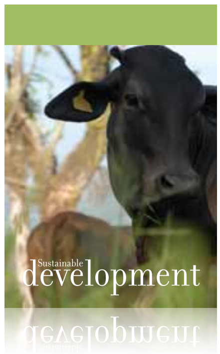
2010 Annual report

Passionate about animal health

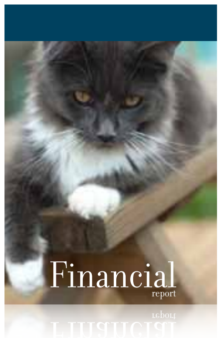
A laboratory dedicated to animal health

Overview

Sustainable development



Financial report



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Overview

of 2010

Chairman's message

An exceptional year

How do you evaluate 2010?

2010 will go down in the history of Virbac as a very important year. Both the motors of growth have worked together in the context of a favourable exchange rate, while in parallel our major projects evolved very positively. However, growth in the animal health market was modest in 2010. Emerging countries have contributed greatly, but Europe is still lagging behind; and though the United States upheld stronger growth, it was only to recover from the negative developments of 2009. The companion animal market has certainly buoyed, but has not yet reached its pre-crisis growth rates. The growth gap with the food producing animal market, pulled up by vaccines and emerging countries is less marked than in the recent past.

Éric Marée, Chairman of the executive board

From where do these good figures come?

Virbac's very good performance in 2010 comes from net gains in market shares. In Europe, where the Group achieved half its turnover, the first full year of Effipro and Fiproline, fipronil-based external parasiticides for dogs and cats, have resulted in sales above €20 million and go some way to explaining the market share gains in the companion animal segment. Also in Europe, Virbac gained market shares in the bovine domain which has more than compensated for the difficulties of the "industrial" segment (pig and poultry). In the United States, growth has been strong and much higher than that of the market, as a result of the progress made on all the major ranges, dermatological, dental and internal parasiticides with the Iverhart range. In the rest of the world, which now represents 35% of consolidated turnover, Virbac upheld growth in double-digit figures in many large emerging country markets: India, Mexico and Brazil in particular. Australia, for its part, has doubled in size in local currency terms following the acquisition at the beginning of the year and the successful integration of the animal health activities of Wyeth that Pfizer had to divest in order to satisfy the competition authorities. Virbac is now in second position in the Australian market.

"A double-digit growth in emerging countries"

572.8 M€

2010 turnover

And in terms of results?

The strong growth of consolidated turnover, boosted, unlike in previous years, by favourable developments linked to the depreciation of the euro, has led to the strong growth of the current operating profit (33.2%) and more significant growth of net profit (+62.1%) because of badwill generated by the Australian acquisition. Increased profitability, the handling of debt reduction requirements and an investment programme a little lower than predicted have enabled another large reduction of our debts. Virbac ends the year 2010 without almost any debt and can therefore nourish hopes of significant external growth.

What are the major advances?

The year 2010 was not only rich in terms of operating and financial profit, many of the year's advances also bring hope for the future. In first place, is the favourable progress of the dossier on the European registration of the vaccine against canine leishmaniasis, CaniLeish, which received a favourable opinion of the European medicines agency (EMA) in early January 2011. In the middle of March, the marketing authorisation was issued by the European commission allowing a first launch in Portugal, followed by other launches during the second half of the year. Industrial investments at the Carros site were made in parallel to enable a gradual increase in production, in phase with the launch calendar. Other sizeable industrial projects were taken on during the year 2010 and, in particular, the new production site for injectables which will be operational in 2012. The portfolio of new products being developed has progressed at the planned speed and should enable new launches in 2011, particularly in the United States. Finally, new initiatives to improve operational efficiency (optimisation of the supply chain and of the launch of new products, new deployments of the ERP and CRM information systems, training programme for cross-functional management) and risk monitoring (setting up of the Risk Management department, conformity project).

What are the prospects for 2011?

2011 offers new development prospects for the Group. The animal health markets generally expect somewhat better growth than in 2010 in the context of a more dynamic global economy. New product launches are expected and the market developments anticipated in the main countries enable moderate growth to be envisaged for Europe, but stronger growth in the other regions of the world. The companion animal segment should continue to experience good growth, fuelled by innovation. Emerging countries should lead the growth in the food producing animal segment, which should remain stable in Europe. Operational profitability expressed as a percentage of turnover should see new growth despite accrued R&D investments, and also of a commercial nature in certain target countries. Except for acquisitions, debt reduction should be less than in previous years because of a peak in new industrial projects in 2011.

By way of summary, this has been a year that should enable Virbac to pursue its development by reinforcing its competitiveness.

Highlights of 2010

Product launches, organisations, acquisitions...

Follow the guide for everything you need to know about the Group's highlights.

January . February . March

Australia: successful integration of the Fort Dodge range

Successful transfer of Fort Dodge parasiticides and vaccines acquired at the start of 2010 in Australia, in particular the Cydectin range which has exceeded sales forecasts. 110 new employees have joined the subsidiary since February. Whilst being ready to take up the new challenges in 2011 (industrial investments in Penrith and pooling of information systems), Virbac can now meet the main rearing needs by offering the most comprehensive range on the market.

Group: protecting the company's assets

Setting up of the Risk Management department with three main tasks: defining risk mapping at the international level in order to assess the impact and level of control and keeping this risk mapping up to date, coordinating the *ad hoc* working groups through deployment of processes, audits and good practices and, finally, comparing Virbac with the best companies in this area in order to encourage the company to adopt best practices. This new department should allow the Group to confront the growing complexity of its environment and the multiple constraints in all areas, as well as to account for an ever more global presence.

Italy: eradication of rabies thanks to Rabigen Sag2

End of negotiations with the Italian ministry: Virbac won the oral rabies tender for 2010 with the Rabigen Sag2 vaccine.
In one month, the product and the industrial facilities were modified in order to meet a demand of two million baits delivered between March and November. Thanks to this vaccination campaign, Virbac contributed to halting the spread of rabies in the country in just eight months.

Effipro
Fiproline

20 M€

in turnover

April . May . June

China: Virbac made further advances

First direct Virbac sales in China in the companion animal sector. An operation which is now possible thanks to the implementation of an efficient distribution system (direct delivery to the customer) and nationwide coverage. Virbac now has a high-performance sales platform for increasing its strength in this up and coming market.

France: Tenotryl, a rational approach to antibiotic therapy

Following a launch under the name Enrox in central Europe in 2008, in the United Kingdom, Germany, Benelux, Italy and Portugal in 2009 and in Austria and Spain in 2010, marketing authorisation was obtained in France for Tenotryl, an enrofloxacin-based antibiotic tablet for dogs and cats. Combined with use of a test for sensitivity to enrofloxacin, this product allows Virbac not only to complement its offering but also to advocate a responsible use of antibiotics in order to maintain their effectiveness over the long term.

July . August . September

North America: St. Louis, new Equimax production site for Europe

GMP Europe certification obtained, authorising the St. Louis production unit in the United States to produce and distribute Equimax for Europe. As such Virbac is strengthening its production capabilities for the Equimax range, Virbac's third biggest product in Europe with more than €10 million in turnover in 2010.

Germany: Suprelorin 9.4 mg implant for dogs, a new advance in managing canine reproduction

European centralised marketing authorisation obtained for a new release of Suprelorin which is effective for twelve months (contraceptive implant for male dogs). Launched in Germany in November, the product will be extended to the whole of Europe in phases throughout 2011. With Suprelorin 9.4 mg implant for dogs, which doubles the product's length of activity, Virbac is complementing its contraceptive implant offering by introducing a new alternative to surgical castration in one single application.

France: Vetflurane, the first registered veterinary isoflurane

Registration of Vetflurane, the first isoflurane-based veterinary medicine in France, a benchmark inhalational anaesthetic in veterinary medicine which was previously only available from human laboratories (within the framework of the list of hospital medicines accessible to veterinarians). Through marketing this product since October, Virbac has made it easier for all French veterinarians to access this molecule.

October . November . December

Poland: opening of the 27th international subsidiary

A stronger presence for Virbac in central Europe with the setting up of a subsidiary in Poland: Virbac Sp. z o.o. which follows on from several years of strong sales growth in this market. Based in Warsaw this new entity allows Virbac to continue its development in this market with the greatest growth potential in this region.

Europe: Effipro/Fiproline, the n°1 Virbac product

First full year of the marketing of fipronil-based parasiticides in the ethical (veterinarian) and OTC markets. With more than €20 million in turnover for the entire range, these products – which have become Virbac's n°1 seller in Europe – are a credible alternative in the market for external parasiticides for companion animals and strengthen the Group's image as a major player in animal health.

Virbac worldwide

Present in over 100 countries

81% of sales
outside France

More than 3,150 employees
(including 65% outside France)

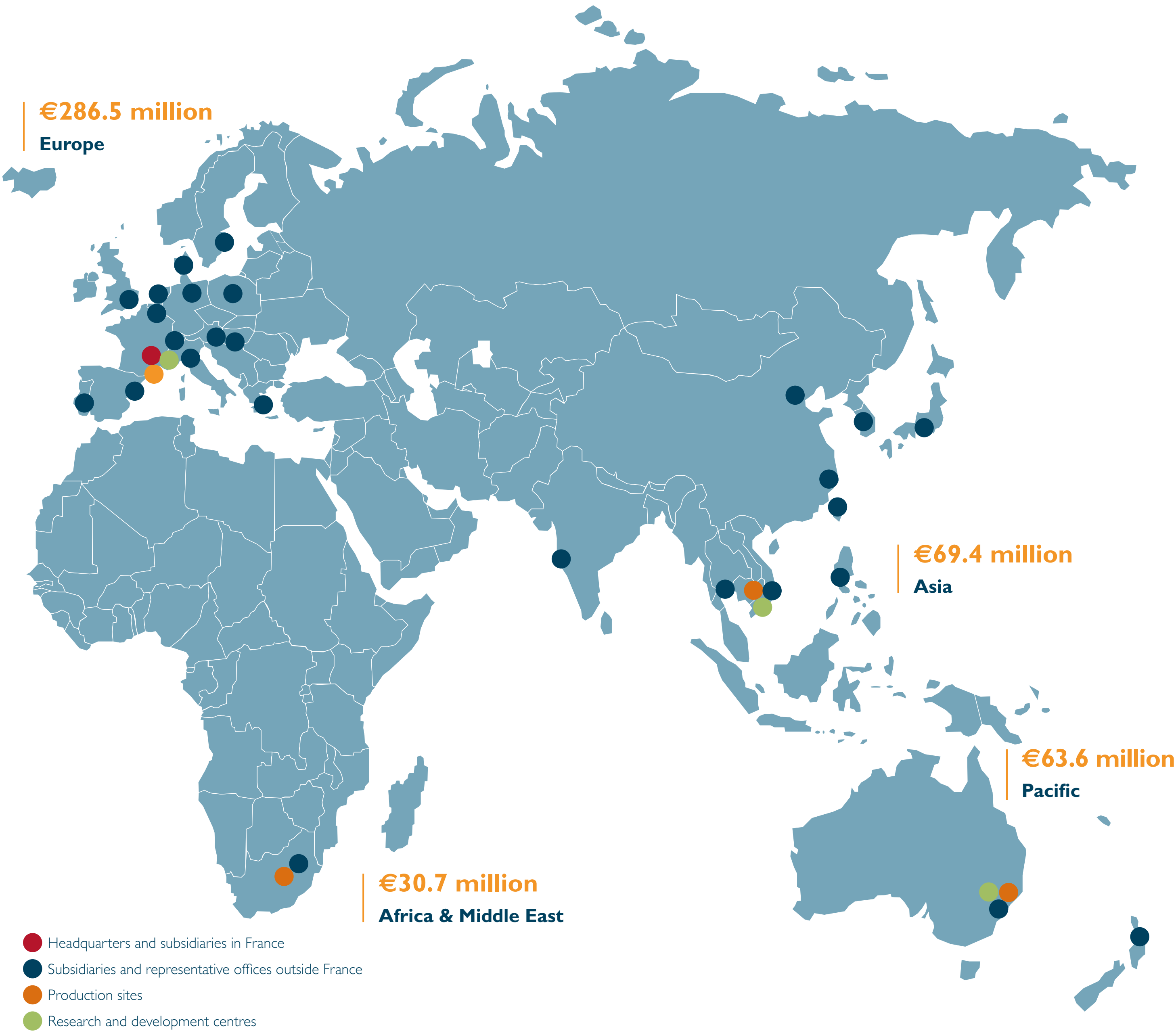
5 research centres

International presence has been an integral part of Virbac's strategy since the very beginning. Started in 1978, the Group's expansion abroad progressively accelerated in the 1980s and continued in the 1990s. Having set up eight subsidiaries in the 2000s (Philippines, Portugal, Taiwan, Colombia, Costa Rica, Greece, India and Denmark), Virbac strengthened its presence in central Europe in 2010 with the Group's 27th entity outside France: Virbac Poland.

8th veterinary company worldwide

Production sites in 7 countries

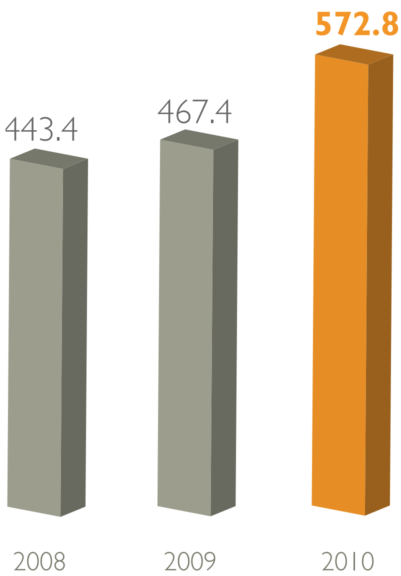
27 sales subsidiaries outside France



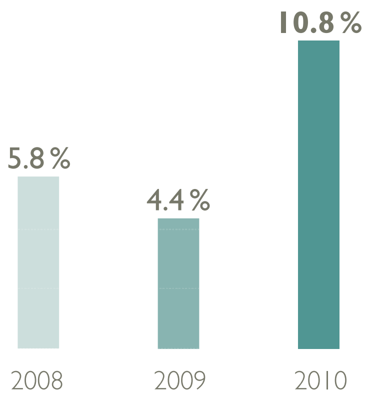
Overview

Key figures

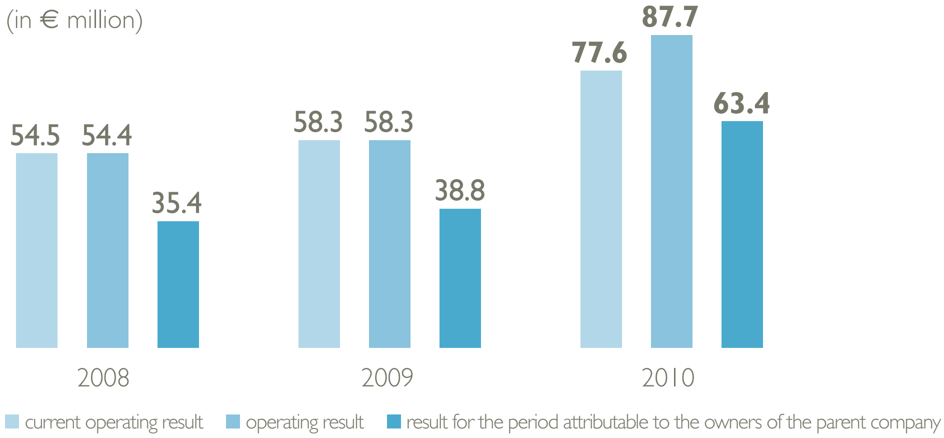
Net sales
(in € million)



Organic growth
like-to-like exchange rates and scope



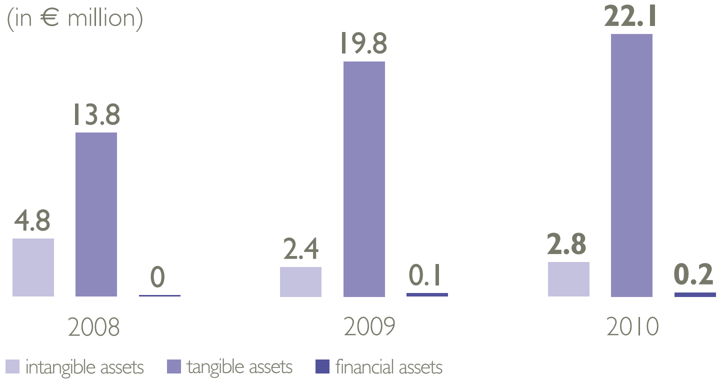
Results
(in € million)



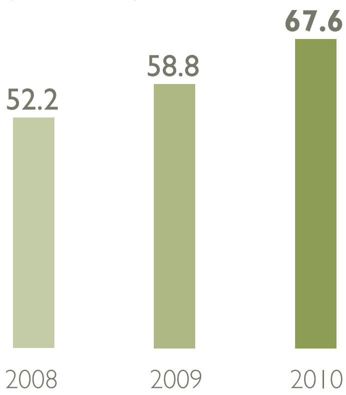
+22.6%

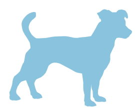
2009/2010 change in net sales

Investments
(in € million)



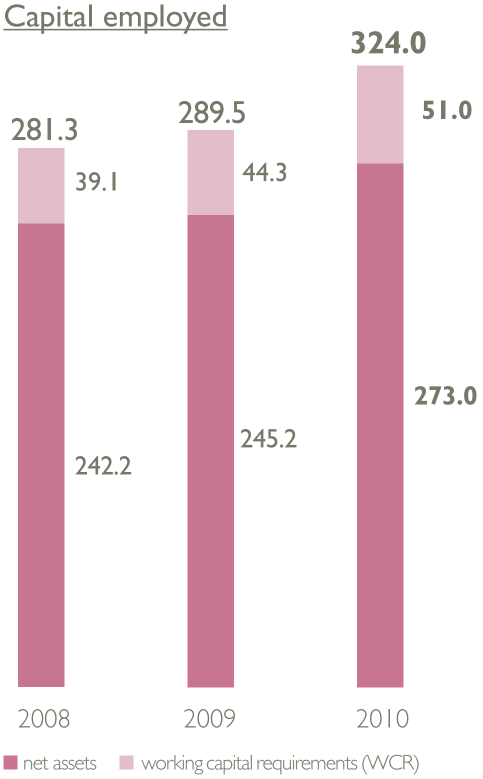
Cash flow
(in € million)



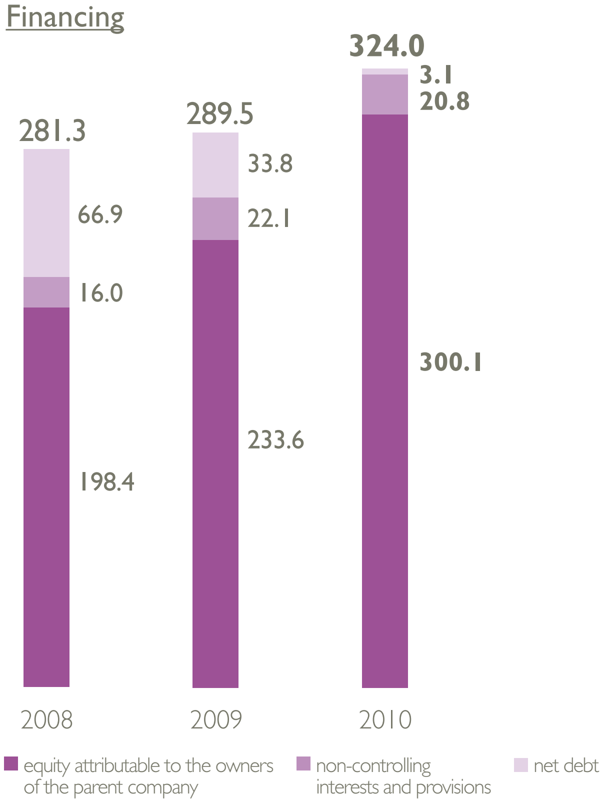


Financial structure
(in € million)

Capital employed



Financing



Corporate governance

Executive board

The executive board is responsible for the strategic and operational management of the company.
It has five members. The executive board is assisted by a strategic committee which brings together area and heads of major corporate function directors.

Éric Marée,
Chairman of the executive board

Pierre Pagès,
Chief operating officer

Christian Karst,
Executive vice-president corporate development

Michel Garaudet,
Chief financial officer

Jean-Pierre Dick,
Responsible for special projects and president of the Fondation d'Entreprise Virbac, a corporate foundation

Virbac

is a public limited company
with executive &
supervisory boards

Supervisory board

The supervisory board ensures permanent control of the management of the executive board, regular inspection of accounts and all major projects and investments.

The supervisory board is comprised of:
Marie-Hélène Dick, chairwoman
Jeanine Dick, vice-chairwoman
Philippe Capron
Pierre Madelpuech, permanent representative of the company Asergi
Xavier Yon, permanent representative of the company XYC

Marie-Hélène Dick

Audit committee

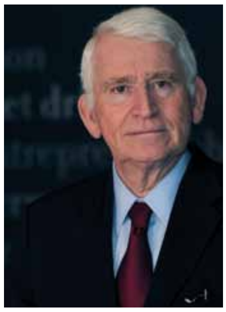
The audit committee is in charge of reviewing financial disclosures and the management of risks and accounting practices.
Its responsibilities are as follows:
- ensure the relevance, consistency and reliability of the accounting methods;
- verify the existence and effectiveness of internal control and risk management procedures;
- express its opinion on the validity of the accounting treatment of major transactions.

It is comprised of **Philippe Capron**, chairman, and **Pierre Madelpuech**.

Jeanine Dick

Philippe Capron

Pierre Madelpuech



Xavier Yon

Compensation committee

The compensation committee is responsible for:
- drawing up recommendations and proposals regarding the compensation of members of the executive board;
- staying informed of the Group's general HR policy and more specifically the compensation policy for the Group's principal executives;
- reviewing proposals and conditions relating to stock grants;
- drawing up proposals regarding the amount of directors' fees to be paid to members of the supervisory board.

It is comprised of **Marie-Hélène Dick**, chairwoman, and **Xavier Yon**.

Statutory auditors

- Deloitte & Associés, represented by Vincent Gros
- Novances-David & Associés, represented by Jean-Pierre Giraud

Sponsorship

New boat new challenges

3rd Route du Rhum

Saint-Malo, 31 October 2010. Embarked on spectators boats, 80 veterinarians join Virbac-Paprec 3. On board, Jean-Pierre Dick heads for the departure line of the 9th Route du Rhum. 13.02: starting signal! On the water, the scene is magnificent: 85 sailboats glide simultaneously in the water to cover the 3,453 miles separating them from Pointe-à-Pitre. 14.30: Jean-Pierre passes the Cap Fréhel leading the Imoca fleet (International monohull open class association), in the middle of a horde of sailing spectators. The emotion is at its peak upon arrival in Guadeloupe, in the middle of the night, where around twenty veterinarians have come especially to welcome JP and to celebrate the event. The skipper arrives in 4th place and is already looking ahead to the next challenge: on 31 December he will be leaving for the Barcelona World Race. Three years after victory in the first edition of the event, at Damian Foxall's side, he is now committed to this round the world two-handed, non-stop trip with Loïck Peyron. For the group of around forty Virbac clients who came to encourage the title holder, the new year has a taste of adventure!

Roots and sails

Route du Rhum, Transat Jacques Vabre, Barcelona World Race, Vendée Globe, etc. The sailing sponsorship in which Virbac has been involved since 2001 attracts a great deal of media attention, but that is not all. The well-known open sea races in which Jean-Pierre Dick participates are in fact opportunities to seal partnerships between veterinarians and Virbac. The departures and arrivals, or the days of navigating with the skipper, bring them together though a shared passion for sailing and enables close links to be forged.

Jean-Pierre Dick, a sailor of the highest calibre but also a trained veterinarian, embodies both the veterinary profession and the values that Virbac holds dear: team spirit, entrepreneurship, innovation and pushing oneself to the limits.

Jean-Pierre Dick, skipper & veterinarian

After more than sixteen months at the shipyard, Virbac-Paprec 3 was launched in New Zealand on 18 May 2010. Built by Cookson Boats shipyard, like its predecessor Paprec-Virbac 2, the youngest of Jean-Pierre Dick's 60 feet monohulls is at the height of innovation and around 15% lighter. Returning to France by sea enabled the skipper to test the boat in real navigating conditions before tackling 2010's big events. During the week leading up to the departure, around forty clients were able to visit the new sailboat and share a special moment with the skipper and the Virbac-Paprec team over breakfast.

Sustainable development

Long-term development of a company involves searching for a harmonious balance between three principles: caring for people, respect for the environment, and economic performance. Virbac has been committed from the beginning to making progress in all three areas.

- **In the social field,** respect for humankind has been one of the key foundation values of the founder of the company, Pierre-Richard Dick, DVM: the pursuit of real social dialogue, a remuneration and social protection policy that favours employees on the lower end of the salary scale, and the confidence and interest shown in every employee are thus part of Virbac's traditional values. The company is committed to preserving this tradition and to cultivating it by supplementing it with ambitious skills development policies.

- **In the environmental field,** the company's very operations guarantee high quality levels (compliance for example with Best Manufacturing Practices and with Best Laboratory Practices). In addition, several years ago the company launched *lean manufacturing* and continuous improvement projects designed to steadily cut waste and optimise resource usage. The search for energy savings and respect for the environment are increasingly integrated systematically in key company decisions (investments, transport, product design...).

- **In the economic field,** the company's goal is to continue posting the steady and profitable growth it has seen almost annually since its founding. This development is primarily based on solid organic growth, driven by innovation and the strength of Virbac's customer relations. It is regularly supplemented by targeted acquisitions, while nevertheless ensuring that debt levels remain manageable. This strategy is pursued within the framework of a straightforward and clear governance structure that provides shareholders with a high level of transparency.

Just as we had wished, this new sustainable development report highlights certain particularly remarkable Virbac initiatives in the emerging economies, for they take place under a regulatory framework which is less severe than in developed countries. In addition, this new report refines some of the data presented in previous reports and approaches more closely standards used in various industries.

Éric Marée

Environmental responsibility

Resource management

At Virbac, resources are carefully managed via key indicators covering energy and natural resource usage (water, electricity, gas, fuel) as well as raw material usage (active ingredients, packaging, excipients…).

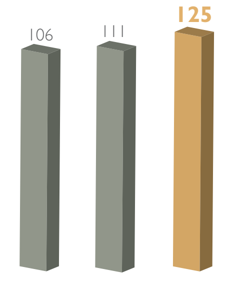
Lowering energies and natural resource usage on comparable activity

For several years now, Virbac has been striving to cut energy and natural resource usage through recycling (water), replacing equipment (more efficient), insulating, optimising air conditioning and through the establishment of usage indicators as close as possible to the end users (better control of energy expenditure). For a comparable volume of activity, overall reduction over the last five years in consumption at the Carros site alone (which represents almost 50% of Group production) amounted to 15.7% for electricity, 17.6% for gas, and 30.7% for water.

Reduction
in usage

Usage France Carros

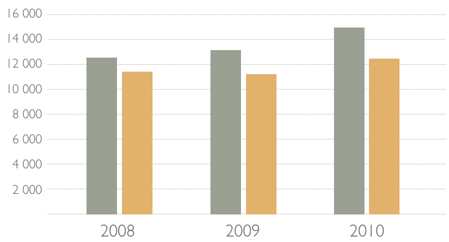
Industrial activity Carros



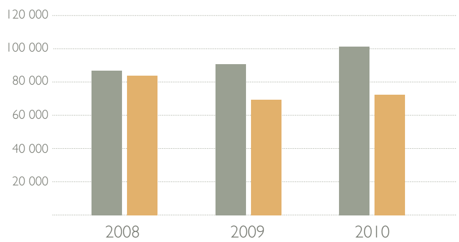
Index base 100 in 2006: added value (direct labour costs + indirect production costs)

Electricity in MW h

Gas in MW h



Water in m^3

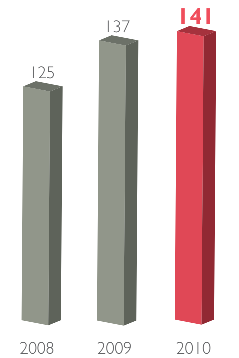


as a proportion of activity used

Relative energy usage is falling, since the increase in volumes produced in Carros enables minimum energy use at the site, such as cold chambers and air processing, to be better amortized.

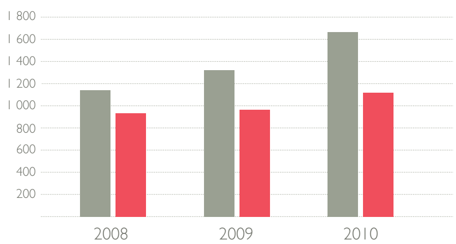
Usage France Vauvert

Vauvert industrial activity

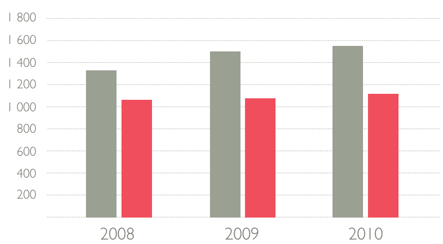


Index base 100 in 2006: added value (direct labour costs + indirect production costs)

Electricity in MW h



Water in m^3

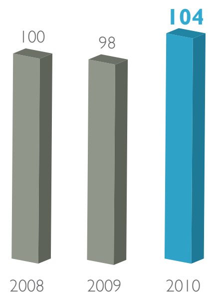


as a proportion of activity used

The growth in energy consumption is lower than the growth in volumes produced related to the success of the new Vet Complex product ranges.

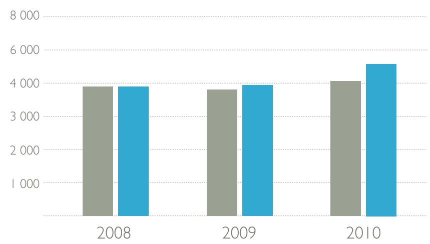
Usage in the United States

Industrial activity in the United States

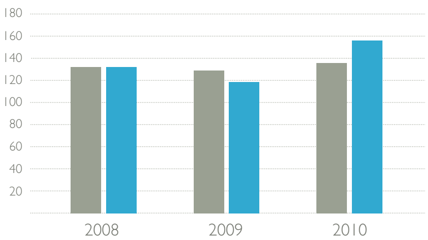


Index base 100 in 2006: added value (direct labour costs + indirect production costs)

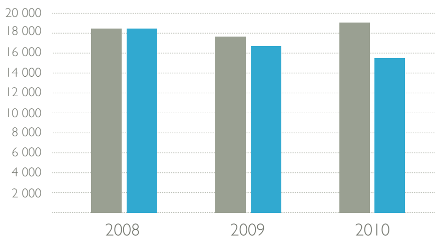
Electricity in MW h



Gas in CCF ($100ft^3$)



Water in m^3

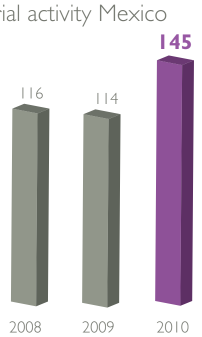


■ as a proportion of activity ■ used

Virbac United States has installed a temperature, humidity and pressure control system in various production and storage zones on its site in St. Louis, with the aim of meeting local compliance requirements. Although this installation, together with an increase in industrial activity, have generated a temporary rise in electricity consumption in 2010, the equipment selected forms part of a sustainable development plan (the chiller system installed consumes 50% less energy than other standard systems available on the market).

Usage Mexico

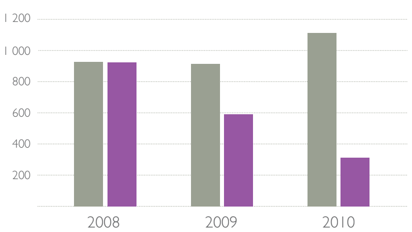
Industrial activity Mexico



Index base 100 in 2006: added value (direct labour costs + indirect production costs)

Electricity in MW h

Gas in litres



Water in m^3

■ as a proportion of activity ■ used

In 2009, a solar heating system for heating running water was installed, enabling economies to be made in gas consumption. Gas energy bills were cut by more than half. Policies applied for limiting electricity consumption also contributed to a diminution in our energy consumption.

AREAS FOR IMPROVEMENT

The construction of a new industrial building complying with the latest environmental standards is currently being undertaken on the Carros site. This construction will incorporate the best available technology for reducing water consumption and industrial waste water. The building complies with the stipulations laid down by the National interest operation for improvement of the plain of the river Var (Eco Valley).

Focus on information system

Virbac's information system also helps in reducing the environmental impact by making use of:

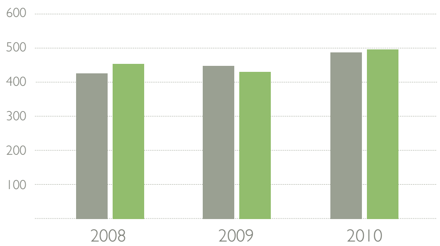
- collaborative tools helping to reduce unnecessary travel (video conferences in most subsidiaries, shared meeting spaces, instant messaging);
- communication tools leading to virtualisation of internal and external exchanges (workflow, extranet, PDA, FTP platform);
- IT infrastructure reducing the material resources required (virtualisation of servers, Lean Enterprise Resource Planning, automation).

Minimising losses at every stage of the manufacturing process

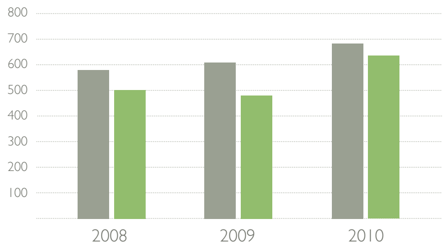
Since the introduction of the Continuous Improvement project, Virbac has stepped up the fine-tuning of its active ingredients, excipients and packaging usage. This enhancement has been achieved via dedicated supplier partnerships: from procurement of the bare minimum (reduction of inventories and internal transfers), through an optimised flow organisation (manufacturing smoothed and tailored to demand) to the shipping of finished products (in line with customer requirements). Lastly, Virbac's innovation policy favours the manufacturing of products requiring the least amount of packaging.

France: pharmaceutical packaging put on the market

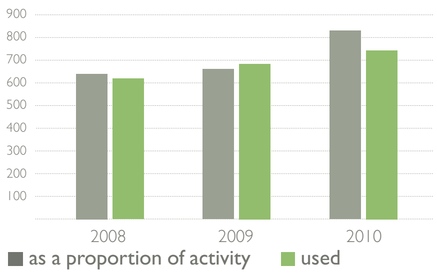
Glass in tonnes



Plastic in tonnes



Cardboard / paper in tonnes



The increase in consumption of paper, cardboard and plastic is lower than the growth in activity.

Management of waste

Virbac generates two different types of waste: non-hazardous industrial waste and special industrial waste. They are managed via dedicated collection and sorting channels (overall change in sorting from 61% in 2009 to 65% in 2010) in order to ensure optimal recycling or valued depending on their nature.

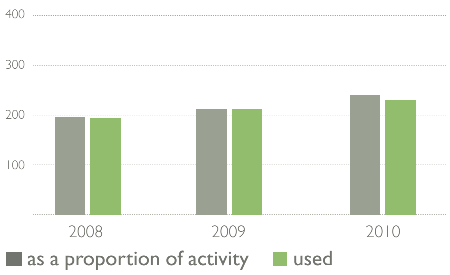
Improving sorting at source and reducing the volume of non-hazardous industrial waste

Since 2003, Virbac has participated in the implementation of a collection system for non-hazardous industrial waste (aluminium, iron, glass, cardboard, plastic, paper, etc.) at the Carros industrial zone This specific system (regularly studied by local authorities or other industrial zones looking to replicate it) makes it possible to take an independent, innovative and high-performance approach to the treatment of this sort of waste. To achieve this, Virbac is optimising sorting at source by providing employees with local collection facilities (recycling boxes, dedicated containers, plastic crates…). Thus, in relation to an identical volume of activity, the quantity of non-hazardous industrial waste has fallen by 18.6% over the last five years.

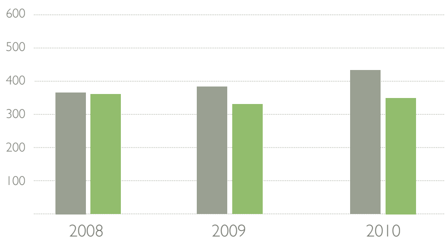
Bringing volumes of special industrial waste under control

Virbac ensures traceability up to elimination of all its special waste: soiled packaging, laboratory, manufacturing and medicinal waste or waste that could gives rise to infection risk plus chemical effluent (incinerated for the most part and accordingly heat recovered or recycled to recover solvents). Lastly, Virbac is steadily improving the collection system through the establishment of new even more selective channels, making it possible to reduce the portion of waste not yet covered by recycling.

Special industrial waste in tonnes

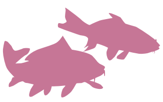


Non-hazardous industrial waste in tonnes



AREAS FOR IMPROVEMENT

A key player amongst the industrial operators in the Carros zone, Virbac continues its efforts to expand the screening of both non-hazardous and special waste (in particular through the identification of new recycling channels) as well as sorting at source through increased raising of awareness of all its units thanks to field indicators: quantity of waste produced to volume of finished products.



