



2013 First Half Financials and Strategic Update

September 2013



Agenda

- **First half of 2013 – Financial performance**
- *Market evolution and Virbac growth levers*



First half of 2013 – Key points (1/2)

- Low trends in general in the Animal Health market during this first half (fewer pathologies due to weather conditions ; economic situation in Europe, ...)
- Virbac revenues and profit negatively impacted by 3 factors:
 - Decrease of Canileish sales in Europe due to launch effect in 2012 (3 injections in the first year vs. 1 repeat injection as from year 2)
 - Voluntary withdrawal of Iverhart Plus in the US ; sales temporarily stopped and Iverhart Max promoted as an alternative offer)
 - Exchange rates less favourable than in 2012
- New increase of R&D spending : +11.5% or 0.9 point at constant perimeter



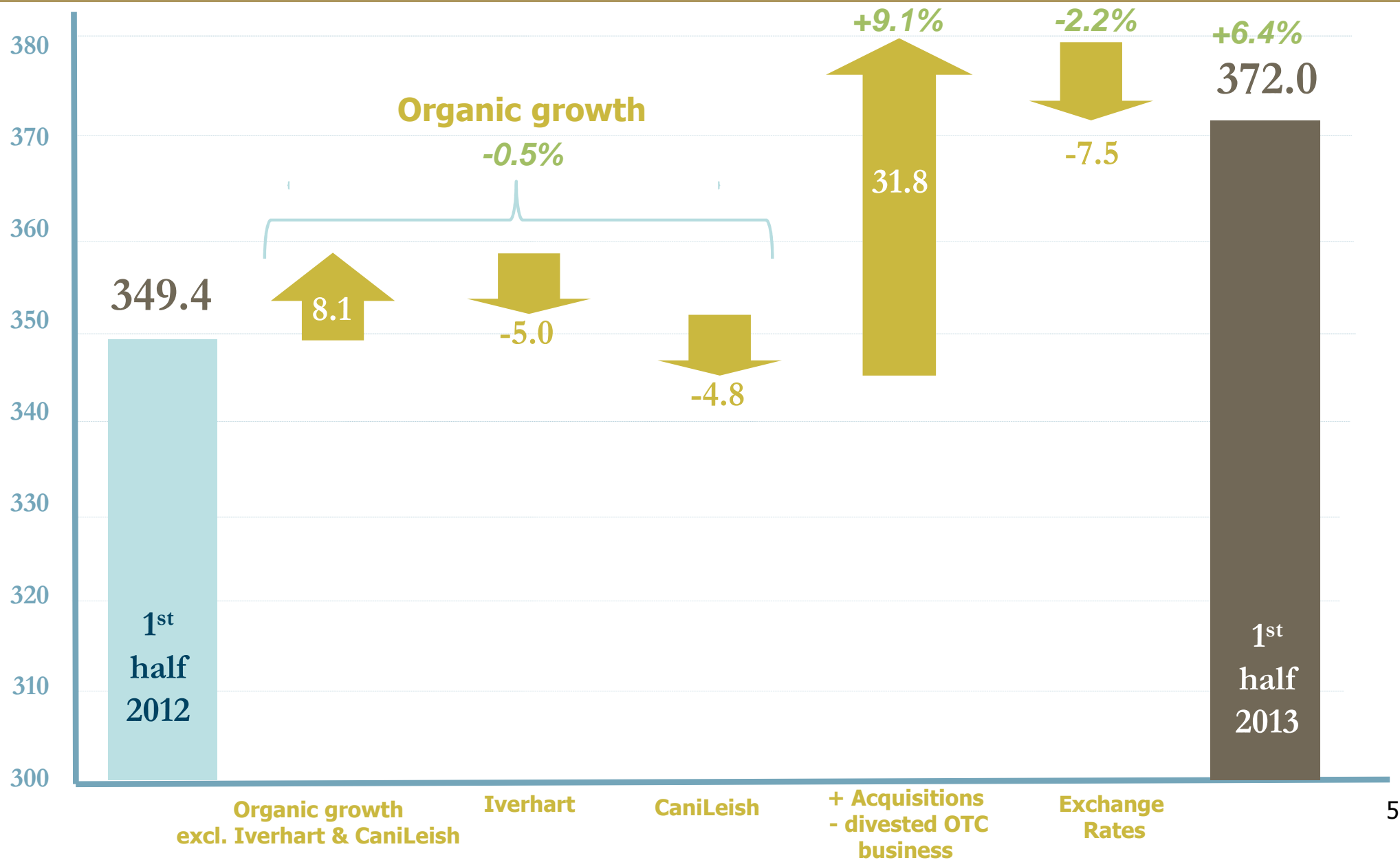
First half of 2013 – Key points (2/2)

- These impacts have been compensated by a significant contribution of last year acquisitions, principally Centroviet (Chile)
- Increase of debt due to second instalment on Centroviet acquisition + ongoing CAPEX projects + seasonal increase of working capital



