



Quarterly Report as of September 30, 2014

This report is prepared in narrative form under the terms of implementation of article L451-1-2 of the Monetary and Financial Code issued by the French financial markets authority (AMF).

1. Key events of the quarter

No significant event has occurred in the third quarter.

2. Significant event after the closing date

On October 27th, 2014, Virbac announces that it has entered into an agreement with Eli Lilly and Company to acquire major United States veterinary products currently marketed by Novartis Animal Health. Eli Lilly has agreed to divest these U.S. assets in connection with the U.S. Federal Trade Commission's review of Eli Lilly's pending acquisition of Novartis Animal Health worldwide.

Under the terms of this agreement, Virbac would acquire a combination of titles and rights for the United States on trademarks, marketing authorizations, patents, know-how, customer lists and other assets, related to two major parasiticides for dogs: Sentinel® Flavor Tabs and Sentinel® Spectrum, currently marketed in the United States by Novartis Animal Health.

In the United States, Sentinel Flavor tabs and Sentinel Spectrum are expected to reach total revenues of approximately \$90 to \$100 million US dollars in 2014. Adding these strong brands and commercial franchise to the current Virbac portfolio of products offered to veterinary clinics and pet owners in the United States will substantially strengthen Virbac's presence and penetration in the U.S. companion animal veterinary market and leverage its growth potential.

The completion of this transaction is subject to approval by the Federal Trade Commission, which Virbac expects may be received in the near future. It is also conditioned on the closing of the acquisition of Novartis Animal Health by Eli Lilly and should occur shortly thereafter.

VIRBAC : La santé animale est notre passion

NYSE Euronext – Compartiment A / code ISIN : FR0000031577 / MNEMO : VIRP

Direction financière : tél. 04 92 08 71 32

E-mail : finances@virbac.com – Site web : www.virbac.com



3. General overview of Virbac financial situation and profits

3.1. Activity:

Virbac consolidated sales in the third quarter amounted to **€202.7 million** compared to €183.4 million last year, a +10.5% growth compared to the same period of 2013.

Contrary to the first half, exchange rates have not been penalizing during the last months; growth at constant parities has reached +10.1% in this quarter, of which +9.3% organically (excluding Santa Elena in Uruguay).

The positive evolution of Virbac product ranges observed in most countries in Europe during the first half continued, reinforced by the launch of Milpro, internal parasiticide for companion animals, in France and in Northern Europe. In the United States, as anticipated, the activity enjoyed a strong growth thanks to the re-introduction last July of Virbac's internal parasiticide Iverhart Plus and to the restocking of this product by the distributors. In the rest of the world Group sales continued to record good levels of growth.

Consolidated figures (unaudited in million euros)	3rd Quarter
2013 Net Sales	183.4
2014 Provisional Net Sales	202.7
Change	+ 10.5%
Change at constant exchange rate	+ 10.1%
Change at constant scope and exchange rate	+ 9.3%

3.2. Turn-over breakdown per activity:

Consolidated figures year-to-date September	Evolution at constant perimeter and exchange rates	Evolution at constant exchange rates
Companion Animals	+ 1.3%	+ 1.4%
Food Producing Animals	+ 11.7%	+ 13.8%
Other businesses	- 25,5%	- 25.5%
TOTAL	+ 5.1%	+ 6.0%

VIRBAC : La santé animale est notre passion

NYSE Euronext – Compartiment A / code ISIN : FR0000031577 / MNEMO : VIRP

Direction financière : tél. 04 92 08 71 32

E-mail : finances@virbac.com – Site web : www.virbac.com



- **Companion animals**

In the companion animals segment, growth at constant scope has become slightly positive again, +1.3% while such evolution is still negatively impacted by the absence of Iverhart Plus in the US during the first half.

This positive trend should strengthen until year-end, benefiting from the ongoing launches of new products in Europe and from the expected rebound in the US driven by the relaunch of Iverhart Plus.

- **Food Producing Animals**

In the food producing animals segment, organic growth remains steady, +11.7%, thanks to the dynamics in emerging countries -notably India, South Africa, Mexico and Brazil- and to a good performance in Australia and New Zealand as well as in Europe, where Virbac has been performing very well in both the ruminants and the industrial sectors (swine and poultry).

As for the aquaculture sector, the activity has been progressing slightly to-date after a slow-down in the first half due to the regulation by authorities of the "stock" of fish transferred in sea water by salmon farmers in Chile

- **Other businesses**

These activities, which represent less than 2% of the revenues for the quarter, correspond to specific activities that cannot be treated as companion animals and food producing animals. These include mainly contract manufacturing performed for third parties in the United States and in Australia.

3.3. Perspectives:

Growth of the markets should be closer to the trends observed in a recent past. Asia, Pacific and Latin America regions will remain the drivers of highest growth for Virbac, while growth in the Northern Hemisphere should be more modest but will benefit from several product launches in Europe and the re-introduction of Iverhart Plus on the US market. Overall these evolutions should generate an organic growth of about 4 to 6%.

Furthermore, the impact of exchange rates on sales and results are much lighter than during the first half, and the operating profitability for the full year should, as announced, stay close to the level achieved in 2013.

VIRBAC : La santé animale est notre passion

NYSE Euronext – Compartiment A / code ISIN : FR0000031577 / MNEMO : VIRP

Direction financière : tél. 04 92 08 71 32

E-mail : finances@virbac.com – Site web : www.virbac.com



3.4. Debt:

As of September 30, 2014, the Group's net debt amounted to €231.9 million, growing by €53.8 million compared to December 2013. This evolution is mainly due to payments made during this period in respect of dividends and capital expenditures in France.

In the third quarter, net debt decreased by €32.6 million, and this trend will continue in the fourth quarter.

VIRBAC : La santé animale est notre passion

NYSE Euronext – Compartiment A / code ISIN : FR0000031577 / MNEMO : VIRP

Direction financière : tél. 04 92 08 71 32

E-mail : finances@virbac.com – Site web : www.virbac.com