Environmental integration

Stringent regulation, ecotoxicity, special analyses, secure buildings… as a pharmaceutical group, environmental integration and risk control are a core part of Virbac's business activities.

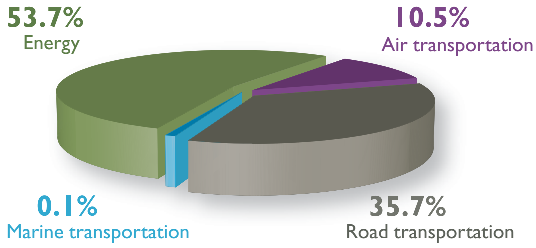
Taking environmental action

Given the nature of its pharmaceutical manufacturing activity (in particular restrictive technologies), Virbac does not create any visual, noise or olfactory nuisances. Although Virbac is a non-polluting business, it invests increasingly in respect for the environment: setting up of an Industrial Projects management team working in close collaboration with a strengthened Health, safety and environment team, as well as setting up of a Risk Management department. In addition, Group principles on the environment are adapted by subsidiaries to meet different local regulatory requirements.

Although the company is not affected by regulation on CO_2 quotas, since it is considerably below the lower limit of 25,000 tons per annum, Virbac is committed to managing this greenhouse gas linked to energy consumption (gas and electricity) and transport (by road, air and sea).

Break down of CO_2 emitted by or from Virbac

France
8 500 tons



Focus on
emerging
economies

Columbia

In 2010, Virbac Columbia developed a post-consumption plan for phytosanitary products. The goal: to collect residues of animal health products directly from end users (vets, farmers, distributors, local authorities...). As many packing or packaging articles recovered in regions where the environmental impact of pesticides is considerable: Cundinamarca, Coffee Triangle, Meta, Boyacá, Huila, Tolima, Nariño, Northwest Coast, Northeast Coast Antioquia and Santander. Whether manufactured locally or imported, the packaging concerned is collected in special containers situated near sites where the products are applied, then cleaned and transported to incinerator or specialist recycling sites. A policy which is both useful and responsible.

AREAS FOR IMPROVEMENT

New buildings and equipment, staff awareness, mobilisation of Health, safety and environment management, leading in particular to the creation of a post dedicated to the environment... these are all policies reflecting Virbac's desire to assimilate stricter personal and environmental safety requirements.

Managing direct and resulting risks

The Group's mapping of significant risks has exposed a certain number of industrial and environmental risks (for more details, please refer to the management report, chapter on "Risk Factors", page 50). For the more important risks, in 2011 Virbac will apply specific action plans designed to reduce the exposure of the Group to such risks. However, a large number of measures have already been carried out in this field.

Safety of products and of their components

General measures

• Provision of safety data sheets to Virbac employees (raw materials) as well as to customers and shippers (products).

• Organisation of transportation in line with regulations governing the transportation of hazardous products:

- availability of safety data sheets of finished goods in French and in English;
- packaging of dangerous products in packaging which meets current standards.

Conformity with pharmaceutical regulations

• Training of employees in the specific requirements of the pharmaceutical industry.

• Setting up necessary protection, both collective (atmospherically controlled zones, preparation in sealed tanks, use of insulators when working) and individual (PPE: Personal Protective Equipment, vaccination).

• Full product traceability (from raw material provider to clients).

Ecotoxicity of products

• Virbac carries out an ecotoxicity analysis for each of its registered products. This is validated by receipt of a marketing authorisation issued by various veterinarian medicine authorities.

• With respect to products for companion animals, the technical presentation is as rigorous as for human pharmaceuticals. In the case of products for food producing animals, this analysis is even more sophisticated.

Safety of industrial processes and facilities

• Gathering and specific treatment of effluents before disposal: in particular, all potentially contaminated water arising from the production of active ingredients of biological origin is subject to processing/sterilisation before being ejected into the waste water network.

• Techniques are regularly audited by regulatory authorities (Anses-ANMV, Dreal, Apave…).

• Fire detection systems cover the whole site, with human on-site monitoring 24 hours a day.

• Annual auditing of installations by an independent specialist in fire risk prevention.

Social responsibility

Community involvement, a reflection of diversity

In 2010, Virbac was once again active in the local and national labour market for covering its recruiting requirements, emerging as a result of strong continuing growth. Since 2009, the company has been committed to recruiting solely on the basis of skills and to strengthening partnerships with social partners in the field of employment and education.

Maintaining and developing employment

Thanks to economically sustainable performance, Virbac has developed employment in France: staff numbers were increased by 30 in 2010 over 2009, reaching a figure of 1,106 as of 31 December 2010.

The reputation of Virbac as an employer is attractive to local applicants. A consistently growing company on a human scale, Virbac continues to strengthen its presence in the labour market (participation in numerous forums). Thanks to sustainable growth and to its global presence, Virbac offers genuine prospects for self-enrichment and real possibilities for advancement. Employment is also developing at the Group level.

Prioritising expertise

Both with regard to recruitment and to internal promotion, the only criterion taken into account is expertise. Particular care is taken in defining requirements in terms of responsibilities, experience and skills. These objective criteria are the basis of all selection and recruitment decisions and are common to managers in the particular field and human resources managers.
Every year, members of staff discuss their skills profile, their development prospects and their aspirations with their immediate managers. Some profit from a skills report or from personalised support for professional reorientation within the company.
Most recruitment openings are announced internally, thus helping to promote internal mobility within the company.

Group staff numbers 2010

3,150

(2,880 in 2009)

AREAS FOR IMPROVEMENT

Virbac continues to strengthen its reputation with a number of universities and professional schools linked to the company's business activities. A particular effort is being made at the level of veterinary schools and with pharmacy faculties. Virbac is also committed to continuing its undertakings in the field of disability at work. An audit aimed at strengthening diversity policy will be carried out in 2011 with the help of a specialist partner *(IMS - Entreprendre pour la cité)*.

Being a good citizen and reflecting social diversity

Virbac participates in dialogue between the business world and civil society. In particular, by taking on a significant number of trainees and apprentices (62 new appointments in 2010) from both regional and national educational institutions.
These exchanges also take place via regular recruitment of young staff for the Group subsidiaries on the basis of VIE (*Volontariat international en entreprise*) programmes. These young employees often pursue a career in the company.
Keeping 10% of headcount filled by older workers and implementation of numerous measures encouraging the recruitment and training of older workers. A dedicated budget (€ 30,000 for France) has enabled us to train more than twenty staff.
A founder member of the Nice-Sophia Antipolis University Foundation, Virbac is also represented on the Committee on strategic orientation of the Nice University at Sophia Antipolis and the Skema Business School.

In January 2009, Virbac signed the diversity charter, reflecting a strong commitment by the company to combat all forms of discrimination in human resource management.
Handicap: in 2010, Virbac continued its partnership with La Gaude Centre for professional redeployment (CRP or *Centre de Reclassement Professionnel*) and the three Establishments and services for employment aid (ESAT) in Provence-Alpes-Côte d'Azur region. The aim is to offer training courses and temporary assignments.
In most cases, Virbac is committed to keeping disabled staff in employment.
In cooperation with Agefiph, an audit on ergonomics of production workstations was carried out. This led to the improvement of stations, in particular by supporting equipment for loading and unloading.

Working conditions

Labour relations at Virbac concern everyone: they reflect an ongoing wish for open and constructive dialogue. Often linked to performance, working conditions are of constant concern, regularly assessed via the internal opinion survey.

Encouraging social dialogue and improving labour relations

- Dialogue and collaboration reinforced with the help of representative staff organisations resulting in the signing of agreements on summer holidays in 2010 and setting up a commission on 1% housing.
- Continuation of work by a GPEC joint working group for supply chain specialisms, (*Gestion prévisionnelle des emplois et des compétences*): production, quality control, logistics and client solutions.

Taking preventive measures with regard to health and safety at work

• In 2010, a new Health and Safety director took up his post, reorganising the service with the aim of strengthening resources dedicated to training, prevention, field presence and monitoring of reactions to accidents.
• Stress management training courses for managers and staff, with the emphasis on prevention in terms of health (nurse, occupational doctor, HR, Committee on hygiene, safety and working conditions (CHSCT) and Health and Safety services) particularly in relation to improvement of workstations.
• Prevention Reflex policy: 500 staff attended awareness and training sessions for health and safety at work during 2010.
• The site at Magny en Vexin was awarded a "Company Trophy" by the Ile de France Cram in recognition of the impressive efforts made as part of the "Prevention of accident at work and occupational diseases" campaign, focussing in particular on muscular and skeletal problems.
• A joint cross-functional working party involving management and employees, the occupational health service and the social service was set up to deal with prevention of psycho-social risk.
• In 2010, a social service provided a half day presence each week, offering additional support to staff in difficulty.
• Identification and risk management of CMR (Carcinogenic, mutagenic and reprotoxic substances): causing reproductive disorders.

Statistics on conditions of employment in France

Safety: 29 occupational accidents

with stoppages leading to 595 lost working days.

Turnover: 5.8%

(annual number of resignations, redundancies, mutual agreement dismissals as a proportion of total staff numbers).

Absenteeism: 4.4%

(number of working days lost as a result of sickness, occupational accidents, accidents to and from work, occupational illness, maternity, therapeutic part time working, divided by the total theoretical number of days worked yearly).

Temporary employment: 138 temporary staff

on average, on a monthly basis, 12.4% of staff numbers.

AREAS FOR IMPROVEMENT

• A significant recruitment programme will be carried out in 2011 to hire permanent operators at Carros, in order to reduce the percentage of temporary staff.
• A meaningful decrease in the number of work-related accidents will be a priority aim at the Carros site, with the goal of approaching pharmaceutical industry standards.
• Continued initiatives for job development for handicapped people in France.
• Setting up of Health, Safety and Environment standards in each industrial management field.
• Recruitment of a second male or female nurse for strengthening prevention activities.
• New staff opinion survey in 2011.

Development of expertise and employability

At Virbac, the development of expertise is one of the key areas of investment with an eye to the efficiency, development and professional advancement of employees.
At the heart of the system is the manager, who benefits from expert support and is involved both from an analysis perspective through the end-of-year interview and in terms of training recommendations.

Developing managerial organisational skills

• Advanced managerial development policy: thanks to a course focussed on the fundamentals and covering a wide range of issues, employees are better supported in their professional advancement. These management workshops accounted for 55% of training given in 2010. Training is designed above all to strengthen management understanding of employees, a guarantee for the well-being and personal development of staff.
• In 2010, in depth development interviews, to be distinguished from the assessment interview, were put in place for all staff, enabling them to take stock of their professional advancement (forty managers trained for this new process).

Offering more training to as many as possible

• In-house training accessible to all: expenditure on training at Virbac amounts to almost 4% of the total salary bill, covering 1,800 enrolments for training in 2010.
• In 2010, 800 people, from all staff categories, benefited from training: workers (85%), staff (97%), specialists and supervisory staff (76%), managers (80%).
• The range of training offered changes every year, as a function of the company's strategy and the needs of staff.

Encouraging individual initiative

• Strong policy encouraging the use of individual entitlement to training (Dif): 19% of the Virbac workforce received Dif training in 2010, compared to an average of 6% over France as a whole.
• Support for every employee in reconciling personal needs with those of the company ("I am active in my work environment, I participate, I contribute", etc.)
• Improved well-being, life balance within the company, efficiency and personal development ("stress management" and "personal development" training accounted for 35% of training given in 2010).
• In 2010, Virbac issued its first qualification based on acquired experience to a technician employee in R&D.

Focus on emerging economies

Brazil
As an integral part of its benefits and remuneration package, Virbac Brazil meets the greater part of the cost of day nurseries for its staff. This benefit guarantees allocation of 70% of the cost of nursery and schooling fees over a period of 24 months. For female employees of the subsidiary, this policy means more effective recovery after giving birth and better well-being for their children. Still speaking of benefits, all employees at the subsidiary who have more than a year of service can benefit from the training programme aimed at developing talent in the various fields of company activity.

AREAS FOR IMPROVEMENT
In 2011, Virbac hopes to offer training to managers designed to help them to improve recruitment, strengthening the message on non-discrimination and encouraging assistance for new members of staff in terms of integration.

Remuneration and social protection

Virbac's remuneration policy is the result of a long tradition developed by management with social partners. All aspects of the package are taken into account, compared to the market, and reviewed on the basis of economic developments, employee expectations and the company's needs. The policy is meant to be attractive in order to reward each person's relative contribution to the company's performance.

Ensuring competitive and attractive remuneration

Virbac has set up a new bonus policy to cover all management personnel. This policy is based on levels of responsibility and the company's various specialist fields. It helps to increase the competitiveness of remuneration policy, increase rewards for individual performance, favour transversality and establish a more direct link between individual performance and the Group's economic performance.

Besides these changes, Virbac maintains its fair remuneration policy.

Collectively

• salaries above that of the industry (+5%);
• increases which preserve purchasing power for non-managerial personnel (workers, staff, technicians and supervisory staff);
• a minimum index-linked holiday allowance (€ 1,370 in 2010);
• a profit-sharing agreement;
• a profit-sharing arrangement, which can reach up to 3.6% of profit after taxation (very fairly allocated), which this year translates into an average individual increase of € 900.

Individually

• merit increases for all categories of employees;
• exceptional bonuses;
• incentive payments for managers increasing in 2010 and 2011.

Providing employees with effective social protection

Stemming from a long social tradition, the social benefits policy is particularly competitive. Virbac was one of the first companies to implement a working time reduction agreement in June 1998 (reference working time of 34.20 hours per week).
Welfare agreements and arrangements regarding employee savings (profit-sharing, reward schemes, blocked current account, employee savings plans), are all items that make the difference in terms of social benefits.
In agreement with management and staff, Virbac gives employees the chance to access housing at preferential rents under the 1% housing scheme from which eleven people benefited in 2010.

Focus on emerging economies

China

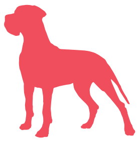
Over the last few years, the cost of living in Chinese cities has been growing exponentially. The main concern felt by Virbac employees in China (based in Shanghai) is how to manage, and in particular how to have enough to pay for housing of a reasonable standard. To keep staff living in good conditions in the face of a frothy housing market, Virbac has set up a housing fund to help them acquire a home. Each month, employees can invest a percentage of their choice (ranging from 1% to 17%) in the *Virbac China house fund*, with the company contributing in the same proportion. Once a year, Chinese staff can withdraw the sum total for acquiring housing.

AREAS FOR IMPROVEMENT

Virbac regularly updates its remuneration policies in order to optimise both notions of fairness in the workplace and competitiveness in the marketplace. A new profit-sharing agreement with representatives of management and employees will be concluded in 2011.

Economic responsibility

Corporate governance



Virbac has established a corporate governance system designed to achieve a high level of transparency, risk control, and employee development as well as to ensure that the company has a good image in the eyes of its customers and shareholders.

Ensuring independence of governance structures

- Supervisory board with half of its members classified as independent.
- Audit committee with half of its members classified as independent.
- Remuneration committee with half of its members classified as independent.
- Statutory auditors: Virbac does not call upon companies to which its statutory auditors are affiliated for advisory missions or acquisition audits.

Following Afep-Medef recommendations

Virbac has decided to use as a reference the Corporate governance code for listed companies drawn up by Afep-Medef. Almost all of its recommendations on corporate governance and remuneration of corporate officers have been implemented by Virbac (please refer to the report of the chairwoman of the supervisory board, page 62).

Ensuring information transparency

Virbac ensures the Group's financial transparency towards its shareholders by distributing regulatory information to a wide public and in accordance with methods guaranteeing safe information distribution. Financial information on the Group can be found at our web site www.virbac.com, where it can be downloaded and questions on financial matters can be raised.

Employees are also kept regularly updated regarding information relating to the Group, notably via the Virbac intranet.

Controlling risks

Towards the end of 2009, Virbac set up a Risk Management department, which pilots the process of risk management for the Group. Initial policies have consisted in drawing up a map of the important risks facing the Group, allocating "risk owners" and initiating the first action plans.

AREAS FOR IMPROVEMENT

For 2011, Virbac aims to extend its plans to cover all priority risks and to deploy a risk mapping methodology for risks liable to effect main subsidiaries.

Economic performance

Operating in the field of animal heath for over forty years and as the leading independent operator in the market, Virbac aims to continue its growth in harmony with its environment and the people who work for it, ensuring the Group's long-term survival through profitable and sustainable growth.

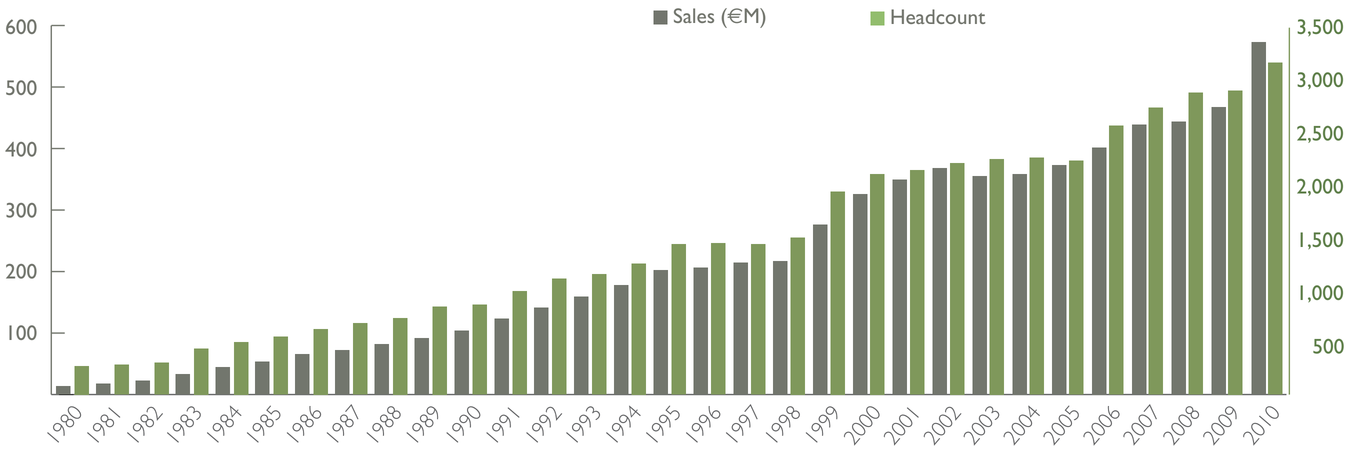
Profitable and sustainable growth

Virbac consolidated its growth in 2010, bringing average organic growth over five years to 7.1%. This growth amounts to 10.8% in 2010 and is due to developments in our two main areas of activity: companion animals and food producing animals.

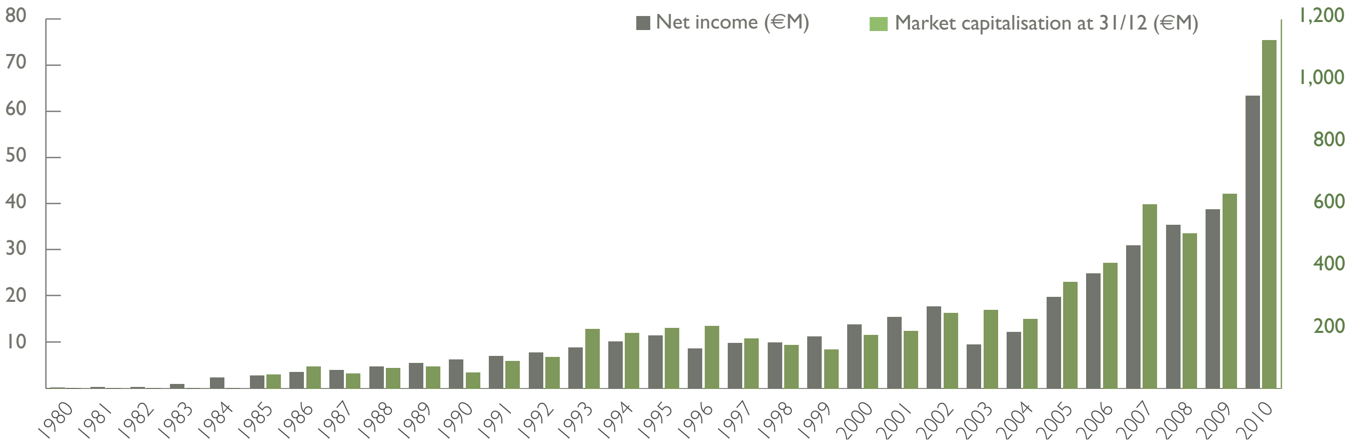
- Controlled growth strategy that is reflected in steadily growing sales, net profit and headcount.

- A stable family shareholder base that prefers steady and long-term growth rather than short-termism.

Change in Group sales and headcount



Change in net income and stock market capitalisation



AREAS FOR IMPROVEMENT

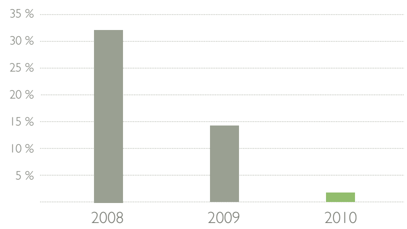
To continue growing in a profitable and sustainable manner, Virbac wishes to pursue its strategy of winning market share based on organic growth in each of the major animal health segments (companion animals and food producing animals) while making targeted acquisitions of companies, products or active ingredients to improve its operating profitability margin by on average half a point annually, whilst maintaining manageable debt levels.

Investing and innovating to ensure the company's long-term survival and independence

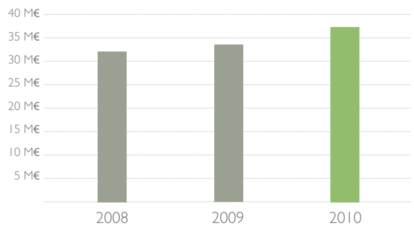
Manageable debt levels that allow Virbac to pursue organic growth and acquisitions as it sees fit. The available resources thus enable:

- financing of innovation focussed on satisfying customer needs;
- availability of capacity also enabling the Group to develop by means of external growth (acquisitions of companies, products, active ingredients...).

Debt / total equity



R&D expenditure



Supplier partnerships

Whatever the type of purchase, Virbac is guided by unwavering principles both with regard to the selection and management of its suppliers. In this respect, the company guarantees equal treatment of candidates, and looks to build long-term partnerships while ensuring that they respect ethical, environmental and social values.

Ensuring equal treatment of candidate suppliers

- Ongoing search for new suppliers committed to an improvement policy (established suppliers are regularly asked to tender).
- Non-discriminatory supplier tendering (standardised process placing all candidates on a level playing field).
- Comparison of bids on the basis of identical objective criteria (financial performance, flexibility, improvement process...) and collective decision-making involving all services concerned (code of ethics on Group purchases).

Annual tendering

75% purchases

subject to negotiation are covered by best practice (evaluation, consultation, drawing up of contracts, and monitoring procedures).

Best practices

100% industrial subsidiaries

of the Group share the same consultation, supplier assessment and reporting practices.

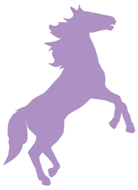
Building long-term supplier partnerships

• Regular distribution of a questionnaire on key criteria (financial health: balance sheet, profit and loss statement, sales…).
• Factoring in the strength of supplier relations (respect for cultures, payment terms, follow-up, friendliness, professionalism…).
• Enquiries made by specialised companies (creditworthiness, stability).
• Monitoring of supplier investment policy (long-term survival).

Maintaining commercial relations with suppliers that respect ethical, environmental and social values

• Ethical commitment by suppliers (no corruption or discrimination, respect for legislation governing child labour, respect for environmental regulations applicable in their countries).
• Ethical, environmental and social criteria part of the audit of new suppliers (assessment questionnaire having status of a contractual undertaking).

Customer relations



As a dedicated animal health pharmaceutical company, Virbac has a special relationship with its customers. It consists of working for the long-term, promoting the rational use of veterinary medicines and driving the sustainable development of the various stakeholders in the sector.

Taking a long-term view of customer relations

• Developing a services policy aimed at rewarding customer loyalty and supporting clients in their long-term development (management training for their clinics, staff...).

• Commercial policy based on annual contracts that, rather than encouraging usage, prioritise long-term relationships and loyalty.

Promoting the rational use of veterinary medicine

• Encouraging awareness amongst vets of newly emerging pathologies and training in new diagnostic methods for detection, in the service of better use of medicines for the sake of improved animal health.

AREAS FOR IMPROVEMENT

Virbac intends to prioritise allocation purchasing resources to its strategic suppliers so as to secure supplies for the purpose of improving quality and economic performance.

Focus on emerging economies

India

In the villages, Virbac India offers cattle breeders a training programme helping them to make their breeding more profitable. The main segments are: bovine, ovine, and poultry. To help them to grow sustainably and to encourage a long-term relationship, our Indian subsidiary pursues several fundamental policies. The most important aspect is inviting opinion leaders to give their thoughts on matters such as infertility, improvement of production, use of parasiticides... Virbac also offers training on observance (following usage recommendations) and on farm and staff management. Finally, through its road shows in rural villages, our subsidiary promotes rational use of dietary complements and veterinary medicines (providing training tools in local dialect: videos of case studies, brochures and technical fact sheets...).

• Educational work for veterinarians and farmers regarding compliance (with regard to administration, dosage levels, duration and useful life) underpinned by the development of palatable products. An approach that limits overuse of medicines and avoids the development of potential resistance to products.
• Advice and support for veterinarians and farmers via extensive communication on best practices regarding the use of medicines for both food producing and companion animals (guides, data sheets, DVDs, training...).

Best practices

Launch in 2010 of the antibiotic Tenotryl in France combined with sensitivity tests and antibiograms (enabling use of the most suitable antibiotic and preservation of effectiveness over longer periods).

Driving the sustainable development of animal health stakeholders

• Progressive elimination of product waste on the customer side: development of bulk packaging and reduction in the volume of printed material (migration towards electronic documentation only).
• Inclusion/vaccination: raising awareness amongst the general public (23rd edition of "I love my pet, I have it vaccinated" campaign) and raising the awareness of towns and villages regarding the integration of animals into urban life (awards from the Fondation d'Entreprise Virbac, a corporate foundation rewarding and encouraging their initiatives in this direction).
• Training of vets with the aim of long term development of their clinics by improving their managerial skills (Vet Manager in France and Practice Growth Programme in the UK) optimising quality of service provided to animal owners.
• Vaccination campaigns against rabies: after having eradicated the scourge in France, in 2010 Virbac provided rabies bait for Estonia, Finland, Italy and Austria.

"I love my pet, I have him vaccinated" 2010

12 000 posters in town halls, tourist offices, animal sanctuaries, schools, associations and bus shelters in over 650 cities and towns across France.

AREAS FOR IMPROVEMENT

In 2011, deployment at the European level of media for ensuring promotion of reasoned veterinary medicine usage (best practice guides).

Financial report

Financial report

Management report

The consolidated sales of the Group amounted to €572.8 million, with strong growth in 2010 from 22.6% at actual rates, 15.4% at constant exchange rates and 10.8% at constant rates and scope. This performance reflects strong organic growth in the companion animal segment, from 13.4% at constant rates and scope, with the launch in Europe of new products and the success of the Effipro and Fiproline ranges, external parasiticides implemented in all countries at the beginning of the season, and the United States with strong growth across all product ranges and access to new distributors for Iverhart.
The food producing animal segment has also increased from 5.2% at constant rates and scope, with a good development in the cattle segment, in part as a result of a strong trend in emerging markets and more favourable weather conditions than in 2009 in some key countries in the Southern hemisphere, and otherwise by gains in market sections in Europe despite a sluggish market, penalised by the French market downturn and the difficulties encountered in industrial breeding (pigs and poultry). Successful integration of parasiticide ranges and the vaccines acquired earlier this year from Pfizer, following its acquisition of Wyeth and its Fort Dodge veterinary division in Australia, brings the total growth of this segment at 18.2% In 2010, the Group also benefited from very favourable effect of currency fluctuations due to the depreciation of the euro, which represents more than seven points of growth in turnover.

2010 highlights

In 2010 the Effipro and Fiproline external parasiticides became the first Virbac product in Europe for their first full year of sales. With over €20 million in sales for the entire range in this area, these products fit as a credible alternative on the parasiticides market for companion animals and strengthen the Group's image as a major player in animal health.

In January 2010, Australia integrated successfully the parasiticide and vaccine ranges of Fort Dodge. Now Virbac can meet the main rearing needs by offering the most comprehensive range in the market. This business has generated €26.9 million in sales, thanks in particular to the Cydectin range (€23.8 million) which exceeded initial sales forecasts.

In January 2010, Virbac has forged a strategic alliance in the field of vaccines for food producing animals by participating in a 30% stake in Uruguayan Santa Elena laboratory, for a sum of 3.7 million American dollars. This alliance will enable Virbac to provide a basis for development and production of these vaccines, and to enter into this important market segment for the Group's expansion in Latin America.

In continuation of the development work completed last year, Virbac has seen major advances in 2010 on a vaccine against canine leishmaniasis, CaniLeish. The registration dossier of the vaccine has received a favourable opinion of the EMA (European medicines agency) on 13 January 2011. This opinion still needs to be validated by the European commission to obtain the European registration within two to three months. At the production level, the work of the new leishmaniasis unit located in Carros started in 2010. This unit will become the first European plant using an innovative process for single use manufacturing.

In April 2010, Virbac has made its first direct invoicing in China in the companion animal segment, an operation now possible through the establishment of an efficient distribution system (direct delivery to the customer) and nationwide coverage. Virbac now has a business platform adapted for strengthening this promising market.

The American site of St. Louis became the new production site for Equimax in Europe. This site has received the Good Manufacturing Practices (GMP) European certification for the production and distribution of Equimax in Europe. Virbac strengthens its production capacities in the United States for the Equimax range, the second Virbac product with over €17.0 million in sales in 2010.

2010 also saw the creation of the Risk Management department. Through this new feature, the Group has built up strength in order to address the growing complexity of its environment and the multiplicity of constraints in all areas.

The Group's 2010 business performance

Performance by segment

Breakdown of sales by segment

in € million	2010 sales at actual rates	Like-for-like growth by segment at constant exchange rates < -5%	-5% to 0%	0% to +5%	+5% to +10%	+10% to +15%	> 15%
Parasiticides	89.8						26.0%
Immunology	56.9			4.4%			
Antibiotics/dermatology	55.6					12.4%	
Specialties	64.7				8.9%		
Equine	30.6						21.2%
Specialised petfood	23.4					13.8%	
Other	23.5			0.6%			
Companion animals	**344.5**					**13.4%**	
Bovine parasiticides	41.3	-7.7%					
Bovine products (excluding parasiticides)	124.5					13.8%	
Pig/poultry antibiotics	36.7	-10.1%					
Other	13.6						16.6%
Food producing animals	**216.1**				**5.2%**		
Other businesses	**12.2**						**32.4%**
Sales	**572.8**					**10.8%**	

In 2010, Group sales rose 10.8% at constant rates and scope, on the back of sustained growth in the two businesses: 13.4% in the companion animal segment and 5.2% in the food producing animal business.

Companion animals

As at 31 December 2010, this activity represents 60.1% of total Group turnover and generated strong organic growth of 13.4% compared to last year.

The parasiticides segment is driving growth with an increase of 26.0% due to the full-year impact of Effipro and Fiproline spot-on and spray sales in Europe, combined with significant progress of Iverhart in the United States supported by enlisting new distributors earlier during the year.

The equine range renews with growth in 2010 and displays an improvement of 21.2%. This growth is achieved on the European markets and the American market. On the latter, Virbac signed in 2009 a new distribution agreement with the Bimeda Inc., which gives it a presence in the United States and Canada for the next ten years.
Like last year, the specialty food range continues to grow strongly in 2010 (13.8%), mainly due to the success of the Virbac Vet Complex product range in France.

Antibiotics and dermatology continues to grow in 2010 (12.4%), thanks to Biomox, Epi-Otic and Allerderm spot-on sales in the United States.

Food producing animals

This business accounted for 37.7% of Group sales. It is up 5.2% at constant rates and scope. This organic growth is the result of contrasted trends between the bovine industry (excluding parasiticides), an increase of 13.8% and of the remaining ranges including industrial breeding (pigs and poultry) which were down by 10.1%, reflecting a market situation that remains difficult in Europe.

The year 2010 was marked by the acquisition in Australia of the bovine and sheep products range (parasiticides and vaccines) of Fort Dodge, on the growth of the food producing animal segment at constant exchange rate at 18.2%.

Other businesses

These activities, which represent 2.2% of sales, correspond to specific activities that cannot be treated as companion animals and food producing animals. These include mainly contract manufacturing performed by third parties in the United States and sales of oral rabies vaccine in Europe. Sales growth in 2010 is due mainly to the success of tenders for rabies baits in Italy and Estonia.

Performance by geographic region

Geographic breakdown of sales

Over the whole year, all the geographical regions recorded positive growth, with double-digit growth in North America, Latin America, Asia and the Pacific, which benefits from the acquisition of the Fort Dodge product range.

The major contributions by geographic area are as follows:

in € millions	2010	2009	*Variation at actual exchange rates*	*Variation at constant exchange rates*
France	106.5	98.0	*8.7%*	*8.7%*
Europe (outside France)	180.0	166.0	*8.4%*	*7.3%*
North America	83.4	66.9	*24.7%*	*18.4%*
Latin America	39.2	29.4	*33.5%*	*17.0%*
Africa & Middle East	30.7	26.0	*18.0%*	*1.9%*
Asia	69.4	52.7	*31.7%*	*19.1%*
Pacific	63.6	28.4	*123.9%*	*83.3%*
Sales	**572.8**	**467.4**	***22.6%***	***15.4%***

Europe

The turnover of the Group's European operations reached €286.5 million in 2010, up 8.5% at actual rates compared to last year, *i.e.* 7.8% at constant rates. Growth in Europe comes from all subsidiaries except Portugal, which has struggled in the industrial breeding sector and OTC export operations with strong competition in the market for parasiticide collars. The major developments that have contributed to the performance in Europe are:

France

The turnover is growing rapidly compared to the previous year, *i.e.* 8.7%. In the ethical sector, Virbac shows strong growth compared to 2009 in the companion animal business, thanks to excellent sales in the Virbac Vet Complex petfood range, the equine range and the full-year impact of external parasiticides with Effipro. In the food producing animal segment, good sales performance of bovine products limited the negative impact on sales of the industrial ranges.

In regard to distribution in OTC channels, 2010 earnings were favourably impacted by strong performance on the Fiproline range which largely offset declines in other parasiticide and hygiene ranges.

Germany

The year was marked by strong growth of 12.0% on the one hand, the impact of recently launched products such as Effipro, Virbagen Canis B in companion animals and Powerflox, Shotaflor injectable in food producing animals and, secondly, the Suprelorin sales consolidation launched in 2008 and Bovidec, which benefited from the absence in this market of a competing product.

Italy

Virbac Italy grew by 16.6% in 2010 thanks namely to winning the tender on the Rabigen Sag2 oral rabies vaccine, to the launch of Effipro, and to sales and development on diagnostic products.

United Kingdom

The subsidiary was up 5.5% at constant exchange rates. The companion animal business benefited from the full-year effect of the Effipro launching on the parasiticides segment and significant growth on EasOtic, Soloxine, the electronic identification and reproduction ranges. The food producing animal business struggled this year in particular, in the Virbamec range which faced strong competition.

Benelux

Turnover for 2010 rose by 5.1%. The companion animal business is growing due to Effipro's full-year effect, to vaccine sales, to the nutrition range and the equine range. The food producing animal business is up mainly for Super Mastidol and Virbactan bovine intramammary treatment. The trend is reversed on industrial ranges that are affected by new regulations on the use of antibiotics.

Export Scandinavia – Eastern Europe

Group sales are up 18.1%. The companion animal segment is up due mainly to significant sales of the Zoletil anaesthetic in Russia, the launching of Effipro, and the consolidation of positions on reproduction (Alizin, Suprelorin), dermatology (Epi-Otic) and equine (Equimax) ranges.

North America

The turnover has risen sharply from 18.4% at constant exchange rates, *i.e.* 24.7% at actual rates. In 2010, Virbac United States experienced strong growth in the companion animal market through the equine range with Equimax, and the internal parasiticides range with Iverhart and Virbantel, and also through good performance of dermatology products, dental products and antibiotics, given the absence of a major competitor in these ranges.

Latin America

In this region, the Group saw a 17.0% progress in sales at constant exchange rates, that is 33.5% at actual exchange rates.

Mexico

At constant exchange rates, the subsidiary recorded a growth of 17.6%. It enjoyed a very favourable exchange impact related to the appreciation of the Mexican peso against the euro, which is growing at 32.4% at actual rates. For companion animals, vaccines, which represent approximately 40% of sales, performed particularly well and showed strong growth again in 2010. The anaesthetic segment is up due to the tender won for Zoletil. For food producing animals, the pig and poultry business is on track thanks to Suramox premixes. Antibiotics indicated for the treatment of respiratory diseases in bovines and pigs, such as Shotapen, Maxflor and Fortius also contributed to this growth.