Sales evolution – First half of 2013

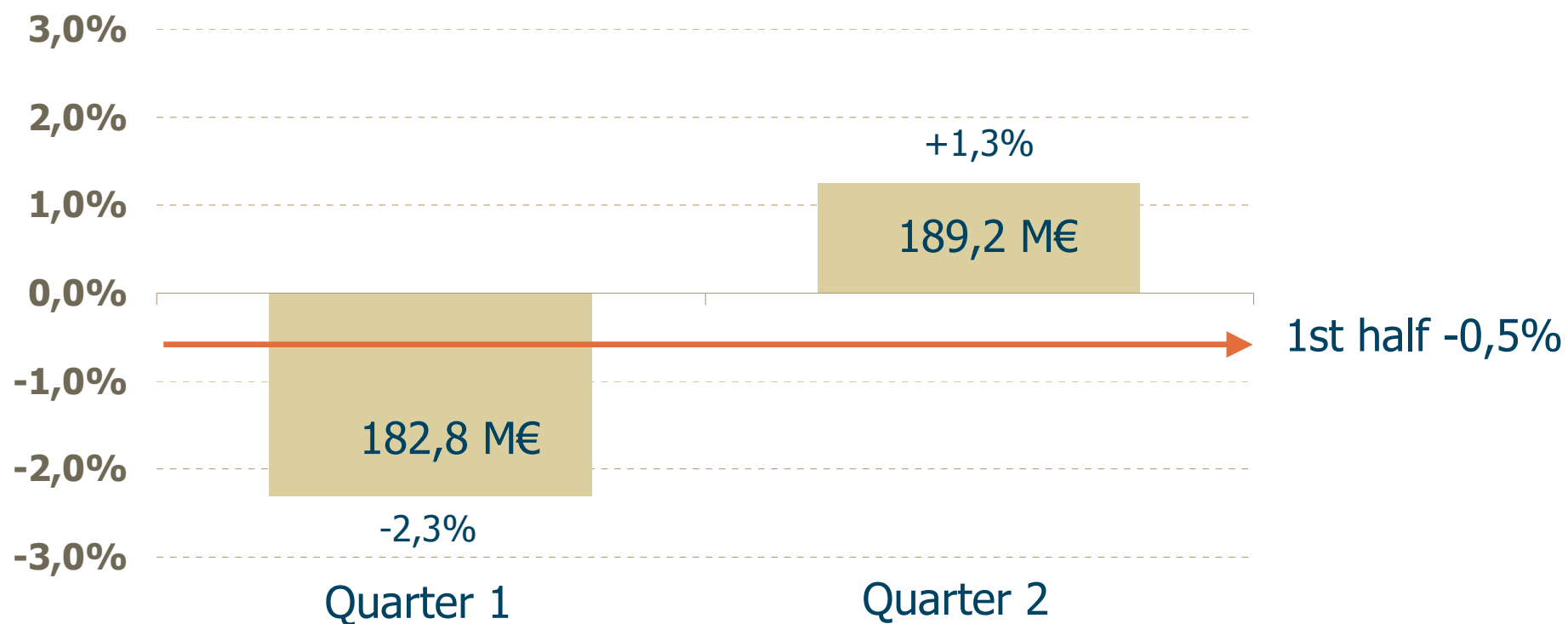
M€





2013 quarterly organic growth

First half of 2013

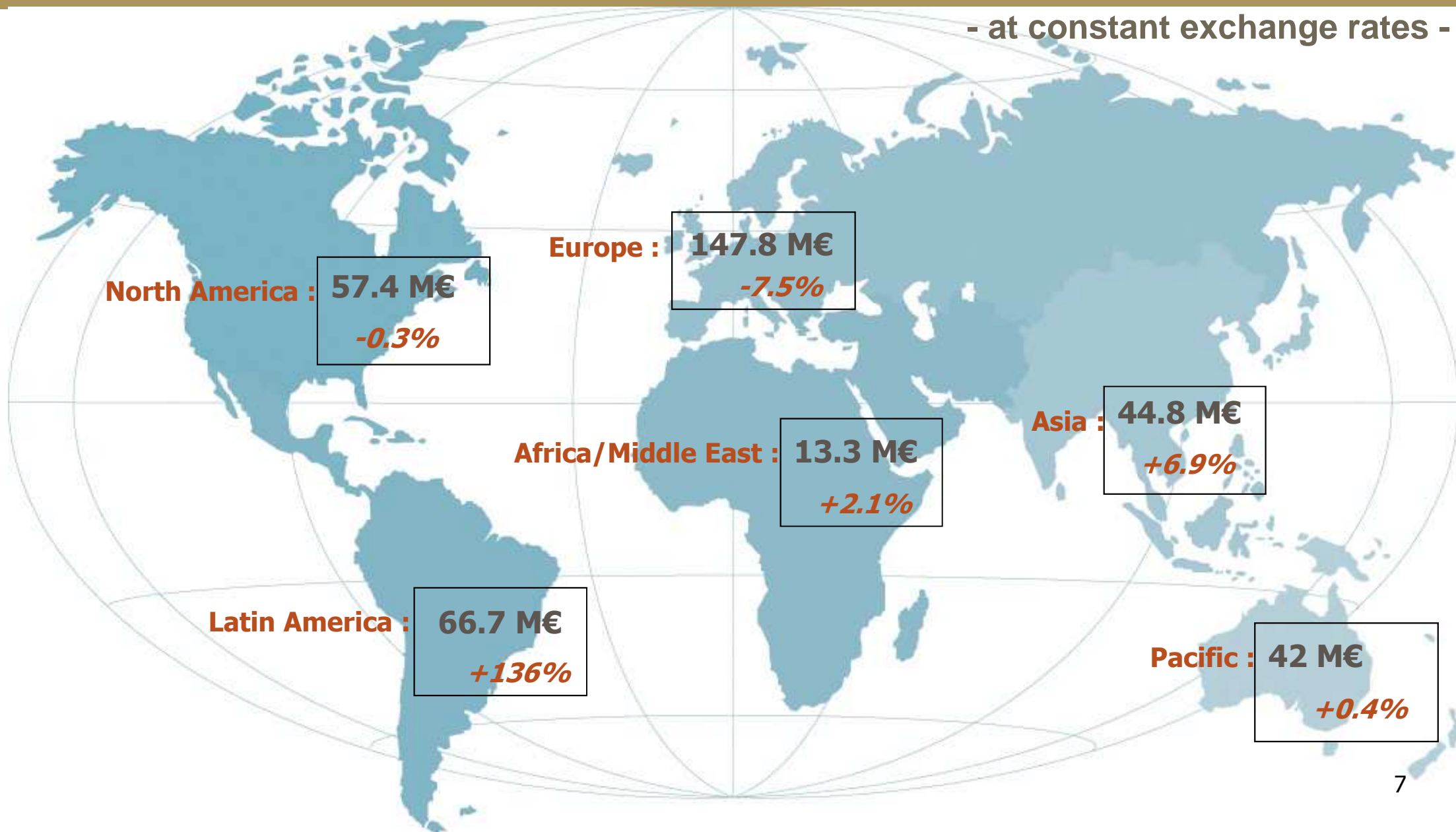




Sales growth by region

First half of 2013

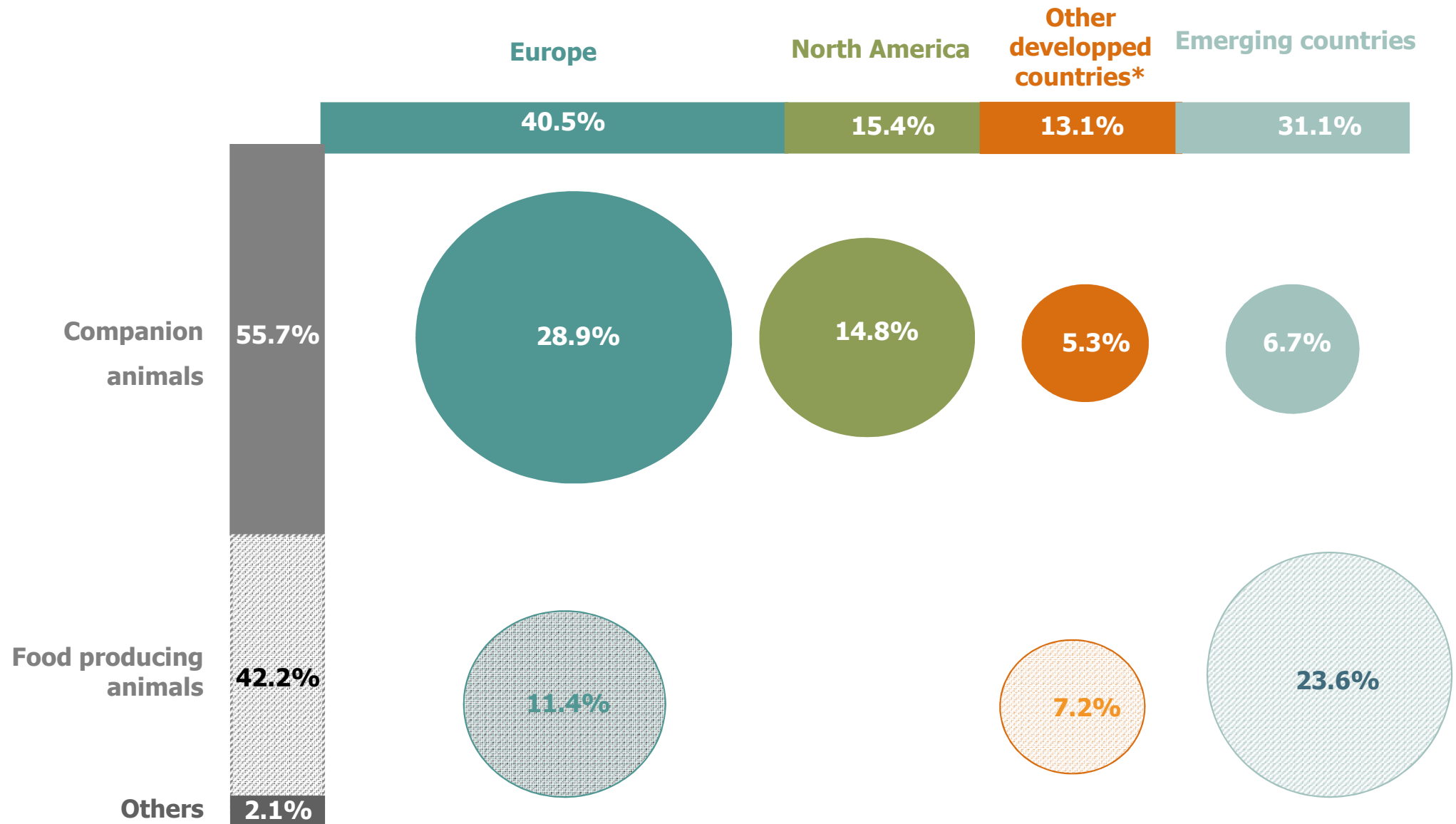
- at constant exchange rates -





Sales breakdown by region and business

First half of 2013





Growth by segment – first half of 2013

Companion animals

Businesses / Ranges	Net Revenue 2013 (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	207,2		-2,8%						-0,5%				
Parasiticides	60,8	-8,8%							-3,2%				
Biologicals	35,8	-9,6%						-9,6%					
Antibiotics/Dermatology	32,5			4,8%							5,5%		
Specialities	26,5				5,6%						5,3%		
Petfood	13,0			2,8%							6,0%		
Horses	12,4		-0,1%						-0,4%				
Others	26,1			1,8%						4,1%			



