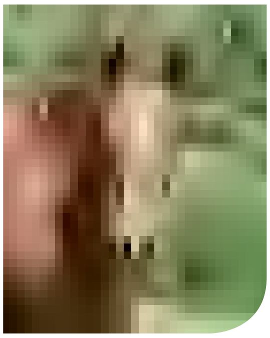
Virbac

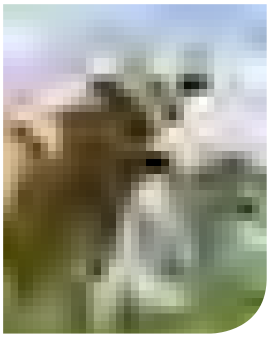
Annual report 2011

Passionate about animal health

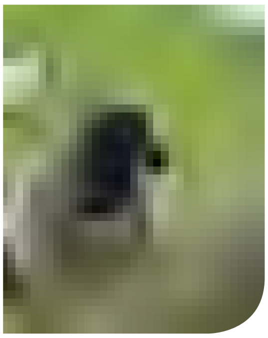
A laboratory dedicated to animal health



Overview



Sustainable development

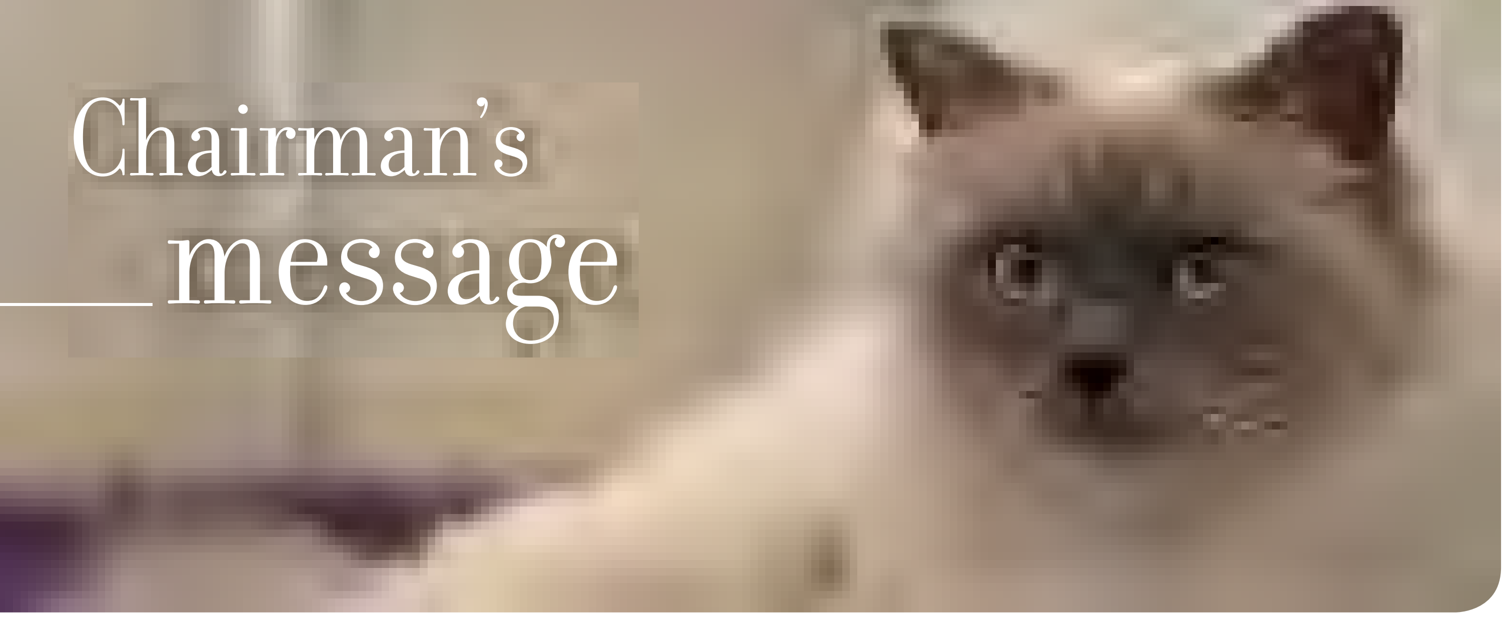


Financial report

This document has been printed on PEFC certified paper, manufactured in an objective of protecting and managing forests.