Brazil

Virbac Brazil grew by 9.4% at constant rates, *i.e.* 28.5% at actual rates with a positive contribution in companion animal ranges from the vaccine ranges, internal parasiticides such as Endogard, the dermatology range with the launch of Allermyl and Cortavance. For food producing animals, Multibio and Shotapen bovine antibiotics are up. In parallel, the pig and poultry antibiotics range is down due to the cancellation of the distribution agreement with Pfizer in Brazil. The loss of this turnover was largely offset by sales in Tribrissen, a multi-species antibiotic acquired in June from Intervet/Schering-Plough.

Asia

The increase in turnover reached 19.1% at constant rates, *i.e.* 31.7% at actual rates due mainly to Virbac India and the Group's development in Greater China.

India

Virbac India continues its double-digit growth of 18.8% at constant rates, *i.e.* 32.1% at actual rates. The food producing animal business continues to grow strongly due mainly to products for bovines, such as Ostovet, Vimeral and Agrimin, and to a lesser extent products for pigs and poultry.

Greater China

2010 is an excellent year in this region that displays growth at constant rates of 40.1%, *i.e.* 47.5% at actual rates. This performance was driven by increasing sales in China of the Rabigen mono vaccine, and a contribution from sales of Virbac Taiwan with the launch of Allerderm spot-on and Cortavance for companion animals. For food producing animals, the Taiwanese subsidiary recorded strong business activity on Shotapen and Pulmodox.

Thailand

In 2010, Virbac Thailand contributed positively to the performance of the region with a growth of 37.4% at constant rates, *i.e.* 57.5% at actual rates. For companion animals, growth was driven by sales of vaccines such as Rabigen mono and Canigen. For the food producing animal business, it is the sales of products for pigs and poultry as well as bovine antibiotics that continue to grow.

Pacific

Virbac sales in the region posted the largest gain of the year at constant exchange rates of 83.3% and 123.9% at actual rates. This growth is mainly due to the two following positive factors: the integration of the Fort Dodge product range in Australia associated with highly favourable exchange parity in 2010 on the Australian dollar. At constant rates and scope, the growth of the region is 5.8%.

Australia

Excluding the acquisition effect, sales rose 7.7% at constant rates compared to last year, *i.e.* 31.9% at actual rates. The companion animal business, which accounts for more than two-thirds of sales of the subsidiary, excluding effect of the acquisition of Fort Dodge products, has returned to growth thanks to good performances in the external parasiticides and vaccine ranges. The food producing animal business benefits from the contribution of new bovine parasiticide products, in particular the Cydectin range which generated €23.8 million alone in 2010.

Africa & Middle East

Virbac's sales in this region are primarily driven by Virbac South Africa. At constant rates, the turnover of the subsidiary decreased 1.0% compared to 2009. In contrast, at actual rates, growth is 18.6% given the strong appreciation of the rand against the euro in 2010.

The overall decline reflects the loss of a distribution contract in the pig and poultry antibiotics segment. Export sales to Africa and the Middle East, mainly composed of food producing animal products continued to rise in 2010.

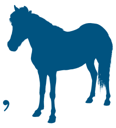
Changes in Group scope

On 5 January 2010, Virbac has forged a strategic alliance in the field of vaccines for food producing animals, reaching 30% of capital for 3.7 million American dollars of the Uruguayan Santa Elena laboratory. This company, with a presence of over fifty years in Uruguay, has great expertise mainly in developing and manufacturing bovine vaccines, which it markets in Uruguay and in Latin American countries. Its turnover amounted in 2009 to 7 million American dollars with a good level of profitability. Eventually, Virbac will have the option to acquire Santa Elena's entire share capital. Through this alliance, Santa Elena can count on the strong business platform that Virbac represents to introduce its vaccine range in many international markets. Virbac in turn, will benefit from Santa Elena's skills and know-how in the field of biology, which will provide a basis for development and production of vaccines for food producing animals and thus to wholly enter into this market segment. Santa Elena is integrated by the equity method in the 2010 financial statements of the Group.

On 29 January 2010, Virbac signed an agreement with Pfizer for the acquisition of some Australian veterinary products and assets attaching thereto, namely a production site. The amount of the transaction amounted to 11.7 million Australian dollars excluding acquisition costs and tax expenses. This procedure received approval from the Australian competition and consumer commission. It is part of the divestment of assets required by the commission following the recent acquisition by Pfizer of Wyeth including its Fort Dodge veterinary business. Through this agreement, Virbac has acquired the rights of a group of products traditionally marketed in Australia by Fort Dodge and aimed for food producing animals, mainly bovine and sheep. It consists of parasiticides (80% of sales) and vaccines (20%) which achieved a turnover of around 36 million Australian dollars in 2009. This new portfolio will fit perfectly and complement the current range of products that Virbac Australia makes available to its customers. This acquisition is qualified as a business combination under IFRS 3 revised and is registered as such in these summarised consolidated financial statements. The difference between the acquisition cost of the assets and the fair value of acquired net assets showed a negative goodwill of €11.5 million recorded in other non-current income on the income statement of the Group.

Scope as at 31 December 2010

Table of subsidiaries and affiliates as at 31 December 2010 is presented as an annex to the financial statements on page 108 of the annual report.



Research, Development & Licensing

The year 2010 was marked by events and progress for RDL (Research, Development & Licensing) operations.
First of all in Europe, obtaining on 13 January 2011, the favourable decision from EMA for CaniLeish vaccine, designed to prevent canine leishmaniasis, is an essential step following its filing in March 2010. This vaccine represents a major advance in the fight against this parasitic disease in dogs. The potential market for this vaccine is important, and its exceptionally innovative nature must be highlighted. The development of this vaccine and its demonstrated effectiveness represent a scientific breakthrough that goes beyond the veterinarian field.

Effipro registrations in Europe continued over 2010, complementing the efforts of 2009 to allow the sale of this product in European countries for all presentations and distribution channels.

The registration for the Vetflurane veterinary anaesthetic, based on isoflurane, was obtained in the major European countries in 2010, and for Suprelorin's "twelve-month" version already marketed in a "six-month" version.

RDL centres outside Europe, located in St. Louis (USA) for North America, Guadalajara (Mexico) for Latin America, Sydney (Australia) for the Australia/New Zealand region and Ho Chi Minh City (Vietnam) for the Asian mainland, have been strengthened with a special effort to support the acquisitions made in the field of food producing animal vaccine in Uruguay (Santa Elena) and Australia (products bought from Pfizer).

At the regulatory level, the structures present in South Africa (Johannesburg), Brazil (São Paulo), India (Mumbai) and Japan (Osaka) continue to make their contributions to the various R&D centres through their local presence and adaptation of product files to the requirements of their country. They also generate and monitor developments of products for the domestic market. A high proportion of 2010 operations was devoted to strengthening registration support operations in order to meet changing regulations in those countries. In addition to these portfolio maintenance activities, new registrations such as Cortavance, EasOtic, Effipro, numerous vaccines for the feline and canine range, Rilexine, Virbagest, Virbamec D were obtained in different countries outside Europe.

Innovation activities in Apisa and Latin America areas have been strengthened with the establishment of a product innovation group dedicated to the needs of these two areas and located in Buenos Aires (Argentina). This innovation group will rely on existing RDL structures to create and develop products for the common needs of these two areas.

In the United States, the North American RDL structure was strengthened, particularly in the area of regulatory affairs and always in association with Carros RDL resources.

The Effipro registration was obtained in the United States in January 2011. Two other major registrations regulated by the FDA (Food and Drug Administration) must be obtained in mid-2011. The portfolio of American projects was strengthened in 2010, both in the pharmaceutical field (FDA) and in the parasiticides field (EPA–Environmental Protection Agency) and it has now ten projects in various stages of completion.

Globally, the Virbac group's strategy in product innovation has been strengthened in 2010 with over eleven new projects entered in the portfolio, always selected on their economic value and innovation perceived by customers.

This upstream portfolio supply is accompanied by a dynamic and rigorous management of the entire portfolio based on value criteria, date of arrival on the market and likelihood of success.

Virbac spends 6.5% of its turnover on RDL and demonstrates the adequacy of the management of this activity through a steady stream of registrations of new products in all areas of its activity.

Production

France

2010 was marked by the launch of major projects on the Carros site. Thus, to ensure the Group's growth, Virbac modernises its industrial base by providing capacity increases, new process integration and regulatory compliance to meet the changes in pharmaceutical and environmental legislation.

To create a centre of excellence for the production of sterile forms (biological and pharmaceutical), the redesign and expansion of the vaccine production unit have been launched under the new injectables unit building project. An important work for obtaining building permits and validation from Anses has been accomplished; the latter was successful at the end of the year.

Virbac moved the secondary packaging of vaccines in record time without impacting the supply chain. Simultaneously, Virbac has started the construction of the facility which will produce the active ingredient for CaniLeish. The parasiticide production site has also been redesigned to help accommodate the essential equipment for the manufacture of all the Effipro and Fiproline ranges.

Finally, the transfer of the oral paste workshop to the Magny en Vexin site will enable Virbac to obtain approval for production of food supplements.

A year full of industrial projects which ends with compliance of schedules allowing start-up of operations within the time allowed.

Internationally

Mexico

End of March 2010, Mexican industrial operations have been reorganised, which has streamlined the areas of employee intervention. Emphasis was placed on the development and empowerment of these new organisations.

In parallel, the production team has continued to develop its continuous improvement goals by adding two new production lines under SMED (Single minute exchange die) and developing the pull-system in the warehouse.

All these combined actions have led to positive results in terms of level of customer service, which rose from 94% to 98%, and also in reducing inventory levels.

Australia

The main event for the industrial teams in Australia was the acquisition of the production plant for the Fort Dodge product range. This site, located at Penrith (60 km northwest of Sydney), has more than four hectares of which 7.000 m^2 are buildings. It is dedicated to the production of parasiticides and vaccines for bovines and sheep. In the medium-term, Virbac plans to invest in this new site to:

- enhance efficiency and flexibility;
- improve the technical capabilities of certain equipment and facilities;
- optimise output on the production sites in Australia, and;
- follow GMP regulation requirements.

With this acquisition, Virbac Australia has doubled its size in terms of number of employees and sales, and as a result, it is placed third in the Group behind France and the United States.

United States

After several inspections, the industrial site in St. Louis has received qualification for the manufacture and distribution of semi-solid, oral administration pharmaceuticals in Europe (equine paste) and topical liquids for external use. Currently, this facility is the only one that can produce these products for both the United States and Europe.

Moreover, following the closure of the Fort Worth industrial site, the development of the St. Louis site, now fully operational, was finalised in 2010.

In 2010, American industrial operations also improved its customer service by reducing delays in delivery and optimising its purchases, which resulted in savings on their supplies of raw materials.

Vietnam

The transfer of Bio Solution International ranges (liquid and dry forms), previously manufactured in Thailand, was successfully completed in the second quarter of 2010.

In addition, a new tablet production line was installed to cover the aquaculture market needs in India, Thailand and Vietnam.

Moreover, significant increases in production volume in all activities of the plant led to a busy year with an increase of 170% for the chews line, 50% for the powder line and 40% for the liquid line compared to 2009.

In terms of organisation, production and maintenance services have been grouped in the same department to maximise efficiency and dynamism of the team.

Brazil

Production in 2010 is growing thanks to product launches such as Cortavance, Vetflurane, BackHome, Veggie Dent, Aquadent and Allermyl.

During the year, various training courses have been organised for the industrial team to improve the performance of its operations. New procedures have been established; their implementation has resulted in time savings in the production of important products.

In parallel, Virbac Brazil has established indicators to track and monitor closely the performance of production activities, these indicators are analysed by daily activities that are: planning, production and quality control. This approach allows anticipation of the solutions to be implemented and achieve a rapid response.

In late 2010, Brazil also developed new equipment for the liquid product line. This improvement will upgrade the plant to comply with regulatory requirements and be prepared for any increase in demand.

South Africa

The initiatives taken in the context of continuous improvement have resulted in substantial productivity gains in 2010. The reorganisation of the production departments initiated in 2009 was completed in 2010 and now allows for a more effective response to emerging needs. In parallel, inventory reduction goals were achieved, without impacting the customer service that has been maintained at a high level.

Review of the 2010 financial statements

Consolidated financial statements

Operating performance

Current operating result grew by 33.2% compared to last year due to improved margins on purchases, controlled increase of external expenses, the effects of acquisitions and the positive impact of exchange rates. Revenue from ordinary activities amounted to €572.8 million an increase of €105.4 million (or 22.6% at actual exchange rates) compared to 2009.

The margins on purchases are up by 23.8%, an increase greater than that of the turnover. This increase is primarily due to the full-year effect of high margin products such as Effipro launched in 2009 in Europe, and the success of the Iverhart and dermatology ranges in the United States.

Other current operating expenses amounted to €313.4 million. Their evolution, slightly lower than the revenue from ordinary activities is related to higher commercial expenses and marketing mainly in the Apisa area due to the acquisition of Fort Dodge products in Australia and to the development of the sales force in India as well as in Europe and North America where heavy marketing expenses have been conducted to support sales. Administrative expenses are contained and are growing at a rate two times slower than revenue from ordinary activities (+10.9%).

Other non-current income and expenses (€10.1 million) relate to the negative goodwill arising on the acquisition of assets sold by Pfizer in Australia, minus the restructuring costs and stamp duties related to this transaction.

The financial result is slightly higher and amounted to €-1.6 million compared to €-1.9 million the previous year. This variation is explained by lower interest expenses resulting from further debt relief, which amounted to €-30.0 million in 2010 and €-33.0 million in 2009 as well as lower interest rates.

Income tax amounted to €21.8 million, up by 30.3%. The apparent decline in the tax rate (31.5% in 2010 against 32.5% in 2009 after restating the research tax credit) comes mainly from differential tax rates abroad.

The amount recognised under share of income of associates corresponds to part of the income of a German and Uruguayan company in which Virbac has significant influence.

The result for the period attributable to non-controlling interests is stable compared to 2009 (€0.9 million).

Net result attributable to the owners of the parent company was €63.4 million, up 63.4% over 2009.

Consolidated financial position and financing

The Group's cash flow amounted to €67.6 million against €58.8 million in 2009, an increase of 15.1%. Net debt as at 31 December 2010 has decreased dramatically and stands at €3.1 million. Net debt at the end of 2010 was 0.05 times cash flow from operations and amounted to 1.0% of total consolidated shareholders' equity and provisions (including non-controlling interests).

The increase in tangible assets is due to investment by the parent company (construction of a new production site for sterile forms and a production unit for the vaccine against leishmaniasis, acquisition of equipment for the production line) and the taking over of a production site by Virbac Australia in the operation conducted with Pfizer.

The need for working capital is up from last year and amounted to €51.0 million against €44.3 million in 2009. This increase was primarily due to increases in net operating working capital and particularly by the rising level of inventories related to the acquisition of products in Australia.

As at 23 December 2003, Virbac had opened a line of credit from a pool of banks for a period of seven years and a maximum of €100 million. The credit line was repaid in advance on 15 July 2010.

Dated 16 July 2010, Virbac opened a new line of credit amounting to €220 million from a pool of banks for a period of five years, with the option of extending it for one year.

In this regard, the Group must fulfill two types of commitments:
- commitment to respect financial ratios:
  - consolidated net debt/cash flow from operations;
  - consolidated net debt/consolidated shareholders' equity;
- commitment to publish financial statements.

The new credit line is not used at the end of 2010 and the Group complies fully with its contractual commitments.

As at 31 December 2010, the three loans subscribed in 2009 for a period of five years and a total of €30 million were used for up to €18 million.

Statutory financial statements

As at 31 December 2010, sales at the Virbac parent company amounted to €194.7 million, up 16.4% from the previous year. The share of sales made by Virbac with the Group's subsidiaries is identical to that of 2009 and represents 87% of total sales. The remaining 13% involved direct sales by Virbac in countries in which the company does not have a subsidiary. In 2010, the areas that contributed most to this growth are Europe (full-year effect after the Effipro launching in 2009, the tenders in Italy and Estonia), Latin America and North America.

Operating result for 2010 is €5.9 million, up sharply (€+4.5 million) compared to 2009. This increase resulted primarily from growth in sales.

The financial result decreased by 2.9% due to lower dividends, despite the continued decline in financial expenses related to reduced interest expenses as a result of debt reduction.

The exceptional items amounted to €-1.0 million and records depreciation primarily for a net increase of €1.4 million.

Net result after tax stood at €32.8 million against €30.6 million in 2009.

Allocation of earnings

The Virbac parent company earned €32,774,547.33.

It will be proposed at the shareholders' meeting to pay out a net dividend of €1.50 per share with a par value of €1.25. In line with the provisions of article 243 bis of the French general tax code, it should be noted that all of the dividends distributed qualify for the 40% discount mentioned in article 158-3-2 of the French general tax code, with this allowance only available to individual shareholders domiciled in France.

The earnings for the period will be allocated as follows:
- dividend distribution €13,071,528.00;
- retained earnings €19,703,019.33;
- net result for the period €32,774,547.33.

The amount of the dividend on treasury shares at the date of payment will be allocated to "Retained earnings". Dividends will be paid out on 21 July 2011.

Dividends over the past three financial years

It should be recalled that over the past three financial years the following dividends were paid out:

in €	Dividend per share	Income eligible for deduction under article 158-3-2 of the French general tax code	Global distribution
2007	1.10	1.10	9,471,454
2008	1.20	1.20	10,404,230
2009	1.32	1.32	11,447,597

The dividends received by individuals are subject to income tax following the application of a 40% reduction and an annual fixed allowance. In 2010, the amount of the allowance is set at €1,525 for single people and €3,050 for couples on income earned in 2010. Social contributions (CSG, CRDS, 2% deduction) have been deducted from the payment of dividends to the overall rate of 12.1% for income related to 2010.

By prior option of the beneficiary communicated to the company, dividends can be subject to a withholding tax on income at a rate of 18% for income earned in 2010. It will be 19% for income earned in 2011. Social contribution deductions are added to this withholding, the overall rate of which is 12.1% for income earned in 2010 and will be 12.3% for income earned on or after 1 January 2011.

These mechanisms are not applicable to legal entities.

Appointment of a new member to the supervisory board

The appointment of Olivier Bohuon as a new supervisory board member will be proposed at the shareholders' meeting, for a period of three years ending on or after the ordinary shareholders' meeting called in 2014 to approve the accounts for the 2013 period.

Olivier Bohuon, aged 52, doctor of pharmacy, holder of a MBA from HEC Paris, is currently director and chief executive officer of the British company Smith & Nephew Plc. He has over 27 years of experience in medical technology and pharmaceuticals. He began his career at Roussel Uclaf, then worked for almost 12 years for the GlaxoSmithKline group, where his last position was senior vice-president and director of European operations. He then joined the Abbott group, where he served for 10 years and where the last position he held was executive vice-president of the world pharmaceuticals division.

Olivier Bohuon is a member of the National pharmacy academy and of the Academy of technologies.
If the resolution proposed at the shareholders' meeting is adopted, the supervisory board shall comprise six members, three independent under the Afep-Medef code of corporate governance.

Share buyback programme

The ordinary shareholders' meeting of 15 June 2010 authorised the Virbac parent company to buy back shares in accordance with articles L225-209 *et seq*. of the French commercial code and in line with the terms of the buyback plan set out in the prospectus published, in accordance with the provisions of the transparency directive that came into force on 20 January 2007, by our professional distributor and on the company's website on 13 May 2011.

As at 31 December 2010, Virbac held for this purpose, 39,050 treasury shares acquired on the market for a total of €2,637,088 excluding fees, representing an average price of €67.53 per share.

During the year, the company bought 94,504 shares including 82,779 shares (at an average price of €84.57) under a market-making agreement for 11,725 shares (at an average price of €88.76) as part of a stock grant plan. Virbac also sold 89,141 shares including 82,341 shares under a market-making agreement (at an average price of €85.58), 6,800 shares (transferred free of charge) as part of stock grant plans. Expenses are no longer deducted from these transactions. Treasury shares as at 31 December 2010 represented 0.53% of Virbac's capital and were intended for market-making and stock grant plans.

A resolution will be submitted for the approval of the shareholders' meeting authorising the company to buy back up to 10% of the capital. Purchases may be made to ensure the liquidity or facilitate the share market via a market maker acting independently under a liquidity contract in line with a code of ethics recognised by the AMF (French financial markets authority), for stock grant plans and corporate capital reduction by cancellation of all or part of the purchased shares, subject to adoption by the shareholders' meeting of the authorisation of the cancellation of shares.

The maximum unit purchase price may not exceed €200. When calculating the maximum number of shares, shares already purchased under the aforementioned prior authorisations will be included, together with those that could be purchased under the market-making agreement.

Proposed capital decreased by cancellation of shares

In accordance with the provisions of article L225-209 of the French commercial code, it will be proposed at the shareholders' meeting to authorise the executive board for a period of twenty-six months, to reduce capital, one or more times within a 10% limit by cancelling all or part of the shares that the company holds or may hold as a result of purchases made pursuant to article L225-209 of the French commercial code, namely for the resolution given to the executive board authorising the purchase of corporate shares.

This possible cancellation of shares follows a strong debt reduction of the Group and will open the prospect of an increase in earnings per share.

Employee shareholding

Pursuant to article L225-102 of the French commercial code, we would like to inform you that, at 31 December 2010, employees of the company and related companies owned 78.572 Virbac shares, namely 0.90% of the share capital via the company savings plan. Paragraph II of article L225-129-6 of the French commercial code requires the extraordinary shareholders' meeting to vote, once every three years, on a resolution authorising a capital increase reserved for employees, whenever the shares held by employees of the company and related companies, as defined in article L225-180, represent less than 3% of the capital. This resolution was proposed at the annual shareholders' meeting on 19 June 2009 in accordance with the provisions of article L225-129-6 of the French commercial code.

Non tax-deductible expenses

The non-deductible expenses covered in article 39-4 of the French general tax code amounted to €136,553 in respect of the financial year ended 31 December 2010.

Significant events after the closing date

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.

Management and supervisory bodies

Supervisory board

Marie-Hélène Dick, chairwoman of Virbac's supervisory board.
Expiry of current term of office: 2013.
Aged 46, a doctor of veterinary medicine and holder of an MBA from the HEC business school, Marie-Hélène Dick was appointed chairwoman of Virbac's supervisory board in April 2006.
Other positions held:
- chairwoman and general manager of Okelen (France);
- permanent representative of Okelen, chairing Panmedica (France);
- chairwoman of the board of directors of Panpharma (France).

Compensation and directors' fees received in respect of 2010: €107,500.
Number of shares held at 31 December 2010: 1,635.

Jeanine Dick, vice-chairwoman of Virbac's supervisory board.
Expiry of current term of office: 2013.
Aged 74, widow of the founder Pierre-Richard Dick, Jeanine Dick was chairwoman of Virbac's supervisory board for a number of years.
Other positions held:
- manager of Investec, a non-trading company (France).

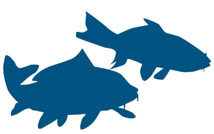
Director's fees received in respect of 2010: €11,200.
Number of shares held at 31 December 2010: 8,080.

Pierre Madelpuech, permanent representative of the company Asergi, a member of Virbac's supervisory board.
Expiry of current term of office: 2013.
Aged 50, Pierre Madelpuech is an Ensam engineering graduate and holds an MBA from the HEC business school.
Other positions held:
- manager of Asergi (France);
- director of Panpharma (France);
- director of Okelen (France);
- general manager of Panmedica (France);
- manager of the company Arteis Développement (France);
- general manager of RPG (France);
- manager of the Art'Pro company (France);
- manager of the Soexpar company (France);
- manager of the Crearef company (France);
- manager of the Crea Negoce company (France);
- manager of the ABCD company (France);

• manager of the Color'I company (France);
• manager of the Ulymaxcrea company (France).
Directors' fees received in respect of 2010 by the company Asergi: €17,500.
Number of shares held at 31 December 2010 via the company Asergi: 10.

Xavier Yon, permanent representative and manager of the company XYC, a member of Virbac's supervisory board.
Expiry of current term of office: 2013.
Aged 70, a graduate of the Faculté des Sciences de Paris and of Harvard Business School, Xavier Yon was formerly chairman and general manager of Laboratories Galderma.
Other positions held:
• vice-president of the École de Biologie Industrielle de Cergy-Pontoise (French non-profit organisation) (France);
• director of Graceway Pharmaceuticals Inc. (United States);
• director of Medical Instill Technologies Inc. (United States);
• president of the Institut Polytechnique Saint Louis (French non-profit organisation) (France);
• president of Goapharma (France);
• director of Panpharma (France);
• manager of the XYC company (France).
Directors' fees received in respect of 2010 by XYC: €17,500.
Number of shares held at 31 December 2010 via Asergi: 758.

Philippe Capron, member of Virbac's supervisory board.
Expiry of current term of office: 2013.
Aged 52, a graduate of the HEC business school and the Institut d'Études Politiques de Paris, Philippe Capron is a former ENA student and finance inspector.
Other positions held:
• member of the executive board and financial director of Vivendi (France);
• director and chairman of the audit committee of SFR (France);
• member of the supervisory board of Groupe Canal Plus (France);
• member of the supervisory board and chairman of the audit committee of Canal Plus France (France);
• member of the supervisory board and chairman of the audit committee of Maroc Telecom SA (Morocco);
• director of Activision Blizzard (USA);
• member of the supervisory board of GVT (Brazil);
• director of Tinubu Square (France).
Director's fees received in respect of 2010: €20,500.
Number of shares held at 31 December 2010: 410.



Executive board

Éric Marée, chairman of Virbac's executive board.
Aged 58, a graduate of the HEC business school and a holder of an MBA from Cornell University, Éric Marée joined Virbac in October 1999 and has been chairman of the executive board since December that year.
Other positions held in Virbac subsidiaries:
• chairman of Interlab (France);
• director of Virbac (Australia) Pty Ltd (Australia);
• director of Vetsearch International Pty Ltd (Australia);
• director of MR-067 579 122 Pty Ltd (Australia);
• chairman of Virbac Corporation (USA);
• director of Virbac Limited (UK);
• director of Virbac Animal Health India Private Limited (India).

Pierre Pagès, member of the executive board and chief operating officer of Virbac.
Aged 59, a doctor of veterinary medicine and MBA graduate of the HEC business school, Pierre Pagès joined Virbac in 1980. He has been a member of the executive board since December 1992.
Other positions held:
• director of Panpharma (France);
Other positions held in Virbac subsidiaries:
• chairman of Virbac Distribution (France);
• chairman of the management board of Dog N'Cat International (France);
• chairman of the management board of Virbac Nutrition (France);
• member of the management board and general manager of Virbac France (France);
• director of Virbac (Australia) Pty Ltd (Australia);
• director of Vetsearch International Pty Ltd (Australia);
• director of MR- 067 579 122 Pty Ltd (Australia);
• director of Virbac Corporation (USA);
• chairman of PP Manufacturing Corporation (USA);
• director of Virbac New Zealand Limited (New Zealand);
• joint manager of Virbac Tierarzneimittel GmbH (Germany);
• joint manager of Virbac Pharma Handelsgesellschaft GmbH (Germany);
• director of Virbac Japan Co. Ltd (Japan);
• director of Virbac Korea Co. Ltd (South Korea);
• director of Virbac Limited (UK);
• joint manager of Virbac Österreich GmbH (Austria);
• vice-chairman of Virbac Philippines Inc. (Philippines);
• chairman of Virbac RSA (Proprietary) Ltd (South Africa);
• director of Virbac SRL (Italy);
• director of Inomark AG (Switzerland);
• vice-chairman of Virbac Vietnam Co. Ltd (Vietnam);
• administrator of Virbac Asia Pacific Co. Ltd (Thailand);
• chairman of Laboratorios Virbac Mexico SA de CV (Mexico);
• director of Virbac Mexico SA de CV (Mexico);
• vice-chairman of Virbac Hellas SA (Greece);
• vice-chairman of Animedica SA (Greece);
• chairman of Virbac Animal Health India Private Limited (India);
• director of Virbac Colombia Ltda (Colombia);

• vice-chairman of Laboratorios Virbac Costa Rica SA (Costa Rica);
• chairman of Virbac Danmark A/S (Denmark).

Christian Karst, member of Virbac's executive board.
Aged 52, a doctor of veterinary medicine, Christian Karst joined Virbac in 1984. He has been a member of the executive board since December 1996.
Other positions held:
• manager of Karst, a non-trading property investment company (France).
Other positions held in Virbac subsidiaries:
• chairman of the management board of Bio Véto Test (France);
• member of the management board of Francodex Santé Animale (France);
• director of Virbac (Australia) Pty Ltd (Australia);
• director of Vetsearch International Pty Ltd (Australia);
• director of MR-067 579 122 Pty Ltd (Australia);
• director of Virbac Limited (UK);

Michel Garaudet, member of Virbac's executive board.
Aged 56, a graduate of the HEC business school, Michel Garaudet joined the Virbac group in 1993. He has been a member of the executive board since December 2002.
Other positions held in Virbac subsidiaries:
• manager of Virbac de Portugal Laboratorios Lda (Portugal);
• member of the management board of Bio Véto Test (France);
• director of Virbac Corporation (USA);
• member of the management board of Alfamed (France);
• member of the management board of Francodex Santé Animale (France);
• member of the management board of Virbac France (France);
• director of Virbac Hellas SA (Greece);
• director of Animedica SA (Greece);
• chairman of Virbac (Switzerland) AG (Switzerland),
• member of the executive board of Virbac Sp. z o.o. (Poland).

Jean-Pierre Dick, member of Virbac's executive board.
Aged 45, Jean-Pierre Dick is a doctor of veterinary medicine and holds an MBA from the HEC business school. He has been a member of the executive board since December 1996.
Other positions held:
• president of the Fondation d'Entreprise Virbac (corporate foundation);
• member of the Défi Voile Sud association;
• managing director of Absolute Dreamer SARL+;
• co-manager of the Terre Du Large a non-trading property investment company.

Compensation of members of the executive board in respect of 2010

In accordance with Afep-Medef recommendations, here is a summary of the compensation granted to members of the executive board:

Sums due in respect of 2010

in €	Éric Marée	Pierre Pagès	Christian Karst	Michel Garaudet	Jean-Pierre Dick
Compensation due	530,363	366,370	327,655	243,284	50,353
Value of options granted in 2010	-	-	-	-	-
Value of stock grants awarded in 2010 based on the method used for the consolidated financial statements	115,355	85,331	79,010	52,542	-
Total compensation	**645,718**	**451,701**	**406,665**	**295,826**	**50,353**

Sums due in respect of 2009

in €	Éric Marée	Pierre Pagès	Christian Karst	Michel Garaudet	Jean-Pierre Dick
Compensation due	484,463	332,360	292,492	227,057	50,373
Value of options granted in 2009	-	-	-	-	-
Value of stock grants awarded for 2009 based on the method used for the consolidated financial statements	99,180	71,630	66,120	44,080	-
Total compensation	**583,643**	**403,990**	**358,612**	**271,137**	**50,373**

Compensation paid in respect of the 2010 financial year corresponds with the fixed compensation paid in 2010, the compensation linked to the offices of the directors in the Group's companies paid in 2010, the variable compensation paid in 2011 in respect of 2010 and to the benefits in kind awarded in 2010 (company vehicle).

Sums due in respect of 2010

in €	Éric Marée	Pierre Pagès	Christian Karst	Michel Garaudet	Jean-Pierre Dick
Fixed compensation (including benefits in kind)	287,863	195,970	189,655	176,184	35,353
Variable compensation	181,000	112,000	100,000	55,000	15,000
Compensation for directorships in Group companies	61,500	58,400	38,000	12,100	-
Total compensation	**530,363**	**366,370**	**327,655**	**243,284**	**50,353**

Compensation paid in respect of the 2009 financial year corresponds with the fixed compensation paid in 2009, the compensation linked to the offices of the directors in the Group's companies paid in 2009, the variable compensation paid in 2010 in respect of 2009 and to the benefits in kind awarded in 2009 (company vehicle).

Sums due in respect of 2009

in €	Éric Marée	Pierre Pagès	Christian Karst	Michel Garaudet	Jean-Pierre Dick
Fixed compensation (including benefits in kind)	279,063	186,460	181,492	169,057	35,373
Variable compensation	142,000	86,000	73,000	45,000	15,000
Compensation for directorships in Group companies	63,400	59,900	38,000	13,000	-
Total compensation	**484,463**	**332,360**	**292,492**	**227,057**	**50,373**

Calculation criteria for the variable portion

The variable compensation of members of the executive board depends on a series of shared goals:

- sales growth;
- growth in operating profit from ordinary activities;
- as well as specific goals;
- inventory control;
- acquisitions (companies, products).

Other benefits

In addition to the various compensation items, members of the executive board enjoy the following benefits.

Retirement

A supplementary defined benefit pension plan (12.5% of reference salary and 22% in the event of over 30 years' service) granted on the following terms:

- over ten years service in the Group (including nine years as a member of the executive board);
- be at least 60;
- finish his/her career in the Group.

Severance pay

The commitments made by the company and the companies it controls to its managers in the event their offices are terminated are as follows:

- Éric Marée: 483,000;
- Pierre Pagès: 404,000;
- Christian Karst: 326,000.

At its 22 December 2008 meeting, the supervisory board reappointed the executive board members for a further term. In line with the provisions of the act of 21 August 2007, the supervisory board, at its 13 March 2009 meeting, approved the commitments made by the company and the companies it controls in the event of the termination of the offices of the chairman of the executive board, Éric Marée, and various executive board members, Pierre Pagès and Christian Karst. The severance pay shall only be payable in the event of dismissal, regardless of whether it relates to a change in strategy or control or otherwise. The amount of such allowance is substantially less than the Afep-Medef two-year compensation limit and subject to the achievement of demanding performance criteria: ratio of current operating result/sales over the two semesters preceding the departure of the senior manager, greater than or equal to 7%.

The aforementioned commitments have been approved at the shareholders' meeting of 19 June 2009 by a specific resolution for each beneficiary in accordance with article L225-42-1 of the French commercial code.

Stock grant plans

In line with the authorisation granted by the shareholders' meeting, since 2006, the executive board has awarded stock grants to certain managers of Virbac and of its subsidiaries.

These grants are contingent upon the achievement of a performance goal tied to the Group's profitability and net debt, which will respectively be assessed at the end of 2008, 2009, 2010, 2011 and 2012.

Retention period:

• 2006 plan: if the goals are achieved, these acquired shares will have to be retained by the beneficiaries for two years from vesting;

• 2007 to 2010 plans: 35% of the shares vested to the chairman of the executive board and 25% for other corporate officers may not be sold whilst they work for the Group. This restriction will nonetheless be lifted where the corporate officers have established a Virbac share portfolio representing two years' target annual compensation (target gross salary and bonus), except for the chairman for whom this amount is set at three years' target compensation.

The bonus stock grants under various plans are as follows:

Plan	Number of shares granted
2006	17,050
2007	13,800
2008	14,050
2009	14,450
2010	12,000
Total	71,350

Stock grant plans to executive board members are:

	Number of shares granted	Value of shares on the basis of the method used for the consolidated financial statements	Vesting date	Date released*
Plan 2006 - 24/07/2006	2,700	110,970 €	2009	2011*
Plan 2007 - 09/07/2007	1,800	115,020 €	2010	2012*
Plan 2008 - 17/03/2008	1,800	109,440 €	2011	2013*
Plan 2009 - 19/06/2009	1,800	99,180 €	2012	2014*
Plan 2010 - 31/05/2010	1,460	115,355 €	2013	2015*
Shares granted to Éric Marée	**9,560**	549,965 €		
Plan 2006 - 24/07/2006	1,700	69,870 €	2009	2011*
Plan 2007 - 09/07/2007	1,300	83,070 €	2010	2012*
Plan 2008 - 17/03/2008	1,300	79,040 €	2011	2013*
Plan 2009 - 19/06/2009	1,300	71,630 €	2012	2014*
Plan 2010 - 31/05/2010	1,080	85,331 €	2013	2015*
Shares granted to Pierre Pagès	**6,680**	**388,941 €**		
Plan 2006 - 24/07/2006	1,400	57,540 €	2009	2011*
Plan 2007 - 09/07/2007	1,200	76,680 €	2010	2012*
Plan 2008 - 17/03/2008	1,200	72,960 €	2011	2013*
Plan 2009 - 19/06/2009	1,200	66,120 €	2012	2014*
Plan 2010 - 31/05/2010	1,000	79,010 €	2013	2015*
Shares granted to Christian Karst	**6,000**	**352,310 €**		
Plan 2006 - 24/07/2006	900	36,990 €	2009	2011*
Plan 2007 - 09/07/2007	800	51,120 €	2010	2012*
Plan 2008 - 17/03/2008	800	48,640 €	2011	2013*
Plan 2009 - 19/06/2009	800	44,080 €	2012	2014*
Plan 2010 - 31/05/2010	665	52,542 €	2013	2015*
Shares granted to Michel Garaudet	**3,965**	**233,372 €**		
Shares granted to the members of the executive board	**26,205**	**1,524,587 €**		

* except in part: refer to stock grant plans chapter above.