Growth by segment – First half of 2013

Food producing animals

Businesses / Ranges	Net Revenue 2013 (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	157,0						27,4%		0,5%				
Bovine parasiticides	22,5			0,5%					-1,0%				
Bovine antibiotics	28,7				5,0%				-0,7%				
Other bovine products	48,2				5,7%					4,6%			
Antibiotics swine/poultry	20,5					12,4%		-5,6%					
Other swine/poultry	10,8						37,0%		-1,6%				
Aquaculture	26,3						x 20				7,8%		



Consolidated profit & loss statement

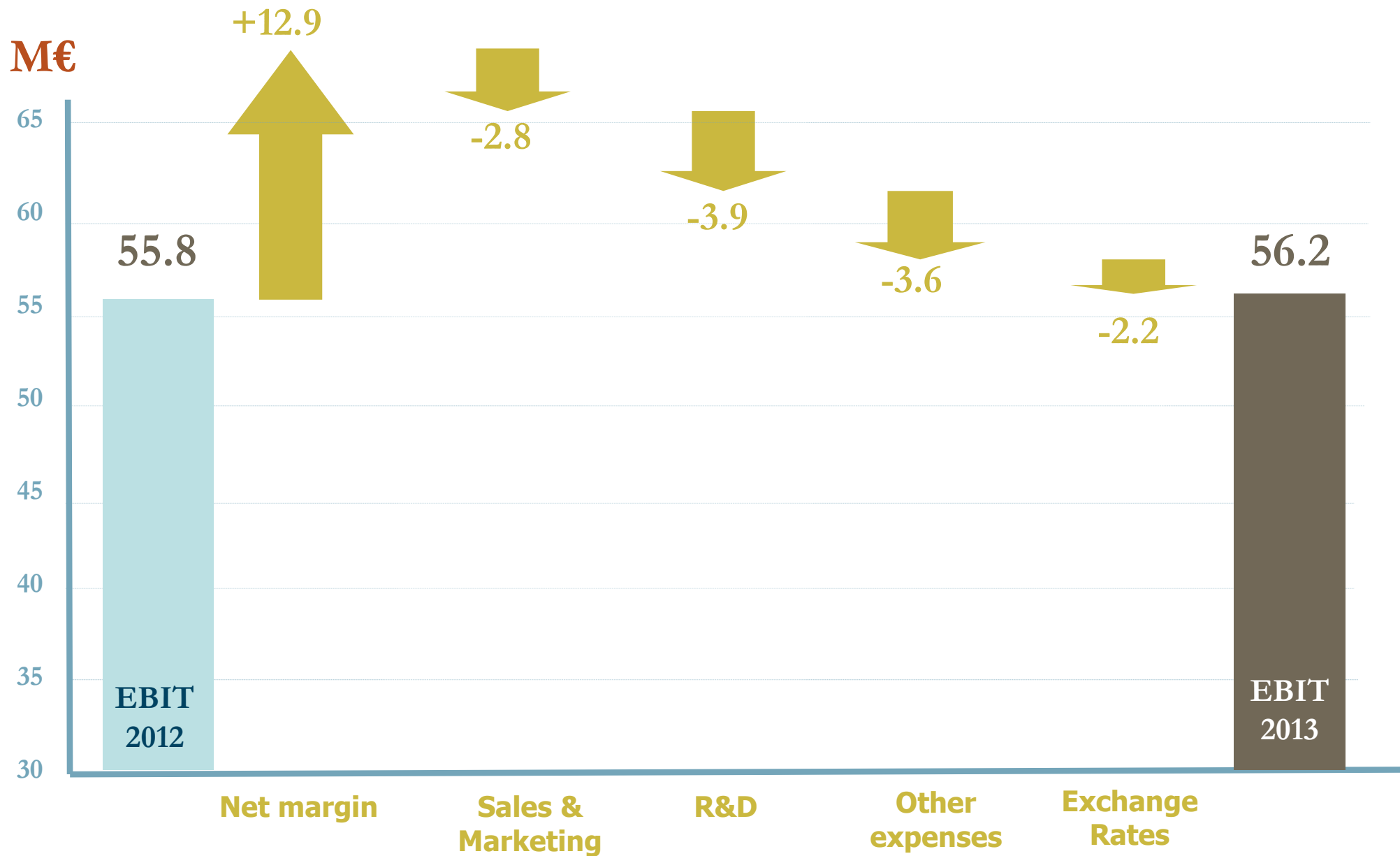
First half of 2013

Million euros	2013	%	2012	%	% Var.
Net sales	372.0	100.0	349.4	100.0	+6.4%
Margin on material cost	256.0		240.7		+6.4%
Net operating expenses	199.8		184.9		+8.0%
Operating profit from ordinary activities	56.2		55.8		+0.8%
Non recurring (profit) or loss	1.8		(1.1)		
Operating profit	54.4		56.9		-4.4%
Net financial expenses	2.9		1.4		
Income before tax	51.5		55.5		-7.2%
Income tax expense	14.9		17.2		-13.2%
Share in earnings - equity method	0.3		-		
Net profit of consolidated entities	36.3		38.3		-5.2%
Minority interests	3.7		0.4		-15.5%
Net Profit – Group's Share	32.6		37.9		-14.0%
Profit per share	3.87€		4.50€		-14.0%