PEFC™
PEFC/10-31-1587

Overview



Chairman's message

Another excellent year

What are the market trends in animal health?

On the competition front, a key event in 2011 was the failure of the merger of two of the sector's three main players. This merger would have led to a very high level of concentration, with not only the creation of a leader accounting for more than a quarter of the global market, but also a market share for the two biggest firms combined approaching 50%. The demands of the American and European competition authorities, which led the two protaganists to withdraw from the planned merger, could hold back "mega-mergers" in the animal health sector in the future. The animal health market again posted positive growth in 2011, with a continuation of the trend observed in 2010: growth in the companion animal segment remains robust, but is now surpassed by that of the food producing animal segment, mainly due to demand from emerging countries.

Given this environment, how would you describe Virbac's performance?

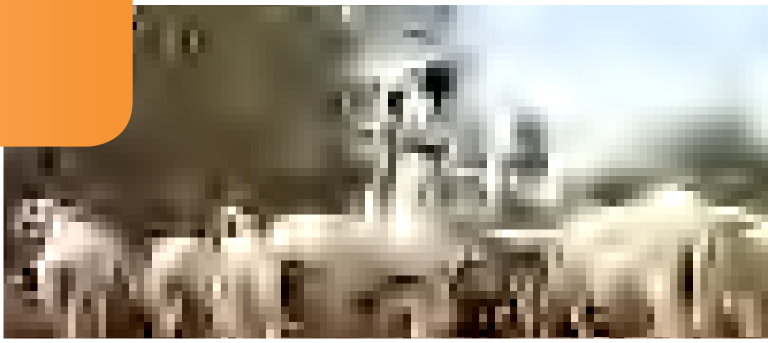
It was highly satisfactory since, as in 2010, we achieved market share gains in most of the major countries. As a result, Virbac delivered high growth rates, including in Europe. Organic growth (*id est* at constant exchange rates and scope of consolidation) was 8.7% , not far off the 2010 figure of 10.8%. However, unlike in 2010, when organic growth was supplemented by favourable exchange rate effects and substantial external growth, these factors had a negligible impact in 2011. Not because the Group was inactive in terms of acquisitions, but rather because the transactions implemented had the following two main aims: safeguarding the businesses that are growing in strategic importance, and which were previously subject to licensing agreements, and taking minority shares - at least initially - in companies representing new activities for the Group, such as pig/poultry vaccines with Taiwan's SBC.

What were the key events of 2011?

One of last year's most important achievement was undoubtedly the European registration and launch in two major countries - Portugal and France - of the CaniLeish vaccine against canine leishmaniosis. This project was the longest, most difficult and most expensive in Virbac's history. The supply of this vaccine to veterinary surgeons represents a major advance in the control of this disease which is fatal to dogs and can also affect humans. The teams at Virbac are, justifiably, very proud of the vaccine. Also significant was Virbac's strong growth in Australia, where our subsidiary has benefited fully from the successful integration of the animal health activities of Wyeth, which were acquired from Pfizer at the start of 2010, in a market that offers excellent prospects due to a favourable climate and high levels of demand in the two biggest segments. Lastly, the Group recorded strong growth in emerging economies, of around 20% in the countries in which the Group has a well-established presence, such as India, Mexico and South Africa, as well as in Brazil, the second largest market worldwide, where Virbac has had a more modest presence to date.