In 2010, the stock grants plan for 2007 was distributed. The stock grants distributed to board members are:

	Plan number and date	Number of distributed shares	Number of attributable shares
Éric Marée	Plan 2007 - 09/07/2007	900	1,800
Pierre Pagès	Plan 2007 - 09/07/2007	650	1,300
Christian Karst	Plan 2007 - 09/07/2007	600	1,200
Michel Garaudet	Plan 2007 - 09/07/2007	400	800
Total number of shares		**2,550**	**5,100**

The shareholders' meeting of 19 June 2009 adopted a resolution to renew the possibility to award stock grants, under the terms of articles L225-197-1 *et seq.* of the French commercial code. The resolution will provide for the granting of stock grants to employees and equivalent or certain categories thereof as well as corporate officers, both of Virbac and companies that are directly or indirectly associated in the manner defined by article L225-197-2 of the French commercial code. The total number of stock grants awarded may not represent over 1% of Virbac's capital.

These stock grants will only be definitive at the end of a vesting period of at least two years, with the shares thus held also having to be retained for at least two years from the end of the vesting period, the executive board being fully empowered to set the vesting and retention periods at over two years and up to a maximum of four years each. The executive board will determine the identity of the beneficiaries as well as the terms and grant criteria for the shares that will be linked to the improvement in the Group's performance levels.

Trading in company shares

Pursuant to the provisions of articles L621-18-2 of the French monetary and financial code and 222-15-3 of the general regulations of the AMF, we hereby present a summary of the transactions carried out during the past year by managers and related parties in respect of which we were notified.

By managers and related parties

	Number of shares	Total amount of transactions
Éric Marée	-	-
Pierre Pagès	500	59,196 €
Christian Karst	-	-
Michel Garaudet	-	-
Purchases	**500**	**59,196 €**
Éric Marée	3,000	303,482 €
Pierre Pagès	-	-
Christian Karst	200	22,773 €
Michel Garaudet	-	-
Sales	**3,200**	**326,255 €**

By members of the supervisory board and related parties

No movement was reported in the 2010 period.

Shareholder structure and stock market performance

Virbac provides clear, consistent and transparent information to its individual and institutional shareholders and their advisers (financial analysts). This information is relayed by means of financial announcements published in the French media, press releases published on financial websites and the AMF's website, and publication of Group quarterly sales figures and interim results as required by law.

Relations with individual investors

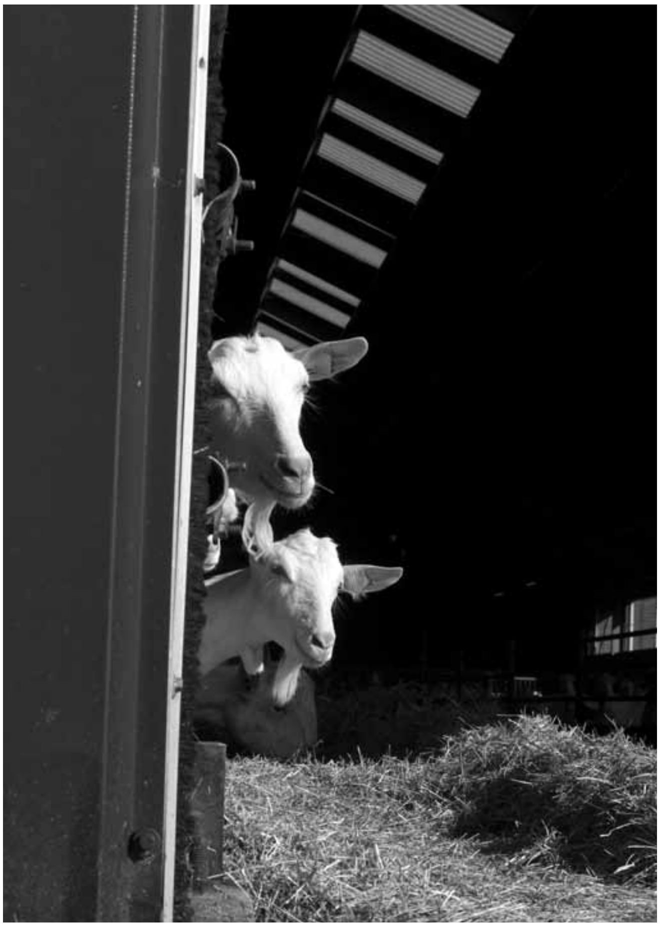
The www.virbac.com website has a financial information section that is regularly updated. It is used to consult and download the Group's financial information: press releases, annual and interim financial statements, annual report. Internet users may also email questions pertaining to Group financial matters to finances@virbac.com.
Beginning in 2007, and in order to comply with the new obligations imposed by the transparency directive and the AMF's general regulations, the financial information section has been enhanced with a section on mandatory disclosures entitled "Financial and legal information" consolidating all of the information required under the directive.

Relations with institutional investors

Management is heavily involved in communicating with the investors and analysts they meet throughout the course of the year, primarily in the Paris and London markets. Analyst meetings and conference calls are arranged to coincide with the publication of results, acquisitions or other major events for the Group. The Financial Affairs department is available to answer any questions investors and analysts may have regarding the Group's strategy, products, published results or major events.

Provisional financial communications timetable for 2011

The provisional timetable is as follows:
- 2011 first-quarter sales 19 April 2011, after market close;
- 2011 second-quarter sales 18 July 2011, after market close;
- 2011 interim results 31 August 2011, after market close;
- 2011 third-quarter sales 18 October 2011, after market close;
- 2011 annual sales 19 January 2012, after market close.



Stock market data

in €	2006	2007	2008	2009	2010
Highest share price	49.00	68.90	68.85	75.85	130.00
Lowest share price	37.50	47.00	45.23	49.82	70.35
Average share price	43.44	59.09	56.58	60.11	92.49
Closing share price	47.00	68.70	57.94	72.73	130.00

Share capital structure

As at 31 December 2010

	Shares	Voting rights	Capital	Voting rights
Dick family group	4,154,448	8,227,168	47.67%	63.87%
Threadneedle Asset Management Holdings	473,077	473,077	5.43%	3.67%
Company savings plan	78,572	157,144	0.90%	1.22%
Public	3,962,219	4,024,671	45.47%	31.24%
Treasury shares	46,036	-	0.53%	- %
Total	**8,714,352**	**12,882,060**	**100.00%**	**100.00%**

As at 31 December 2009

	Shares	Voting rights	Capital	Voting rights
Dick family group	4,154,448	8,227,168	47.67%	63.86%
Threadneedle Asset Management Holdings	525,860	525,860	6.03%	4.08%
Company savings plan	78,572	155,091	0.90%	1.20%
Public	3,914,799	3,975,943	44.92%	30.86%
Treasury shares	40,673	-	0.47%	- %
Total	**8,714,352**	**12,884,062**	**100.00%**	**100.00%**

As at 31 December 2008

	Shares	Voting rights	Capital	Voting rights
Dick family group	4,154,448	8,227,168	47.67%	64.23%
Company savings plan	78,572	155,091	0.90%	1.21%
Public	4,380,086	4,426,335	50.26%	34.56%
Treasury shares	101,246	-	1.16%	- %
Total	**8,714,352**	**12,808,594**	**100.00%**	**100.00%**

Thresholds crossed

During the year ended 31 December 2009, Virbac was informed that Threadneedle Asset Management Holdings Ltd. declared that on 15 September 2009, following an acquisition of shares in the market, it had crossed over the 5% stake threshold in the company. The company still owns more than 5% stake in Virbac as at 31 December 2010.

The number of shares and voting rights held as at 31 December 2010 by the company is detailed in the table above.

Information that might affect a public offering

Pursuant to article L225-100-3 of the French commercial code, it should be noted that certain shares have special control rights.

The following shares carry double voting rights:

	Number of shares concerned
Dick family group	4,072,720
Company savings plan	78,572
Public	62,452

The 46,036 treasury shares do not carry any voting rights.

Outlook for 2011

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.

Risk factors

A formalised and recurring major risk analysis process of the Group was initiated in 2010 and gave rise to this mapping that displays the potential impact and estimated frequency of each risk identified and its level of control. This process of identifying, prioritising and addressing risks is detailed in the chairwoman of the supervisory board's report relating to internal control and risk management systems presented on page 64 of the annual report.
As part of its risk mapping, Virbac has conducted a review of risks that could have a significant adverse effect on its business, its financial situation or its results (or on its ability to achieve its objectives) and considers that so far there are no significant risks other than those shown.

Risks relating to the Group's business activities and strategy

Risks related to the innovation process: research, development, licensing and product registration

The field of veterinary pharmaceutical industry is highly competitive, and every year, in order to meet changing market needs, maintaining its market share and ensuring its development, Virbac devotes significant resources to research and development.
In 2010, Virbac committed 6.5% of its turnover for R&D. The R&D process usually extends over several years and has various stages for testing, among others, the efficacy and safety of products. In each of these stages, there is a risk that the objectives are not met and a project where large amounts were invested is abandoned, including at an advanced stage of development.
Consequently, the current investments in respect of the development and launch of future products may involve costs that will not necessarily generate additional sales for Virbac.
Along with internal R&D projects, the Group also pursues a policy of acquisition of licenses that allows it to have access, either to new products ready to be marketed, or to projects under development that it conducts until their term. In the same way as with in-house R&D projects, there is always a risk that these projects will come to nothing or that the commercial potential will prove to be less attractive than expected, possibly resulting in these assets being impaired.

Once the research and development phase is complete, Virbac, in its capacity as a veterinary pharmaceutical laboratory, must where necessary obtain all the administrative authorisations required to market its products, the MA (Marketing authorisation). This phase is often long and complex, and the Group has no guarantee of success. Indeed, the filing of a registration dossier with the appropriate authority provides no automatic guarantee that the authorisation to market the product will be granted.
Such authorisation may be only partial, *i.e.* limited to certain countries or to certain indications. Once a marketing authorisation has been obtained, products are subject to ongoing controls and their marketing may potentially be restricted, or they may be withdrawn from the market.
Virbac commits significant resources to obtaining and maintaining the MA. For example, obtaining the Effipro and Fiproline registrations in the European procedure in late 2008 led to a significant regulatory burden to allow the sale of the product in all European countries for all presentations and the different channels of distribution.
For this single external parasiticide product, more than 200 sets of marketing authorisations were obtained and filed for Europe.

Virbac seeks to limit these risks by firstly employing stringent selection criteria for the research and development projects in which it invests (likelihood of success, as measured by a combination of technical, regulatory and marketing factors, of over 50%) and secondly, through the expertise of its Regulatory Affairs department which is responsible for filing, monitoring and renewing marketing authorisations.
The animal health market is highly regulated and Virbac displays a strong commitment to compliance by putting in place all necessary means to achieve it.

Risks associated with product liability

Virbac product liability may be questioned if adverse side effects from drugs occur (not detected during clinical trials prior to MA) or if default in quality occurs. The consequences of such events could be the recall of marketed lots, or loss, temporary or even the loss of the MA. If Virbac's liability was admitted in large claims, the Group's financial situation could be greatly affected, as well as its reputation. Drug recall cost will be added in the event of a quality problem.

Virbac constantly reinforces its pharmaceutical monitoring procedures and its quality checks on all products marketed by the

Group. In the context of pharmaceutical monitoring procedures, the Group conducts a systematic review and regular analysis of the safety profile of its products to ensure the safe use of drugs by monitoring the side effects attributable thereto.
In addition, Virbac has product liability insurance that applies to all subsidiaries.

Risks related to distribution channels and end users

Dependence on distributors

Virbac operates in a large number of countries, either through its subsidiaries or through distributors in those countries in which the Group has no subsidiary. Distribution channels are many and their characteristics depend on the country of marketing. However, the Group's products are primarily distributed through wholesalers and purchasing groups which supply veterinarians. Despite the supervision of these relationships by contracts that are regularly revised, this distribution mode could create for the Group some dependency or insufficient control of its presence and its development.

Concentration of the distribution channel and customer portfolio

In addition, the animal health sector shows for some years now, a trend towards concentration of distributors and veterinarians in large clinics in some countries. This trend has, for now, not affected the Group's business. Virbac remains vigilant on this development and the impact it could have on the level of sales and margins.

To reduce its dependence on distributors and reduce the effects of potential consolidation, Virbac has implemented a policy of securing its margins and consolidating its market positions. This policy involves studying systematically the opportunity to establish a distribution subsidiary whenever sales are of sufficient importance in a given market. Virbac then opts for the most appropriate solution, either acquiring its distributor or establishing a new company.

Risks related to the concentration of competition

The animal health sector is very competitive. Virbac products are sold in competitive markets in terms of pricing, financial conditions and product quality.
The Group often faces strong competitors larger than itself or with greater resources. A gradual consolidation phenomenon amplifies this concentration. Thus, for example, the two industry leaders will soon hold between them about 45% market share.
Virbac analyses and constantly monitors the movements of its competitors and has a policy of external growth through acquisitions, enabling it to participate in the ongoing consolidation in the sector.

Reputational risks

Virbac's success depends on its ability to maintain its reputation for quality, integrity and seriousness. Although the Group pays great attention to customer requirements and quality of its products, it cannot guarantee that it will be protected from harmful consequences on its reputation which may derive from a potential quality problem or if it is involved in a liability dispute that would be covered extensively by the media.
The current context of increasing pressure and increased vigilance in the pharmaceutical industry increases Virbac's exposure to this risk.

The reputational risk is managed by Virbac at two levels:
• daily continued action: the reputational risk cannot be managed independently of other risks to the extent that all risks can influence the reputation of an organisation. It is managed daily by different implemented policies and internal control activities;
• specific action: to respond as quickly and efficiently as possible to the occurrence of crises, Virbac has implemented a crisis management policy including the following elements: an e-reputation programme, a "past incidents and crises" database, a list of potential crises scenarios and communication training actions. This crisis management process is subject to periodic updates.

Risks related to external growth policy of the Group

Since its inception, Virbac pursues an active external growth policy that led it to be present today in many countries and have a wide range of products. The Group intends to continue this policy in the future in order to reinforce its geographic positions or its product offerings. The choice of growth through acquisition includes financial and operational risks, especially related to the valuation of assets and liabilities and integration of personnel, activities and products purchased.
These acquisitions involve, in particular the following uncertainties:
• the assumptions of future profitability taken into account in valuations could not be verified;
• the Group may not integrate successfully acquired companies and their product lines.

Virbac has defined a process for rigorous mergers and acquisitions to cover the analysis of potential targets and integration of acquired companies:
• applying strict criteria of investment profitability;
• establishing expert, multidisciplinary teams, supported where necessary by outside consultants, in charge of implementing in depth due diligence.
This process involves approval of the executive board and/or the supervisory board prior to any acquisition.
The results of past acquisitions, new and old, demonstrate Virbac's ability to manage this process and the challenges that accompany it.

Risks associated with the ability to attract key skills and risks associated with the ability to develop organisations to cope with growing challenges

In France, the key skills sought for central functions (Industry/Quality Assurance/R&D) are in high demand throughout the pharmaceutical, human and veterinary medicine industries. In addition to competition amongst employers, the geographical location of the head office can represent a limitation on hiring, due to the limited pool for spousal employment, coupled with the high cost of living factor, particularly for real estate.

Meanwhile, in emerging countries, the job market is very dynamic, and Virbac's size and reputation do not always attract the best.
The HR strategy in talent management for years to come will involve divulging the dynamism and competitiveness of the Group's development and compensation, while strongly reinforcing the presence in schools and universities as well as partnerships with major employment stakeholders in the industry.

Country risks

Virbac is an international group which may have to operate in countries with certain geopolitical and economic fragility. Nevertheless, the degree of exposure is very low, given the non-holding of major strategic assets in these countries.
The Group remains vigilant and follows closely the level of political or economic instability in certain countries to anticipate possible response or prevention methods if the level reached a magnitude that could have a major impact on employees, assets or the operations of Virbac.
In addition, the Group uses Coface hedging, the leading French insurance company specialising in export credit insurance to secure its operations in certain regions.

Industrial and environmental risks

Because of its activities carried out in various strategic sites worldwide, Virbac is subject to industrial and environmental risks which could result in significant additional costs of operation and responsibility in case of fire or explosion.
The ultimate risk would be temporary or permanent closure of a site for non-compliance with certain rules or following a major incident.
But industrial processes implemented by the Group are mainly low risk. Its exposure remains limited.
However, Virbac grants particular attention to industrial risk prevention and environmental protection in line with its social and environmental policy. It is described in the sustainability report on page 16.
The responsibility for industrial risk management and environment protection policy falls mainly on the heads of operational sites, who monitor compliance with regulations and standards in this field while implementing operational procedures, quality systems and a set of security measures, as defined and dictated by the Group, in cooperation with its insurers.

Risks relating to the use of hazardous materials

As part of its veterinary medicine manufacturing business, Virbac uses substances that present health, fire and/or explosion, air pollution and spillage risks during the various phases of the production process (manufacturing, storage and transport). These risks can, if they materialise, cause damage to persons, property and the environment.
To limit these risks, the Group complies with the safety measures prescribed by laws and regulations in force, implements good manufacturing and laboratory practices and ensures the training of its employees. Its manufacturing sites and research and development facilities are also regularly inspected by regulatory authorities.

Risk of business interruption due to equipment or strategic facilities losses

Like any industrial activity, Virbac production sites are exposed to the occurrence of unforeseen incidents that may result in temporary suspension of production or final closure of the site. These incidents are of various kinds: fire, machine breakdown, explosion, natural disaster, contamination, malicious acts, storage of hazardous materials, etc.

Virbac has developed a process to ensure safety in the industrial facilities.
The probability of occurrence of such events and their potential impact on the Group's production and its results are limited by the following measures:
- buildings in compliance with regulatory requirements related to safety (*e.g.* fire detection systems generalised on the sites);
- annual audits of facilities;
- preventive visits and audits of insurers;
- continued investment to improve and secure production operations activities.

In addition, Virbac has operating loss insurance.

HSE risk (Health, safety and environment)

Principal rules

As part of its activities, Virbac is subject to a set of regulations related to environmental, health and safety issues.

The majority of the production sites in France are subject to operating regulations issued by the supervisory authorities. These regulations include requirements that all sites must meet environmental matters including waste management, and on the volume and quality of water discharges, the rules of safety and risk prevention.
The operating regulations to which the company sites are subject are at declaration or authorisation level. No site is subject to regulation of the European Seveso directive.

Failure to comply with these regulations could result in fines and financial burden and potentially lead to the closure of a site by the administrative authorities.

Virbac pays special attention to ensure compliance with its policy and its different sites to existing regulation and sets up a monitoring system to track each regulatory development.

Environmental impact

Most of Virbac's industrial pharmaceutical operations could have an impact on the environment, even if it is limited (see page 16 for the sustainable development report.)
Given the nature of its business, the Group does not create visual, noise or smell nuisances.
The Group has an HSE department in France with a mission to guide and assist the operational departments in developing and maintaining an adequate level of protection of people and the environment. In addition, HSE issues are taken into account during the due diligence for new site acquisitions.

Legal risks

Virbac attaches special importance to the legal risk management, particularly given the complexity of the competitive and regulatory environment and growth of the Group. Virbac's legal department ensures proper legal risk management in connection with the operational activities and consistent with the overall risk management process.

Risks related to the maintenance of intellectual property rights

The Group's success rests largely on its ability to obtain and effectively defend its intellectual property rights and in particular its brands, formulae and technology.
The company is thus exposed to two risks: the risk of a competitor attacking or exploiting its intellectual property rights, and the risk of being sued for infringement by third party rights holders. In particular, it is not uncommon in the profession to see some competitors initiate lawsuits for patent infringement for the sole purpose of delaying the marketing of products.

Risks related to regulatory changes

As part of its pharmaceutical business, Virbac is subject to specific laws and regulations including the public health code. Any changes in legislation may impact the results and financial position of the Group. It should be noted that the pharmaceutical industry is subject to increased attention from authorities and the public, which results in the issuance of tougher rules on a regular basis.

Virbac's legal department provides permanent, continuous and proactive monitoring of the regulations relevant to the Group, and remain vigilant to the emergence of new laws. It may have to rely on local experts in certain regions.

Risks of legal action

All disputes are routinely evaluated by the Legal department, assisted where necessary by external consultants.
Although it is impossible to predict with certainty the outcome of disputes that may arise, their settlement taken individually or as a whole should not - even if it was negative - have a significant impact on the Group's accounts.
Given its prudent provisioning policy, the Group considers that the provisions recorded in the accounts in respect of these matters are sufficient to cover the exposed financial risk if convicted.

At the date of this annual report, there is no governmental, judicial or arbitration procedure, including any proceedings which the company would be aware of, pending or in which Virbac would be threatened, which may have or have had during the last twelve months, significant effects on the financial situation or on the profitability of the Group.

Operational risks

Risks of dependence on third parties for supply or manufacturing of certain products

The majority of raw materials and active ingredients forming the composition of products manufactured by Virbac is provided by third parties. In certain cases, the Group also has recourse to contract manufacturers or industrial partners with spare capacity or expertise in the use of specific technologies. The selection of suppliers is performed according to strict criteria and to the extent possible, Virbac diversifies its sources by referencing multiple vendors, while ensuring that these sources have sufficient quality and reliability characteristics. Nevertheless, Virbac is exposed to a risk of supply shortages or price pressures on certain supplies or technologies for which diversification is difficult or even impossible. These single-sourcing cases are structural and characteristic of the pharmaceutical industry.

To limit these risks, the Group takes a broad approach to identifying as many diversified suppliers as possible, and may in certain cases secure its supply chain by acquiring the technologies and capacities it lacks and that create too high a dependency. An example of this was the acquisition of the intellectual property and industrial facilities for the production of the protein used to make the leading cat vaccine, Leucogen. Whatever the solution adopted, the Group systematically ensures upstream the sustainability of the source.
In addition, Virbac has conducted recently a mapping of its major suppliers including contract reviews and possible alternative sources.

Fraud risks

Virbac has implemented training and best practices processes which are intended, amongst other, to prevent the risk of fraud.
Virbac's ethics charter highlights the Group's commitment to operate in compliance with the law and ethics and also defines the code of conduct and the nature of the relationship that Virbac wishes to have with its partners.

The Group could still undergo internal or external fraud that could lead to financial losses and affect the reputation of the Group.

Virbac seeks to strengthen internal control and attaches particular importance to the awareness of its teams on these issues. The Group and in particular, the corporate functions regularly give guidance and strong indications in this area. Segregation of duties and the appointment of area controllers help strengthening control and reducing the probability of the occurrence of such practices.

Risks related to safety and reliability of information systems

The Group's business is based in part on information systems that are highly integrated. Failure of these systems could impact directly the Virbac's business and results.

The Group Information Systems department (DSI) ensures continuously the security of computer systems and networks. The areas covered are:

- organisation and general security of information systems;
- physical security (intrusion, accidents);
- networks (local, remote, internet);
- the availability of applications and data.

The DSI develops and updates regularly all measures to preserve the confidentiality of data, to protect systems against intrusion and minimise the risk of interruption of service (back up procedures, redundancy, and server backups, disaster recovery plan, and so forth).
In addition, a charter for IT systems use is applied to all Group employees.

Risks related to occupational accidents and occupational illnesses

Given the nature of Virbac's industrial activities, the possibility of occurrence of an accident at work (conventional or related to the risk of contamination by products) exists but remains low compared to other industries.
The exposure of employees is covered by specific measures presented on page 24 of the report on sustainable development:

- defining a clear and precise safety organisation;
- establishment of a prevention policy and a continuous improvement approach.

To do this, the Group continued the implementation of tools and resources to cover all the teams through:

- the Reflex Prevention approach (awareness and training of personnel in safety);
- analysis of accidents at work as a performance indicator;
- medical assessment before each recruitment (for instance in the United States).

Financial risks

Policy management and financial risk are controlled centrally by the Financial Affairs department of the Group and in particular its Treasury department.
Strategies for financing, investment, rate and exchange risk hedging are reviewed systematically and monitored by the Financial Affairs department. The operations carried out by local teams are also managed and monitored by the Group's treasury department.
The holding of financial instruments is conducted with the sole purpose of reducing exposure to exchange and rate risks and has no speculation purpose.

Market risks

Currency exchange risks

The Group's policy is to ensure coverage of currency exchange risks when the magnitude of exposure and the risk of currency fluctuations are high. It accordingly uses various instruments available on the market and generally employs foreign exchange forwards or options. The details on this risk are presented on page 102 of the consolidated financial statements.

Interest rate risks

The Group's exposure to interest rate risk is low since it is mainly the result of lines of credit at variable rates in place in France and India. To manage these risks and optimise cost of its debt, the Group monitors the market rate forecasts and may be required to implement interest rate swaps (fixed rate) not exceeding the length and amount of its actual commitments. The details on this risk are presented on page 103 of the consolidated financial statements.

Liquidity risks

The Group has conducted a specific review of its liquidity risk and considers being able to meet its future payments.
The policy of pooling excess cash and financing requirements in the eurozone means that the Group's net positions can be reduced and that the management of its deposits and financings are optimised, thereby ensuring that Virbac has the ability to meet its financial commitments and to maintain a level of cash and cash equivalents that reflect its size and requirements.
Virbac had an old line of credit amounting to €70 million that was to expire in late 2010. By July 2010, the Group has renegotiated and implemented with its bankers a new syndicated loan to finance the needs related to internal and external growth. This new line of credit is for €220 million, and a duration of five years extendable to six years. The details on this risk are presented on page 102 of the consolidated financial statements.

Other financial risks

Credit or counterparty risk

Virbac considers that it has low exposure to credit risk given the quality of its major counterparties (the investments are not only from leading banks) and the high fragmentation and dispersal of its customers. The details on this risk are presented on page 101 of the consolidated financial statements.

Hedge accounting

Hedge accounting is used to offset the impact of the hedged item against that of the hedging instrument in income. In order to qualify for hedge accounting, all hedging relationships must satisfy a series of stringent conditions in terms of documentation, likelihood of occurrence, effectiveness of the hedge and measurement reliability. The Group only engages in hedging transactions designed to hedge actual or certain exposure; it does not create speculative risk. Nevertheless, due to the constraints imposed by the documentation of hedging relationships, the Group has elected to only classify derivatives it holds at the balance sheet date as hedges for accounting purposes where the impact on the consolidated financial statements is truly material and where the hedging relationship can be demonstrated.

Insurance and risk coverage

Policy coverage

The Group's insurance policy is underpinned by a risk prevention and protection approach.

Virbac has implemented a policy of reviewing exhaustively its insurable risks and their financial coverage, and is assisted in this by a broker that is a member of an international network. In this regard, all contracts have been reviewed and harmonised at Group level, and the parent company assists subsidiaries with the set up of local insurance polices and the monitoring of all contractual clauses relating to insurance and liability. As a result of these initiatives, insurable risks are covered by Group insurance policies with a level of coverage that the Group considers appropriate given its circumstances, barring any wholly unforeseeable events.

Insurance programmes

The damage and business interruption insurance programme, as well as the general public liability and product liability insurance programme, cover the whole Group. The Group is also insured for environmental and social risks. The directors' and officers' liability insurance programme protects all the Group's directors and officers.

For all its insurance programmes the Group has recourse to leading insurers and re-insurers. The coverage levels were set on the basis of the Group's risk profile. This centralisation of risks provides a better level of protection for all Group entities despite unequal local resources, whilst making savings.

Property damage is insured based on a new replacement value and business interruption based on the loss of gross margin.

The following risks are primarily insured:

- property damage and business interruption;
- general public, product and environmental liability;
- transport of goods or equipment;
- loss or damage caused to customers and third parties;
- motor vehicle damage.

In 2010, the Group paid €2.5 million in insurance premiums for this coverage, flat compared to 2009.

The Group does not have a captive insurance or re-insurance company.

Sustainable development

The full sustainable development report on page 15 sets out the Group's values and guiding principles with regard to social, economic and environmental matters.

Human resources

The Group has 3,167 employees in 30 countries, 37 subsidiaries and three representative offices.

Strategy

Virbac's men and women are critical to the company's success. They represent a major competitive advantage and embody Virbac's by strengths:

- the concern of the customer;
- commitment and responsiveness;
- dedication and trust in the company;
- strength of human relationships.

The human resources policy seeks to serve the company's strategy and aims to "search for excellence in people management." These contribute to business growth and vitality of each with the same determination. As such, Virbac has committed itself since 2005 towards a development programme for managers in their daily role in managing personnel, and in 2007 an ambitious programme designed to strengthen the values and expertise of its leaders throughout the world. In 2009, the leadership Programme makes cross and multicultural collaboration its priority for the coming years. Since 2005, every two years, Virbac conducts internal opinion surveys with the help of an external partner, Inergie, through its subsidiaries worldwide. In 2009, the score increased very significantly at all levels of the Group headquarters and subsidiaries.

Recruitment and mobility

2010 marks a year full of opportunities for Virbac with the recruitment of 216 new employees and 62 trainees.

All organisations (sales, marketing, industrial, research and development) have been involved in hiring highly specialised professionals, experts in the health professions.

The most sought after profiles are pharmacists with experience in the pharmaceutical industry, veterinarians and engineers in biology and chemistry. Finally, competence in pharmaceutical regulation, particularly insufficient on the market is an important recruitment element, today and tomorrow for Virbac.

The continued recruitment of operators initiated in 2008 enabled the hiring of twenty employees in Carros' industrial organisations.

This need to identify and attract new talent has required the implementation of several recruitment communication operations, in particular, participation in several job fairs, schools continued partnerships, and increased partnerships with recruitment agencies.

Training and development

In 2010, training and development are again a practical priority for Virbac's human resources strategy. Training management has been greatly enhanced with the creation of a specific Virbac training offer and a participatory and empowering process for defining needs. The training courses conducted by internal trainers intensified since 2008 and represent 48% of the training delivered in the company in 2010. The strong political incentive of Dif (Individual right to training) has also allowed 19% of the Virbac workforce to obtain Dif training in 2010, compared to a French average of 6%.

Training participation involves all personnel categories and since 2008 reached about 1,800 participations per annum. Considerable efforts have been made to assist and train managers responsible for major change management within their organisations. The Performance Management process is a mandatory course for all supervisory personnel in France, with additional topics being added each year. The full course has been translated into English and Spanish and deployed in the rest of the Group. The Virbac leadership programme, which began in 2007, has now been rolled out to some 160 managers worldwide. This programme represents a major human investment of the Group since it has been designed gradually between the executive board and the Human Resources department in order to stick to major current issues. In 2010, the module on the theme of multicultural and cross collaboration was deployed for 60 leaders amongst the hundred who attend the programme.
This constitutes the basis of the Virbac culture, know-how and strategic expertise for the company's future growth.

Compensation

Within the Group, Virbac pursues a compensation policy in direct relation to the company's performance and the contributions of each individual.

In France, the policy for manual workers, technicians and supervisory personnel has a strong social focus with social benefits in excess of the sector median as well as a combined policy of general and individual salary increases that are also above average for the industry. The policy for management personnel has evolved over the past number of years and looks above all to reward individual performance, while remaining closely linked to market practices.
This is subject to a comprehensive analysis of job expertise, contribution over the year as well as internal and external fairness factors.

In 2010, management positions were the subject of a new classification by Virbac to better represent the diversity of trades and scope of responsibility. This grading system has been accompanied by an alignment of all compensation policies. On an international level, the goal to standardise is initially being tackled at the level of managerial personnel who follow an international career path in order to facilitate international exchanges of expertise worldwide.

Group workforce

	Women		Men		Total	
Europe	752	59%	676	36%	**1,428**	**45%**
North America	121	10%	180	9%	**301**	**10%**
Latin America	120	9%	156	8%	**276**	**9%**
Pacific	136	11%	126	7%	**262**	**8%**
Asia	95	7%	675	36%	**770**	**24%**
Africa & Middle East	48	4%	82	4%	**130**	**4%**
Workforce geographic area	1,272	100%	1,895	100%	3,167	100%

Nearly half of the Group's workforce is located in Europe (45%), with 1,106 employees (35%) in France.

	2010	2009	Variation	
Europe	1,428	1,382	46	3%
North America	301	267	34	13%
Latin America	276	254	22	9%
Pacific	262	155	107	69%
Asia	770	694	76	11%
Africa & Middle East	130	127	3	2%
Workforce geographic area	3,167	2,879	288	10%

The workforce as at 31 December 2010 increased by 10% compared to that as at 31 December 2009.

	2010		2009	
Production	1,137	36%	977	34%
Administration	373	12%	366	13%
Commercial & Marketing	1,367	43%	1,260	44%
Research & Development	290	9%	276	9%
Workforce geographic area	3,167	100%	2,879	100%

The breakdown by function is identical to that observed in 2009.

Virbac in France

Workforce

Virbac has 1,106 employees in France. With 57% women and 43% men, the workforce breaks down as follows in terms of socio-professional classification:

Socio-professional classification	Breakdown
Managers	41%
Supervisory personnel/technicians/employees	39%
Manual workers	20%

Changes to the workforce

In 2010, with 144 hirings and 114 vacancies, the balance of personnel hiring/vacancies was positive (+30 people) in France.

Compensation

In 2010, gross compensation amounted to €44,128,584 and payroll taxes to €19,097,335. The average annual gross salary of €42,167 is up by 2.3% compared to 2009.

Other employee benefits

In 2010, the company allocated €413,908.

Training

Training expenses this year amounted to €1,659,325, representing 3.76% of payroll. As in 2009, training expenses in 2010 remained optimised through the roll-out of inter-company training and the measures taken by internal coordinators.

Working time

All employees are covered by a working time reduction agreement (RTT). The reference period is annual (from 1 June to 31 May) and the duration is:

- 1,567 hours (completed for managers of a contingent of 130 hours), coupled with time reduction days and articulated differently according to different establishments and/or categories;
- for managers, classified in the organisation as "autonomous" in achieving their tasks, a fixed annual basis capped at 213 days is applied. An agreement on part-time allows a maximum of 6% of the workforce eligible for a reduction to 4/5th or 90% of working time. If a number of applications exceeds the quota, weighted criteria were defined with the social partners and are consolidated and compared during a joint committee. The amendments to the employment contract shall be concluded on the same period as paid leave and RTT to facilitate management.

Workplace safety

In 2010, there were a total of 29 occupational accidents with lost time. They generated 595 lost working days.

Awareness days for all Industrial Operations senior management were organised, leading to action plans incorporating field arrangements and safety references in each department.

A new HSE director took office in 2010 and reorganised its structure to increase resources dedicated to training, prevention, field presence and monitoring of actions following accidents.

The Magny en Vexin site was awarded the Corporate Trophy issued by Cram (Regional fund for illness insurance) to acknowledge the significant efforts performed in the context of occupational accident and illness prevention, with a focus especially on MSD (Musculoskeletal disorders). This diagnosis and improvement know-how was shared and then generalised to other industrial establishments.

Gesture and posture training was provided by occupational health personnel to those most exposed to handling risks (production operators and storekeepers).

The number of rescue workers includes all buildings and participates in regular training sessions in accordance with current regulations.

A joint and cross working group involving social partners, occupational medicine and social service has been created on the topic of prevention of psychosocial risks.

Awareness sessions and stress management are provided within the training plan framework.

A social service provides several hotlines per month and offers additional support to employees experiencing difficulties.

Absenteeism

Absenteeism within the company amounted to 4.45%, and broke down as follows:

Causes	Breakdown
Occupational accident	0.37%
Maternity	0.74%
Illness	3.20%
Commuting accident	0.07%
Part-time medical leave	0.07%

Industrial relations

Employee representatives were re-elected in 2010 to the ESU (Economic and social unit) for a new term of three years, presented by the CGT (General confederation of labour), or by free application.

The Works council of the ESU is comprised of eight permanent members and eight substitutes. Ordinary meetings are organised monthly.

The Carros sites have eight permanent employee representatives and seven substitutes; there are two employee representatives (one permanent and one substitute) at Virbac Distribution and a memorandum of vacant elective office was drawn up at Magny en Vexin.

The Carros CHSCT (Health, safety and working conditions committee) comprises seven elected members and two at Magny en Vexin.

A CGT union representative is present in France.

Disabled workers

Virbac ESU sites employ the equivalent of 47 people with a legally recognised disability and in addition, subcontracting or employment of temporary personnel is encouraged.

However, depending on the actual attendance time of employees, a contribution was paid in 2010 for Carros sites corresponding to 15.89 missing units, *i.e.* €70,119.

Virbac has established partnerships with CRP (Professional rehabilitation centres) and with the regional establishments and services for occupational aid (ESAT) to promote the integration of individuals with disabilities by providing training as well as temporary assignments at our premises.

Optional and compulsory profit-sharing and company savings plan

Optional employee profit-sharing

Two optional profit-sharing agreements were entered into in 2008. The first agreement was signed for a period of three years (2008 to 2010) and continued on from the previous one. It covers employees in Virbac, Virbac Distribution, Virbac France, Francodex Santé Animale and Alfamed, and follows the terms of the agreement entered into in 2005, in particular the combination of two profitability ratios to calculate the profit-share:

- a profitability ratio that looks at the consolidated net profit attributable to equity holders of the parent over consolidated sales (same as previous agreement);
- a profitability ratio that looks at the Virbac group's consolidated operating profit over consolidated sales.