Breakdown of EBIT growth

First half of 2013





Breakdown of EBIT growth

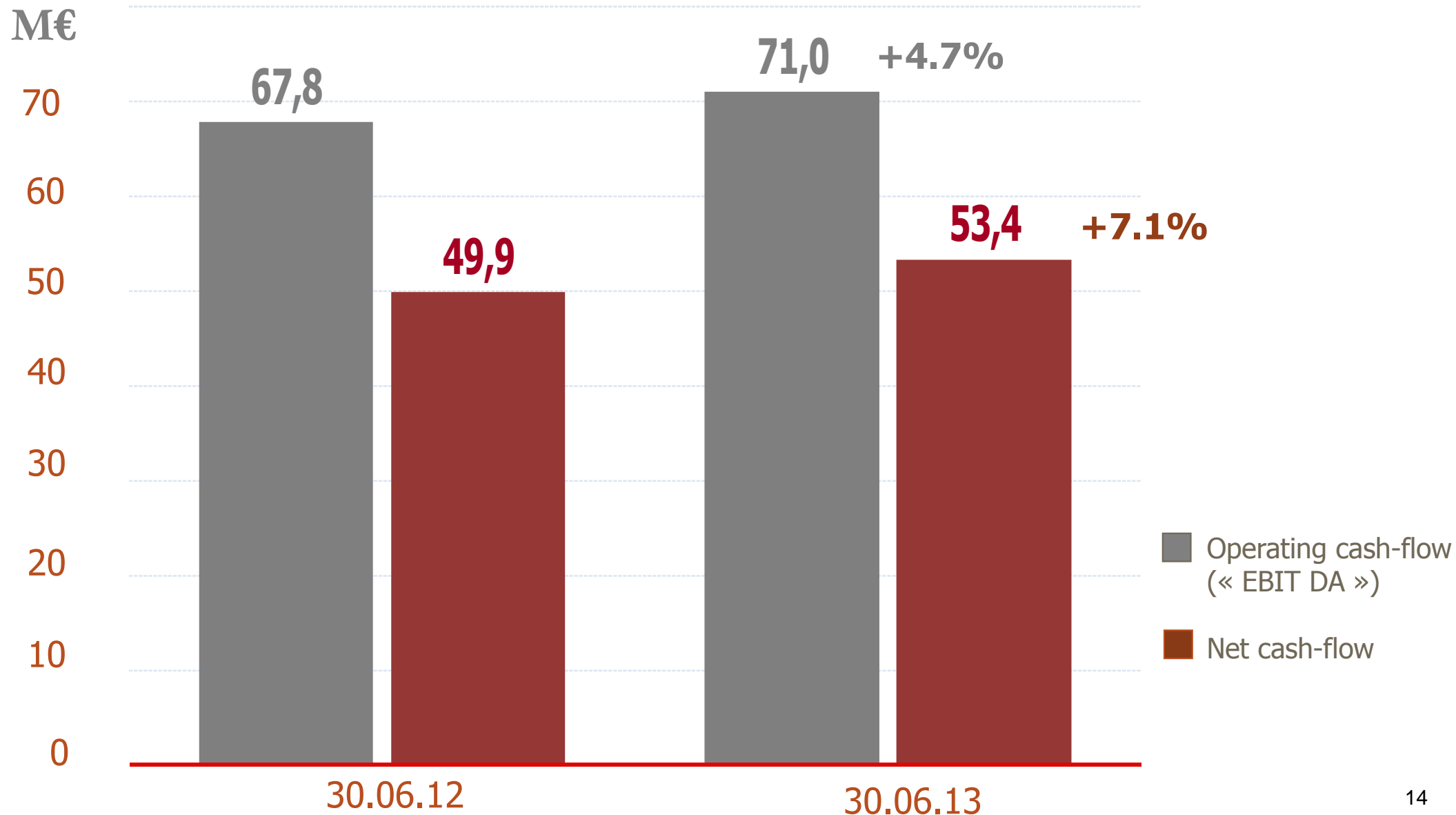
First half of 2013





Evolution of cash-flow

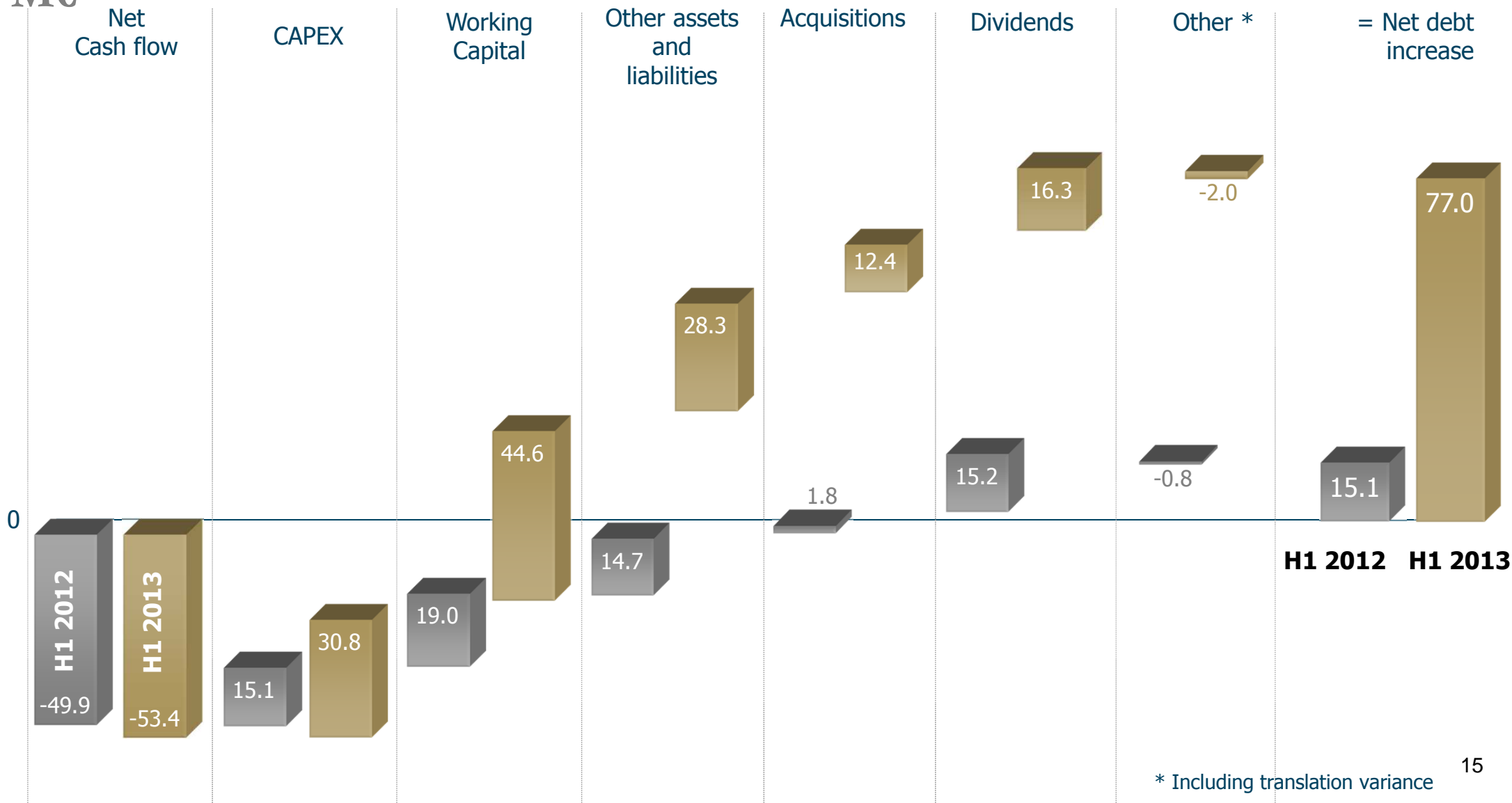
First half of 2013





Evolution of net debt

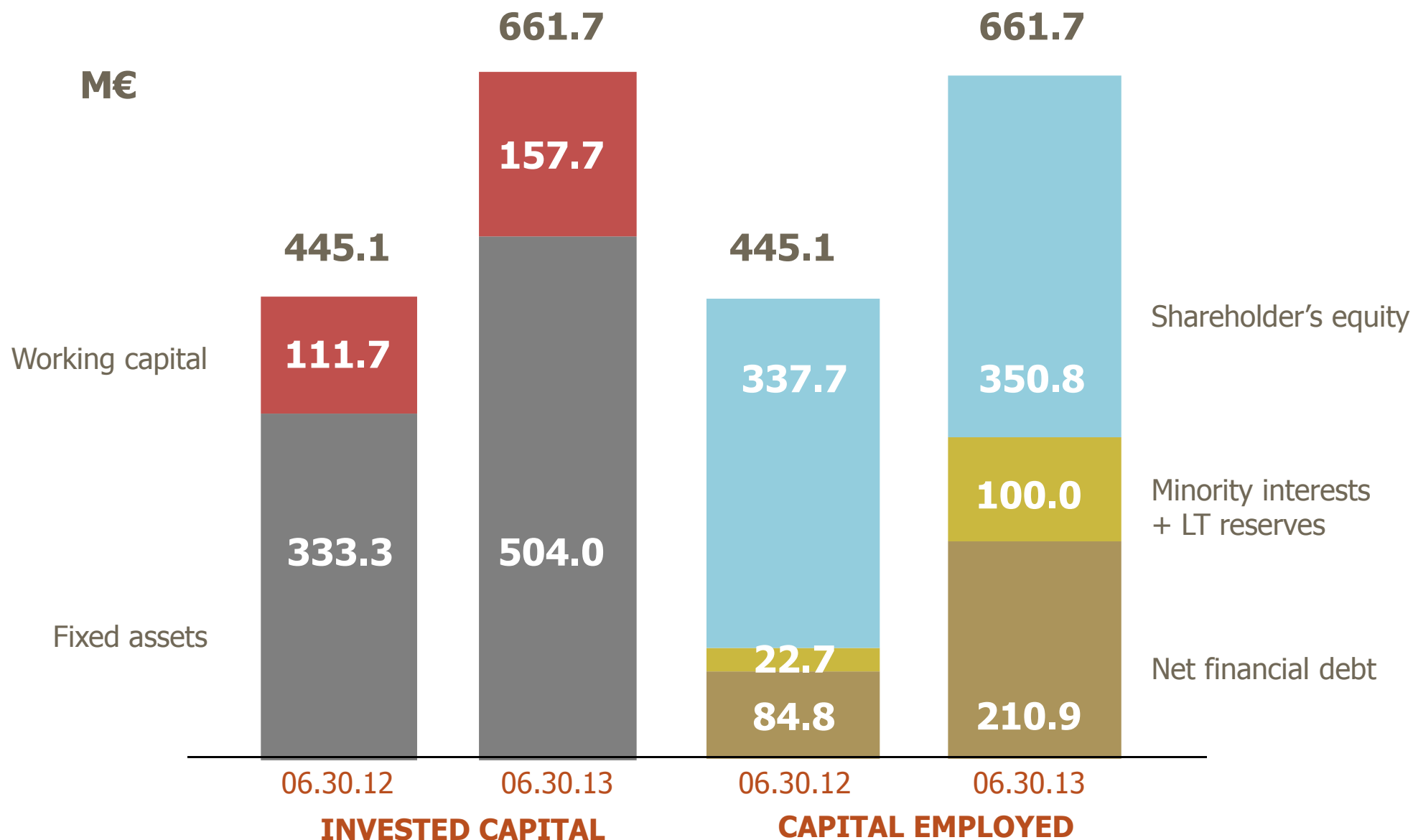
M€





Balance sheet analysis

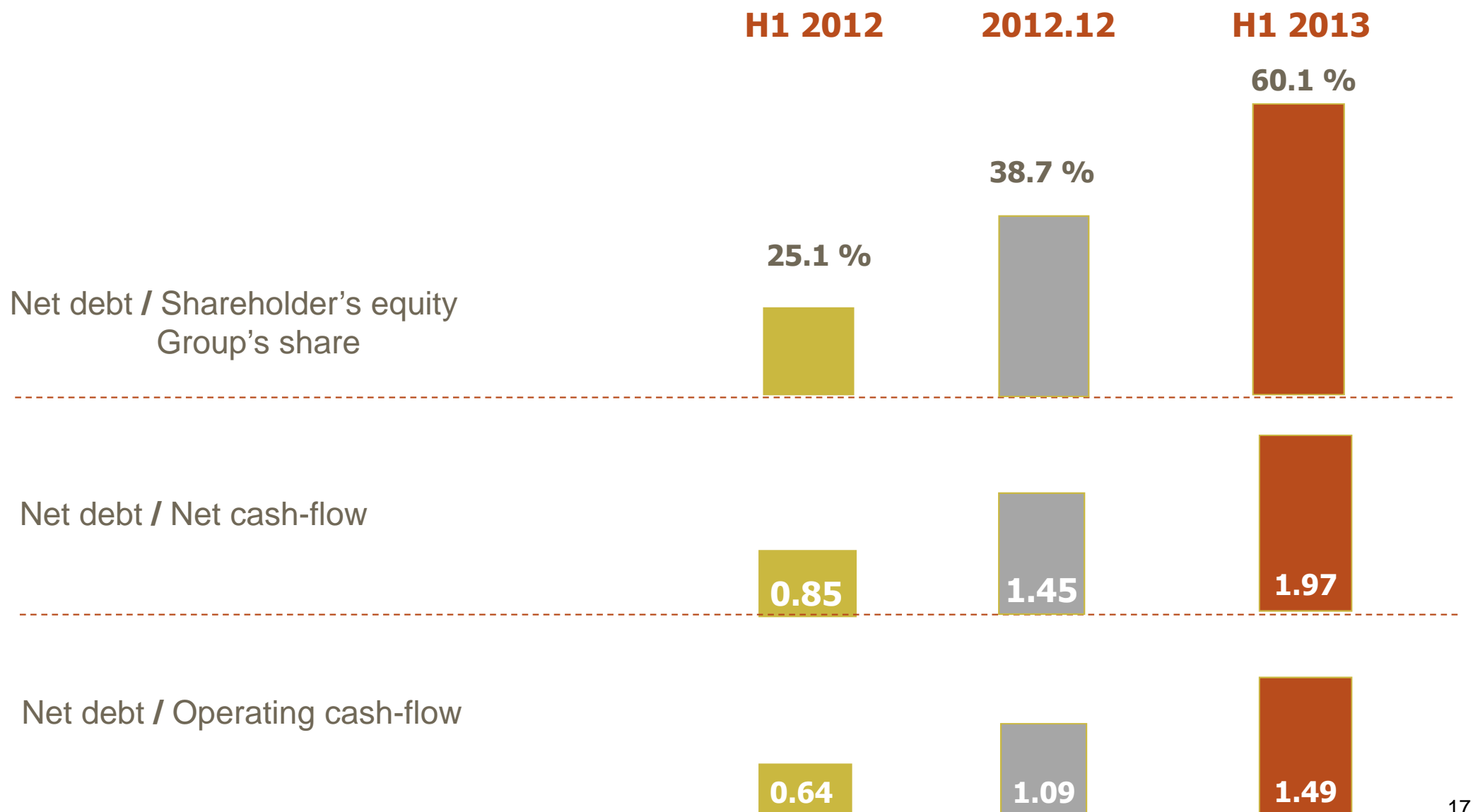
First half of 2013





Balance sheet – financial ratios

First half of 2013

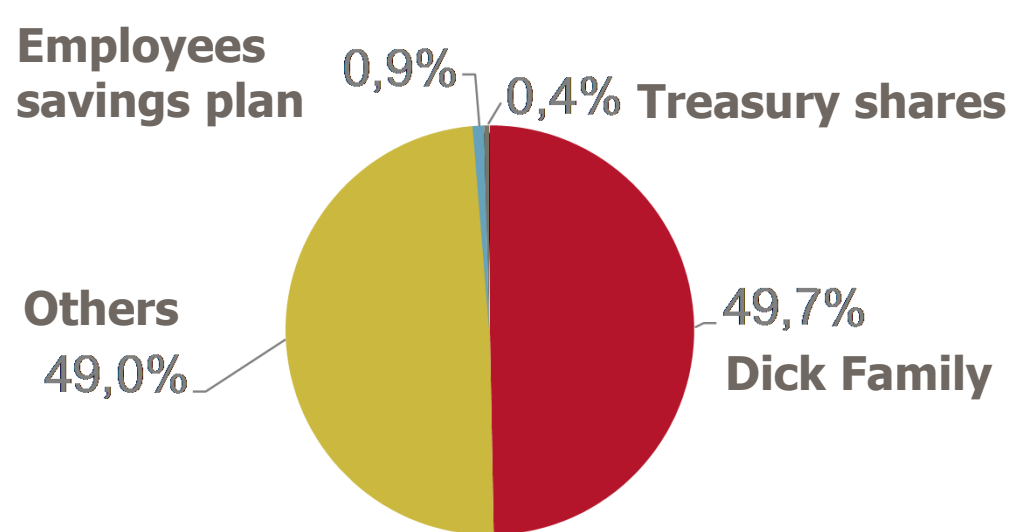