Organic growth: +8.7%

+20%
in emerging countries

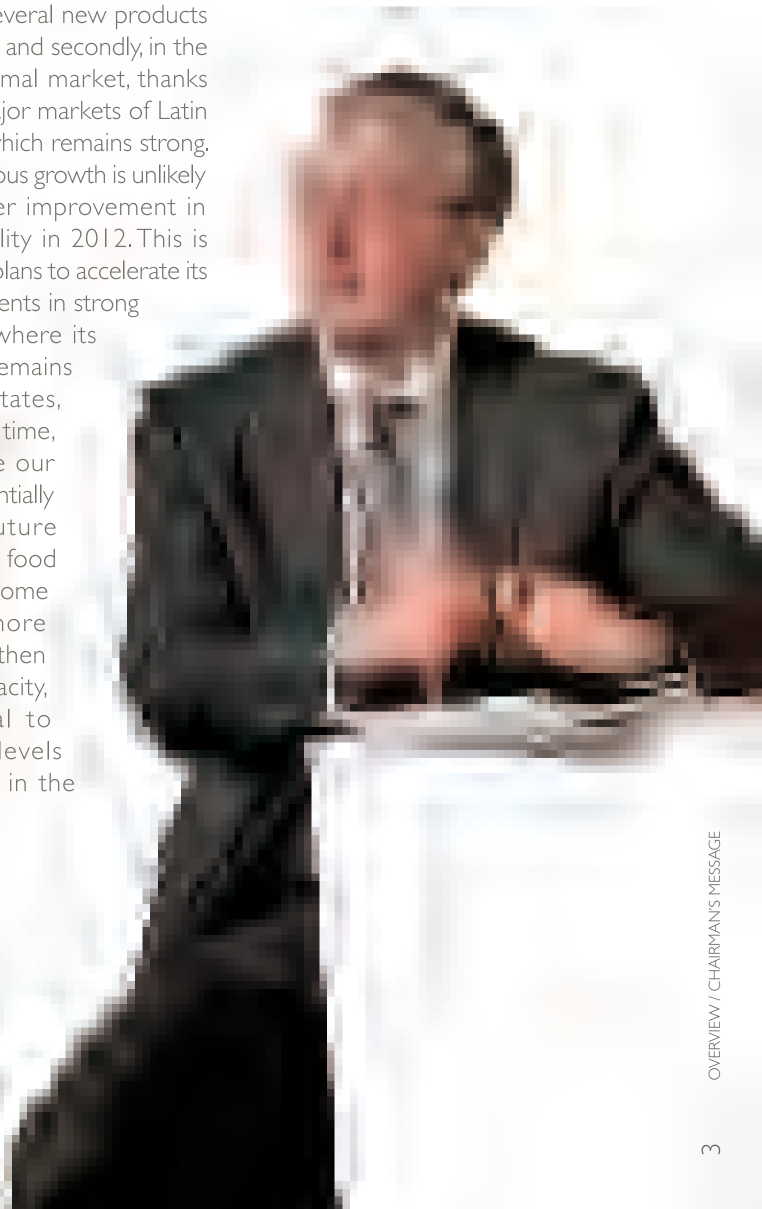


What about Virbac's financial results?

The robust level of activity in 2011 led to a further improvement in operating profitability - at almost twice the increase in sales - a large part of which was reinvested in research and development. Despite these investments, operating income from ordinary activities was up by 10.4% , which was also ahead of the increase in sales. Net debt, meanwhile, increased by €65.0 million, due to the combined effect of acquisitions, greater investments compared with previous years (notably, in new production facilities for the CaniLeish vaccine and a new site under construction for injectables at Carros) and lastly, a €30 million share buyback programme that has now been completed.

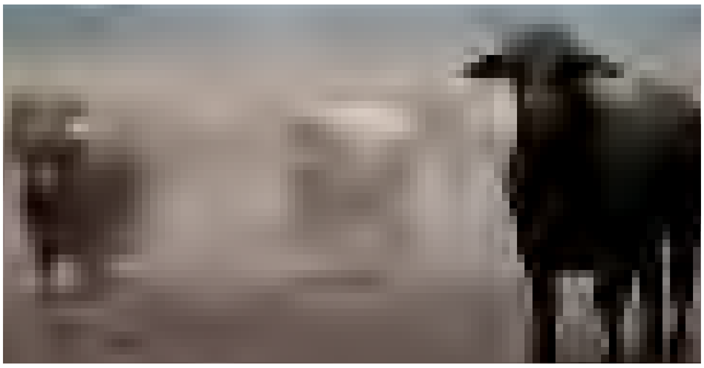
What is the outlook for 2012?

