

Virbac:

Quarterly financial information as of September 30, 2017



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

On September 5, 2017, Virbac's supervisory board co-opted Solène Madelpuech into the supervisory board as a new member. On the same day, Jeanine Dick, aged 81, announced her resignation.

2. Significant events after the closing date

No significant events have occurred after the closing date of September 30, 2017.

3. General overview of Virbac financial situation and profits

3.1. Activity

Virbac sales for the third quarter reached €192.7 million, a decrease of -10.9% (-9.4% at constant exchange rates) from the same period in 2016. This drop is essentially due to the situation in the United States, where ex-Virbac sales for the period dropped significantly due to major distributor destocking, notably of the Sentinel range (Distributors reduced the stocks by approximately €20 million). However, ex-distributor sales continued to grow in the US, achieving a +4% increase. Sales outside the United States increased +2.5% at constant exchange rates, led by dynamic markets in India, Chile and Brazil; despite the decline in the Pacific region which was affected by the discontinuation of parasiticide products in Australia and an unfavorable comparison basis on intramammary ranges in New Zealand.

Consolidated figures (in € million)	3 rd quarter
2016 Net sales	216.2
2017 Net sales	192.7
Change	-10.9%
Change at constant exchange rate	-9.4%
Change at constant scope and exchange rate ¹	-9.4%

Total sales at the end of September reached €630.2 million compared to €646.2 million last year, a -2.5% decrease or -3.5% decrease at constant scope.

The United States posted a -31% net decline at the end of September, including -32% at constant exchange rates. Sales in this period were heavily affected by distributor destocking, particularly of the Sentinel range, which posted a net decrease in ex-Virbac sales, while ex-distributor sales declined only slightly (-2%) over the same period. Ex-Virbac sales of the Iverhart range show a major decline, although they continue to show strong growth in terms of ex-distributor sales (+63%). Nevertheless this growth is well below forecasts. Ex-Virbac sales for the other ranges are declining, but sales continue to increase at clinics (+12%). The Group anticipates that distributors will restock before the end of the year, which would put them at stock levels similar to those at the end of 2016.

Outside the United States, the Group achieved +2% organic growth (+3% at real exchange rates). Generally, Europe is stable at constant exchange rates, notably due to a decline in vaccines and the OTC business. In the rest of the world, organic growth is sustained in numerous emerging countries, particularly Brazil, Mexico and India (which returned to two-figure growth in the third quarter following the impact of the implementation of new tax regulations). In line with third-quarter trends, the Pacific region posted a decline at the end of September. Otherwise, sales in Chile increased very slightly from 2016 with varied results (growth in the vaccine range and a decline in antibiotics).

Consolidated figures (in € million)	Nine months
2016 Net sales	646.2
2017 Net sales	630.2
Change	-2.5%
Change at constant exchange rate	-3.5%
Change at constant scope and exchange rate ¹	-3.5%

3.2. Sales breakdown by activity

Consolidated figures Nine months	Change at actual rates & scope	Change at constant rates & scope ¹
Companion animals	-9.5%	-9.5%
Food producing animals	+6.6%	+4.2%
Other businesses	+34.3%	+30.9%
Total	-2.5%	-3.5%

- Companion animals**

Sales in the companion animals segment declined overall by -9.5% at constant scope and exchange rates, reflecting the impact of US destocking. Outside the United States, business in this segment was stable at -0.7%, of which -0.4% was organic growth. The most heavily impacted ranges in comparison to the same period in 2016 were internal and external parasiticides and dog vaccines, which suffered due to the temporary reduction in production capacity. Conversely, growth was sustained in the specialties, dermatology and hygiene ranges.

¹ The change at constant exchange rates and scope corresponds to organic growth in sales excluding fluctuations in exchange rates by calculating the indicator for the year in question and that of the previous financial year based on identical exchange rates (the exchange rate used is that of the previous financial year), and excluding change in scope by calculating the indicator for the financial year in question based on the consolidation scope of the previous financial year.

- **Food producing animals**

The food producing animals segment increased overall +6.6%, of which +4.2% was achieved at constant exchange rates. At constant scope, all of these sectors posted strong growth of respectively +4.6% bovine, +3.1% industrial (swine and poultry) and +4.3% in aquaculture.

- **Other businesses**

These activities, which represent no more than 1% of sales registered a slight decrease. They correspond to the markets of lesser strategic importance for the Group and mainly include contract manufacturing in the United States and Australia. The increase shown on this line is linked to the revenue of licensing contract of \$3.15 million recognized into the interim consolidated accounts.

3.3. Debt

At the end of September 2017, the Group's net debt amounted to €530.8 million, decreasing by €16.3 million compared to December 2016. This evolution is mainly due to a favorable exchange effect on financing transactions in USD, the non-payment of dividend by Virbac SA in respect of the 2016 results, and the strict control of working capital requirements.