The combination of these two ratios in order to calculate the profit-share has the twin goals of:

- allocating employees a profit-share that is in line with the company's financial performance (ratio based on net profit); and
- rewarding the collective contribution of employees (ratio based on operating profit from ordinary activities).

The second agreement covers the ESU comprised of Virbac Nutrition and Dog N'Cat International. This is a renewal of the agreement entered into in 2005, the profit-share being calculated on the basis of the profitability ratio of the ESU: net profit/sales. For these two agreements, the beneficiaries are employees with at least three months' service in the Group as at 31 December in the year to which the calculation relates.

Compulsory profit-sharing in company net profit

A new compulsory profit-sharing agreement was entered into in 2008 with the main novelty being the putting in place of a Group compulsory profit-sharing agreement covering the two ESUs:

- 1st ESU: Virbac, Virbac France, Francodex Santé Animale, Alfamed and Virbac Distribution;
- 2nd ESU: Virbac Nutrition and Dog N'Cat International.

Each Group company contributes to building up an overall reserve for the total amount of its own reserve, calculated using the legally prescribed formula. Beneficiaries are employees with at least three months' service in the Group as at 31 December in the year to which the calculation relates. The profit-share may be paid in three ways: to a blocked current account, to the company savings plan and/or to the collective retirement savings plan (Perco).

Employee savings plans

Amount paid in under the various profit-sharing agreements or voluntary payments may be invested in mutual funds. A company savings plan has been established for employees of the ESU made up by Virbac, Virbac Distribution, Virbac France, Francodex Santé Animale and Alfamed; another company savings plan also exists for the ESU comprised of Virbac Nutrition and Dog N'Cat International. The collective retirement savings plan, managed by Generali Épargne Salariale, allows employees of companies in the two ESUs to build up a diversified savings portfolio for their retirement.

Supplier payment terms

According to article L441-6-1 of the French commercial code, introduced by the law on modernising the economy, the information on payment periods of vendors from the parent company Virbac is shown below.

As at 31 December 2010

in €	Overdue	Due between 0 and 30 days	31 and 60 days	More than 60 days	Total
Trade payables	1,763,333	11,274,182	4,675,847	247,232	17,960,595

As at 31 December 2009

in €	Overdue	Due between 0 and 30 days	31 and 60 days	More than 60 days	Total
Trade payables	2,924,363	9,608,952	2,395,741	113,885	15,042,941

In 2010, the amount of maturities over 60 days amounted to €247,232 on a total supplier debt reaching €17,960,595, *i.e.* 1.4%. These payments correspond mainly to foreign suppliers whose settlement period was fixed at 60 days end of month on the tenth.

Fees of statutory auditors and members of their networks supported by the Group

	Deloitte & Associés				Novances-David & Associés Nexia network			
in € thousands	2010		2009		2010		2009	
Issuer	129.5	14%	139.0	17%	73.1	72%	78.1	74%
Consolidated subsidiaries	745.2	81%	631.7	80%	28.1	28%	27.3	26%
Auditing, review of the individual and consolidated accounts	874.7	95%	770.7	97%	101.2	100%	105.5	100%
Issuer	-	- %	-	- %	-	- %	-	- %
Consolidated subsidiaries	-	- %	-	- %	-	- %	-	- %
Other audit services directly related to the auditors task of the statutory auditors	-	- %	-	- %	-	- %	-	- %
Audit services	874.7	95%	770.7	97%	101.2	100%	105.5	100%
Legal, fiscal, social services	49.0	5%	23.0	3%	-	- %	0.3	- %
Other	-	- %	-	- %	-	- %	-	- %
Other services provided by the networks to the consolidated subsidiaries	49.0	5%	23.0	3%	-	- %	0.3	- %
Total fees	923.7	100%	793.7	100%	101.2	100%	105.8	100%

Changes in fees to statutory auditors and members of their networks are primarily due to acquisitions in Australia and Uruguay.

Statutory auditors' report on the capital decrease by cancellation of shares, proposed to the shareholders' meeting

Year ended 31 December 2010

This is a free translation into English of the statutory auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the shareholders,

In our capacity as statutory auditors of your company and in accordance with the procedures provided for in article L225-209 of the French commercial code *(Code de commerce)* on the decrease in share capital by the cancellation of shares purchased, we hereby report to you on our assessment of the reasons for and the terms and conditions of the proposed decrease in share capital.
Shareholders are requested to confer all necessary powers on the executive board, during a period of 26 months, to cancel, up to a maximum of 10% of its share capital by 24-month periods, the shares purchased by the company pursuant to the authorisation to purchase its own shares as part of the provisions of the aforementioned article.

We performed the procedures that we considered necessary in accordance with the professional guidelines of the French national institute of statutory auditors *(Compagnie Nationale des Commissaires aux Comptes)* applicable to this engagement. Our procedures consisted, in particular, in verifying the fairness of the reasons for and the terms and conditions of the proposed decrease in share capital, and ensuring that it does not interfere with the equal treatment of shareholders.

We have no comments on the reasons for and the terms and conditions of the proposed decrease in share capital.

Nice and Marseille, 28 March 2011
The statutory auditors

Novances-David & Associés
Jean-Pierre Giraud

Deloitte & Associés
Vincent Gros

Report of the chairwoman of the supervisory board on organising the work of the supervisory board and on the internal control and risk management systems

Report of the chairwoman of the supervisory board on the conditions for preparing and organising the work of the supervisory board

Article 117 of the French financial security act - article L225-68 of the French commercial code

The contents of this report are based on an analysis of the Group's position and organisation primarily carried out through a series of meetings with Virbac's executive board.
A draft report was subsequently submitted to the audit committee and its recommendations taken into account.
In line with the provisions set forth by the act of 3 July 2008, this report was submitted to the supervisory board at its 11 March 2011 meeting and was unanimously approved.

Preparation and organisation of the work of the supervisory board and executive board

Responsibilities and membership of the supervisory board

The supervisory board is responsible for supervising the management activities of the executive board. It exercises its supervisory powers by meeting every quarter in order to, in particular, review the company's and Group's performance indicators and the annual and interim financial statements presented to it by the executive board. It carries out its responsibilities by, where necessary, getting information from the statutory auditors. It also reviews in more detail any proposed acquisitions on the basis of analyses drawn up by the executive board. The supervisory board has five members, two of whom are independent. The criterion used to define independence is wholly in line with Afep-Medef recommendations.

The terms of office of the supervisory board were renewed for a period of three years by the shareholders' meeting of 15 June 2010. The supervisory board is made up of two women and three men. The chair is a woman. The offices held by supervisory board members are listed on page 42 of the annual report.

Meetings of the supervisory board

The statutory auditors are invited to all supervisory board meetings. The documents, technical material and information necessary for the performance of the duties of board members relating to items on the agenda are sent out, by courier, as early as possible prior to the meeting. Supervisory board meetings are generally held at the head office. Minutes of supervisory board meetings are drawn up at the end of each meeting and submitted for the approval of supervisory board members at the subsequent meeting. In accordance with the articles of association, the supervisory board meets at least once a quarter. During the past year, the supervisory board met five times. All supervisory board members attended all meetings with the exception of Xavier Yon who was at four of the five meetings. Supervisory board members also met informally several times during the year for work and discussion sessions. At the 2010 financial year meetings, the supervisory board notably reviewed the annual and interim financial statements, quarterly sales, the budget, the reports of the executive board on the Group's business activities, results, performance and outlook as well as developments in each of the Group's major functional areas and its strategic outlook and plans and proposed acquisitions.

Following Afep-Medef recommendations

The supervisory board resolved to adopt as its reference the corporate governance code for listed companies drawn up and put together by Afep-Medef (www.medef.fr) in December 2008, with a large majority of these recommendations already being followed.

At its 13 March 2009 meeting, the supervisory board approved its internal bylaws covering its membership, running, responsibilities, the board's reporting procedures as well as the membership, running and responsibilities of the special committees. The supervisory board must do an annual review of these rules and operating methods and a formal assessment must be carried out every three years. The supervisory board performed its first review in March 2010.

Corporate governance

In order to comply with Afep-Medef recommendations, the terms of office of the members of the supervisory board was reduced from six to three years by the shareholders' meeting on 15 June 2010.

In addition, given the special manner in which it is run, namely on the one hand a limited liability company governed by both an executive board and a supervisory board (the responsibilities of directors differing from those of supervisory board members) and on the other hand given the family nature of its shareholder base, the company has elected not to implement the following Afep-Medef recommendation, which requires the company to have a selection or appointment committee: the size of the company and the stability of its management and supervisory bodies mean that there is no need to set up a selection or appointment committee. The supervisory board assumes this responsibility itself.

Compensation

In terms of compensation of members of the executive board, the company follows the vast majority of provisions of the Afep-Medef recommendations (see letter of 23 December 2008 to the AMF published on the company's website). At its 22 December 2008 and 13 March 2009 meetings the supervisory board set the terms of payment for severance pay as well as a few items associated with bonus share grants and the supplementary pension scheme. The ordinary and extraordinary shareholders' meeting of 19 June 2009 approved the performance criteria associated with severance pay. Severance pay is only paid in the event of dismissal, whether associated with a change in strategy or control or otherwise, and is subject to demanding performance criteria: operating profit ratio from ordinary activities/sales over the twelve months prior to the departure of the senior manager equal to or greater than 7%.

There is a slight difference remaining on two points:

• Stock grants: the stock grants assigned to executive board members are not subject to the purchase of a specific number of shares upon vesting of the shares granted but 35% of the shares acquired by the chairman of the executive board and 25% by other corporate officers may not be transferred whilst they work for the Group. In addition, the supervisory board felt it was more appropriate to link the performance criteria to be satisfied for the assignment of stock grants to the final year prior to the grant and not, as recommended by the Afep-Medef, to a performance assessed over a number of consecutive years. Moreover, the performances looked at are not linked to the performance of other companies or a benchmark sector as a result of a lack of reliable comparisons, with companies having similar operations to Virbac either being unlisted or divisions of major listed pharmaceutical groups;

• pensions: the supervisory board does not wish to apply the recommendations regarding the supplementary pension scheme. Virbac's policy is to only grant supplementary pensions to executive board members for two reasons: firstly the supplementary pensions granted this way are of a controlled size and subject to the potential beneficiaries meeting several conditions, and secondly Virbac has established a well-balanced social policy for all employees in terms of welfare, voluntary profit sharing and savings (company savings plan, collective retirement savings plan, employer contribution, etc.). In addition, the company goes beyond the Afep-Medef recommendations as regards the increase in potential rights since they only represent a limited percentage of the beneficiary's compensation including the variable component.

Special committees

Compensation committee

The membership and responsibilities of the compensation committee are set out on page 11 of the annual report. The compensation committee, chaired by an independent member of the supervisory board, met twice during 2010. Its meetings mainly dealt with the compensation of the executive board (fixed and variable components) and the granting of bonus shares to executive board members and to certain managerial personnel within the company.

Audit committee

The membership and responsibilities of the audit committee are set out on page 11 of the annual report. The audit committee, chaired by an independent member of the supervisory board, met twice during 2010 with the chairman of the executive board, the chief financial officer and the statutory auditors in attendance. During 2010, it examined the 2009 financial statements and the 2010 interim financial statements.

It checked the financial information and decided upon the accounting treatment for the year's major transactions, in particular the acquisition completed in Australia at the start of the year. It also noted the efforts made by the executive board to ensure the establishment and effectiveness of risk management and internal control procedures. In the first quarter of 2011, the audit committee met to confirm the financial information related to the 2010 annual financial statements.

Executive board membership

The executive board has five members. At its 22 December 2008 meeting, the supervisory board reappointed all executive board members for three years:

- Éric Marée became chairman of the executive board in December 1999. He directly supervises human resources, communications and information systems;
- Pierre Pagès supervises international operations, manufacturing and quality assurance;
- Christian Karst supervises research and development, R&D quality assurance, marketing and strategic monitoring, licensing and acquisitions;
- Michel Garaudet supervises financial and legal activities;
- Jean-Pierre Dick is responsible for special projects.

Executive board members meet, in line with the law, in order to report quarterly to the supervisory board and whenever business so requires. In line with act 2006-1770 of 30 December 2006 on the development of profit sharing and employee shareholding, the policies and rules for determining compensation and benefits of all kinds granted to executive board members are set out on page 44 of the annual report.

Special procedures regarding shareholder participation at the shareholders' meetings

Shareholders' meetings are called and deliberate in the legally required manner. Meetings are either held at the head office or at any other place specified in the meeting notice. Meetings are chaired by the chairwoman of the supervisory board. The roles of scrutineers are filled by the two members of the meeting with the highest number of votes and accepting this position. The meeting's board appoints the secretary, who need not be a shareholder.

The main powers of the ordinary shareholders' meeting consist of the right to approve or reject the statutory financial statements and the consolidated financial statements, to allocate earnings, pay out a dividend, appoint or dismiss supervisory board members and appoint the statutory auditors. Decisions of the ordinary shareholders' meeting are taken by a majority of the votes of shareholders present or represented.

The extraordinary shareholders' meeting may take decisions such as amending the articles of association, authorising financial transactions that may change the share capital, approving or rejecting mergers or spin-offs, and granting or refusing stock options or stock grants. Decisions of the extraordinary shareholders' meeting are taken by two thirds of the votes of shareholders present or represented.

Irrespective of the number of shares owned, any shareholder is entitled to take part in the shareholders' meeting or to be represented by another shareholder, a spouse, the partner with whom they have entered into a civil solidarity pact under French law as well as any other individual person or legal entity of their choice, or alternatively to vote by post. Legal entity shareholders participate at meetings through their legal representatives or via any person they appoint for the purposes thereof. In line with the law, the entitlement of shareholders to attend in person, by proxy or by post at shareholders' meetings is subject to the registration of the shares in the name of the shareholder or in the name of the intermediary acting on its behalf, on the third business day prior to the meeting, at midnight Paris time, either in the registered share accounts administered for the company by its agent or in the bearer share accounts held by the authorised banking or financial intermediary, acting as security custodian.

The registration of shares in the bearer share accounts held by the authorised intermediary must be confirmed by a certificate issued by the latter, adjoining the postal voting or proxy form or admission card request filled out in the name of the shareholder or on behalf of the shareholder represented by the registered intermediary. To be valid, postal voting or proxy forms must have been effectively received at the company's registered office or the location specified in the meeting notice at the latest three days prior to the date set for the shareholders' meeting, except where a shorter period is specified in the meeting notice.

Each shareholder is entitled to exercise as many votes as the shares they hold or represent without limitation. Nevertheless, a double voting right is granted to all fully paid up shares that have been registered in the name of the same shareholder for at least two years.

Report of the chairwoman of the supervisory board on the internal control and risk management systems

In accordance with article L225-68 paragraph 7 of the French commercial code, amended by the ordinance of 22 January 2009, the chairwoman of the supervisory board has drawn up her report on the internal control and risk management procedures defined and implemented by the Virbac group.

This report has been drawn up based on contributions from several departments, in particular the Financial Affairs, Legal and Human Resources departments as well as the Group Risk Management department, and has been reviewed by the executive board which has confirmed the validity of its contents. The entire report has subsequently been communicated to the statutory auditors for discussion by them and to the audit committee for review before final approval by the supervisory board.

This report was approved by the supervisory board at its meeting on 11 March 2011.

Internal control definition and goals

Framework

The Group has drawn on the reference framework and its application guide first published in January 2007 and updated on 22 July 2010 by the AMF (French financial markets authority) in order to define its internal control and risk management framework so as to structure its approach. In accordance with a recommendation from AMF report 2010-15 dated 7 December 2010, the Virbac group decided to present the different information requested pursuant to the plan specified in the reference framework.

Perimeter

The perimeter for internal control and risk management includes the parent company and the companies included in the Group's consolidated financial statements.

Aims and principles of internal control

The internal control implemented at Virbac is aimed at ensuring that:

- economic and financial objectives are achieved in compliance with applicable laws and regulations;
- direction determined by the executive board is implemented;
- company's capital is developed and its assets are protected;
- and that the Group's financial and accounting information depicts a true and fair view.

The internal control system must promote and secure the Group's industrial and economic development by helping to prevent and control the risks to which it is exposed, all within an environment of control which is suited to its business areas and their respective issues.

In line with the fixed objectives, the internal control and risk management system of the Virbac Group is based on the following structuring elements:

- appropriate and sustainable organisation;
- internal distribution of reliable and targeted information;
- implementation of this system;
- suitable control activities that aid in the process of preparing and processing accounting and financial information;
- continuous management and formalisation of the areas of improvement.

Limits

An internal control system can only provide a reasonable assurance and never an absolute one as regards overall risk control and limitation of obstacles to achieving the Group's objectives. The probability of actually achieving these is subject to the limits inherent in any internal control system, whether this concerns potential failings in the decision-making process, the need for reviewing the cost/profit ratio before implementing controls, or the malfunctions that may occur on account of a failure or human error.

A sustainable organisation which is fit for purpose

System components

The control environment which is essential for the internal control system, for good risk management and for the application of procedures, is based on a specific organisation as well as on behavioural and human aspects.

Organisation

The internal control organisation is based first of all on key factors that are anchored deep within the company's culture and which have formed the basis of its success, such as taking initiative, placing trust in the Group's workers and providing them with a sense of responsibility. The operational organisation of internal control is structured around three levels: Group, areas and subsidiaries. Each level is directly involved and is given responsibility for designing and implementing the control in accordance with the level of centralisation desired by the executive board. At each of these three levels the internal control is broken down into specific organisational procedures, delegation of responsibilities, raising awareness and training of staff which are consistent with the Group's general framework. It requires heavy involvement on the part of each operational or functional manager by expecting them to adapt the policies and procedures defined at Group level, play a role in implementing and complying with them and finalise them via measures that are adapted to the special nature of the business activities or the areas under their responsibility.

The control system implemented within the Group is also based on a stronger governance structure which guarantees that decisions are transparent and traceable, whilst still preserving the principles of subsidiarity and decentralisation that are viewed as essential and necessary for optimum management of industrial and commercial activities in the Group.

Delegations of powers

The subsidiaries are almost all directly or indirectly wholly owned by Virbac. This way the parent company is represented directly or indirectly (via an intermediary subsidiary) on the boards of directors at the subsidiaries. Special attention is paid to the composition and operations of the boards of directors at the Virbac subsidiaries. Each appointment or change of a director must be validated by the members of the Virbac executive board.

In addition, a Group procedure describes the rules on delegation of powers and authority to sign for the company. This was published to all subsidiaries for them to verify and, where necessary, to adapt their procedures in accordance with these instructions. Delegations of power are established, managed and updated with the aid of the Group Legal department.

Values

The values and principles of behaviour in the Group have been formalised and published to all employees via the Group code of ethics. This code stated the Group values and reveals its principles for action and behaviour in relation to employees, shareholders, customers, suppliers and competitors. It states the principles for individual behaviour that all employees must respect, as well as the demeanour that must be observed in the countries where the Group has a presence. Adopted in 2004 as an initiative of the executive board and distributed to all employees, this code is a framework guiding people in their work, in line with the Group's values and principles.

Codes

The Virbac Group has provided employees with other codes that allow the internal control environment to be structured and promoted. All codes are available on the Intranet.

■ Group code of ethics

The Group code of ethics is described in the previous section.

■ Purchasing code of ethics

A code of ethics specific to purchasing was also drawn up for professional and occasional buyers. It sets out the guidelines for the function within the Group, defines the roles and responsibilities of each party in their job and thereby represents a guide to the performance of each person's duties.

■ Stock market code of ethics

A stock market code of ethics was drawn up and distributed to all Group employees in 2005. This code sets out the applicable rules within Virbac and all its subsidiaries regarding trading in listed shares in the company and, as the case may be, its subsidiaries. It is designed both to serve as a reminder of the key principles of stock market regulations regarding trading in listed shares and to lay down some internal rules of conduct designed to ensure the correctness and transparency of transactions carried out by Group employees.

■ Information systems user code

An information systems user code sets out the usage methods of the different tools made available to Group employees.

Procedures and standards governing activities

Group policies have been defined by the functional departments for all processes supplying the financial statements, in particular sales, purchases and stock and property management. These departments lay down Group policies which define the organisation, responsibilities and particular operating and reporting principles in the respective area of expertise under their responsibility. These policies are then broken down into specific procedures for monitoring, rule validation, authorisation and accounting.

As an example the Group has implemented the following policies:

• a purchasing policy which determines the rules, aims and best practices related to purchasing and ethics;

• a policy for securing payment methods which defines the methods that must be implemented in order to limit the risks of fraud;

• a policy for protecting individuals aimed at providing the same level of protection to all Group employees, whether they are expatriates, local or on special assignments;

• a safety and environmental policy which lays down the rules of conduct for a permanent reduction in the risks inherent in any industrial activity;

• an investment policy which is validated by the executive board when the strategic plans and budgets have been drawn up. Any major investment foreseen in these budgets is still subject to a further validation by the International Operations department or by the executive board. Any change that may occur during the year that relates to projects that have been budgeted is subject to special prior authorisation.

In parallel with this *body* of procedures on internal bylaws, the Group complies with the different frames of reference that apply within the pharmaceutical industry. These texts outline the management operations for each stage, whether this is at the research and development method level or at the medicine and vaccine manufacturing standards, packaging, distribution, sales and marketing and promotion levels.

Human resources management policy

Human resources management plays a part in the Virbac internal control system by allowing the Group to ensure that its employees have a suitable skills level in relation to the roles and responsibilities entrusted to them, and that they are aware of their responsibilities and their limits, in addition to being aware of and complying with Group rules.

■ Recruitment and development policy

The Group recruits in all countries and for all roles in order to support its growth. The Human Resources department defines standards and verifies practices in order to ensure the consistency and relevance of the recruitment process.

In parallel, an employee performance and development management process known as Perf (covering performance, evaluation, compensation and training) has been deployed; it is made up of several different parts which include setting individual objectives and annual achievements assessed by line managers with the situation examined on an individual basis.

Within the annual performance committee the executive board shares the assessments, remuneration and professional development possibilities of the 60 key individuals in the Group as well as the potential top performers identified through the Perf process.

■ Compensation policy

Compensation is reviewed annually. The review covers the base salary and individual and collective bonuses. The salary review is carried out in accordance with an overall policy aimed at strengthening the competitiveness, consistency and development of compensation within the Group. The aim is also to remunerate individual performance pursuant to objective criteria and criteria shared between all roles. The bonus practices applicable in the Group are otherwise consistent and are based mainly on comparable criteria in terms of value and type. The compensation committee also reviews the overall remuneration policy for members of the executive board.

Main players

Supervisory board and its special committees

The supervisory board operates a constant control over the Group management led by the executive board. Within this framework, it ensures in particular that the internal control systems are actually implemented within the Group.
The board has set up two special committees to aid it in its task: the compensation and the audit committees. The members of these committees are shown on page 11 of the annual report.

The role of the compensation committee is to determine the compensation of the members of the executive board.

The audit committee is responsible for:
• ensuring the relevance, consistency and reliability of accounting methods;
• ensuring the existence and effectiveness of the internal control and risk management systems;
• examining the statutory inspection of the annual financial statements and the consolidated financial statements by the statutory auditors;
• making a statement on the accounting process for significant transactions;
• and ensuring the independence of the statutory auditors.

Executive board

The executive board has operational and functional responsibility in all Group activities for implementing the strategy decided upon by the supervisory board. In particular, it is responsible for actual implementation of the internal control systems within the Group.
The members of the executive board are shown on page 10 of the annual report.

Its members have divided responsibilities as follows.

The chairman of the executive board is responsible for supervising and coordinating the activities of all executive board members. He performs all the legal functions of a company head and takes responsibility for this. He represents the company and acts on its behalf in all circumstances and particularly before the courts. For the purposes of the company's internal organisation, he is, moreover and more particularly, responsible for the following corporate departments: the Group Human Resources department; the Group Information Systems department; the Group Communications department including financial communication in collaboration with the chief financial officer.

The chief operating officer supports the chairman with his work and stands in for him upon request, exercising the same powers pursuant to the law. He holds the position of qualified person of Virbac in line with articles L5142-1 *et seq*. of the French public health code. For the purposes of the company's internal organisation, he supervises the following departments: the International Operations department, responsible operationally for the subsidiaries and export activities spread across four areas: Europe, North America, Latin America, Apisa (Asia, Pacific, India, South Africa); the Group Industrial Operations department, responsible in particular for drawing up and managing the Group's industrial strategy, coordination of production sites with the main sites being based in France, and coordination of actions for ensuring strict compliance with the regulatory framework; and the Industrial Quality Insurance department.

The Development director supervises the following departments: the Group Products Innovation department, responsible for laying out the Group's R&D strategy, carrying out projects and coordinating research centres spread across the various geographic regions, as well as for marketing and strategic monitoring; the R&D Quality Assurance department; the Business Development department, which is responsible for licensing (an activity that mainly consists of acquiring or disposing of rights to active ingredients of finished products or products in development in line with Group strategy) and acquisitions.

The chief financial officer is responsible for Group financial policy and supervises: the cash situation and financing, drawing up the consolidated financial and accounting information, the budgetary and financial planning processes and management control; the Legal department, responsible for corporate law, insurance policy, negotiations, drawing up and managing contracts and disputes, and the Risk Management department shown on page 68 of the annual report.

The head of special projects is the president of the Fondation d'Entreprise Virbac (a corporate foundation), and ensures the communication and development of Virbac's corporate reputation through sponsoring initiatives.

Strategic committee

The Strategic committee is chaired by the chairman of the executive board and comprises the following departments, represented as follows:
• executive board members;
• area directors: Europe, North America, Latin America, Apisa;
• Group Human Resources department;
• Group Industrial Operations department;
• Group Product Innovation department.

The Strategic committee gives its view on the Group's major strategic decisions: strategy by business, function and major project.

Executive committee France

The executive committee France is chaired by the chairman of the executive board and comprises the following departments, represented as follows:
• executive board members;
• Group Human Resources department;
• French Industrial department;
• Group Product Innovation department;
• Group Communications department;
• Group Information Systems department;
• Europe department;
• Legal department.

The executive committee France is primarily responsible for decision-making, coordination and reporting on all issues affecting the group of French companies and represents a platform from which to disseminate information to the various departments.

Operational departments

In accordance with the operational decentralisation principles within the Group, the managers of each business activity have the necessary powers for organising, directing, managing and delegating the operations for which they are responsible.
Each activity favours the organisation which is best suited to its markets, taking into account its particular sales, industrial and geographic features. The managers are responsible for adopting internal control systems consistent with their organisations as well as with Group principles and rules.

Functional departments

The central functional departments (finance, legal, human resources, product innovation, communications, information systems, health, safety and environment and purchasing) have a dual task: organisation and control of Group operations falling within their respective skills area and technical assistance with operational activities in these areas where required.
The presence of the central functions and their organisation play a significant role in Group internal control systems. The managers of these roles have in particular functional authority over all managers who carry out tasks falling within their skills area in the operational activities.

Risk Management department

Since its creation at the end of 2009, this department has become a full participant in the Group risk management and internal control system. Reporting directly to the chief financial officer (member of the executive board) with a dotted line to the executive board, the Risk Management director takes part in and coordinates risk analysis, makes a contribution across the organisation and aids in sharing best practices between Group entities and departments. His roles and responsibilities are shown in detail on page 69 of the annual report.

Internal distribution of reliable and targeted information

Information and communication are connected with the information flows which support the internal control procedures, from the orientations expressed by management through to action plans. They contribute to the control environment being implemented as well as to the distribution of an internal culture and the promotion of relevant control activities that play a part in risk control.
There are different aims:
• informing all Group employees and making them aware of the implementation of best practices;
• sharing experiences so as to promote the use of these best practices, including internal control and risk management systems.

Special communication tools deployed by the Group encourage the achievement of these aims: the internal publication *Virbaction* presents Virbac's general direction, its organisation, activities and projects. Other tools such as the Intranet allow Group policies and procedures to be distributed. Virbac also strives to provide each of its newly recruited managers with a view over the entire Group and its organisation, main business areas and strategy. Induction sessions for new recruits, either organised locally or at head office, are part of this effort. Finally, in addition to the training sessions organised by the operational divisions, Group seminars allow employees to improve certain professional skills (finance, marketing, human resources, project management, etc.) and encourage an exchange of best practices.

The information and the communication channels also rely on the information systems. The Group Information Systems department is responsible for all Group information systems. It is made up of departments that are the direct responsibility of the Group Information Systems department and of decentralised departments within the operational divisions. The departments within the overall Group Information Systems department define information system policies, coordinate the processes for managing the information systems role and manage global IT infrastructures and services in line with Group priorities. The decentralised departments develop and manage the specific applications within their divisions, as well as the dedicated IT infrastructures and services.

Upward and downward information channels have been defined so as to allow the timely transmission of relevant and reliable information.
In terms of information feedback, accounting and financial information is processed in accordance with processes and with collaborative reporting and control tools (collaborative reporting and consolidations software shared throughout the Group under the authority of the Financial Affairs department).

For downward information flows, resolutions from the decision-making bodies are relayed via the relevant departments. Any change in the regulatory framework relating to any matter whatsoever is communicated to the relevant entities and departments in an appropriate manner.
Finally, communication aimed at stakeholders is governed by the appropriate systems for the sake of guaranteeing the quality of the information.

In addition, the Group distributed a crisis management procedure the objective of which as far as possible is to anticipate the potential occurrence of any crises through deployment of management and alert principles covering all Group areas and activities.

Implementation of the risk management system

Aims

The Group Risks Management department was set up at the end of 2009 in order to strengthen the Group's ability to forecast, analyse and prioritise risks of any kind and to ensure the suitability of the Group's development in relation to these risks.
This department has structured its methodological framework in line with best practices and recognised professional standards such as, in particular, ISO 31000, Federation of European risk management associations (FERMA), Committee of sponsoring organisation (COSO II).

The aims of the Risks Management department are to ensure that the following functions in relation to risk management are actually in place within the Group:
• know and anticipate: ensure that there is constant monitoring of Group risks in order to guarantee that none of these is forgotten or underestimated and to forecast any development in their nature or intensity;
• organise: ensure that the main risks identified are actually taken into account by the organisation, at the most appropriate level within the Group. Numerous operational risks are managed by the subsidiaries; head office takes charge of other risks which require special skills or that have an essentially cross-organisational or strategic component;
• control: ensure that the organisations and methods in place are effective in reducing the risks identified;
• inform: implement a coordinated risk management system is an important factor in the system as a whole. This is how overall risk management plays a role in supporting sustainable and responsible growth and predictability of results.

Regular structured analysis of the main Group risks

The internal control system is based on the internal control environment and is part of a continuous process for identifying, assessing and managing risk factors that are likely to have an impact on the aims being achieved and the opportunities that could improve performance. Providing an awareness of the responsibilities related to identifying, assessing and managing risks should be spread out through all appropriate levels of the organisation.

A formal and more accurate report of the main risks for the Group and the methods of management and control of these is shown on page 50 of the annual report.

Thanks to a structured process aimed at understanding and analysing the main risks for the Group, Virbac is able to appreciate the adequacy of the existing internal control systems, implement relevant action plans for their improvement and, more generally, to provide increased protection for the Group's corporate value in the area of compliance with applicable laws and regulations.

Organisation of the risk management system

The main committees helping with the process of identification, assessment and management of risks and opportunities are the executive board, the strategic committee and the executive committee France. The members of these committees rely on their experience in anticipating risks and opportunities associated with the developments in the pharmaceutical sector and in the company itself.
The risk concept is consistently taken into account as part of the company's decision-making processes, such as during the budgetary process, monthly reviews of results and monthly management reporting.
In addition, the Group embarked on a formal and recurrent process of analysing its main risks through completion of a mapping of its major risks. This process was started in 2010 at the Group level. The process was implemented between April and November 2010 and it allowed for detailed reporting on Group risks along with an assessment of these. It was carried out via interviews with around 80 executives representing different levels in this panel (head office, area directors and subsidiaries) as well as the different roles and business areas in the Group. Each of the risks identified was assessed in terms of impact and frequency after taking into account the risk reduction factors already implemented.
The results of this process were reviewed by the members of the executive board and presented to the audit committee. These reviews caused new actions to be determined or led to existing actions being reinforced in order to improve the control level of certain risks identified within the Group.
The risk mapping will be updated on a regular basis in collaboration with the managers of the central functions and the main operational players in the Group.
Each of the major risks has been analysed and prioritised. For each of them, risk owners are responsible for designing and implementing action plans in coordination with the different operational and functional departments, in order to limit any exposure to risk. The director for Risk Management coordinates the whole process and reports to the executive board who monitors the implementation of the action plans directly.
The mapping of the major risks in the Group and the associated action plans were presented at the Group audit committee on 10 March 2011.

The risk management process has contributed to the following initial results:
• a general view of Group risks with priorities;
• a dynamic caused by significant mobilisation with this project which encourages practices and experiences to be shared between the departments themselves (cross-functional approach);
• an organisation set up to capitalise on current risk management mechanisms (for example, financial and legal and those related to environmental risk assurances and management) and to implement action plans and additional controls;
• the strengthening of company controls over cross-functional risks.

For Virbac, risk management forms part of a continuous improvement cycle of the overall risk management system by becoming engrained in company processes and consistently taking the fundamental issues into account that can be found in the organisation, whether operational, legal, regulatory or related to governance. Areas for improvements are planned for 2011 aimed at extending this system shown on page 72 of the annual report.

Suitable control activities that aid in the process of preparing and processing accounting and financial information

This system does not only cover the processes for preparing financial information, it also covers all the upstream operational processes that help to produce this information. Internal control in all its forms but especially that related to finance and operations is essential for Virbac. The Group's ongoing aim is to maintain the balance between the decentralisation required for its activities, better operational and financial control and the dissemination of skills and best practices.

Dedicated financial organisation

The control system and the procedures for producing accounting and financial information are consistent within the Group. This system is made up of a cross-functional accounting organisation, uniform accounting standards, one single consolidated reporting system and quality control of the financial and accounting information produced.

Accounting and financial operations are managed by the Group Financial Affairs department. Its central organisation includes:

- the Corporate Control department which supervises all functions related to the preparation and analysis of financial information. This set is made up of:
  - the Accounting and Consolidation department, which is responsible for preparing and presenting the financial accounts of the Virbac entity and the Group consolidated accounts. It is also responsible for monitoring tax affairs within the Group;
  - Management Control department, which is responsible for preparing and consolidating budget data and for monthly management reporting which includes an analysis of Group results both compared with budgetary objectives and with the previous year;
- a corporate Treasury and Financing department which is responsible mainly for coordinating and monitoring the reporting related to the Group's financial debt and financial results. With regard to exposure to exchange rate risks in particular, the guidelines of the Financial Affairs department forbid speculation and only allow for the hedging of positions that, whether current or future, are certain.

The financial directors of each subsidiary exercise a key role on account of the decentralised organisation of the accounting and finance functions. They are mainly responsible for ensuring that all internal accounting and finance control procedures are applied correctly on the ground. Each subsidiary financial director reports functionally to an area management controller who operates at the area level. The controller reports functionally to the Group chief financial officer.

Suitable tools: procedures and reference frameworks

The accounting and finance rules set out in the special instructions drafted by the Group Financial Affairs department apply to all operational and legal entities in the Group. In compliance with the IFRS standards adopted in the European Union, they include the following factors:

- a reminder of the general accounting principles and instructions that must be followed;
- a detailed chart of accounts;
- a confirmation of the Group accounting methods applicable for the most significant items and/or transactions;
- control procedures for the largest account categories, and in particular the main reconciliations to be carried out for controlling the information produced;
- rules defining the framework of the management information known as Group financial reporting guidelines;
- rules to be followed in order to manage cash flow requirements and financing thereof, investments of cash surpluses, hedging of exchange-rate risks.

These documents are updated on a regular basis, upon each change or application of new accounting standards, under the responsibility of the Corporate Control department. Virbac has set up a reporting system, which has been deployed in all entities within the Group, in order to ensure the quality and reliability of its financial information. It is supplied via the local accounting data, either by an interface, by drawing the required data from the ERP financial modules that these entities have, or by manual entry.

Special procedures have been defined for off-balance sheet commitments. These latter items stem from guarantees provided by the company. The provision of securities, deposits and guarantees are subject to the following controls:

- for the parent company: special authorisations from the supervisory board whenever such guarantees exceed the permanent authorisation given to the executive board;
- for the subsidiaries: material off-balance sheet commitments must be approved in advance by the parent company.

Formal processes

The financial processes implemented contribute to the quality and reliability of the accounting and financial information.

Accounting and consolidation process

The generation of information is achieved via the half-yearly consolidation process supervised by a dedicated unit within the Financial Affairs department and underpinned by accounting principles applicable to all subsidiaries, thereby ensuring methodological consistency.