The main market trends observed in 2011 should continue in 2012. These are: robust growth in the companion animal segment and strong - though uneven - growth in the food producing animal segment (rapid expansion in emerging countries but stagnation in Europe), and faster growth in vaccines and pharmaceutical products. In this environment, Virbac will continue targeting market share gains in a number of areas: firstly, in the companion animal market, through the introduction of the CaniLeish vaccine in Southern Europe and the launch of several new products in the United States; and secondly, in the food producing animal market, thanks to growth in the major markets of Latin America and Asia, which remains strong. This relatively ambitious growth is unlikely to lead to a further improvement in operating profitability in 2012. This is because the Group plans to accelerate its commercial investments in strong growth countries where its market presence remains modest (United States, Brazil). At the same time, we aim to increase our R&D budgets substantially to ensure that future vaccine projects for food producing animals come to fruition, and more generally, to strengthen our innovation capacity, which is essential to maintaining high levels of organic growth in the medium term.



Highlights

Product launches, organisations, acquisitions...



January. February. March

Colombia

Strengthening our position in food producing animals with the acquisition of the veterinary activity from the Synthesis pharmaceutical company

April. May. June

Australia

A major acquisition (Peptech) for the international development of the Suprelorin contraceptive implant

France

Creation of an exclusive European facility to manufacture vaccines against canine leishmaniosis

Portugal

Launch of CaniLeish, the first European vaccine against canine leishmaniosis (followed by France in September)

July. August. September

Group

Strengthening of the organisational scheme dedicated to pharmaceutical compliance

October. November. December

North America

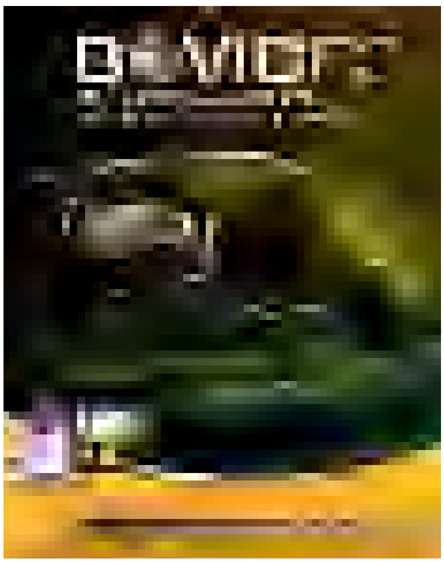
Cortavance, EasOtic and Effitix, promising registrations

Taiwan

SBC Virbac, a strategic joint-venture for expanding sales of vaccines for food producing animals