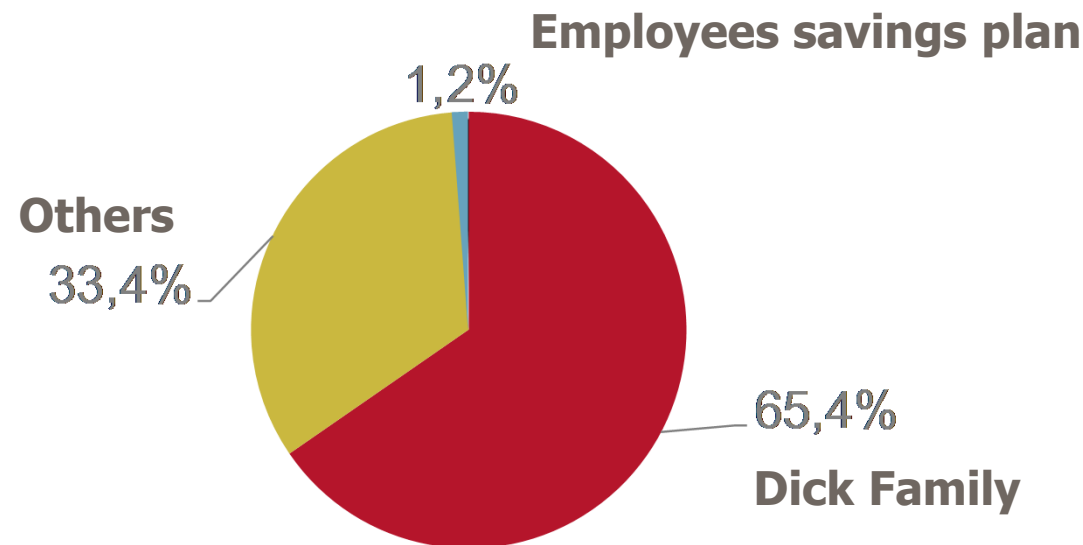
Shareholding

Number of shares : 8 458 000

Breakdown as of June 2013



In shares



In voting rights



Agenda

- *First half of 2013 – Financial performance*
- **Market evolution and Virbac growth levers**



Reasons for the relatively weak performance of the first half

- Factors not specific to Virbac
 - Weak markets
 - Currency impact
- Factors specific to Virbac
 - Iverhart in the US
 - CaniLeish in Europe
 - No launch of significant new product