Budgetary and management reporting process

Management Control coordinates the monthly budgetary consolidation and reporting process within the Group, using information transmitted by the different operational departments and by the subsidiaries. Concordance between the management information from reporting and the accounting data constitutes the key principle of control for ensuring the reliability of accounting and financial information. The management reporting system is used for monitoring the monthly results and the main management indicators, and for comparing them with the budget and with the results from the previous year. The management indicators are explained and analysed by Management Control in collaboration with the local financial directors.

Each month the executive board examines the summaries from the management reporting, analyses the significant variations and decides on any corrective actions to be implemented where necessary.

Treasury process

A process for establishing an annual treasury plan was also implemented across the Group, making it possible to control and consolidate the forecasting of cash movements of subsidiaries, a sign of the accuracy of sales and expenditure forecasts and of operating capital requirement management. customer collection, stock management and supplier payment terms.
A policy of pooling excess cash and financing requirements daily in the eurozone means that the Group's net positions can be reduced and the management of its deposits or financings optimised. Outside Europe, a policy of cash pooling was also implemented in order to limit counterparty risks and to optimise the use of lines of credit.

Items likely to have an impact in the event of a public offer

Pursuant to article L225-100-3 of the French commercial code, the items likely to have an impact in the event of a public offer, *i.e.* shares with a double voting right, are set out in the annual report on page 49. As such Virbac's main shareholder, the Dick family Group, holds 47.7% of shares and 63.9% of voting rights.

Management of systems and areas for improvement

Actions for monitoring and improving systems

The Virbac group is implementing continuous improvement actions for its internal control systems under the supervision of the executive board and the executive committee France, as well as under the supervision of the audit committee of the supervisory board.

Supervisory board

The role of the supervisory board and its special committees was described on page 67 of the annual report.

Executive board

The executive board is responsible for defining and managing the approach to internal control and risk management, relying on the operational departments to implement these (see page 67 of the annual report). The functional departments carry out investigations into operations in their respective areas through their network of experts or via regular audits (see page 68 of the annual report).

Statutory auditors

All the accounting and financial elements prepared by the consolidated subsidiaries are subject to at least a limited audit during half-yearly closing for the most significant entities, and to an audit carried out by external auditors when the year closes. The audit tasks in the different countries are given to the members of the network of statutory auditors of the Group. They certify the consistency, reliability and a fair view of the consolidated statements and of the individual company statements. They are informed of the key factors in the year upstream of the process of preparing the financial statements and they present a summary of their work to the Group accounting and financial managers and to the audit committee at the half-yearly stage and when the year closes.

Financial communication

Annual report

The Financial Affairs department is responsible for preparing the annual report, which involves in particular:

- defining the feedback and validation process for the information appearing in the annual document;
- supervising the work carried out by the annual report steering committee;
- applying the AMF regulations and managing relations with the AMF.

Press releases

The increasing importance of financial communication and the need to deliver quality financial information have led the Virbac group to acquire the functions and skills required to present reliable quality information and to control risks to the corporate image. The Group Communications department is responsible in particular for actions taken which could have an impact on the image, reputation and integrity of the brand name or Virbac's share price. To achieve this, it works very closely with the Financial Affairs department.

Improvement plan for the internal control and risk management system

The Virbac group embarked on a process improvement project for its internal control and risk management system in line with the general directions and priorities fixed by the chairman of the executive board. The actions implemented are the responsibility of the functional and operational departments. They are presented at the audit committee.

Monitoring of 2009 commitments

Setting up the risk management functions within the Group materialised through the completion of a mapping of the Group's major risks and of a programme for implementing action plans for the risks considered to be priorities by the executive board.

Outlook for 2011

The outlook for the coming year includes the following:
- monitoring of the implementation of action plans related to the mapping of risks completed in 2010;
- progressive deployment of the risk management process within the organisation with an initial desire to focus on the Group's main subsidiaries;
- setting up a network of contacts for risks within the subsidiaries.

Financial report

Statutory auditors' report prepared in accordance with article L225 235 of the French commercial code (*Code de commerce*), on the report prepared by the chairwoman of the supervisory board

Year ended 31 December 2010

> This is a free translation into English of the statutory auditors' report issued in French prepared in accordance with article L225-235 of the French commercial code on the report prepared by the chairwoman of the supervisory board of Virbac on the internal control procedures relating to the preparation and processing of accounting and financial information issued in French and is provided solely for the convenience of English-speaking users.
> This report should be read in conjunction with, and construed in accordance with, French law and the relevant professional standards applicable in France.

To the shareholders,

In our capacity as statutory auditors of Virbac and in accordance with article L225 235 of the French commercial code (Code de commerce), we hereby report to you on the report prepared by the chairwoman of your Company in accordance with article L225 68 of the French commercial code for the year ended 31 December 2010.

It is the chairwoman's responsibility to prepare, and submit to the supervisory board for approval, a report on the internal control and risk management procedures implemented by the Company and containing the other disclosures required by article L225-68 of the French commercial code, particularly in terms of corporate governance.

It is our responsibility:
- to report to you on the information contained in the chairwoman's report in respect of the internal control and risk management procedures relating to the preparation and processing of accounting and financial information, and
- to attest that this report contains the other disclosures required by article L225-68 of the French commercial code, it being specified that we are not responsible for verifying the fairness of these disclosures.

We conducted our work in accordance with professional standards applicable in France.

Information on the internal control and risk management procedures relating to the preparation and processing of accounting and financial information

The professional standards require that we perform the necessary procedures to assess the fairness of the information provided in the chairwoman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information. These procedures mainly consisted in:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information on which the information presented in the chairwoman's report is based and the existing documentation;
- obtaining an understanding of the work involved in the preparation of this information and the existing documentation;
- determining if any significant weaknesses in the internal control procedures relating to the preparation and processing of the accounting and financial information that we would have noted in the course of our engagement are properly disclosed in the chairwoman's report.

On the basis of our work, we have nothing to report on the information in respect of the Company's internal control and risk management procedures relating to the preparation and processing of the accounting and financial information contained in the report prepared by the chairwoman of the supervisory board in accordance with article L225-68 of the French commercial code.

Other disclosures

We hereby attest that the chairwoman's report includes the other disclosures required by article L225 68 of the French commercial code.

Nice and Marseille, 28 March 2011
The statutory auditors

Novances-David & Associés
Jean-Pierre Giraud

Deloitte & Associés
Vincent Gros

Financial report

2010 consolidated financial statements

Consolidated financial statements

Statement of financial position

in € thousands	Notes	2010	2009
Goodwill	A1	86,413	84,300
Intangible assets	A2	84,994	81,947
Tangible assets	A3	101,611	76,961
Other financial assets	A4	814	953
Investments accounted for by the equity method	A5	3,351	494
Deferred tax assets	A6	3,934	3,466
Non-current assets		**281,117**	**248,121**
Inventories and work in progress	A7	98,893	70,633
Trade receivables	A8	85,523	75,006
Other financial assets	A4	1,081	568
Other receivables	A9	27,141	26,073
Cash and cash equivalents	A10	39,998	14,069
Assets classified as held for sale	A11	-	-
Current assets		**252,636**	**186,349**
Assets		**533,753**	**434,470**
Share capital		10,893	10,893
Reserves attributable to the owners of the parent company		289,169	222,712
Capital and reserves attributable to the owners of the parent company	A12	**300,062**	**233,605**
Non-controlling interests		2,292	2,595
Equity		**302,354**	**236,200**
Deferred tax liabilities	A6	9,141	8,666
Provisions for employee benefits	A13	6,850	7,597
Other provisions	A14	2,012	1,475
Other financial liabilities	A15	32,512	34,533
Other payables	A16	10,554	10,691
Non-current liabilities		**61,069**	**62,962**
Other provisions	A14	479	305
Trade payables	A17	75,303	54,459
Other financial liabilities	A15	10,607	13,376
Other payables	A16	83,941	67,168
Current liabilities		**170,330**	**135,308**
Liabilities		**533,753**	**434,470**

Income statement

in € thousands	Notes	2010	2009	*Change*
Revenue from ordinary activities	A18	**572,830**	**467,418**	*22.6%*
Purchases consumed	A19	-181,778	-151,542	
External costs	A20	-138,747	-109,793	
Personnel costs		-146,428	-124,070	
Taxes and duties		-10,847	-10,234	
Depreciations and provisions	A21	-19,229	-14,818	
Other operating income and expenses	A22	1,843	1,329	
Current operating result		**77,644**	**58,290**	*33.2%*
Other non-current income and expenses	A23	10,100	-	
Operating result		**87,744**	**58,290**	*50.5%*
Financial income and expenses	A24	-1,612	-1,929	
Result before tax		**86,132**	**56,361**	*52.8%*
Income tax	A25	-21,791	-16,727	
Share from companies' result accounted for by the equity method		-28	42	
Result for the period		**64,313**	**39,676**	*62.1%*
attributable to the owners of the parent company		63,413	38,816	*63.4%*
attributable to the non-controlling interests		900	860	*4.7%*
Result attributable to the owners of the parent company, per share	A26	€7.32	€4.48	*63.5%*
Result attributable to the owners of the parent company, diluted per share	A26	€7.32	€4.48	*63.5%*

Comprehensive income statement

in € thousands	2010	2009	*Change*
Result for the period	**64,313**	**39,676**	*62.1%*
Change in asset revaluation reserve	-	-	
Actuarial gains and losses	-	-	
Conversion gains and losses	14,948	4,779	
Gains and losses from revaluation of financial assets available for sale	-	-	
Effective portion of gains and losses on hedging instruments	14	346	
Other elements of comprehensive income (before tax)	**14,962**	**5,125**	*191.9%*
Tax on other elements of comprehensive income	-5	-119	
Share from other elements of the companies' comprehensive income using the equity accounting method	-	-	
Comprehensive income	**79,270**	**44,682**	*77.4%*
attributable to the owners of the parent company	78,356	43,848	
attributable to the non-controlling interests	914	834	*9.6%*

Cash flow statement

in € thousands	2010	2009
Result for the period	**64,313**	**39,676**
Elimination of share from companies' result accounted for by the equity method	28	-42
Elimination of depreciations and provisions	18,119	16,200
Elimination of deferred tax change	-4,497	3,001
Elimination of gains and losses on disposals	18	3
Other income and expenses with no cash impact	-10,334	-82
Cash flow	**67,647**	**58,756**
Effect of net change inventories	-10,609	1,538
Effect of net change in trade receivables	-5,463	-3,821
Effect of net change in trade payables	14,958	3,639
Effect of net change in other receivables and payables	15,417	1,726
Effect of change in working capital requirements	**14,303**	**3,082**
Net financial interests paid	1,947	2,940
Net cash flow generated by operating activities	**83,897**	**64,778**
Acquisitions of intangible assets	-2,832	-2,370
Acquisitions of tangible assets	-22,102	-19,827
Disposals of intangible and tangible assets	573	438
Change in financial assets	225	146
Change in debts relative to acquisitions	-	-
Acquisitions of subsidiaries or activities	-12,693	-
Disposals of subsidiaries or activities	-	-
Dividends received	-	-
Net flow allocated to investing activities	**-36,829**	**-21,613**
Dividends paid to the owners of the parent company	-11,448	-10,403
Dividends paid to the non-controlling interests	-1,217	-828
Change in treasury shares	-994	1,373
Increase/decrease of capital	-	-
Debt issuance	10,681	28,950
Repayments of debt	-13,821	-48,665
Net financial interests paid	-1,947	-2,940
Net cash from financing activities	**-18,746**	**-32,513**
Change in cash position	**28,322**	**10,652**

Statement of change in cash position

in € thousands	2010	2009
Cash and cash equivalents	14,069	8,414
Bank overdraft	-9,675	-15,468
Accrued interests not yet matured	-35	-109
Opening net cash position	**4,359**	**-7,163**
Cash and cash equivalents	39,998	14,069
Bank overdraft	-5,430	-9,675
Accrued interests not yet matured	-20	-35
Closing net cash position	**34,548**	**4,359**
Impact of currency conversion adjustments	1,867	870
Net change in cash position	**28,322**	**10,652**

Statement of change in equity

in € thousands	Share capital	Share premiums	Reserves	Conversion reserves	Result for the period	Equity attributable to the owners of the parent company	Non-controlling interests	Equity
Equity at 31/12/2008	10,893	6,534	161,725	-16,140	35,408	198,420	2,593	201,013
2008 allocation of net income	-	-	35,408	-	-35,408	-	-	-
Distribution of dividends	-	-	-10,403	-	-	-10,403	-828	-11,231
Treasury shares	-	-	1,736	-	-	1,736	-	1,736
Changes in scope	-	-	4	-	-	4	-4	-
Other variations	-	-	-	-	-	-	-	-
Comprehensive income	-	-	227	4,805	38,816	43,848	834	44,682
Equity at 31/12/2009	10,893	6,534	188,697	-11,335	38,816	233,605	2,595	236,200
2009 allocation of net income	-	-	38,816	-	-38,816	-	-	-
Distribution of dividends	-	-	-11,448	-	-	-11,448	-1,217	-12,665
Treasury shares	-	-	-451	-	-	-451	-	-451
Changes in scope	-	-	-	-	-	-	-	-
Other variations	-	-	-	-	-	-	-	-
Comprehensive income	-	-	9	14,934	63,413	78,356	914	79,270
Equity at 31/12/2010	10,893	6,534	215,623	3,599	63,413	300,062	2,292	302,354

Notes to the consolidated financial statements

General information note

Virbac is the first independent global pharmaceutical laboratory exclusively dedicated to animal health and markets a full range designed for pets and livestock.
In 2010 the Virbac share was listed on the Paris stock exchange in section B of the Eurolist.
Virbac is a public limited company under French law with an executive board and supervisory board. Its trading name is "Virbac". The company was established in 1968 in Carros. Under the company's current articles of association, the company is set to expire on 2 January 2028 unless further extended. The head office is located at 1ère avenue 2065 m LID, 06511 Carros. The company is registered on the Grasse Trade registry under the number 417350311 RCS Grasse.

The 2010 consolidated financial statements were approved by the executive board on 11 March 2011.
They will be submitted for approval to the shareholders' general meeting on 28 June 2011; the meeting has the power to have them amended.

The explanatory notes below support the presentation of the consolidated accounts and form an integral part of them.

Significant events for the period

On 5 January 2010, Virbac established a strategic alliance in the area of vaccines designed for food producing animals, putting in 30% for a total of 3.7 million American dollars of capital from the Uruguayan Santa Elena laboratory. This company, present for more than fifty years in Uruguay, has extensive experience in the development and manufacture of vaccines, mainly bovines, that it sells in Uruguay and in Latin American countries. Its sales in 2009 were 7 million American dollars with a good profitability level. Virbac will have the option of acquiring all of Santa Elena in the future. Thanks to this alliance, Santa Elena will be able to make use of the solid commercial platform that Virbac has in order to introduce its ranges of vaccines in numerous international markets. For its part, Virbac will benefit from the skills and know-how provided by Santa Elena in the biology area, which will enable the forming of a basis for the development and production of vaccines for food producing animals, and therefore to enter into this market segment on an equal basis. Santa Elena is consolidated into the Group's accounts using the equity method.

On 29 January 2010, Virbac signed an agreement with Pfizer to acquire certain veterinary products and their associated assets in Australia, in particular a production site. The transaction was for a sum of 11.7 million Australian dollars excluding acquisition and fiscal costs. This transaction has received approval from the Australian competition and consumer commission; it forms part of the divestment of assets required by this commission following the recent acquisition of Wyeth and its Fort Dodge veterinary business by Pfizer. According to the terms of this agreement, Virbac acquired the rights to all products historically sold in Australia by Fort Dodge and designed for food producing animals, mainly bovines and ovines. This consists of parasiticides (80% of sales) and vaccines (20%), which made sales amounting to 37 million Australian dollars in 2009. This new portfolio will perfectly complement the range of products that Virbac Australia already sells to its clients. This acquisition constitutes a company consolidation within the meaning of IFRS 3 revised and is reported as such in these consolidated financial statements.

In July 2010, the Group negotiated and implemented a line of credit with a pool of banks for a period of five years which may be extended to six years, for an amount of €220 million.

Material events after the closing date

On 31 January 2011, Virbac acquired the veterinary assets of Synthesis in Columbia for 9.5 million American dollars. This acquisition allows Virbac Columbia to double in size by contributing additional sales of around 5 million American dollars made up of 60% for bovine products (mainly antibiotics and nutritional supplements) and 40% for companion animals (specialities). This transaction is accompanied by the takeover of the Synthesis teams and strengthens Virbac's commercial presence in the fourth largest market in Latin America.
This acquisition constitutes a company consolidation within the meaning of IFRS 3 as revised and will be reported as such in the consolidated financial statements. The price allocation is being reviewed.

On 28 February 2011, Virbac acquired the rights to Multimin (injectable mineral-based supplement for food producing animals) for South Africa and neighbouring countries from Animalia. Having distributed this product range for twelve years, Virbac is securing its position in this major market segment for the South African subsidiary, which has been enjoying steady growth for several years and which offers more prospects for significant development.

Scope

The financial consolidated statements as at 31 December 2010 include the financial statements of the companies that Virbac controls indirectly or directly, in law and in fact. The list of consolidated companies is provided in the appendix.

The changes executed in the scope during the fiscal year are the following:
• on 5 January 2010 Virbac acquired a 30% holding in the Uruguayan company Santa Elena. This entity is consolidated using the equity method of accounting.
• on 20 December 2010 the company Virbac Sp. z o.o. was entered on the national judicial register of Warsaw. This new Polish entity which is wholly-owned by Virbac is consolidated by overall inclusion in the financial statements.

Main accounting principles applied

The Virbac group's consolidated financial statements were drawn up in line with the international accounting standards as adopted by the European Union (accounting basis available on the ec.europa.eu website). The international accounting standards include the IFRS (International financial reporting standards), the IAS (International accounting standards) and their interpretations, SIC (Standards interpretations committee) and IFRIC (International financial reporting interpretations committee).

For the presentation of the consolidated accounts for the 2010 financial year, the Group applied all standards and interpretations in force at the European level, applicable to periods beginning on or after 1 January 2010. These standards and interpretations are as follows:
• IFRS 1 amended, "additional exemptions for the first IFRS adoptions", applicable to periods beginning on or after 1 January 2010;
• IFRS 3 revised, "grouping of companies", applicable to periods beginning on or after 1 July 2009;
• IFRS 2 amended, "posting of spent treasury plans within the Group", applicable to periods beginning on or after 1 January 2010;
• IAS 27 revised, "consolidated and individual financial statements", applicable to periods beginning on or after 1 July 2009;
• IAS 39 amended, "exposures eligible for hedge accounting", applicable to periods beginning on or after 1 July 2009;
• IFRS 12, "concessions", applicable to periods beginning on or after 29 March 2009;
• IFRIC 15, "agreements for the construction of an intangible asset" applicable to periods beginning on or after 1 January 2010;
• IFRIC 16, "hedging of a net investment in an activity abroad", applicable to periods beginning on or after 1 July 2009;
• IFRIC 17, "distribution of non-monetary assets to shareholders", applicable to periods beginning on or after 1 November 2009;
• IFRIC 18, "transfer of assets to clients", applicable to periods beginning on or after 1 November 2009.

Application of these new standards has not had a significant impact on the consolidated financial statements in the 2010 financial year.

On the end date of these consolidated accounts, the following standards and interpretations were submitted by IASB (International accounting standards board) but still not adopted by the European Union or not applicable by anticipation:

• IFRS 1 amended, "exemptions related to the information to be provided as part of IFRS 7", applicable to periods beginning on or after 1 July 2010;
• IFRS 1 amended, "serious hyperinflation and removal of fixed adoption dates for new adoptions", applicable to periods beginning on or after 1 July 2011;
• IFRS 7 amended, "information to be provided – transfers of financial assets", applicable to periods beginning on or after 1 July 2011;
• IFRS 9, "financial instruments", applicable to periods beginning on or after 1 January 2013;
• IAS 12 amended, "recovery of underlying assets", applicable to periods beginning on or after 1 January 2012;
• IAS 24 revised, "related party disclosures", applicable to periods beginning on or after 1 January 2011;
• IAS 32 amended, "classification of subscription rights", applicable to periods beginning on or after 1 January 2011;
• IFRIC 14 amended, "prepayments of a minimum funding requirement", applicable to periods beginning on or after 1 January 2011;
• IFRIC 19, "extinguishing financial liabilities with equity instruments", applicable to periods beginning on or after 1 July 2010.

The Group is currently performing an analysis on the practical consequences of these new texts and the effects of their application on the accounts. Where necessary, the Group will apply these standards in its financial statements when adopted by the European Union.

Consolidation rules

Consolidation methods

The accounts of companies under exclusive control are consolidated by global integration. Those companies over which Virbac exercises joint control or significant influence are accounted for by the equity method.
All companies have been consolidated on the basis of financial statements using 31 December 2010 as their balance sheet date.

Conversion of financial statements

The functional currency in the Group's foreign subsidiaries is the current local currency.
The financial statements of foreign companies for which the functional currency is not the euro are converted according to the following principles:
• the balance sheet items are converted at the rate in force at the close of the period. The translation difference resulting from the application of a different exchange rate on opening equity is shown as equity in the consolidated balance sheet;
• the income statements are converted at the average rate for the period. The translation difference resulting from the application of an exchange rate different from the balance sheet rate is shown as equity on the consolidated balance sheet.

Elimination of inter-company transactions

All reciprocated transactions consolidated between the Group's companies by overall inclusion are eliminated.
Relating to other intra-group transactions:
• the benefits included in the inventories and fixed assets bought from other companies in the Group are eliminated;
• the intra-group dividends received are recorded in the reserves on a gross basis.

Accounting principles and methods

Goodwill

Goodwill recognised as an asset in the financial statements represents the excess of the acquisition cost of shares in acquired companies, over the Group's share of the fair value of the identifiable assets, liabilities and contingent liabilities acquired. They also include the total intangible assets acquired.
In line with the provisions of IAS 36 "Impairment of assets", goodwill is at the very least tested once in the second half of the year, regardless of whether there is an indication of an impairment loss, and consistently whenever events or new circumstances indicate an impairment loss.

For the purposes of this test, the values of the assets are grouped by CGU (cash generating unit). In the case of goodwill, the legal entity is used as the CGU. In the implementation of goodwill impairment tests, the Group uses an approach based on estimated future cash flow (estimation value in use). This approach consists of calculating the value in use of the CGU by discounting estimated future cash flows. When the value in use of the CGU proves lower than its net carrying amount, an impairment loss in respect of goodwill is recognised to reduce the net carrying amount of the assets in the CGU to their recoverable amount, defined as the higher of net fair value and value in use.

The assessments made for the purposes of the goodwill impairment tests are sensitive to the assumptions used as regards not only the selling price and future costs, but also the discount and growth rates. The future cash flows used for the impairment tests are calculated on the basis of estimates ranging from five to twenty years. The choice of cash flow horizon factors in the lifecycle of products in the veterinary industry, which is very long and generally far exceeds five years. For cash flow forecasts, the Group adopts a growth rate to infinity of between 1% and 3% depending on the products and expected market growth. The Group also uses a discount rate of 9.5% for these calculations, based on the weighted average cost of capital, before tax.

Intangible assets

In accordance with the criteria stipulated in IAS 38, an intangible asset is recognised as an asset in the financial statements where it is likely that future economic benefits attributable to the asset will flow to the Group.
Intangible assets with indefinite useful lives are reviewed annually to ensure that their useful lives have not become finite.

The intangible assets that have reached the end of their useful lives are subject to a linear depreciation from when the asset is ready to be used:
• concessions, patents, licences and marketing authorisations: amortised over their useful lives;
• standard software (office tools, etc.): amortised over a period of three or four years;
• ERP: amortised over a period of five to ten years.
During the useful life of an intangible asset, it may seen that the estimation of its useful life has become inadequate. In addition to that stated in IAS 38, the duration and method of depreciation of this asset is re-examined and if the useful life of the asset is different from previous estimations, the depreciation period is consequently modified.

Research and development costs are capitalised from the moment they satisfy the criteria set out in IAS 38. Within the framework of the Group's activities, the main development costs are associated with the products the exploitation of which requires a market authorisation. The Group considers that until the date when this marketing authorisation is obtained, all IAS 38 criteria are not fulfilled and the related costs are posted as expenses.

In accordance with the provisions set forth in standard IAS 36 "impairment of assets", the potential impairment loss of intangible assets is examined each year. In the case of assets with indefinite useful lives, the tests are carried out during the second half of the year, regardless of whether there is any indication of impairment, and consistently whenever events or new circumstances indicate an impairment loss. For the purposes of this testing, the Group takes account of sales generated by the intangible asset acquired. When carrying out intangible asset impairment tests, the Group combines a market value approach (estimate of fair value) and an approach based on estimated future cash flows (estimate of value in use). The future cash flows used for the impairment tests are calculated on the basis of estimates ranging from five to twenty years. The Group uses a discount rate of 9.5% for these calculations, based on the weighted average cost of capital, before tax.

Tangible assets

In accordance with IAS 16, tangible assets are evaluated at the historic acquisition or initial manufacture cost, less accumulated depreciation and if necessary less any impairment loss.
In accordance with revised IAS 23, loan costs are incorporated into the acquisition costs of eligible assets.
In accordance with IAS 17, the goods acquired through capital leases are intangible when the lease contracts have transferred to the Group almost all risks and advantages inherent to the ownership of these goods.
Assets are broken down by component, each component having its own specific depreciation period, in line with the depreciation period of similar assets.

Items of property, plant and equipment are depreciated over their estimated useful lives, namely:
• buildings:
- structure: forty years;
- components: of ten to twenty years;
• materials and industrial equipment:
- structure: twenty years;
- components: of five to ten years;
• IT equipment: three or four years;
• other tangible assets: of five to ten years.

Other financial assets

The Group's other financial assets include mainly securities, other intangible loans and other operating receivables.

Securities (mainly relates to personal securities)

At the time of their initial recording, the securities are measured at their fair value increased by transaction costs. A provision is recorded as profit when there is an objective impairment loss indication, from an event taking place after the initial inclusion of the asset.

Other intangible loans (advance rents, deposits, etc.)

They are recognised and posted at the initial loan amount.

Other operating receivables

They are recognised and posted at the initial loan amount.

Inventories and work in progress

Inventories and work in progress are accounted for at the lowest value of the cost and the net realisable value.
The cost of inventories includes all acquisition costs, transformation costs and other costs incurred to bring the inventories to their current location and condition. The acquisition costs of inventories include the purchase price, customs fees and other non-retrievable taxes, as well as transport and handling costs and other costs directly attributable to their acquisition. The rebates and other similar items are deducted from the cost.
Inventories in raw materials and supplies are evaluated in accordance with the "weighted average cost method". Inventories in trading goods are also evaluated in accordance with the "weighted average cost method". The acquisition cost of raw material inventories includes all additional purchase costs.
The work in progress and the finished products are valued at their actual manufacturing cost including direct and indirect production costs.
Finished products are valued in each subsidiary at the price invoiced by the Group's selling company, increased by distribution costs.

The inclusive margin in these inventories is cancelled in the consolidated account taking into account the complete average production cost stated by the Group's selling company.
Spare parts are part of rotating inventories and the inventories at closing is valued on the basis of the last purchase price.
An impairment loss is recorded in order to return the inventories to their net realisable value, when the products become damaged or unusable or even according to sales forecasts for these products assessed depending on the market.

Trade receivables

Trade receivables are classified as current assets to the extent that they form part of the Group's normal operating cycle.
The clients debts are recognised and recorded in the initial invoice total, with deductions made for depreciation. An estimation of the total bad debt is made when it becomes unlikely that the full amount will be recovered. Bad debts are written off when identified as such.

Cash and cash equivalents

The cash is broken down into bank balances, securities and cash equivalents providing good liquidity. The bank accounts subject to restrictions (frozen accounts) are excluded from the cash flow and reclassified as other financial assets.

Treasury shares

Shares in the parent company held by the parent company or its consolidated subsidiaries (whether classified in the separate financial statements as non-current financial assets or marketable securities), are recognised as a deduction from shareholders' equity at their purchase cost. Any gain or loss on disposal of these shares is directly recognised (net of tax) in shareholders' equity and not recognised in income for the year.

Conversion reserves

This item represents the share of foreign currency translation of net positions for opening foreign companies, which arises from the differences between the conversion rate at the date of entry into the consolidation and closure rates of the period and other translation adjustments recorded on the profit for the period, from differences between the conversion rate of the income statement (average rate) and the closure rate for the period.

Reserves

This represents the share attributable to owners of the parent company in the reserves accumulated by the consolidated companies, since their entry into the scope of consolidation.

Non-controlling interests

This item represents the share of the shareholders outside the Group in the equity and the income of consolidated companies.

Derivative instruments and hedge accounting

The Group holds derivative financial instruments solely for the purpose of reducing its exposure to rate or exchange risks on balance sheet items and its firm or highly probable commitments. Virbac uses hedge accounting to offset the impact of the hedged item and of the hedging instrument in the income statement, when the following conditions are met:

- the impact on the income statement is significant;
- the hedging links and effectiveness of the hedging can be properly demonstrated.

Other financial liabilities

The other financial liabilities mainly represent loans from credit institutions and debts related to leasing contracts. These loans and receivables are accounted for at depreciated cost.

Pensions schemes, retirement bonuses and other post-employment benefits

Defined contribution retirement plans

The advantages associated with defined contribution retirement plans are expensed as incurred.

Defined benefit retirement plans

The Group's obligations resulting from defined benefit retirement plans are determined by using the actuarial method for projected unit credits. These commitments are measured at each balance sheet date. The actuarial information is provided by external consultants. The actuarial assumptions used to determine the obligations take into account the economic conditions prevailing in the country. The Group's obligations are subject to a provision of their net amount of the fair value of hedging assets. The actuarial differences are recorded as income immediately.

Other provisions

A provision is recognised when the Group has a present obligation resulting from a past event which will probably lead to an outflow of economic benefits that can be reasonably estimated. The amount recorded is the best estimate of the expenditure required to settle the present obligation at the balance sheet date and is discounted if the effect is material.

Taxation

The Group's subsidiaries record a current tax depending on the fiscal regulations applicable locally. The parent company and its main French subsidiaries are part of a fiscally integrated group.
Under the terms of the tax consolidation agreement, each consolidated company is required to account for tax as if it were taxed separately.
The Group recognises deferred taxes on temporary differences between the carrying amount and the tax base of an asset or liability. Tax assets and liabilities are not discounted.
In accordance with IAS 12, which authorises under certain conditions, the offsetting of debts and tax loans, the deferred tax assets and liabilities have been offset by the fiscal entity.

Non-current assets held with a view to sale and abandoned activities

IFRS 5 states that an activity is considered as abandoned when the classification criteria of being held with a view to sale have been fulfilled or when the Group ceases the activity. An asset is classified as held for sale if its carrying amount will be mainly recovered through sale rather than through continued use.
At 31 December 2010, no asset was classified as held for sale.

Sales

The sales, corresponding to the income from ordinary activities, is valued at fair value of the consideration received or to be received, net of commercial discounts or rebates and taxes relating to sales.
Sales are accounted for as follows:

- the sales of goods are recorded at the time of delivery of goods and the transfer of risks and benefits;
- transactions implying provisions of services are recorded in the period during which the services are provided.

Personnel costs

In particular, these include the cost of retirement plans (distribution of services passed under the new retirement plan and cost of services rendered during the period). The actuarial differences are recorded immediately as personnel costs on the income statement.

Taxes and duties

The Group has opted for a classification of the business property assessment (CFE) and the business added value assessment (CVAE) in the "taxes and duties" item of the operating income as under the professional tax.

Other non-current income and expenses

These are income or expenses for which the total is particularly significant and which are carried out within the framework of an unusual operation. They are presented on a separate line in the income statement in order to help provide the reader of the accounts with an understanding of the current operational performance.

Other financial income and expenses

This mainly includes interest and other assimilated income and expenses.
They also include exchange gains and losses which are systematically recorded on the income statement.

Result per share

The net result per share is calculated by dividing the net result attributable to the shareholders of the parent company by the total number of shares issued and outstanding at the close of the period (that is net of treasury shares).
Diluted earnings per share are calculated by dividing the net result attributable to the shareholders of the parent company by the total number of shares outstanding plus, in the event of the issue of dilutive instruments, the maximum number of shares that could be issued (upon conversion into ordinary shares of convertible Virbac equity instruments).

Main sources of uncertainty relating to estimations

The drawing up of consolidated financial statements prepared in accordance with international accounting standards implies that the Group makes a number of estimates and assumptions believed to be realistic and reasonable.
Certain facts and circumstances could lead to changes in estimates and assumptions, which could affect the value of assets, liabilities, equity and Group income.

Acquisition prices

Some acquisition contracts relating to company regrouping or the purchase of intangible assets, include a clause likely to change the price of the acquisition, depending on the objectives associated with financial income, the obtainment of marketing authorisation, or results of efficacy testing.
In this case, the Group should estimate, at the close of the fiscal year, the acquisition price based on the most realistic assumptions for achieving these objectives.

Goodwill and other intangible assets

The Group has intangible assets that were purchased or acquired through business combinations, in addition to the resulting goodwill. As indicated in the "accounting principles and methods" section, the Group performs at least one test annually on impairment of goodwill and intangible assets the useful life of which cannot be defined. These impairment tests are based on an evaluation of future cash flow for a period of five to twenty years. The evaluations made at the time of these tests are sensitive to assumptions held relating to the sale price and future costs, but also in terms of discount rates and growth. These sensitivity calculations allow for measuring if the Group has been exposed to significant variations in growth rates.
In the future, the Group may depreciate certain fixed assets in the event of deterioration in earning prospects for these assets or if there is a loss index value for one of these assets.
As at 31 December 2010, the net total of goodwill was €86,413 thousand and the value of intangible assets was €84,994 thousand.

Deferred tax

Deferred tax assets are mainly recognised on tax loss carryforwards and deductible temporary differences between tax and accounting values of assets and liabilities. The assets relating to carried forward tax losses are recognised only if it is likely that the Group will use the future taxable income to which these fiscal losses can be imputed, which is based on a significant assumption.
At each balance sheet date, the Group has to analyse the origin of losses for each of the tax entities in question and re-measure the amount of deferred tax assets based on the likelihood of making sufficient taxable profits in the future.

Provisions for pension schemes and other post-employment benefits

As indicated in note A13, the Group has established retirement plans as well as other post-employment benefits. The corresponding commitments were calculated using actuarial methods that take account of assumptions such as the benchmark salary for scheme beneficiaries and the likelihood of the persons in question being able to benefit from the scheme, and the discount rate. These assumptions are updated annually. The actuarial differences are recorded in the income statement immediately.

The total commitments relating to personnel benefits is €6,850 thousand as at 31 December 2010.

Other provisions

The various risks are the subject of provisions, the total of which is estimated by management depending on the information available at year-end accounts. The total amount of other provisions is €2,491 thousand as at 31 December 2010.

A1. Goodwill

Goodwill changed as follows by CGU.

in € thousands	Gross value as at 31/12/2009	Impairment of value as at 31/12/2009	Book value as at 31/12/2009	Increments	Sales	Impair-ment of value	Transfers	Conversion gains and losses	Book value as at 31/12/2010
Virbac	724	-274	**450**	-	-	-	-	-	**450**
Virbac France	634	-634	**-**	-	-	-	-	-	**-**
Virbac Nederland BV	1,877	-272	**1,605**	-	-	-	-	-	**1,605**
Virbac SRL	1,585	-	**1,585**	-	-	-	-	-	**1,585**
Virbac do Brasil Industria e Comercio Ltda	21	-	**21**	-	-	-	-	-	**21**
Virbac Danmark A/S	4,643	-	**4,643**	-	-	-	-	-	**4,643**
Virbac Nutrition	7	-	**7**	-	-	-	-	-	**7**
Dog N'Cat International	43	-	**43**	-	-	-	-	-	**43**
Bio Véto Test	6,177	-	**6,177**	-	-	-	-	-	**6,177**
Francodex Santé Animale	1,677	-1,677	**-**	-	-	-	-	-	**-**
Virbac Hellas SA	1,268	-	**1,268**	-	-	-	-	-	**1,268**
Animedica SA	90	-	**90**	-	-	-	-	-	**90**
Virbac Korea Co. Ltd	130	-	**130**	-	-	-	-	-	**130**
Virbac (Thailand) Co. Ltd	247	-	**247**		-	-	-	48	**295**
Virbac Colombia Ltda	387	-	**387**	-	-	-	-	-	**387**
Virbac Japan Co. Ltd	352	-	**352**	-	-	-	-	-	**352**
Laboratorios Virbac Costa Rica SA	11	-	**11**	-	-	-	-	1	**12**
Virbac de Portugal Laboratorios Lda	249	-62	**187**	-	-	-	-	-	**187**
Virbac Vietnam Co. Ltd	133	-39	**94**	-	-	-	-	2	**96**
Virbac RSA (Proprietary) Ltd	572	-286	**286**	-	-	-	-	58	**344**
Virbac Animal Health India Private Limited	16,831	-	**16,831**	-	-	-	-	1,944	**18,775**
Virbac Corporation	49,680	-2,846	**46,834**	-	-	-	-	-334	**46,500**
Virbac (Australia) Pty Ltd	3,240	-312	**2,928**	-	-	-	-	366	**3,294**
Virbac New Zealand Limited	279	-155	**124**	-	-	-	-	28	**152**
Goodwill	90,857	-6,557	84,300	-	-	-	-	2,113	86,413

No impairment on goodwill has been recognised since the opening balance sheet.
The assumptions made for the value in use are a discount rate of 9.5% for goodwill and a growth rate *ad infinitum* of between 1% and 3%. No depreciation of goodwill would be reported in the case of a calculation made of value in use by making the discount rate vary up to +2.0 points above the base rate of 9.5%. In the same way, a constant growth rate would not lead to any depreciation in goodwill.