France

Bovidec, Virbac's first launch of a vaccine for food producing animals in France



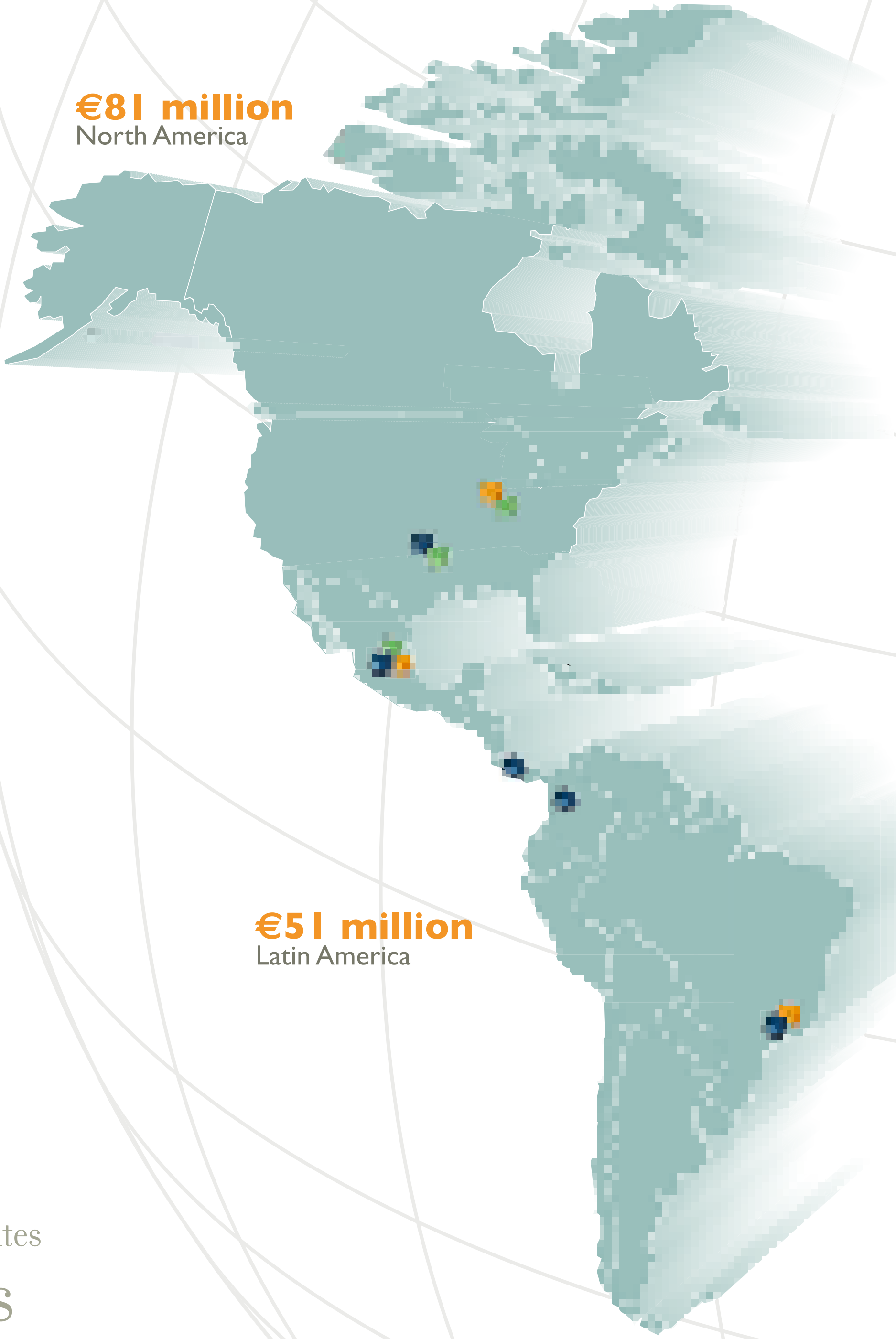
Virbac worldwide

623 M€
Turnover

Present in over 100 countries

R&D centers on 5 continents

