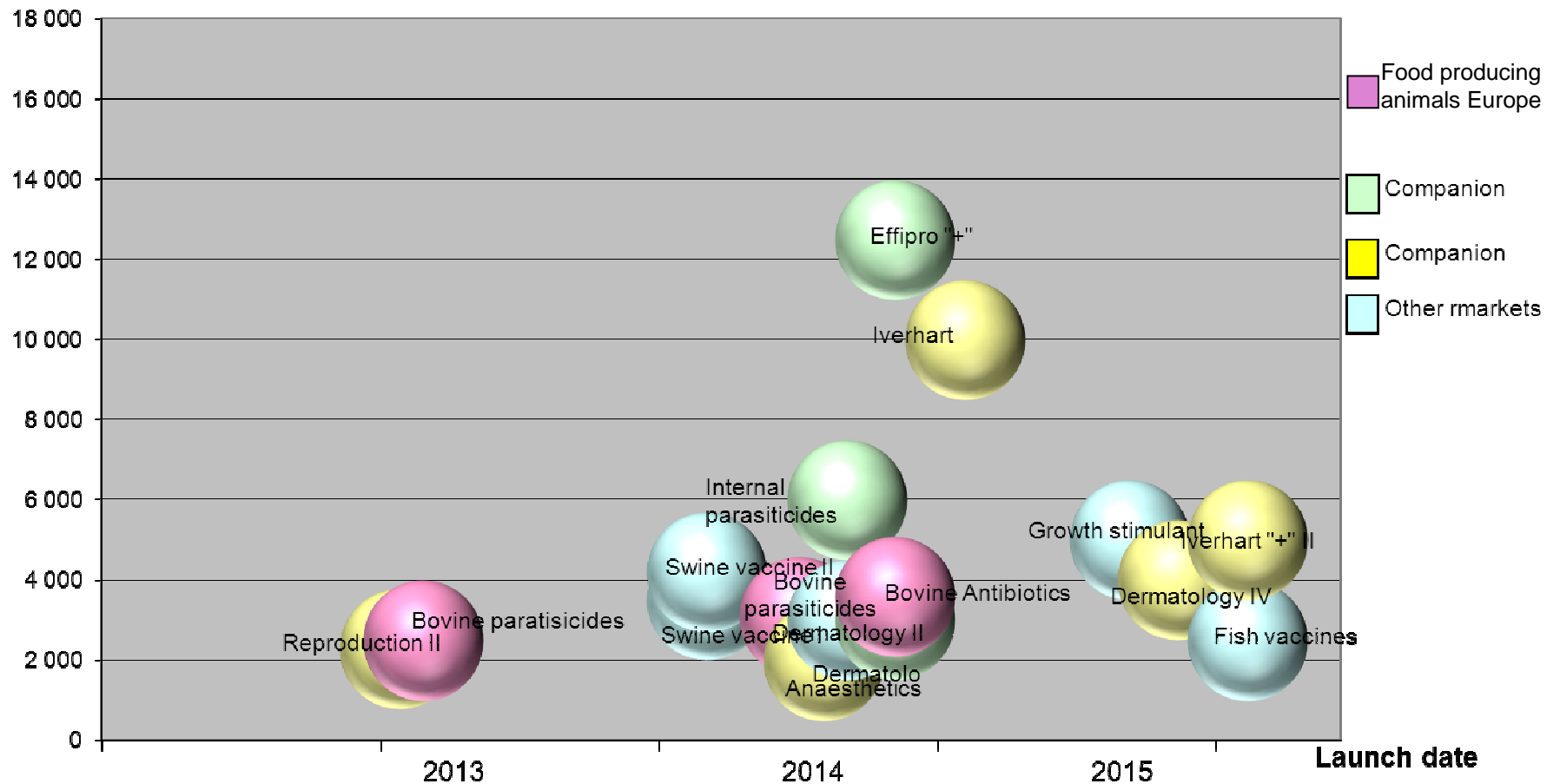
- Stronger perspectives offered by the innovation pipe line

Main projects in development

September 2012



Peak Sales (K€)



Disclaimer

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www.virbac.com.

Thank you for your attention

