Passionate about animal health

HALF YEAR RESULTS :
Strong increase of the current operating profit

Public release – August 31st, 2011

Consolidated numbers as of June 30 *in million €*	2011	2010	% change 2011/2010
Revenue from ordinary activities	**314.5**	**284.1**	**+10.7%**
Growth at constant exchange rates			+10.5%
Pro-forma growth at constant exchange rates			+9.3%
Current operating profit	**49.6**	**41.7**	**+19.0%**
As a % of sales	15.8%	14.7%	
Other non recurring income and expenses	**-**	**10.5**	
Operating result	**49.6**	**52.2**	**-4.9%**
Result before tax	**48.6**	**51.2**	**-5.1%**
Net result – Group share	**32.6**	**38.0**	**-14.3%**
Equity – Group share	**306.9**	**280.0**	**+9.6%**
Net financial debt	**65.2**	**37.6**	**+73.3%**

The financial statements have been subject to a limited review by the auditors. They are available on www.virbac.com

The very positive growth of sales in the first half, both in companion animals (+8.0% at constant scope and exchange rates) as well as in food producing animals (+13.6%), has triggered a strong increase of the current operating profit which rises by 19% and reaches 15.8% of sales, an increase of more than 1 point in operating profitability. Such a performance resulted from two factors :

- **a positive evolution of gross margin,** coming from the growth and the weight of Virbac's higher margin recent products, in particular in Europe and the United States, from a noticeable improvement in the other areas (Latin America, Asia, Pacific) and from the optimizations ongoing in Australia following the integration of the business acquired from Pfizer in 2010;
- **a good monitoring of operating expenses,** which increase this year again is focused essentially on commercial expenses with in particular increased investments in some major European markets, in the United States and in emerging countries. On the other hand expenses in Research and Development have increased moderately during this first half depending on the timing of the launch and the progress of projects, but they should be increasing more significantly during the second part of the year.

The acquisition made in Australia in 2010 had generated an exceptional profit of 10.5 million Euros recorded in accordance with IFRS 3 "business combinations", resulting essentially from the excess of the fair value of assets acquired over the transaction price.
Including this one-time item and after deduction of interest and tax expenses, the net profit – Group share decreases by -5.4 million Euros, a -14.3% reduction.

From a financial standpoint, Virbac's net consolidated debt has been increasing due to the working capital needs generated by the growth of the business, and to ongoing major capital expenditure projects, in particular in France : increase of capacities for vaccines, new manufacturing units for injectable products and for the vaccine against canine Leishmaniosis. Besides, several acquisitions have been completed during this first half : property rights and technologies related to products already distributed by Virbac acquired in South Africa and in Australia; veterinary business of Synthesis acquired in Colombia. Lastly, the balance due with regards to the acquisition in 2003 of BVT, the company which originated the canine Leishmaniosis vaccine Research project, has been settled following the marketing approval obtained early 2011 for this new vaccine.

2011 perspectives

The good performance recorded in the first half opens up the perspective of an organic growth exceeding the 5 to 7% estimate announced earlier this year and confirms the potential for improvement of the operating profitability.