Animal health market growth

First half of 2013

Q2

YTD

Market



Virbac reported (\$)



Virbac proforma (\$)

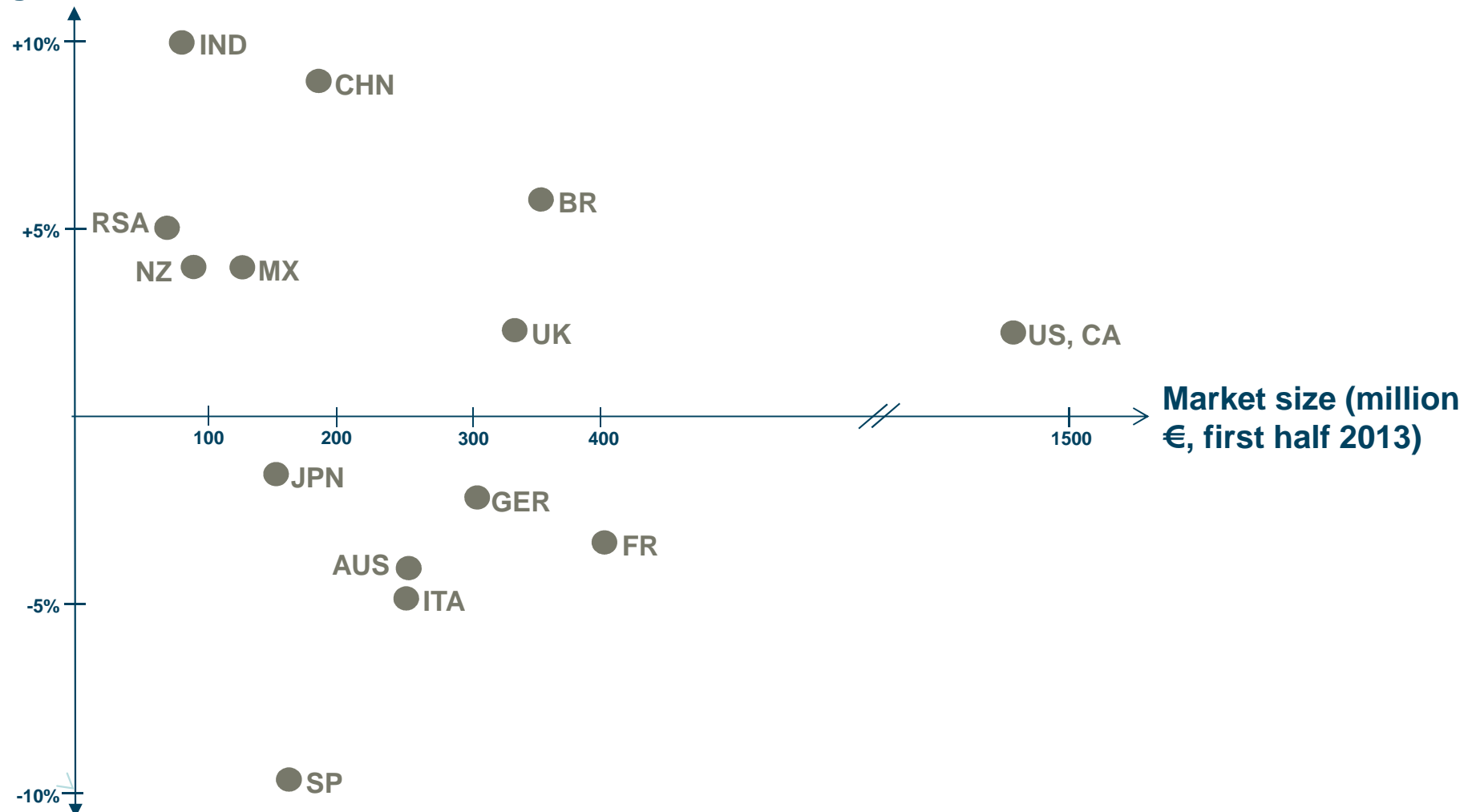




Evolution of key selected markets

First half of 2013

Change vs HY 2012





Virbac market shares gains and losses in the first half of 2013





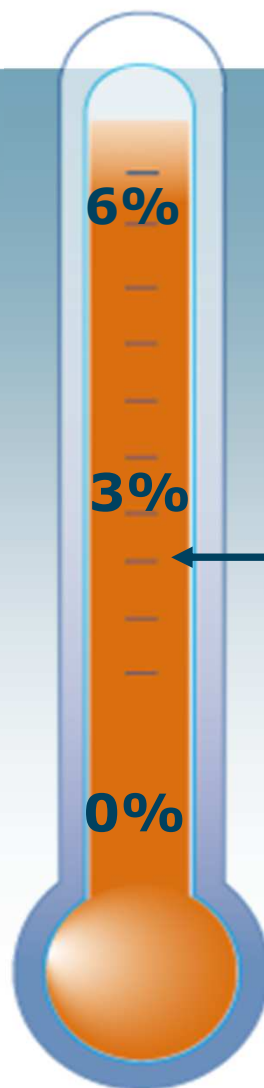
2013 Growth perspectives

(real terms)

by geography



Row	5.9%
Far East	5.2%
E. Europe	3.8%
L. America	3.1%
N. America	2.4%
W. Europe	0.5%