A2. Intangible assets

The Group's intangible assets are comprised mainly of:
- rights relating to patents, know-how necessary for the Group's production activities and commercialisation procedures.
- trademarks;
- licenses and other acquisition costs for the Group's IT systems.

in € thousands	Concessions, patents, licences and brands	Other intangible assets	Intangible assets in progress	Intangible assets
Gross value as at 31/12/2009	91,823	29,021	4,937	125,781
Acquisitions	2,157	4,312	523	**6,992**
Sales	-100	-18	-	**-118**
Changes in scope	-	-	-	**-**
Transfers	-5	1,382	-1,499	**-122**
Conversion gains and losses	2,731	1,048	141	**3,920**
Gross value as at 31/12/2010	96,606	35,745	4,102	136,453
Depreciation as at 31/12/2009	-23,495	-20,339	-	-43,834
Allowances	-3,978	-2,846	-	**-6,824**
Reversals	-	-	-	**-**
Sales	-	13	-	**13**
Changes in scope	-	-	-	**-**
Transfers	-	174	-	**174**
Conversion gains and losses	-412	-576	-	**-988**
Depreciation as at 31/12/2010	-27,885	-23,574	-	-51,459
Net value as at 31/12/2009	68,328	8,682	4,937	81,947
Net value as at 31/12/2010	68,721	12,171	4,102	84,994

The increase in intangible assets relates to assets acquired, mainly in Australia, for €2,078 thousand and in Brazil for €1,856 thousand. No non-current assets were generated internally.

Concessions, patents, licences and brands

Intangible assets with indefinite useful lives

Intangible assets with indefinite useful lives are assets acquired comprised mainly of:
- a vaccine project pending market authorisation;
- trademarks and know-how;
- certain market authorisations whose useful life could not yet been defined.

Trademarks

The trademarks acquired by Virbac are classified as intangible assets with indefinite useful lives. At 31 December 2010 the value of the trademarks on the balance sheet was €20,871 thousand. Around 90% of trademarks are related to the following two acquisitions:
- the product ranges acquired from Schering-Plough in 2008;
- the veterinary division of GlaxoSmithKline in India acquired in 2006.

No trademarks are classed as intangible assets with indefinite useful lives and therefore no trademarks are amortised.

Depreciation

During the 2010 financial year the Group reported the depreciation of two intangible assets with indefinite useful lives:
- depreciation of €819 thousand for a trademark held in the United States;
- depreciation of €177 thousand for a market authorisation held in France.

The assumptions made for the value in use are a discount rate of 9.5% for intangible assets and a growth rate *ad infinitum* of between 1% and 3%. No other depreciation of an intangible asset would be reported in the case of a calculation made of value in use by making the discount rate vary up to +2.0 points above the base rate of 9.5%. In the same way, a constant growth rate would not lead to any depreciation in an intangible asset.

Other intangible assets

In this post, the acquisitions essentially correspond to the implementation of the ERP Movex in several Group subsidiaries.

A3. Tangible assets

Tangible assets are goods which have been bought or acquired through leasing contracts.

As at 31 December 2010, the gross value of goods acquired under leasings restated as tangible assets, in accordance with standard IAS 17, totalled €9,255 thousand. The net book value of these goods was €3,785 thousand.

In applying the revised standard IAS 23, the Group includes the cost of loans in the acquisition costs of eligible assets in accordance with its actual interest rate. At 31 December 2010, the costs of capitalised loans were €102 thousand, at an actual interest rate of 2.57%.

The main assets constituting the Group's tangible assets are:

- land;
- constructions, which include:
  - buildings;
  - development of buildings;
- technical facilities, materials and industrial equipment;
- other tangible assets, which notably include:
  - IT equipment;
  - office furniture;
  - vehicles.

in € thousands	Land	Constructions	Technical facilities, materials and industrial equipment	Other tangible assets	Tangible assets in progress	Tangible assets
Gross value as at 31/12/2009	5,077	84,514	66,413	17,478	5,543	179,025
Acquisitions	4,515	4,522	9,363	1,801	13,076	**33,277**
Sales	-	-376	-3,102	-1,032	-26	**-4,536**
Changes in scope	-	-	-	-	-	**-**
Transfers	-	4,287	482	-341	-5,040	**-612**
Conversion gains and losses	749	1,816	2,167	1,101	302	**6,135**
Gross value as at 31/12/2010	**10,341**	**94,763**	**75,323**	**19,007**	**13,855**	**213,289**
Depreciation as at 31/12/2009	-	-43,969	-45,889	-12,206	-	-102,064
Allowances	-	-4,508	-5,165	-2,021	-	**-11,694**
Reversals	-	-	1	18	-	**19**
Sales	-	333	2,939	779	-	**4,051**
Changes in scope	-	-	-	-	-	**-**
Transfers	-	4	69	488	-	**561**
Conversion gains and losses	-	-618	-1,207	-726	-	**-2,551**
Depreciation as at 31/12/2010	**-**	**-48,758**	**-49,252**	**-13,668**	**-**	**-111,678**
Net value as at 31/12/2009	**5,077**	**40,545**	**20,524**	**5,272**	**5,543**	**76,961**
Net value as at 31/12/2010	**10,341**	**46,005**	**26,071**	**5,339**	**13,855**	**101,611**

A4. Other financial assets

in € thousands	2009	Increases	Decreases	Changes in scope	Transfers	Conversion gains and losses	2010
Loans and other financial receivables	**738**	145	-345	-	-	57	**595**
Derivative foreign currency exchange and interest rate instruments	**-**	-	-	-	-	-	**-**
Restricted cash	**210**	-	-13	-	-	17	**214**
Others	**5**	-	-	-	-	-	**5**
Other non-current financial assets	953	145	-358	-	-	74	814
Loans and other financial receivables	**-**	-	-	-	-	-	**-**
Derivative foreign currency exchange and interest rate instruments	**538**	1,051	-538	-	-	-	**1,051**
Restricted cash	**-**	-	-	-	-	-	**-**
Others	**30**	-	-	-	-	-	**30**
Other current financial assets	568	1,051	-538	-	-	-	1,081
Other financial assets	**1,521**	**1,196**	**-896**	**-**	**-**	**74**	**1,895**

A5. Share in companies accounted for by the equity method

in € thousands	Company's individual accounts using equity method				Consolidated accounts	
	Balance sheet total	Equity	Net sales	Result	Share of equity	Share of result
German company	2,213	643	4,601	-622	341	-149
South African company	-	-	-	-20	-	-4
Uruguayan company (Santa Elena)	5,678	3,712	5,715	415	3 010	125
Share in companies accounted for by the equity method					**3,351**	**-28**

Virbac owns approximately 24% of the shares in a German company whose integration into the consolidation was performed using the equity method of accounting.
Virbac also holds 20% of shares in a South African company through the subsidiary Virbac South Africa.

Share acquisition: Santa Elena

On 5 January 2010 Virbac established a strategic alliance in the area of vaccines designed for food producing animals, putting in 30% for a total of 3.7 million American dollars of capital from the Uruguayan Santa Elena laboratory.

The shareholder agreement signed following the acquisition of 30% of the shares in Santa Elena constitutes a joint venture agreement which establishes joint control over Santa Elena. This transaction must therefore be treated in accordance with IAS 31.
As laid down in paragraph 38 of IAS 31, Virbac has adopted the alternative method in the consolidated financial statements which allows the equity method to be used for the investments in the companies controlled jointly.
The implicit goodwill associated with this transaction is calculated as follows:

in € thousands	Value in the accounts
Share acquisition prices	2,585
Acquisition expenses	104
Share acquisition costs	**2,689**
Share of net situation acquired	930
Implicit goodwill	**1,759**

The share of the acquired net situation is detailed below:

in € thousands	Fair value in the accounts
Intangible assets	12
Tangible assets	569
Inventories and work-in-progress	368
Other receivables	498
Cash position	36
Financial liabilities	-263
Other payables	-291
Share of net situation acquired	**930**

A6. Deferred taxes

In accordance with IAS 12, which authorises, under certain conditions, the offsetting of debts and tax loans, the deferred tax assets and liabilities have been offset by the fiscal entity.

The Group records all identified temporary differences.

Deferred taxes broken down by type

As at 31 December 2010

in € thousands	Deferred tax assets	in € thousands	Deferred tax liabilities
Internal margins on inventories	5,407	Pre-consolidation adjustments on intangible assets	10,308
Retirement and end of career severance commitments	2,436	Pre-consolidation adjustments on tangible assets	2,623
Reportable deficits	349	Preconsolidation adjustments on fiscal provisions	4,608
Sales adjustments (IAS 18)	840	Activation of expenses linked to acquisitions	1,122
Inventory adjustments (IAS 2)	553	Pre-consolidation adjustments on leases	232
Other non-deductible provisions	2,264		
Other charges with deferred deduction	1,094		
Other income taxed in advance	743		
Total by type	13,686	Total by type	18,893
Impact of compensation by fiscal entity	-9,752	Impact of compensation by fiscal entity	-9,752
Deferred net tax assets	**3,934**	**Deferred net tax liabilities**	**9,141**

As at 31 December 2009

in € thousands	Deferred tax assets	in € thousands	Deferred tax liabilities
Internal margin on inventories	4,220	Pre-consolidation adjustments on intangible assets	10,245
Retirement and end of career severance commitments	2,726	Pre-consolidation adjustments on tangible assets	1,946
Reportable deficits	1,451	Preconsolidation adjustments on fiscal provisions	3,758
Sales adjustments (IAS 18)	500	Activation of expenses linked to acquisitions	1,086
Inventory adjustments (IAS 2)	348	Pre-consolidation adjustments on leases	362
Other non-deductible provisions	1,760		
Other income taxed in advance	1,192		
Total by type	12,197	Total by type	17,397
Impact of compensation by fiscal entity	-8,731	Impact of compensation by fiscal entity	-8,731
Deferred net tax assets	**3,466**	**Deferred net tax liabilities**	**8,666**

Variation in deferred taxes

in € thousands	2009	Variations	Changes in scope	Transfers	Conversion gains and losses	2010
Deferred tax assets	**12,197**	1,138	-	-97	448	**13,686**
Deferred tax liabilities	**17,397**	791	-	-42	747	**18,893**
Deferred tax offset	**-5,200**	**347**	**-**	**-55**	**-299**	**-5,207**

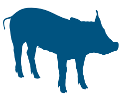
The variation in the deferred taxes shown above excludes the deferred tax in the calculation of the negative goodwill from the acquisition of the Pfizer assets in Australia (see note A23), along with the deferred tax on the effective share of the profits and losses on the hedging instruments.

A7. Inventories and work in progress

in € thousands	Raw materials and supplies	Work in progress	Finished goods and merchandise	Inventories and work in progress
Gross value as at 31/12/2009	**23,312**	**6,339**	**45,586**	**75,237**
Variations	4,693	1,693	15,749	**22,135**
Changes in scope	-	-	-	**-**
Transfers	3,831	-	-	**3,831**
Conversion gains and losses	1,554	8	4,662	**6,224**
Gross value as at 31/12/2010	**33,390**	**8,040**	**65,997**	**107,427**
Depreciation as at 31/12/2009	**-1,316**	**-932**	**-2,356**	**-4,604**
Allowances	-835	-387	-2,555	**-3,777**
Reversals	1,049	932	2,202	**4,183**
Changes in scope	-	-	-	**-**
Transfers	-24	-	-3,807	**-3,831**
Conversion gains and losses	-60	-	-445	**-505**
Depreciation as at 31/12/2010	**-1,186**	**-387**	**-6,961**	**-8,534**
Net value as at 31/12/2009	**21,996**	**5,407**	**43,230**	**70,633**
Net value as at 31/12/2010	**32,204**	**7,653**	**59,036**	**98,893**

Apart from the conversion differences, the increase in this item is mainly linked to a growth in activity and the inclusion of assets transferred by Pfizer in Australia.

A8. Trade receivables



in € thousands	Trade receivables
Gross value as at 31/12/2009	**77,700**
Variations	**6,132**
Changes in scope	**-**
Transfers	**-155**
Conversion gains and losses	**5,203**
Gross value as at 31/12/2010	**88,880**
Depreciation as at 31/12/2009	**-2,694**
Allowances	**-959**
Reversals	**290**
Changes in scope	**-**
Transfers	**155**
Conversion gains and losses	**-149**
Depreciation as at 31/12/2010	**-3,357**
Net value as at 31/12/2009	**75,006**
Net value as at 31/12/2010	**85,523**

Apart from the conversion differences, the increase in this item is mainly linked to a growth in activity.
The credit risk of trade receivables and other receivables is presented in note A29.

A9. Other receivables

in € thousands	2009	Variations	Changes in scope	Transfers	Conversion gains and losses	2010
Income tax receivables	**3,075**	-6,734	-	4,543	111	**995**
Social receivables	**507**	140	-	-	41	**688**
Other receivables to the State	**9,278**	2,407	-	-	287	**11,972**
Advances and prepayments on orders	**887**	774	-	-	37	**1,698**
Depreciation on various other receivables	**-24**	22	-	-	-	**-2**
Prepaid expenses	**2,930**	792	-	-	115	**3,837**
Other various receivables	**9,420**	3,098	-	-4,932	367	**7,953**
Other receivables	**26,073**	**499**	**-**	**-389**	**958**	**27,141**

The amount transferred from various other receivables to the income tax loan corresponds to the reclassification of the research tax credit.

A10. Cash and cash equivalents

in € thousands	2009	Variations	Changes in scope	Transfers	Conversion gains and losses	2010
Available funds	**10,451**	23,372	-	-	1,892	**35,715**
Marketable securities	**3,618**	387	-	-	278	**4,283**
Cash and cash equivalents	**14,069**	**23,759**	**-**	**-**	**2,170**	**39,998**
Bank overdraft	**-9,675**	4,548	-	-	-303	**-5,430**
Accrued interests not yet matured	**-35**	15	-	-	-	**-20**
Overdraft	**-9,710**	**4,563**	**-**	**-**	**-303**	**-5,450**
Net cash position	**4,359**	**28,322**	**-**	**-**	**1,867**	**34,548**

A11. Assets classified as held for sale

During the 2010 financial year and as in 2009, no asset was classified as held for sale.

A12. Equity

Capital management policy

Within the framework of capital management, the Group aims to preserve the continuity of operations, to serve as a return to shareholders, to procure the advantages from other partners and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group can:

- adjust the amount of dividends paid to shareholders;
- return capital to shareholders;
- issue new shares; or
- sell assets to reduce the total debts.

The Group uses various indicators, one of which is financial leverage (net debt/equity), which provides investors with a vision of debt for the Group comparative to the total equity. In particular, this equity includes the reserve of variations in the value of hedged cash flows and the reserve of variations in the value of financial asset available for sale.

in € thousands	2010	2009
Capital	10,893	10,893
Premiums linked to capital	6,534	6,534
Legal reserve	1,089	1,089
Other reserves and retained earnings	176,694	157,550
Consolidation reserves	37,840	30,058
Conversion reserves	3,599	-11,335
Result for the period	63,413	38,816
Equities attributable to the owners of the parent company	**300,062**	**233,605**
Other reserves and retained earnings	1,618	1,975
Conversion reserves	-226	-240
Result for the period	900	860
Non-controlling interests	**2,292**	**2,595**
Equity	**302,354**	**236,200**

Treasury shares

Virbac held shares intended primarily to supply the stock option plans and allocation of stock grants. The amount of these treasury shares is posted as a reduction of equities.
As certain plans expired during the year, some employees exercised their options. At 31 December 2010, there were 46,036 treasury shares (compared with 40,673 shares at 31 December 2009) representing a total amount of €3,357 thousand.

A13. Personnel benefits

The commitments related to employee benefit schemes are calculated using the projected unit credit method. Future commitments are subject to a provision for expense.
Where a commitment is pre-financed by payments into a fund, the provision corresponds with the difference between the total commitment at the date of closing and the amount of the hedging asset. The hedging asset is made up of the amount of the fund plus the investment income.

in € thousands	2009	Allowances	Reversals	Changes in scope	Transfers	Conversion gains and losses	2010
France	**3,576**	213	-50	-	-	-	**3,739**
Netherlands	**158**	-	-29	-	-	-	**129**
Italy	**405**	80	-94	-	-	-	**391**
Germany	**-**	83	-	-	-6	-	**77**
Greece	**190**	-	-20	-	-	-	**170**
Mexico	**44**	7	-1	-	-	6	**56**
Korea	**26**	78	-73	-	-	3	**34**
Japan	**76**	45	-	-	-	5	**126**
Retirement and end-of-career severance pay allowances	**4,475**	**506**	**-267**	**-**	**-6**	**14**	**4,722**
France	**1,391**	-	-1,391	-	-	-	**-**
Japan	**531**	141	-24	-	-	143	**791**
Defined benefit retirement plans	**1,922**	**141**	**-1,415**	**-**	**-**	**143**	**791**
South Africa	750	58	-	-	-	158	966
Medical cover	**750**	**58**	**-**	**-**	**-**	**158**	**966**
India	450	-	-132	-	-	53	371
Allowances for absence	**450**	**-**	**-132**	**-**	**-**	**53**	**371**
Provisions for employee benefits	**7,597**	**705**	**-1,814**	**-**	**-6**	**368**	**6,850**

Change in provisions by country

	France	Japan	South Africa	India
Discount rate as at 31/12/2010	4.20%	2.00%	8.75%	8.35%
Retirement and severance pay allowances				
Number of recipients as at 31/12/2010	1,049			
Average age	43 years old			
Company expense ratio	47.0%			
Retirement age for management personnel	65 years old			
Retirement age for non-management personnel	62 years old			
Rate of wage increases for management personnel	2.5%			
Rate of wage increases for non-management personnel	1.5%			
Defined benefit retirement plans				
Number of recipients as at 31/12/2010	5	27		
Average age	54 years old	41 years old		
Retirement age	65 years old	60 years old		
Rate of wage increases	estimated wage at retirement date	3.0%		
Medical cover				
Number of employee recipients as at 31/12/2010			13	
Average age			54 years old	
Number of retirees recipients as at 31/12/2010			9	
Average age			68 years old	
Retirement age			63 years old	
Allowances for absence				
Number of recipients as at 31/12/2010				493
Average age				31 years old
Retirement age				60 years old
Rate of wage increases				7.0%

Calculation parameters of the main personnel benefits schemes in the Group

Retirement and severance pay allowances

■ France

In accordance with the collective agreement, the Group's French companies pay their employees an allowance on their retirement based on their salary and seniority.

The eligibility conditions are as follows:

• must have been employed in the company for at least one year at the date of closing;

• must be a Virbac employee at the retirement date.

The rights vest as follows:

• managerial personnel: 12% per year of service;

• non-managerial personnel: 10% per year of service.

Calculations of commitments take account of the changes brought about by the 2007 French social security funding act regarding the impact on social security charges of the retirement of employees under 65.

Defined benefit retirement plans

■ France

The scheme results in the payment of an income to the individual covered, payable at 60% to the spouse (or ex-spouse) calculated in accordance with:

• an eligibility condition: must be a member of the executive board and aged at least 60 at the retirement date;

• an allowance rate which differs according to two criteria:

- if the recipient has been employed in the Group for less than ten years or if the recipient has been a member of the executive board for less than nine years, the allowance rate is 0%;

- if the recipient has been employed in the Group for between ten and thirty years or if the recipient has been a member of the executive board for between nine and fifteen years, the allowance rate is 12.5%;

- if the recipient has been employed in the Group for more than thirty years or if the recipient has been a member of the executive board for more than fifteen years, the allowance rate is 22%.

This scheme is the object of a pre-financing fund managed by the Gan insurance group. The payments into this fund are recorded immediately as expenses in the income statement.
In 2010, Virbac paid €1,800 thousand into the Gan fund, accounted for as personnel expenses, in order to guarantee the integrity of the scheme's financing. As a result the provision on opening has been included in its entirety.

■ Japan
The scheme has resulted in payments in the form of capital.
The eligibility conditions are as follows:
• must have been employed in the company for at least two years at the date of closing;
• must be aged at least 60 years.
The amount of capital is calculated from the base salary multiplied by a coefficient which varies between 5 and 53 depending on years of service.

Medical cover

■ South Africa
The programme implemented by Virbac South Africa sees the company being responsible for the contributions paid by retired employees who wish to subscribe to voluntary medical insurance.
The eligibility condition is that the employee must have been employed in the company since 30 April 1995 at the latest.
The insurance contribution paid by Virbac South Africa is between 50% and 100% depending on the level of coverage chosen by the beneficiary. In the event that the beneficiary should die, his or her legal successors continue to benefit from the Virbac South Africa holding under certain conditions.

Allowances for absence

■ India
Virbac India funds its commitments related to leave encashment. This is a legal personnel benefit scheme which has two main components known as: privilege leave liability and sick leave liability.
The rights vest throughout the years spent within the company. The rights are cumulative and they can be paid in one go when the employee leaves the company. These rights are reduced in accordance with the number of days that the employee is absent.

A14. Other provisions

The other provisions mainly concern disputes and commercial risks in France of €585 thousand and in Brazil for €151 thousand, as well as the severance of commercial agents in Italy totalling €435 thousand.
Following a tax inspection carried out on the French companies in 2010, a provision for tax disputes was accounted for at an amount of €295 thousand.

in € thousands	2009	Allowances	Reversals	Changes in scope	Transfers	Conversion gains and losses	2010
Trade disputes and industrial tribunals	913	266	-159	-	-	-	1,020
Fiscal disputes	-	-	-	-	-	-	-
Various risks and charges	562	922	-492	-	-	-	992
Other non-current provisions	1,475	1,188	-651	-	-	-	2,012
Trade disputes and industrial tribunals	133	10	-1	-	-	18	160
Fiscal disputes	84	295	-73	-	50	-37	319
Various risks and charges	88	-	-38	-	-50	-	-
Other current provisions	305	305	-112	-	-	-19	479
Other provisions	1,780	1,493	-763	-	-	-19	2,491

All reversed provisions correspond with the amounts used.

A15. Other financial liabilities

Details of other financial liabilities

in € thousands	2009	Increases	Decreases	Changes in scope	Transfers	Conversion gains and losses	2010
Loans	32,604	9,724	-12,438	-	-	1,464	31,354
Bank overdrafts	-	-	-	-	-	-	-
Accrued interests not yet matured	-	-	-	-	-	-	-
Debt relating to leasing contracts	1,787	-	-451	-	-659	131	808
Employee profit sharing	8	11	-8	-	-	-	11
Derivative foreign currency exchange and interest rate instruments	20	170	-20	-	-	-	170
Others	114	-	34	-	-	21	169
Other non-current financial liabilities	34,533	9,905	-12,883	-	-659	1,616	32,512
Loans	2,248	487	-3	-	-	283	3,015
Bank overdrafts	9,675	-4,548	-	-	-	303	5,430
Accrued interests not yet matured	35	-15	-	-	-	-	20
Debt relating to leasing contracts	965	115	-531	-	659	73	1,281
Employee profit sharing	325	315	-325	-	-	9	324
Derivative foreign currency exchange and interest rate instruments	128	537	-128	-	-	-	537
Others	-	-	-	-	-	-	-
Other current financial liabilities	13,376	-3,109	-987	-	659	668	10,607
Other financial liabilities	47,909	6,796	-13,870	-	-	2,284	43,119

The decrease in other financial assets corresponds mainly to the debt reduction recorded by Virbac through cash flow generation. At 31 December 2010, the line of overall credit of €220 million has not been drawn. The investments for the period were financed by additional loans totalling €18 million.

Other financial liabilities classified according to their maturity

As at 31 December 2010

in € thousands	Payments: less than 1 year	Payments: from 1 to 5 years	Payments: more than 5 years	Total
Loans	3,015	31,354	-	34,369
Bank overdrafts	5,430	-	-	5,430
Accrued interests not yet matured	20	-	-	20
Debt relating to leasing contracts	1,281	808	-	2,089
Employee profit sharing	324	11	-	335
Derivative foreign currency exchange and interest rate instruments	537	170	-	707
Others	-	169	-	169
Other financial liabilities	10,607	32,512	-	43,119

As at 31 December 2009

in € thousands	Payments: less than 1 year	Payments: from 1 to 5 years	Payments: more than 5 years	Total
Loans	2,248	32,604	-	34,852
Bank overdrafts	9,675	-	-	9,675
Accrued interests not yet matured	35	-	-	35
Debt relating to leasing contracts	965	1,787	-	2,752
Employee profit sharing	325	8	-	333
Derivative foreign currency exchange and interest rate instruments	128	20	-	148
Others	-	114	-	114
Other financial liabilities	13,376	34,533	-	47,909

A16. Other payables

in € thousands	2009	Variations	Changes in scope	Transfers	Conversion gains and losses	2010
Income tax payables	-	-	-	-	-	-
Social payables	-	-	-	-	-	-
Other fiscal payables	-	-	-	-	-	-
Advances and prepayments on orders	-	-	-	-	-	-
Prepaid income	2,133	-265	-	-2	169	2,035
Various other payables	8,558	-46	-	-	7	8,519
Other non-current payables	**10,691**	**-311**	**-**	**-2**	**176**	**10,554**
Income tax payables	2,680	3,290	-	-	564	6,534
Social payables	21,865	3,751	-	-	364	25,980
Other fiscal payables	5,023	1,465	-	-	264	6,752
Advances and prepayments on orders	841	-627	-	-	42	256
Prepaid income	1,062	99	-	-	19	1,180
Various other payables	35,697	7,222	-	-211	531	43,239
Other current payables	**67,168**	**15,200**	**-**	**-211**	**1,784**	**83,941**
Other payables	**77,859**	**14,889**	**-**	**-213**	**1,960**	**94,495**

A17. Trade payables

in € thousands	2009	Variations	Changes in scope	Transfers	Conversion gains and losses	2010
Current trade payables	52,106	16,906	-	-	3,158	72,170
Payables of intangible assets	1,178	226	-	-	76	1,480
Payables of tangible assets	1,175	438	-	-	40	1,653
Trade payables	**54,459**	**17,570**	**-**	**-**	**3,274**	**75,303**

Apart from the conversion differences, the increase in this item is mainly linked to a growth in activity.

A18. Revenue from ordinary activities

in € thousands	2010	2009	*Change*
Sales of finished goods and merchandise	634,117	515,462	*23.0%*
Services	234	43	*444.2%*
Additional income from activity	792	994	*-20.3%*
Royalties paid	137	424	*-67.7%*
Gross sales	**635,280**	**516,923**	***22.9%***
Discounts, rebates and refunds on sales	-51,207	-40,615	*26.1%*
Expenses deducted from sales	-8,382	-6,138	*36.6%*
Settlement discounts	-2,525	-2,123	*18.9%*
Provision for returns	-336	-629	*-46.6%*
Expenses deducted from sales	**-62,450**	**-49,505**	***26.1%***
Revenue from ordinary activities	**572,830**	**467,418**	***22.6%***

A19. Purchases consumed

in € thousands	2010	2009	*Change*
Inventoried purchases	-187,095	-136,664	*36.9%*
Non-inventoried purchases	-15,773	-11,323	*39.3%*
Supplementary charges on purchases	-1,737	-2,329	*-25.4%*
Discounts, rebates and refunds obtained	286	312	*-8.3%*
Purchases	**-204,319**	**-150,004**	***36.2%***
Change in gross inventories	22,135	-563	*3,831.6%*
Allowances for depreciation of inventories	-3,777	-4,003	*-5.6%*
Reversals of depreciation of inventories	4,183	3,028	*38.1%*
Net variation in inventories	**22,541**	**-1,538**	***1,365.6%***
Purchases consumed	**-181,778**	**-151,542**	***20.0%***

A20. External costs

Within this item, the research and development costs recorded during the 2010 financial year totalled €9,193 thousand, compared with €9,027 thousand during the 2009 financial year.

A21. Depreciations and provisions

in € thousands	2010	2009	*Change*
Allowances for deprecation of intangible assets	-6,824	-5,784	*18.0%*
Allowances for deprecation of tangible assets	-11,694	-9,879	*18.4%*
Reversals of depreciation of intangible assets	-	963	*- %*
Reversals of depreciation of tangible assets	19	102	*-81.4%*
Depreciations	**-18,499**	**-14,598**	***26.7%***
Allowances of provisions for risks and charges	-1,493	-1,049	*42.3%*
Reversals of provisions for risks and charges	763	829	*-8.0%*
Provisions	**-730**	**-220**	***231.8%***
Depreciations and provisions	**-19,229**	**-14,818**	***29.8%***

A22. Other operating income and expenses

in € thousands	2010	2009	*Change*
Royalties paid	-2,336	-2,031	*15.0%*
Grants received (for research tax credit)	5,576	5,057	*10.3%*
Allowances for deprecation of receivables	-959	-558	*71.9%*
Reversals of depreciation of receivables	312	929	*-66.4%*
Bad debts	-105	-643	*-83.7%*
Net book value on disposed assets	-590	-1,642	*-64.1%*
Income from disposals of assets	509	438	*16.2%*
Other operating income and expenses	-564	-221	*155.2%*
Other operating income and expenses	**1,843**	**1,329**	***38.7%***

The amount of research tax credit posted for the financial year ended 31 December 2010 was €5,236 thousand.

A23. Other non-current income and expenses

As at 31 December 2010, this item included the following elements:

in € thousands	2010
Negative goodwill on assets acquired in Australia	11,810
Revaluation of inventories acquired in Australia (purchase accounting method)	-542
Restructuring charges linked to the acquisition of assets in Australia	-756
Stamp duties linked to the acquisition of assets in Australia	-412
Other non-current income and expenses	**10,100**

No other non-current income or expenses were recorded during the 2009 financial year.

Corporate consolidation: assets acquired in Australia

On 29 January 2010, Virbac signed an agreement with Pfizer to acquire certain veterinary products and their associated assets in Australia, in particular a production site. The transaction was for a sum of 11.7 million Australian dollars excluding acquisition and fiscal costs.

This acquisition constitutes a company consolidation within the meaning of IFRS 3 as revised and is reported as such in the consolidated financial statements. The negative goodwill associated with this transaction is calculated as follows.

in € thousands	Value in the accounts
Asset purchase prices	10,418
Price adjustments	-2,271
Asset purchase costs	**8,147**
Fair value of net assets purchased	24,102
Deferred tax liability	-4,145
Negative goodwill	**-11,810**

The assets acquired are detailed below:

in € thousands	Book value in the seller's accounts	Fair value in the consolidated accounts
Intangible assets	-	2,078
Tangible assets	15,964	10,736
Inventories and work-in-progress	13,633	12,473
Assets acquired	**29,597**	**25,288**
Company liabilities	-1,186	-1,186
Net assets acquired	**28,411**	**24,102**

A24. Financial income and expenses

in € thousands	2010	2009	*Change*
Gross cost of financial debt	-2,413	-3,439	*-29.8%*
Income from cash and cash equivalents	466	499	*-6.6%*
Net cost of financial debt	**-1,947**	**-2,940**	***-33.8%***
Foreign exchange losses	-1,736	-1,825	*-4.9%*
Foreign exchange gains	2,022	1,522	*32.9%*
Changes in foreign currency derivatives and interest rate	-60	912	*-106.6%*
Other financial charges	-63	-110	*-42.7%*
Other financial income	172	512	*-66.4%*
Other financial income and expenses	**335**	**1,011**	***-66.9%***
Financial income and expenses	**-1,612**	**-1,929**	***-16.4%***

A25. Income tax

in € thousands	2010 Base	2010 Tax	2009 Base	2009 Tax
Result before tax	86,132		56,361	
Reprocessing of CIR (Research tax credit)	-5,236		-4,870	
Adjustment of non-recurring items (including tax)	-11,810		-	
Result before tax, after adjustments	69,086		51,491	
Current tax for French companies		-3,135		-216
Current tax for foreign companies		-23,153		-13,510
Current tax		-26,288		-13,726
Deferred tax for French companies		1,379		-963
Deferred tax for foreign companies		3,118		-2,038
Deferred tax		4,497		-3,001
Tax accounted for		-21,791		-16,727
Effective tax rate		*31.54%*		*32.49%*
Theoretical tax rate		*34.43%*		*34.43%*
Theoretical tax		-23,786		-17,728
Difference between theoretical tax and recorded tax		-1,995		-1,001

The difference between theoretical tax and recorded tax as of 31 December 2010 is explained essentially by the differential tax rates abroad at €1,142 thousand and by the using of reportable deficits in India.

A26. Result per share

	2010	2009
Result attributable to the owners of the parent company	€63,413,225	€38,815,780
Total number of shares	8,714,352	8,714,352
Impact of dilutive instruments	N.A.	N.A.
Number of treasury shares	46,036	40,673
Outstanding shares	8,668,316	8,673,679
Result attributable to the owners of the parent company, per share	€7.32	€4.48
Result attributable to the owners of the parent company, diluted per share	€7.32	€4.48

A27. Operating segments

In accordance with IFRS 8, the Group provides industry information as used internally by the chief operating decision maker.

The Group's segment information level is the geographic sector. The breakdown by geographic area is made over seven regions according to the place of establishment of Group assets:

- France;
- Europe (excluding France);
- Latin America;
- North America;
- Asia;
- Pacific;
- Africa & Middle East.

The Group's operating activities are organised and managed separately according to the nature of the markets. The two market segments are pets and livestock but the latter is not considered as an industry information level for the reasons listed below:

- nature of the products: the majority of therapeutic segments are common to pets and livestock (antibiotics, parasiticides, etc.);
- manufacturing procedures: the production chains are common to both segments and there is no significant difference in sources of supply;
- client type or category: the distinction is made between the ethical (veterinary) and OTC (Over the counter) sectors;
- internal organisation: the management structures in the Virbac Group are organised by geographic zone. At Group level, there is no management structure based on marketing segments;
- distribution methods: the main distribution channels depend more on the country than the segment marketing. The sales capacities can be, in some cases, common to both marketing segments;
- nature of the environmental regulations: the regulatory bodies governing marketing authorisations are identical regardless of the segment.

In the information presented below, the sectors correspond to geographic zones (areas where the Group's assets are located).

As at 31 December 2010

in € thousands	France	Europe (excluding France)	Latin America	North America	Asia	Pacific	Africa & Middle East	Total
Revenue from ordinary activities	135,435	160,742	37,538	82,877	65,976	64,945	25,317	**572,830**
Operating result	10,926	21,987	5,682	20,617	8,484	16,525	3,523	**87,744**
Result attributable to the owners of the parent company	8,004	14,608	4,212	13,509	6,289	14,505	2,286	**63,413**
Non-controlling interests	1	741	-	-	158	-	-	**900**
Consolidated result	**8,005**	**15,349**	**4,212**	**13,509**	**6,447**	**14,505**	**2,286**	**64,313**

As at 31 December 2009

in € thousands	France	Europe (excluding France)	Latin America	North America	Asia	Pacific	Africa & Middle East	Total
Revenue from ordinary activities	124,344	146,747	28,362	66,672	50,820	29,131	21,342	**467,418**
Operating result	8,386	20,378	3,652	16,220	5,717	1,247	2,690	**58,290**
Result attributable to the owners of the parent company	6,095	14,121	2,918	9,286	3,597	1,014	1,785	**38,816**
Non-controlling interests	-4	721	-	-	143	-	-	**860**
Consolidated result	**6,091**	**14,842**	**2,918**	**9,286**	**3,740**	**1,014**	**1,785**	**39,676**

A28. Financial assets and liabilities

Financial assets

The various categories of financial assets are as follows.

As at 31 December 2010

in € thousands	Assets available for sale	Loans and receivables	Financial assets at fair value through result	Financial assets at fair value through equity	Total
Non-current derivative financial instruments	-	-	-	-	-
Other non-current financial assets	-	814	-	-	**814**
Trade receivables	-	85,523	-	-	**85,523**
Other receivables*	-	22,309	-	-	**22,309**
Current derivative financial instruments	-	-	688	363	**1,051**
Other current financial assets	-	30	-	-	**30**
Cash and cash equivalents	-	35,715	4,283	-	**39,998**
Financial assets	**-**	**144,391**	**4,971**	**363**	**149,725**

*excluding prepaid expenses and income tax receivables.

As at 31 December 2009

in € thousands	Assets available for sale	Loans and receivables	Financial assets at fair value through result	Financial assets at fair value through equity	Total
Non-current derivative financial instruments	-	-	-	-	**-**
Other non-current financial assets	-	953	-	-	**953**
Trade receivables	-	75,006	-	-	**75,006**
Other receivables*	-	20,068	-	-	**20,068**
Current derivative financial instruments	-	-	188	350	**538**
Other current financial assets	-	30	-	-	**30**
Cash and cash equivalents	-	10,451	3,618	-	**14,069**
Financial assets	**-**	**106,508**	**3,806**	**350**	**110,664**

*excluding prepaid expenses and income tax receivables.

