

Virbac :

Quarterly report as of March 31, 2016



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 events have occurred in the first quarter.

2. Significant events after the closing date

No significant events have occurred after the closing date of March 31, 2016.

3. General overview of Virbac financial situation

3.1. Activity

Virbac consolidated sales in the first quarter amounted to 211.4 M€, a level identical to that of the same period of 2015, due to a negative exchange rate impact. At constant parities, the growth reaches +3.4% positively driven by good performance in Europe, Asia- Pacific and Latin America.

In the United States, the activity is globally declining in the first quarter -3.4% (-6.1% at constant rates), due to an unfavorable base effect on sales of the Sentinel range compared to the first quarter 2015. In order to meet the demand of distributors, over 30 % of 2015 annual sales were made in the first quarter following the acquisition that took place in the beginning of the year. The business strategy of the Group is indeed entirely focused on distributors, whereas previously Sentinel sales were both direct and made through distributors. This base effect should gradually subside during the remainder of 2016. Conversely, the legacy business shows a

significant growth compared to last year (+79%), thanks to the gradual resumption of deliveries of Iverhart Plus, which is expected to accelerate in the coming months, and the rebound of the other lines including dermatology and dentals. The U.S. subsidiary is still waiting for the next FDA inspection of the St. Louis site, whose date is not yet known.

In other geographies, the Group achieved a good start to the year. The activity grew strongly in Europe + 6.0% (+ 6.6 % at constant exchange rates), thanks to the contribution of new parasiticide products for companion animals recently launched. France has also benefited from a favorable base effect due to the negative impact of a new regulation ("Loi d'Avenir") on antibiotic sales early 2015. Growth was again strong in emerging countries including China, India, Brazil and Colombia. The performance was also good in important markets such as Australia and New Zealand.

Consolidated figures (in € million)	1 st quarter
2015 Net sales	211.4
2016 provisional Net sales	211.4
Change	0.0%
Change at constant exchange rate	+3.4%
Change at constant scope and exchange rate	+3.3%

3.2. Sales breakdown by activity

Consolidated figures	Change 3 months cumulative (actual rates & scope)	Change 3 months cumulative (constant rates & scope)
Companion animals	2.0%	3.8%
Food producing animals	-2.8%	2.6%
Other businesses	2.5%	5.5%
Total	0.0%	+3,3%

- Companion animals

Sales in the companion animals segment were up 3.8 % at constant exchange rates, mainly driven by good performance especially on dermatology, vaccines, specialties and nutrition ranges.

- Food producing animals

In the food producing animals segment, organic growth reached +2.6% with contrasting trends between the two major sectors: ruminants and industrial (pigs and poultry) that are growing, and aquaculture which is declining due to a particular sanitary situation in Chile (especially salmon mortality caused by algae invasion), as well as a lower perception of vaccines efficiency.

- Other businesses

These activities, which represent less than 1% of revenues for the three months, correspond to non-strategic activities which cannot be treated as companion animal or food producing animal ranges. They mainly include contract manufacturing performed for third parties in the United States and Australia.

3.3. Debt

As of March 31, 2016, the Group's net debt amounted to €630.8 million, growing by €25.7 million compared to December 2015. This evolution is mainly due to the seasonal increase of working capital generated by the payment in France of most of 2015 year-end rebates.