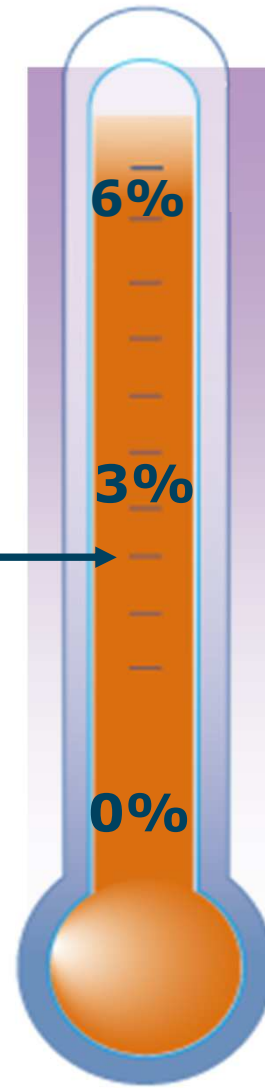


Average
2.7%



by category

4.1%	Biology
3.6%	Other pharma.
3.2%	Medical feed additives
1.9%	Anti-infectives
1%	Parasiticides





Growth perspectives (2)

(real terms)

by species



Pigs 4.5%

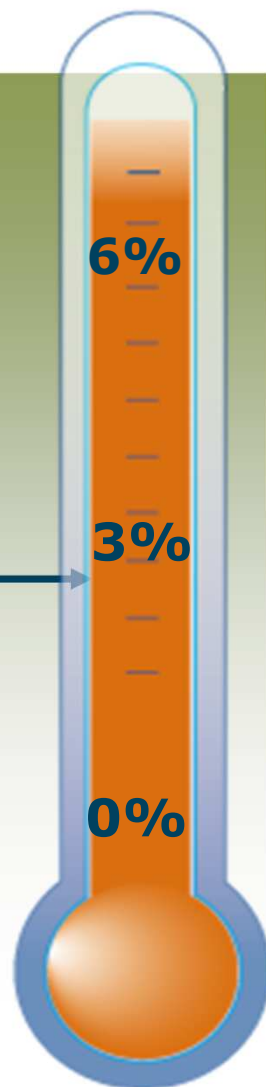
Poultry 4.3%

Average
2.7%

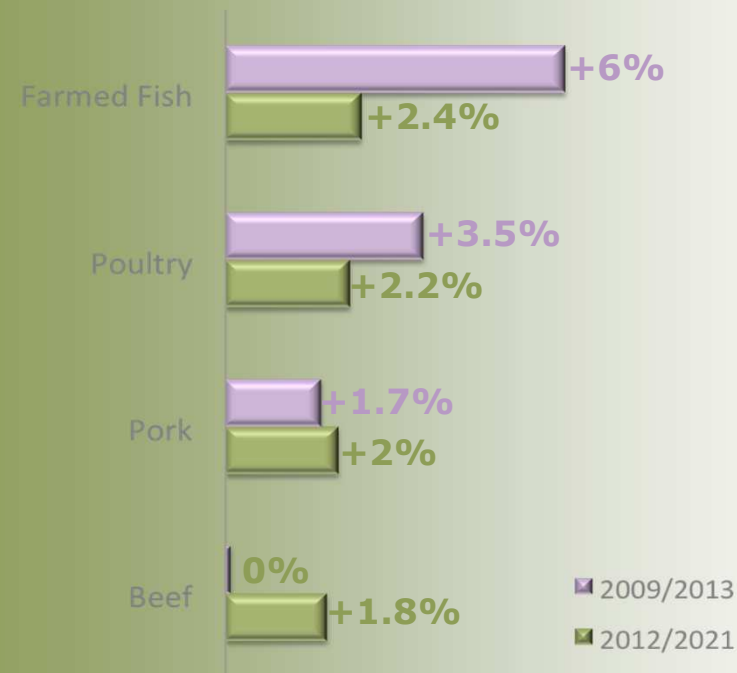
CA/others 2%

Cattle 1.9%

Sheep 1.7%



Growth of Meat production p.a



Source : USDA, Marine Harvest, OECD-FAO 2012 outlook

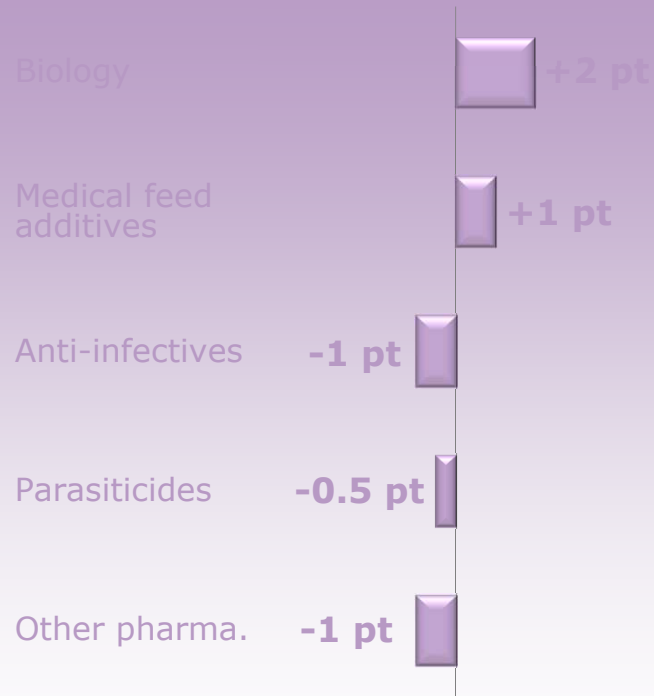


Shifts of Market Shares 2008 - 2013

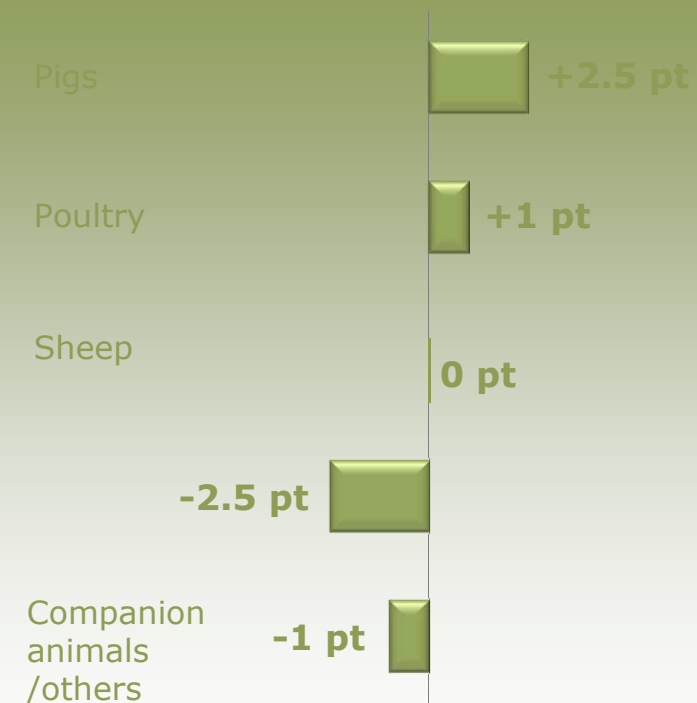
by geography



by category



by species





Shifts of Market Shares 2008 - 2013

by geography



Northern America

+0.5 pt

Western Europe

-6 pt

Latin America

+0.5 pt

Far East

+4 pt

Eastern Europe

0 pt

ROW

+1 pt

by category



Biology

+2 pt

Medical feed additives

+1 pt

Anti-infectives

-1 pt

Parasiticides

-0.5 pt

Other pharma.