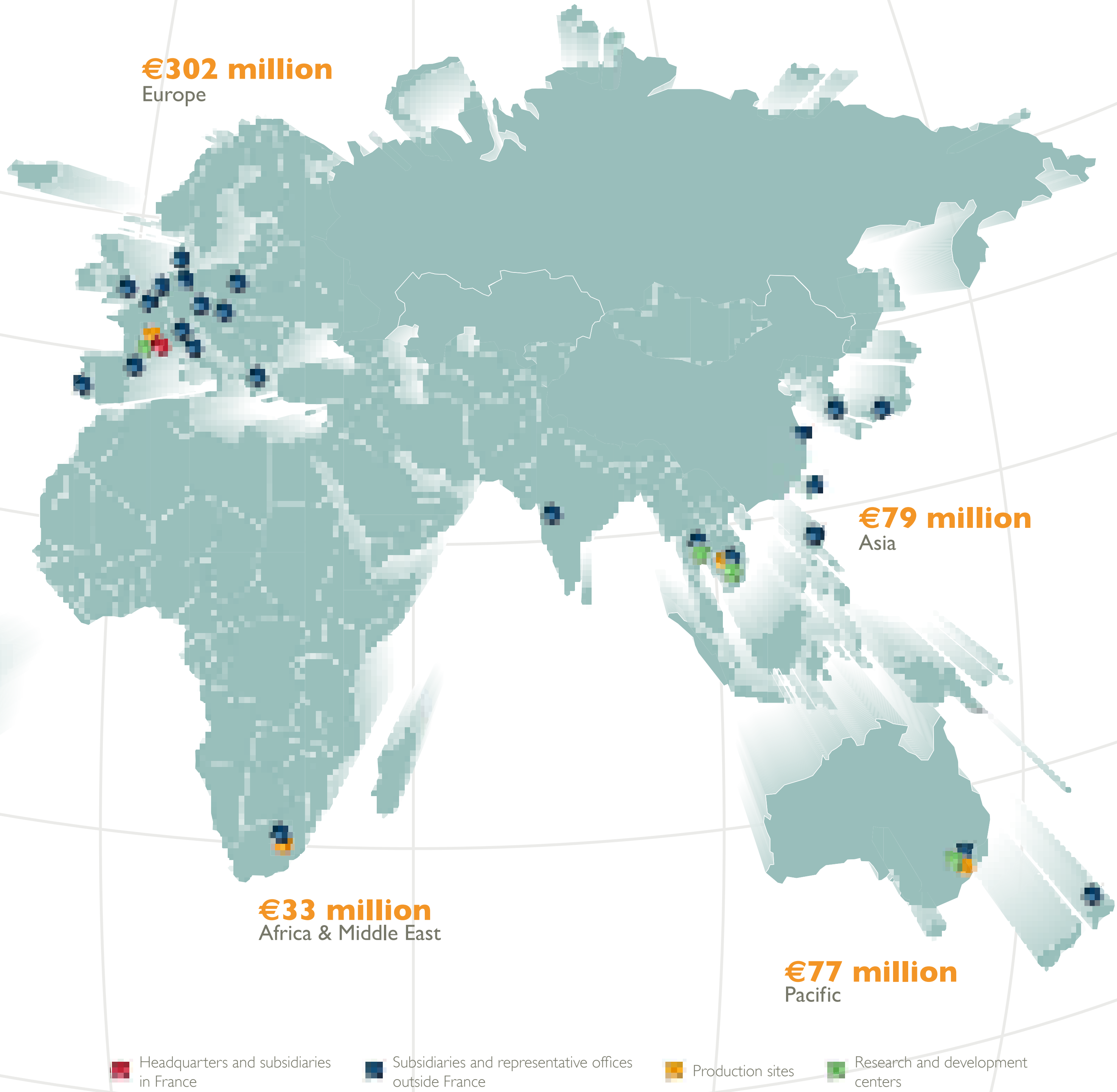
Production sites in 7 countries



28 sales subsidiaries
outside France

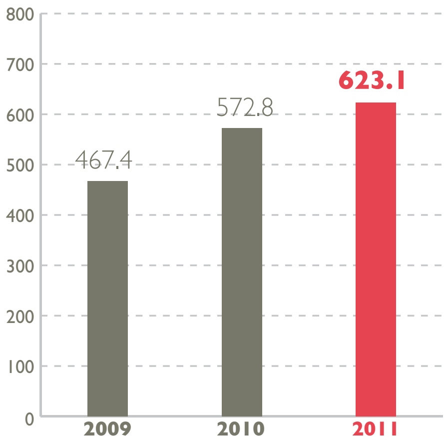
More than 3 500 employees
(including 66 % outside France)

