Quarterly report as of March 31, 2011

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).

I – Key events of 2011 1st Quarter

On 31 January 2011, Virbac has acquired the veterinary assets of the Synthesis company in Colombia for 9.5 million American dollars. This acquisition enables Virbac Colombia to double its size by providing additional revenue of about five million American dollars composed of 60% of bovine products (mainly antibiotics and nutritional supplements) and 40% of companion animal products (specialties). This operation is accompanied by the addition of the Synthesis teams and it reinforces Virbac's commercial presence on the fourth Latin American market. This acquisition is a business combination under the revised IFRS 3 and will be registered as such in the consolidated accounts. The price allocation is under study.

On 28 February 2011, Virbac acquired the rights for Multimin (injectable supplements containing minerals for food producing animals) for South Africa and neighbouring countries, from the Animalia company. After distributing this product range for many years, Virbac secures its position on this major market segment for the South African subsidiary that has enjoyed years of steady growth and still offers a significant growth prospective.

Following submission of the registration dossier with the European Medicines Agency (EMA) in early 2010, the CVMP, Committee for Medicinal Products for Veterinary Use of the EMA, issued a favourable opinion on 13 January 2011 for CaniLeish®, the first vaccine against canine leishmaniosis in Europe. On 14 March, the European Commission confirmed this opinion by awarding Virbac a European registration for this vaccine.

CaniLeish® will initially be launched in Portugal at the end of the first half of 2011. This will be followed rapidly by launches in other countries in the endemic area: Spain, France, Greece and Italy (not in chronological order). This roll-out takes account of the geographical prevalence of the disease and the time required to build vaccine production up to full capacity. The launch in Northern European countries from where there is a flow of summer visitors to the endemic area will be part of a second phase.

The CaniLeish® vaccine has been developed by BVT (Bio Véto Test), a 100% subsidiary of VIRBAC, in partnership with IRD (Institut de Recherche pour le Développement), and VIRBAC's R&D teams. This project is based on an invention patented by the IRD relating to leishmania culture, on which IRD has granted an exclusive patent licence to BVT for the veterinary market.

II – General overview of Virbac financial situation and profits

Consolidated figures (Millions euros)	TOTAL 1st quarter
2011 Net Sales	159.9
2010 Net Sales	135.9
Change	**17.7%**
Change at constant exchange rate	**14.1%**
Change at constant scope and exchange rate (*)	**12.3%**

***** Excluding the impact of sales from January 2011 of Fort Dodge products acquired in February 2010 in Australia and beyond impact of the veterinary business of Synthesis British acquired in February 2011.

Activity :

Virbac consolidated sales in the first quarter reached 159.9 M€, a +17.7% change compared to the same period of 2010. Sales increased by +14.1% excluding exchange rates impacts and +12.3% at constant scope. Virbac enjoyed this rebound of growth after the relatively moderate fourth quarter 2010, in spite of the challenging base set by the very strong first quarter of last year. It has been amplified though by some restocking at distribution level in certain markets.

All geographic areas and large countries recorded a very positive evolution, with an organic growth exceeding 7% in Europe and in the United States and 22% globally in the rest of the world where the major affiliates, India, Australia, Brazil and Mexico enjoyed a high level of activity.

Exchange parities staying at high levels against the Euro, continued to benefit to the Group, generating around 3.6 points of sales growth over the period.

Perspectives :

The year 2011 provides the Group with a new outlook for development. Animal health markets are expected globally to change more positively than in 2010 in the context of a more dynamic global economy.

New product launches expected and anticipated market developments in key countries allow foreseeing a moderate growth in Europe but more intense in other parts of the world. The companion animal segment should continue to experience strong growth fuelled by innovation. Emerging markets should drive growth for the food producing animal segment, which should remain stable in Europe.

The operating profit as a percentage of sales is expected to further increase despite increased R&D and commercial investments in some target countries. Excluding acquisitions, debt reduction should be less pronounced than in previous years as a result of new industrial projects peaking during 2011.

Debt :

The Group's net debt increased compared to 2010 due to the timely payment of part of 2010 year-end rebates on sales and the financing of the acquisitions in Colombia and South Africa and industrial investments in France.

III – Turnover breakdown per activity

Consolidated figures (Millions euros)	Change (Constant rate & scope)
Companion Animals	**11.3%**
Food Producing Animals	**15.8%**
Other businesses	**-25.5%**
TOTAL	**12.3%**

- **Companion Animals**

The companion animals segment records a +11.3% organic growth thanks to a very positive evolution of ranges such as vaccines, dermatology, dental care, internal parasiticides and specialties.

- **Food Producing Animals**

Sales in the food producing animals segment increase by +15.8% at constant scope, with a good development in the bovine sector (+19.5%), in the emerging markets primarily but also in Europe and in Australia. Business in the industrial sector (swine and poultry) is more sluggish but has been heading positively, recording a +4.6% increase over the quarter.

- **Other businesses**

These activities. which represent less than 1.1% of total sales are declining in 2011. They correspond to the Group's less strategic markets and include production on behalf of third parties in the United States.