-1 pt

by species



Pigs

+2.5 pt

Poultry

+1 pt

Sheep

0 pt

-2.5 pt

Companion animals /others

-1 pt

Aquaculture



Currency impact

- July / August average exchange rates vs first half

USD	£	YEN	AUD	ZAR	INR	MXP	BRL	CLP
-0,4%	-1,2%	-3,1%	-10,7%	-8,2%	-10,9%	-2,7%	-12,2%	-6,6%

- Sensitivity analysis

1% weighted average exchange rate change : 1m€ impact on EBIT



Iverhart (and US) perspectives

Iverhart

- Satisfactory result of the Iverhart Plus to Iverhart Max conversion program : 2/3 of the veterinary clinics previously customers of Iverhart Plus moved to Iverhart Max
- Unsatisfactory result of the initiative to enter the pharmacy channel
- Estimated decline of the entire Iverhart brand in 2013 vs 2012 in the 20% range
- Iverhart Plus return to market expected early 2014

Other ranges

- Relatively limited success of the partnership in the mass market for Effitix, due to the new strategic context (Velcera purchased by Perrigo, who had previously bought Sergeant)
- Satisfactory growth of newly launched products (Easotic, Rilexine), double digit growth of the derma and dental ranges



Canileish perspectives

- Efficacy /safety profile of the product reinforced by the 3 years presence on the market :
 - Efficacy : low -and lower than expected- rate of lack of efficacy reports after 12 to 24 months of use, depending on the country
 - Safety : low and stable incidence of side effects
- 2013 sales increase in the countries in their third year on the market (France, Portugal)
- Overall sales decrease in 2013 limited to 1/3rd vs 2012, in spite of the huge sales level reached in 2012 in Spain and Greece
- Double digit sales growth expected in 2014



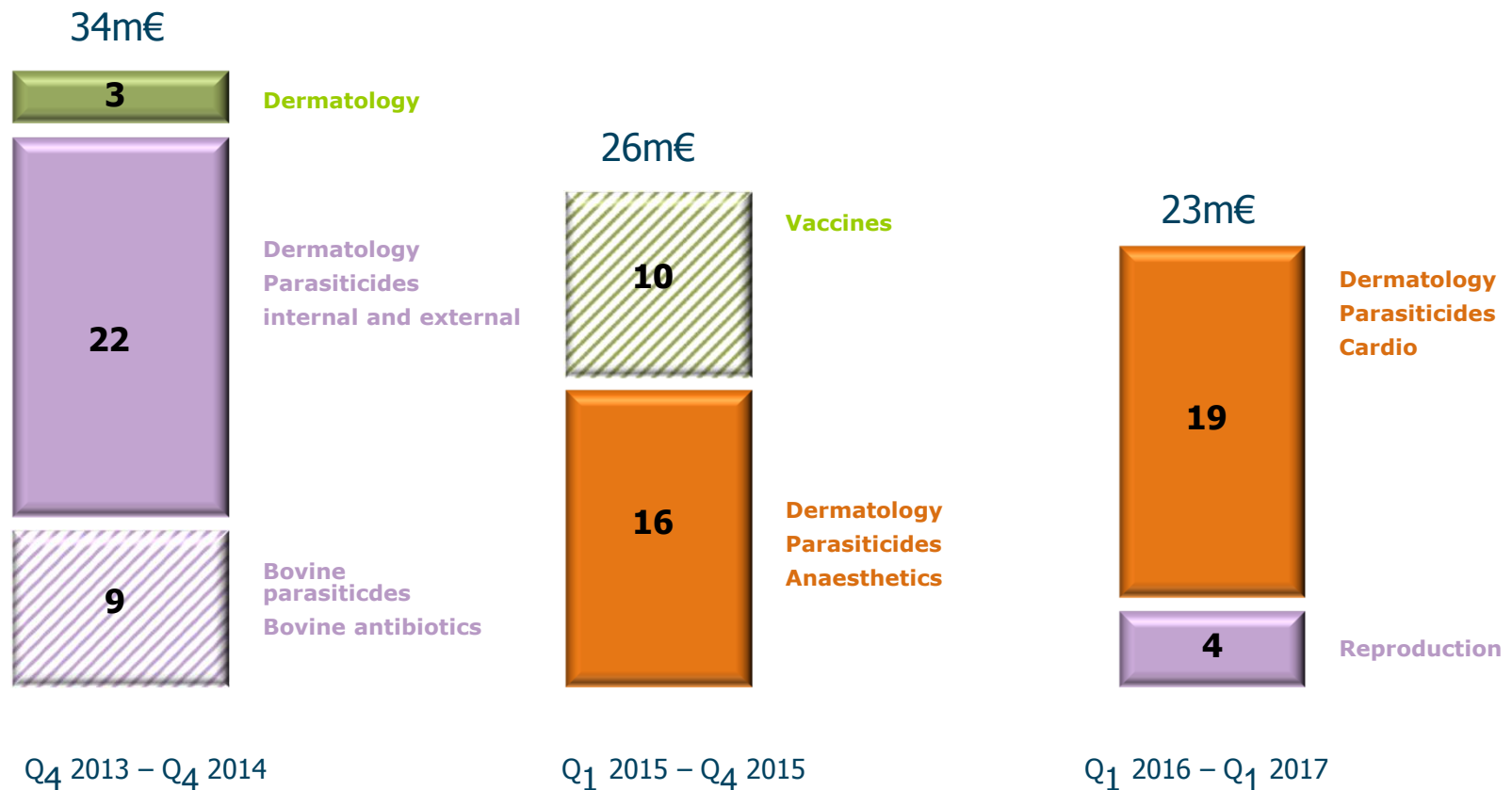
New product launches

- European program in line with earlier forecasts
- One project delayed by 6 months in the US portfolio
- ROW key projects portfolio in line with earlier forecasts



Combined estimated peak sales of main projects, by launch year (excluding Centrovet's projects)

September 2013



F.P.A.

C.A.

Europe U.S. ROW



Aquaculture : a major growth opportunity for Virbac (1)

Reminder : key reasons for investing in aquaculture :

- Benefits of farmed fish vs other species
 - highest feed conversion rate
 - highest edible yield
 - more efficient use of space
 - highest production growth in the last decade, highest growth also expected in the next ten years
- Attractiveness of the salmon industry
 - significant growth rate (6% p.a. on average in the last ten years, 7% in the last five years)
 - a «role model» for other fish farming in the future
- Centrovét's strengths
 - one of the top four pharma players in aquaculture
 - a leadership position in Chile, the second largest producer behind Norway (around 25% m.s.)
 - a technological lead in oral vaccines



Aquaculture : a major growth opportunity for Virbac (2)

Virbac/ Centrovvet short term perspectives

- H1 growth rate (+ 6%) may accelerate in H2 due to a new outbreak of SRS
- Significant innovation expected early next year



M&A activity

- Imminent acquisition of the remaining 70% of Santa Elena shares (Uruguay)
 - Full year impact : sales + 9 m€
EBIT + 1.5 m€
 - Cash consideration : 12.5 m€ (potential complement in 2016/2017)
- Two small deals likely before the end of the year



2013 Financial perspective

Sales

- Double digit growth at constant exchange rates

Profit

- Double digit growth of the current operating profit (at first half year exchange rates), but dependent on € parity vs a basket of key currencies for Virbac (US \$, AUD, £, C. peso, Mex peso, INR, ZAR, ...)
- Slight decrease of the net profit – group share

Debt

- Will reduce significantly in the second half



DISCLOSURE

This presentation contains forward-looking statements with respect to Virbac's profitability and financial condition, business operations, projects and outlook. Although Virbac's management believes that such forward-looking statements are based on reasonable assumptions, as made as of the date of this presentation, such statements do not constitute guarantees of future performance. Actual results may differ materially from the forward-looking statements as a result of a number of risks and uncertainties, many of which are outside Virbac's control, including but not limited to any risk described in the reports and documents regularly made available to the public and filed to the AMF.

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