



## STRONG INCREASE OF FIRST HALF RESULTS

<b>Consolidated numbers in million Euros</b>	<b>June 30 2010</b>	<b>June 30 2009</b>	<b>Change 2010/2009</b>
<b>Revenue from ordinary activities</b>	<b>284.1</b>	<b>225.5</b>	<b>+26.0 %</b>
<i>Growth at constant exchange rates</i>			<i>+19.6 %</i>
<i>Pro-forma growth at constant exchange rates</i>			<i>+14.4 %</i>
<b>Current operating result</b>	<b>41.7</b>	<b>24.8</b>	<b>+68.4 %</b>
<i>As a % of sales</i>	<i>14.7 %</i>	<i>11.0 %</i>	
Other non recurring income and expenses	10.5	-	
<b>Operating result</b>	<b>52.2</b>	<b>24.8</b>	<b>+110.8 %</b>
<b>Result before tax</b>	<b>51.2</b>	<b>23.2</b>	<b>+120.2 %</b>
<b>Net result – Group share</b>	<b>38.0</b>	<b>15.5</b>	<b>+145.7 %</b>
<b>Equity – Group share</b>	<b>280.0</b>	<b>208.6</b>	<b>+34.2 %</b>
<b>Net financial debt</b>	<b>37.6</b>	<b>69.5</b>	<b>- 45.8 %</b>

*Consolidated accounts have been subject to a limited review by the auditors.*

Net sales have grown by 26.0%, of which 19.6% excluding exchange rates variances. Growth in the companion animals segment has been very steady (+19.2% at constant exchange rates), both in Europe with in particular the sell-in of Effipro and Fiproline, parasiticides based on Fipronil, in all countries right from the start of the season, and in the United States with the positive evolution of all ranges and the listing of Iverhart, internal parasiticide, by new distributors. Sales in the food producing animals segment have also increased strongly, with a +19.6% growth at constant exchange rates, split into 5.5% organic growth, driven by emerging countries, and 14.1% from the business acquired from Pfizer in Australia.

The current operating profit records a very high increase : +68.4%. Such a remarkable performance is explained by :

- a positive gross-margin evolution, thanks to volume increase which generates a better absorption of fixed manufacturing costs, as well as the increasing weight of new and recent products with higher margins;
- a controlled increase of operating expenses, which show a moderate evolution outside of commercial investments dedicated to supporting the ramp-up of products recently launched and to reinforcing our sales forces in selected countries;
- the favourable impact of exchange rates, principally on the conversion of foreign affiliates profits into euros;
- lastly, a relatively low basis of comparison in the first half of 2009, which had been impacted by 1.9 M€ of expenses related to the reorganization of manufacturing operations in the US and Denmark.

In order to present the Group's performance on a clear and comparable basis, the one-time impact of the Australian acquisition early 2010 have been classified separately in the period as « non recurring income and expenses ». This transaction has been recorded in accordance with IFRS 3 « business combinations » and has generated an exceptional profit amounting to 11.5 M€, resulting from the excess of the fair value attributed to the assets acquired over the effective transaction price. Certain exceptional expenses related to this transaction have also been classified as «non recurring expenses». As a result, the net impact of these exceptional items totals 10.5 M€.

Including the above and after deduction of interest and tax, the net profit - Group share amounts to 38.0 M€, an outstanding increase of 145.7% as compared to 2009.

From a financial perspective this performance, coupled with the control of working capital, translates into an excellent cash-flow generation which compensates for the investment in external growth (Pfizer assets in Australia and partnership in vaccines for food producing animals in Uruguay). As a result, net consolidated debt is basically stable as compared to 2009 year end.

#### **Full year outlook**

Based on the first half performance, annual organic growth should exceed the 5 to 7% range announced earlier this year and could reach 8 to 10%. Besides, the successful integration of the Australian acquisition and the favourable exchange rates impact will continue to accelerate revenue growth. Current operating profit ratio, which has reached 12.5% in 2009, should exceed the +0.5% targeted improvement previously announced.

*Announcement released on August 31st, 2010.*

**VIRBAC : Passionate about Animal Health**

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