Assets available for sale

This asset category notably includes unconsolidated equity interests and marketable securities that do not satisfy any of the other financial asset definitions. The unrealised gains and losses recognised in this asset class are recognised in shareholders' equity until disposal.
At the end of 2010, Virbac had no assets in this category.

Loans and receivables

Loans and receivables are non-derivative financial assets, of determined or determinable payments, which are not measured. The elements in this category are described below.

- Loans and other financial receivables

These are mainly security deposits and other advance payments, escrow accounts, as well as agreed loans (notably to personnel).

- Trade receivables

These are recognised at the initial amount of the invoice, less provisions for impairment.

- Current receivables

These are mainly receivables vis-à-vis tax (excluding income tax) and social security authorities, as well as advances and prepayments on orders.

- Cash and cash equivalents

These are mainly bank account deposits, cash on hand and restricted bank accounts.

Financial assets at fair value by the result

Financial assets recognised at fair value through profit or loss include interest rate and exchange rate instruments that Virbac has elected not to classify as hedging, changes to which are immediately recognised in income.

This category also includes marketable securities acquired by Virbac for sale or redemption in the short term. They are measured at fair value at the balance sheet date, and any fair value changes are recognised in income. The fair values of marketable securities are mainly determined with reference to the market price (buying or selling price as appropriate).

Assets held to maturity
These are financial assets, other than loans and receivables, having a fixed maturity and for which payments are determined or determinable. Virbac does not hold any securities that meet the definition of held to maturity investments.

Financial liabilities

The different categories of financial liabilities are the following.

As at 31 December 2010

in € thousands	Loans and debts	Financial liabilities at fair value through result	Financial liabilities at fair value through equity	Total
Non-current derivative financial instruments	-	170	-	**170**
Other non-current financial liabilities	32,342	-	-	**32,342**
Trade payables	75,303	-	-	**75,303**
Other payables*	84,746	-	-	**84,746**
Current derivative financial instruments	-	263	274	**537**
Bank overdrafts and unpaid interests not yet matured	5,430	20	-	**5,450**
Other current financial liabilities	4,620	-	-	**4,620**
Financial liabilities	**202,441**	**453**	**274**	**203,168**

*excluding prepaid income and income tax payables.

As at 31 December 2009

in € thousands	Loans and debts	Financial liabilities at fair value through result	Financial liabilities at fair value through equity	Total
Non-current derivative financial instruments	-	20	-	**20**
Other non-current financial liabilities	34,513	-	-	**34,513**
Trade payables	54,459	-	-	**54,459**
Other payables*	71,984	-	-	**71,984**
Current derivative financial instruments	-	54	74	**128**
Bank overdrafts and accrued interests not yet matured	9,675	35	-	**9,710**
Other current financial liabilities	3,538	-	-	**3,538**
Financial liabilities	**174,169**	**109**	**74**	**174,352**

*excluding prepaid income and income tax debt.

As at 31 December 2010, the interest on loans was €2,413 thousand. As at 31 December 2009, it was €3,176 thousand.

A29. Risk management associated with financial assets and liabilities

The Group holds derivative financial instruments solely for the purpose of reducing its exposure to rate or exchange risks on balance sheet items and its firm or highly probable commitments.
As regards cash flow hedging, it is anticipated that cash flows will occur and impact profit during the course of 2011.

Credit risk
As at 31 December 2010, the Group's maximum exposure to credit risk is €85,523 thousand, which is the amount of the trade receivables item in the consolidated accounts.
The risk on sales between Group companies is not material, to the extent that Virbac ensures that its subsidiaries have the

necessary financial structure to honour their debts.
As regards third-party receivables, the Group does not feel that it has a material counterparty risk given the strength of the main counterparties and the major geographic dispersal of its client base throughout the world. The Group's companies have implemented a mechanism for monitoring debts paid, allowing them to limit the amount of bad debts. Moreover, the Group has established a framework agreement with Coface allowing any subsidiaries who so need to hedge their credit risk locally.

The following statements provide a breakdown of trade receivables:

As at 31 December 2010

in € thousands	Receivables due	Receivables overdue for: < 3 months	3-6 months	6-12 months	> 12 months	Depreciated receivables	Total
France	25,434	475	-	-	-	262	**26,171**
Europe (excluding France)	22,441	1,140	290	-	-	1,748	**25,619**
Latin America	9,564	407	13	-	-	724	**10,708**
North America	4,228	40	-	-	-	80	**4,348**
Asia	6,588	-	-	-	-	498	**7,086**
Pacific	11,451	431	25	-	-	37	**11,944**
Africa & Middle East	2,996	-	-	-	-	8	**3,004**
Trade receivables	**82,702**	**2,493**	**328**	**-**	**-**	**3,357**	**88,880**

As at 31 December 2009

in € thousands	Receivables due	Receivables overdue for: < 3 months	3-6 months	6-12 months	> 12 months	Depreciated receivables	Total
France	21,601	775	43	2	-	250	**22,671**
Europe (excluding France)	22,821	1,124	-	-	-	1,398	**25,343**
Latin America	7,473	420	109	-	-	650	**8,652**
North America	5,580	18	-	-	-	16	**5,614**
Asia	5,252	341	27	-	-	354	**5,974**
Pacific	6,506	84	-	-	-	15	**6,605**
Africa & Middle East	2,830	-	-	-	-	11	**2,841**
Trade receivables	**72,063**	**2,762**	**179**	**2**	**-**	**2,694**	**77,700**

Receivables due and not settled are analysed periodically and classified as doubtful receivables where there appears to be a risk that the receivable will not be fully recovered. The amount of the provision funded at the balance sheet date is defined based on the age of the receivable and, as the case may be, criteria regarding the debtors. Bad debts are written off when identified as such.

Counterparty risk

As regards other financial assets and in particular any liquid assets, any cash surpluses in the subsidiaries are pooled by the parent company, which is responsible for managing them, in the form of short-term interest-bearing deposits. The Group only works with leading banking counterparties.

Liquidity risk

A policy of pooling excess cash and financing requirements in Europe, North America, Latin America and the Pacific means that the Group's net positions can be reduced and the management of its deposits and financings optimised, thereby ensuring that the Group has the ability to meet its financial commitments and to maintain a level of cash and cash equivalents that reflects its size and requirements.

Virbac uses a variable rate credit limit carrying a total amount of €220 million, the duration and amount of which are sufficient to ensure financing of the Group and its development projects. As at 31 December 2010 this line of overall credit had not been drawn.
The financial obligations set out in the opening of credit contracts were met as at 31 December 2010.

Market risks

Exchange risk

Virbac carries out transactions in currencies other than the euro, its reference currency. The exchange rate risk is monitored using a client risk summary from the IT system (ERP). The items are updated using *ad hoc* reports .
The majority of the Group's exchange risk is centralised on the parent company, which sends invoices to subsidiaries in their local currency. In the case of sales to countries with exotic currencies, the invoices are denominated in euros or American dollars.

Taking account of its purchases and sales in other currencies, the Group is exposed to exchange rate risks mainly for the following currencies: American dollar, pound sterling, Swiss franc and various currencies in Asia and in the Pacific area.
Given the Group's exchange rate risk exposure, currency fluctuations have a significant impact on its income statement both in terms of translation risk and transaction risk.
In order to protect itself against adverse movements in the various currencies in which its sales, purchases and certain specific transactions are denominated, Virbac uses foreign exchange forwards to hedge its exchange rate risk exposure.
The Group systematically hedges its significant and certain (loans, debts, dividends, intra-group loans) exchange positions. It hedges future sales and purchases (closed orders from clients and suppliers) estimated when their size and fluctuations in currencies warrant it.

Derivative financial exchange instruments are presented below, at market value.

in € thousands	2010	2009
Fair value hedges	-	-
Cash flow hedges	90	277
Net investment hedges	-	-
Derivatives not qualifying for hedges	424	133
Derivative financial exchange instruments	**514**	**410**

The Group's policy is to hedge exchange rate risks when the size and risk of currency fluctuation are high. To this effect, they use various instruments available on the market and mainly practice forward or optional exchange transactions.
The derivative instruments held at closure do not all qualify for hedging in the consolidated accounts. In such a case, value variations directly impact the income for the period.

Interest rate risk

The exposure to rate risks for the Virbac Group mainly results from the variable rate credit limit implemented in France for a total maximum amount of €220 million. This facility is indexed to the Euribor. The loans located at Virbac India to finance the acquisition of the veterinary division of GlaxoSmithKline are fixed-rate loans reviewable annually for the first tranche and every three years for the second. The local loan in Australia to finance the acquisition of the assets sold by Pfizer is indexed on the BBSY (Bank bill swap bid rate).

The current amount on the credit limit is the following.

in € thousands	2010 Average real interest rate	2010 Book value	2009 Average real interest rate	2009 Book value
India	9.100%	2,071	7.500%	1,492
India	8.750%	1,150	6.392%	2,797
India	8.180%	1,883	9.100%	2,424
Others	not defined	607	not defined	139
Fixed rate debt		**5,711**		**6,852**
France	1,721%	10,000	1.407%	10,000
France	1.727%	8,000	1.417%	10,000
France	-	-	1.073%	8,000
Australia	6.192%	10,658	-	-
Variable rate debt		**28,658**		**28,000**
Bank overdrafts		5,430		9,675
Loans and bank overdrafts*		**39,799**		**44,527**

*excluding debt relating to leasing contracts.

Interest rate derivatives are shown below, at market value.

in € thousands	2010	2009
Fair value hedges	-	-
Cash flow hedges	170	20
Net investment hedges	-	-
Derivatives not qualifying for hedges	-	-
Derivative financial rate instruments	170	20

To manage the risks and optimise the cost of its debt, the Group follows market rate anticipations and can implement interest rate swaps (fixed rate) not exceeding the duration and amount of actual commitments. As at 31 December 2010 the swap rate does not qualify for hedging. It did not qualify for hedging at 31 December 2009.

Specific impacts from hedging exchange and interest rate risks

The exchange rate derivatives used for cash flow hedging generally mature within at most a year.

The derivative financial interest rate instruments are used to hedge the credit limits or loans and therefore have a maturity over a number of years, compatible with the hedged cash.
As at 31 December 2010, the unrealised exchange gains and losses in equity for the period was €232 thousand. The ineffective share recorded as income for this cash flow hedging was €142 thousand.

	Nominal		Positive fair value		Negative fair value	
in € thousands	2010	2009	2010	2009	2010	2009
Forward exchange contract (sale)	13,929	11,352	277	70	227	81
Forward exchange contract (purchase)	35,652	20,341	1,133	467	526	17
OTC options exchange	5,555	1,974	-	-	143	30
Exchange instruments	**55,136**	**33,667**	**1,410**	**537**	**896**	**128**
Swap rate	26,000	10,000	-	-	170	20
Interest rate options	-	-	-	-	-	-
Interest rate instruments	**26,000**	**10,000**	**-**	**-**	**170**	**20**
Derivative financial instruments	81,136	43,667	1,410	537	1,066	148

Supply risks

All the raw materials and certain active ingredients used to manufacture Virbac's products are supplied by third parties. In certain cases, the Group also uses finishers or industrial partners who have skills or mastery of particular technologies.
A far as possible, Virbac diversifies its sources of supply by referencing numerous suppliers, whilst ensuring that these different sources embody the sufficient characteristics of quality and loyalty.

Nevertheless, there are certain supplies or certain technology situations where diversification is practically impossible, which can result in a disruption to the supply or to price pressures. To reduce these risks, the Group widens its research of diversified suppliers as much as possible and does, in some cases, secure its supply by acquiring those technologies and skills which it lacks that generate a higher independence. This, for example, was the case with the acquisition of industrial property and production tools for the protein material used in the main vaccine for cats.

A30. Composition of Virbac share capital

	2009	Increases	Decreases	2010
Number of authorised shares	**8,714,352**	-	-	**8,714,352**
Number of shares issued and fully paid	**8,714,352**	-	-	**8,714,352**
Number of shares issued and not fully paid	**-**	-	-	**-**
Outstanding shares	**8,673,679**	89,141	-94,504	**8,668,316**
Treasury shares	**40,673**	94,504	-89,141	**46,036**
Nominal value of shares	**€1.25**	-	-	**€1.25**
Virbac share capital	€10,892,940	-	-	€10,892,940

A31. Allocation of stock grants

The executive board, in accordance with authorisation from the shareholders' general meeting, granted an allocation of company shares for certain Virbac employees and directors and those of its subsidiaries.

Fair value of stock grant plans

In accordance with IFRS 2, these plans are valued in the Virbac consolidated accounts based on the fair value of the shares allocated on the date of their allocation, *i.e.:*

- for the 2008 plan, €854,240 corresponding to 14,050 shares at €60.80. This amount has been spread over a vesting period of 33 and a half months. The impact on the income account as at 31 December 2010 is €305,996 representing 12/33.5e of the total expenses;
- for the 2009 plan, €796,195 corresponding to 14,450 shares at €55.10. This amount has been spread out over the vesting period of 30 and a half months. The impact on the income account as at 31 December 2010 is €313,257 representing 12/30.5e of the total expenses;
- for the 2010 plan, €948,120 corresponding to 12,000 shares at €79.01. This amount has been spread over a vesting period of 31 months. The impact on the income account as at 31 December 2010 is €214,092, representing 7/30e of the total expenses.

A32. Dividends

In 2010, the company paid out a dividend of €1.32 per share in respect of the 2009 financial year.
For the 2010 financial year, it will be suggested to the shareholders' general meeting that a net dividend of €1.50 per nominal share of €1.25 is allocated.

A33. Workforce

Evolution of workforce by geographic zone

	2010	2009	*Change*
France	1,106	1,076	*2.8%*
Europe (excluding France)	322	306	*5.2%*
Latin America	276	254	*8.7%*
North America	301	267	*12.7%*
Asia	770	694	*11.0%*
Pacific	262	155	*69.0%*
Africa & Middle East	130	127	*2.4%*
Workforce	**3,167**	**2,879**	***10.0%***

Distribution of workforce by function

	2010		2009	
Production	1,137	*35.9%*	977	*33.9%*
Administration	373	*11.8%*	366	*12.7%*
Commercial	1,367	*43.2%*	1,260	*43.8%*
Research & Development	290	*9.2%*	276	*9.6%*
Workforce	**3,167**	***100%***	**2,879**	***100%***

The increase in Group employees corresponds mainly with the increase in the production force in France and Australia, as well as the hiring of salespeople in India.

A34. Information relating to individual entitlement training (*Droit individuel à la formation* or Dif)

Dif hours accumulated since 01/01/2005	Dif hours used between 2005 and 2010	Available Dif hours as at 31/12/2010
115,941	23,119	92,822

All requests made concerning training within the Group's businesses.

A35. Information on related parties

Remuneration for directors

in €	Fixed remuneration (including fringe benefits)	Compensation linked to terms of office for administrators in Group companies	Variable compensation	Total remuneration
Éric Marée	287,863	61,500	181,000	**530,363**
Pierre Pagès	195,970	58,400	112,000	**366,370**
Christian Karst	189,655	38,000	100,000	**327,655**
Michel Garaudet	176,184	12,100	55,000	**243,284**
Jean-Pierre Dick	35,353	-	15,000	**50,353**
Total	885,025	170,000	463,000	1,518,025

The compensation paid in respect of 2010 corresponds to the fixed compensation paid in 2010, the compensation linked to terms of office for administrators in Group companies paid in 2010, the variable compensation paid in 2011 in respect of 2010 and the benefits in kind granted in 2010 (company car).

Calculation criteria for the variable portion

The variable remuneration for the executive board is based on several common objectives:

- sales growth;
- growth in operating profit;
- as well as specific operating goals.

Other benefits

In addition to the various compensation items, executive board members enjoy the benefits described below.

Retirement

A supplementary defined benefit pension plan (12.5% of reference salary and 22% in the event of over 30 years' service) granted on the following terms:

- over ten years' service in the Group (including 9 years as a member of the executive board);
- must be aged at least 60 years;
- finishing his/her career in the Group.

The amount of the expenses linked with retirement schemes with defined contributions in the fiscal year was €409 thousand in 2010.

Severance pay

The commitments made by the company and the companies it controls to its executives in the event of dismissal are as follows:

- Éric Marée: €483,000;
- Pierre Pagès: €404,000;
- Christian Karst: €326,000.

Allocation of stock grants

The Virbac executive board, in accordance with authorisation from the shareholders' general meeting, awarded in 2008, 2009 and 2010 the allocation of stock grants to certain Virbac employees and directors and those of its subsidiaries.
These allocations are subject to meeting a performance target linked to the profitability and net debt of the Group, to be found respectively at the end of the 2009, 2010 and 2011 fiscal years.
The stock grants awarded under the 2008, 2009 and 2010 plans respectively amount to 14,050 shares, 14,450 shares and 12,000 shares.
The stock grants awarded to executive board members in 2008, 2009 and 2010 were as follows.

	Number of shares 2008 plan	Number of shares 2009 plan	Number of shares 2010 plan
Éric Marée	1,800	1,800	1,460
Pierre Pagès	1,300	1,300	1,080
Christian Karst	1,200	1,200	1,000
Michel Garaudet	800	800	665
Total	5,100	5,100	4,205

Partnership

A sporting sponsorship agreement was signed between the Défi Voile Sud association of which Jean-Pierre Dick is a member and the Virbac company of which Jean-Pierre Dick is a member of the executive board.

This partnership is aimed at making a financial contribution to a sailboat participating in various races including the Vendée Globe 2012-2013.

An amount of €600 thousand was accounted for in expenses in the 2010 financial year as part of this contract.

A36. Operating lease agreements

in € thousands	France	Europe (excluding France)	Latin America	North America	Asia	Pacific	Africa & Middle East	Total
Land & buildings	455	574	598	570	483	451	76	**3,207**
Industrial equipment	935	25	-	-	-	-	-	**960**
IT equipment	560	-	-	-	-	14	-	**574**
Office equipment and furniture	495	405	45	29	39	33	11	**1,057**
Transport equipment	1,235	295	-	27	74	607	4	**2,242**
Lease payments	**3,680**	**1,299**	**643**	**626**	**596**	**1,105**	**91**	**8,040**

A37. Off-balance sheet commitments

As at 31 December 2010 the off-balance sheet commitments were for deposits given by Virbac on behalf of certain subsidiaries.

The deposits granted are shown below:

in € thousands	Guarantee provided with	Validity limit date	Amount
Virbac Vietnam Co. Ltd	Sanofi-Navetco	unspecified	76
PP Manufacturing Corporation	NDNE 9 90 Corporate Center LLC	30/09/2020	3,776
Deposits granted			**3,852**

A38. Scope of consolidation

Company name	Locality	Country	Checked at 31/12/2010	Checked at 31/12/2009
Virbac (parent company)	Carros	France	100%	100%
Interlab	Carros	France	100%	100%
Virbac France	Carros	France	100%	100%
Virbac Belgium SA	Wavre	Belgium	75.27%	75.27%
Virbac Nederland BV*	Barneveld	Netherlands	75.28%	75.28%
Virbac (Switzerland) AG	Glattbrugg	Switzerland	100%	100%
Virbac Ltd	Bury St. Edmunds	United Kingdom	100%	100%
Virbac SRL	Milan	Italy	100%	100%
Virbac do Brasil Industria e Comercio Ltda	São Paulo	Brazil	100%	100%
Virbac Danmark A/S	Kolding	Denmark	100%	100%
Inomark AG	Glattbrugg	Switzerland	100%	100%
Virbac Mexico SA de CV	Guadalajara	Mexico	100%	100%
Laboratorios Virbac Mexico SA de CV	Guadalajara	Mexico	100%	100%
Virbac Pharma Handelsgesellshaft mbH	Bad Oldesloe	Germany	100%	100%
Virbac Tierarzneimittel GmbH	Bad Oldesloe	Germany	100%	100%
Virbac Sp. z o.o.	Warsaw	Poland	100%	-
Soparlic	Carros	France	100%	100%
Virbac Distribution	Wissous	France	100%	100%
Virbac Nutrition	Vauvert	France	100%	100%
Dog N'Cat International	Vauvert	France	100%	100%
Bio Véto Test	La Seyne sur Mer	France	100%	100%
Francodex Santé Animale	Carros	France	99.60%	99.60%
Virbac Hellas SA	Agios Stefanos	Greece	100%	100%
Animedica SA	Agios Stefanos	Greece	100%	100%
Virbac España SA	Barcelona	Spain	100%	100%
Virbac Österreich GmbH	Vienna	Austria	100%	100%
Virbac Korea Co. Ltd	Seoul	South Korea	100%	100%
Bio Solution International Co. Ltd	Bangkok	Thailand	-	100%
Virbac (Thailand) Co. Ltd	Bangkok	Thailand	100%	100%
Virbac (Taiwan) Co. Ltd	Taipei	Taiwan	100%	100%
Virbac Colombia Ltda	Bogota	Columbia	100%	100%
Virbac Philippines Inc.	Pasig City	Philippines	100%	100%
Virbac Japan Co. Ltd	Osaka	Japan	100%	100%
Laboratorios Virbac Costa Rica SA	San José	Costa Rica	100%	100%
Virbac Asia Pacific Co. Ltd	Bangkok	Thailand	100%	100%
Virbac de Portugal Laboratorios Lda	Sintra	Portugal	100%	100%
Virbac Vietnam Co. Ltd	Ho Chi Minh City	Vietnam	75.00%	75.00%
Virbac RSA (Proprietary) Ltd*	Centurion	South Africa	100%	100%
Alfamed	Carros	France	99.70%	99.70%
Virbac (HK) Limited	Kowloon	Hong Kong	100%	100%
Virbac Animal Health India Private Limited	Mumbai	India	100%	100%
Virbac Corporation*	Fort Worth	United States	100%	100%
PP Manufacturing Corporation	Framingham	United States	100%	100%
Virbac (Australia) Pty Ltd*	Milperra	Australia	100%	100%
Virbac New Zealand Limited	Auckland	New Zealand	100%	100%
Number of companies consolidated by global integration			44	44
German company	-	-	23.99%	23.99%
Uruguayan company (Santa Elena)	-	-	30.00%	-
Number of companies consolidated by the equity method			**2**	**1**
Number of companies incorporated in the consolidation			**46**	**45**

*pre-consolidated levels.

Statutory auditors' report on the consolidated financial statements

Year ended 31 December 2010

This is a free translation into English of the statutory auditors' report on the consolidated financial statements issued in the French language and is provided solely for the convenience of English speaking users. The statutory auditors' report on the consolidated financial statements includes information specifically required by French law in all audit reports, whether modified or not. This information presents below the opinion on the consolidated financial statements and includes explanatory paragraphs discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were made for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements.
This report on the consolidated financial statements should be read in conjunction with, and is construed in accordance with, French law and professional auditing standards applicable in France.

To the shareholders,

In accordance with our appointment as statutory auditors at your annual general meeting, we hereby report to you for the year ended 31 December 2010, on:
- the audit of the accompanying consolidated financial statements of Virbac;
- the justification of our assessments;
- the specific verification required by law.

The consolidated financial statements have been approved by the executive board. Our role is to express an opinion on these financial statements, based on our audit.

Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, using sample testing techniques or other selection methods, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made, as well as evaluating the overall financial statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at 31 December 2010 and of the results of its operations for the year then ended in accordance with the IFRSs as adopted by the European Union.

Justification of our assessments

In accordance with article L823-9 of the French commercial code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

Goodwill and intangible assets, the net amounts of which total €86.4 million and €85.0 million, respectively, as of 31 December 2010, have been subject to impairment tests in accordance with the methods set forth in the "Accounting principles and methods" note to the consolidated financial statements. We have examined the methods used to perform these tests based on value in use and reviewed the consistency of the assumptions used with the forecasts resulting from strategic plans prepared by each of the activities or divisions under the Group's control. We have also verified that the "Accounting principles and methods" note to the consolidated financial statements provides appropriate disclosure.
These assessments were performed as part of our audit approach for the consolidated financial statements taken as a whole and contributed to the expression of the opinion in the first part of this report.

Specific verification

In accordance with professional standards applicable in France, we have also verified, pursuant to the law, the information relating to the Group given in the management report.
We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Nice and Marseille, 28 March 2011
The statutory auditors

Novances-David & Associés
Jean-Pierre Giraud

Deloitte & Associés
Vincent Gros

Financial report

Statement of responsibility for the annual financial report

I certify, to my knowledge, that the financial statements are prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position, and result of the company and all companies included in the consolidation, and that the management report presents an accurate picture of the evolution of the business, result, and financial position of the company and all companies included in the consolidation as well as a description of the main risks and uncertainties to which they are exposed.

Carros, 14 March 2011
Éric Marée, chairman of the executive board

Financial report

Observations of the supervisory board

The executive board presented the financial statements and management report for the year ended 31 December 2010 to the supervisory board, which duly acquainted itself therewith.
The Group's consolidated turnover of €572.8 million increased by 22.6% over 2009, 15.4% at constant exchange rates and 10.8% at constant rates and scope.
The current operating income of €77.6 million rose by 33.2% over 2009, whilst the net income of €63.4 million is an increase of 63.4% over 2009.

The Group's net debt as of 31 December was €3.1 million or 1.0% of equity.
The value of shares at closing was €130.00 at the end of 2010, an increase of 78.7% compared with 1 January, demonstrating a good performance. It will be proposed at the shareholders' meeting that a dividend of €1.50 per share is distributed, a 13.6% increased distributed income per share over 2009.

The supervisory board currently consists of five members, two of which are independent. They met formally five times during the year and numerous other times for more informal working sessions. Both the audit committee and the compensation committee each met twice.

In accordance with the recommendations in the corporate governance code drawn up by Afep-Medef and adopted by the company as a reference, the term of office of the members of the supervisory board was reduced from six years to three years by the shareholders' meeting on 15 June 2010, which also renewed the terms of office of the supervisory board.

The supervisory board would like to thank the members of the executive board, the management teams and all of Virbac's employees worldwide for their continuing hard work and to thank shareholders for their loyalty to the Group.

Resolutions submitted to the ordinary and extraordinary shareholders' meeting of 28 June 2011

Within the competence of the ordinary shareholders' meeting

First resolution (approval of the statutory financial statements)

The shareholders' meeting, in accordance with *quorum* and majority requirements for ordinary shareholders' meetings, after having heard the reports from the executive board, the supervisory board, the chairwoman of the supervisory board, and the statutory auditors, approves, as presented thereto, the statutory financial statements for the financial year ended 31 December 2010 showing a net result of €32,774,547.33, as well as transactions reflected in these financial statements or summarised in said reports. The shareholders' meeting also approves the expenditures incurred during the past financial year that fall within the scope of article 39-4 of the French general tax code representing a total of €136,553.

As a consequence, the shareholders' meeting grants the members of the executive board full and unreserved *quietus* of the execution of their term of office for the aforementioned financial year.

Second resolution (approval of the consolidated financial statements)

The shareholders' meeting, in accordance with *quorum* and majority requirements for ordinary shareholders' meetings, after having heard the reports from the executive board, the supervisory board and statutory auditors for the financial year ended 31 December 2010, approves, as they were presented, the consolidated financial statements for the said year reflecting a net result attributable to the owners of the parent company of €63,413,225.
The meeting also approves the transactions reflected in these financial statements or summarised in the reports.

Third resolution (allocation of net result)

The shareholders' meeting, in accordance with *quorum* and majority requirements for ordinary shareholders' meetings, elects to allocate the net result for the year as follows:

in €	In respect of 2010
Net result for the year	32,774,547.33
Retained earnings carried forward	74,187,869.86
Distributable result	106,962,417.19
Distribution of dividends	13,071,528.00
Balance carried forward	19,703,019.33

The dividend distributed to each share with a nominal value of €1.25 is €1.50. The dividend to be distributed will be detached from the share on 18 July 2011 and will be payable on 21 July 2011.

The shareholders' meeting decides that in accordance with provisions of article L225-210 of the French commercial code the total amount of the dividend corresponding to the treasury shares on the date of the dividend payment will be allocated to the retained earnings account, which will be increased by this amount.

For individual beneficiaries who are fiscally resident in France, the dividend is eligible for a 40% reduction (article 158-3-2 of the French general tax code).

Rather than opting for progressive income tax, individual beneficiaries may elect to have tax withheld at a fixed rate of 19% for the revenues received in 2011 provided for in article 117 *quater* of the French general tax code.

Pursuant to article 243 *bis* of the French general tax code, it is recalled that distributions made for the three previous financial years were as follows:

in €	Dividend per share	Revenue eligible for abatement pursuant to article 158-3-2 of the French general tax code	Overall distribution
2007 financial year	1.10	1.10	9,471,454
2008 financial year	1.20	1.20	10,404,230
2009 financial year	1.32	1.32	11,447,597

Fourth resolution (regulated agreements)

The shareholders' meeting, in accordance with *quorum* and majority requirements for ordinary shareholders' meetings, after having heard the special report of the statutory auditors mentioning the absence of new agreements falling within the scope of articles L225-86 *et seq.* of the French commercial code, simply takes note thereof.

Fifth resolution (appointment of a new member of the supervisory board)

The shareholders' meeting, in accordance with *quorum* and majority requirements for ordinary shareholders' meetings, decides to appoint Olivier Bohuon residing at 110 rue du Château 92100 Boulogne-Billancourt, as a member of the supervisory board for a term of three years, to expire at the end of the shareholders' meeting convened to deliberate on the financial statements for the year closing on 31 December 2013.

Sixth resolution (approval of total amount of attendance fees)

The shareholders' meeting, in accordance with *quorum* and majority requirements for ordinary shareholders' meetings, elects to grant a sum of €110,000 as attendance fees for the current financial year which will be shared between the members of the supervisory board.

Seventh resolution (authorisation to be granted to the executive board to buy back shares)

The shareholders' meeting, in accordance with *quorum* and majority requirements for ordinary shareholders' meetings, after having heard the report of the executive board, authorises the executive board, with the option of subdelegation, in accordance with provisions of articles L225-209 *et seq.* of the French commercial code, to buy back shares representing up to a maximum of 10% of the company's capital stock on the date of this meeting, in order to:

• ensure liquidity or support the market price via an independent investment services provider pursuant to a liquidity agreement in accordance with a code of ethics recognised by the French financial markets authority (*Autorité des marchés financiers*);

• proceed with the allocation of stock grants under the provisions of articles L225-197-1 *et seq.* of the French commercial code;

• reduce the company's capital stock by cancelling all or part of the shares purchased subject to adoption of the eighth resolution by the shareholders' meeting.

The maximum purchase price may not exceed €200 per share.

The maximum transaction amount, taking into account the 52,720 shares already held as at 28 February 2011 is thus set at €163,743,040.

In the event of a capital increase through incorporation of reserves and allocation of stock grants, a stock split or reverse stock split, this amount will be adjusted by a multiplier equal to the ratio between the number of shares in the share capital prior to the transaction and the number after the transaction.

This authorisation which cancels and supersedes any previous authorisation of the same nature, and in particular, that which was granted by the shareholders' meeting of 15 June 2010 in the sixteenth resolution, is granted for a period of eighteen months from this meeting.

All powers are conferred to the executive board, with the power of delegation, to place orders, conclude all agreements, carry out all formalities and declarations with any organisation, in particular the French financial markets authority and more generally, to do what will be necessary for the purposes of carrying out transactions made in accordance with this authorisation.

Within the competence of the extraordinary shareholders' meeting

Eighth resolution (authorisation of the executive board to reduce the share capital by cancellation of treasury shares held by the company)

The shareholders' meeting, in accordance with *quorum* and majority requirements for extraordinary shareholders' meetings, having acquainted itself with the report of the executive board and the special report of the statutory auditors:

• authorises the executive board to cancel, once or several times, all or part of the shares which the company holds or may hold following the buy backs carried out in accordance with article L225-209 of the French commercial code, with a maximum of 10% of the total number of shares per period foreseen by law, by attributing the difference between the purchase value of the cancelled shares and their nominal value to the available premiums and reserves, including in part to the legal reserve to a maximum of 10% of the cancelled capital;

• authorises the executive board to record the completion of the capital reduction(s), amend the articles of association as a result and to carry out all necessary formalities;

• authorises the executive board to delegate all necessary powers for implementing its decisions, all in accordance with the legal provisions in force for the use of this authorisation;

• fixes the period of validity of this authorisation at 26 months from the date of this shareholders' meeting.

Ninth resolution (powers for formalities)

The shareholders' meeting, in accordance with *quorum* and majority requirements for extraordinary shareholders' meetings, confers all powers to the bearer of an original, an extract or a copy of these minutes in order to complete all formalities provided by law.

Glossary

The product names stated in the annual report and listed below are subject to protection in particular in respect of trademarks. Virbac and/or its subsidiaries are the owners or have exclusive use of them. The products stated are not all available in all countries where Virbac is present.

Agrimin: food supplement for bovines

Alizine: contraceptive for dogs

Allerderm spot-on: ceramide and fatty acid-based topical product for dogs aimed at strengthening the skin barrier function

Allermyl: shampoo for dogs and cats specially formulated to help control skin allergies

Aquadent (or Vet Aquadent): oral hygiene product for pouring in drinking water for combating bad breath in dogs and cats

BackHome: microchip implanted under the skin for identifying companion animals as well as wildlife

Biomox: broad spectrum oral antibiotic for dogs

Bovidec: vaccine for bovine viral diarrhoea

Canigen: vaccines range against canine distemper, hepatitis, rabies, parvovirus, para-influenza and leptospirosis

CaniLeish*: vaccine against canine leishmaniasis

** 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, for which IRD has granted an exclusive patent licence to BVT for the veterinary market.*

Cortavance: hydrocortisone aceponate-based corticoid spray with targeted action for inflammatory dermatoses in dogs without systemic effects

Cydectin: moxidectin-based parasiticide for food producing animals

EasOtic: auricular treatment for otitis in dogs which can be administered over 360° with a non-traumatic cannula combining miconazole, gentamicin and hydrocortisone aceponate

Effipro: fipronil-based external parasiticide for treating flea and tick infestations in dogs and cats

Endogard: internal parasiticide tablets for dogs

Enrox: see Tenotryl

Epi-Otic: ear cleanser used for dogs

Equimax: broad spectrum horse wormer in oral gel or chewable tablet form combining ivermectin and praziquantel

Fiproline: see Effipro

Fortius: injectable antibiotic prescribed for treating respiratory diseases in food producing animals

Iverhart Max: broad spectrum chewable anthelmintic for use in dogs to prevent canine heartworm disease and for the treatment and control of roundworms, hookworms and tapeworms

Iverhart Plus: chewable anthelmintic for use in dogs to prevent canine heartworm disease and for the treatment and control of roundworms

Leucogen: vaccine against feline leukaemia, a disease caused by a retrovirus affecting the immune system

Mastidol DC: bovine intramammary treatment

Maxflor: florfenicol-based antibiotic prescribed for treating respiratory diseases in food producing animals

Multibio: antibiotic and anti-inflammatory combination for respiratory diseases in food producing animals

Multimin: mineral-based injectable supplement for food producing animals targeting reproductive performance

Ostovet: food supplement for bovines

Powerflox: enroxoflacin-based injectable antibiotic for bovines

Pulmodox/Premodox: doxycycline-based antibiotic prescribed for treating respiratory diseases in pigs and poultry

Rabigen mono: monovalent and multi-dose rabies vaccine

Rabigen Sag2: oral rabies vaccine

Rilexine: cephalexin-based antibiotic. In tablets: prescribed for treating skin infections in dogs and urinary infections in cats. Injectable: prescribed for treating chronic and acute mastitis in dairy cows

Shotaflor injectable: florfenicol-based injectable antibiotic for treating respiratory diseases in bovines and pigs

Shotapen: combination of antibiotics prescribed for first-line treatment of several bacterial diseases in food producing animals

Soloxine: hormone prescribed for treating canine hypothyroidism

Suprelorin: deslorelin-based implant for chemical castration of male dogs

Suramox/Stabox and Premedox Maxx: antibiotic prescribed for treating respiratory diseases in pigs and poultry

Tenotryl: enrofloxacin-based antibiotic. In tablet form for dogs and as an oral solution for poultry

Tribrissen: multi-species antibiotic

Veggie Chews (or Veggie Dent): chewable vegetable strips for dental hygiene in dogs

Vet Complex: specialised petfood for dogs and cats

Vetflurane: isoflurane-based general anaesthetic, the benchmark inhalational anaesthetic in veterinary medicine

Vimeral: food supplement in liquid form for bovines

Virbactan: intramammary antibiotic including a fourth generation cephalosporin intended for drying up dairy cows

Virbagen Canis B: vaccine against borreliosis (Lyme disease in dogs) sold in Germany

Virbagest: altrenogest-based progestin for synchronising return to heat of gilts (batch management)

Virbamec: ivermectin-based parasiticides for food producing animals

Virbantel: internal parasiticide

Zoletil: multi-species general anaesthetic

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