8th veterinary company worldwide

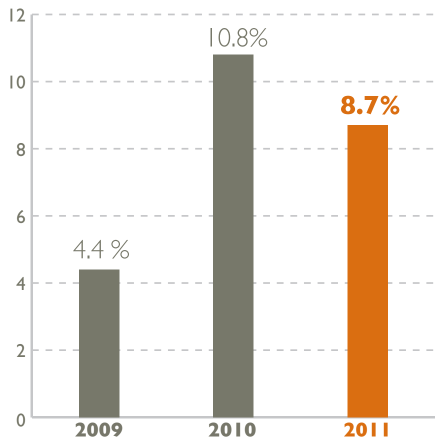


Key figures

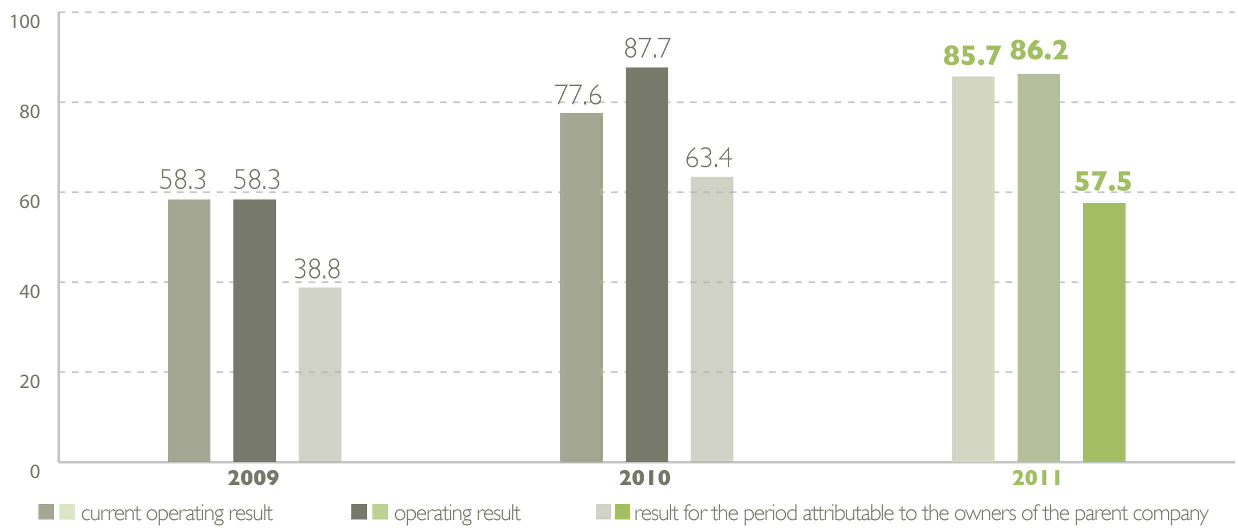
Net sales
(in € million)



Organic growth
like-to-like exchange rates and scope

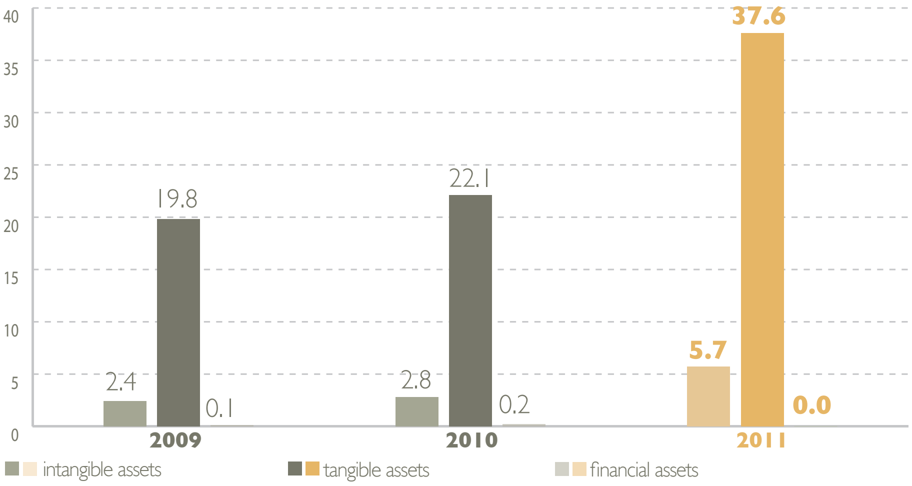


Results
(in € million)



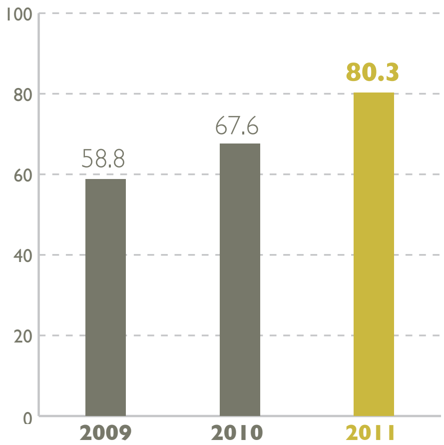
Investments

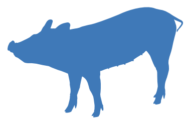
(in € million)



Cash flow

(in € million)

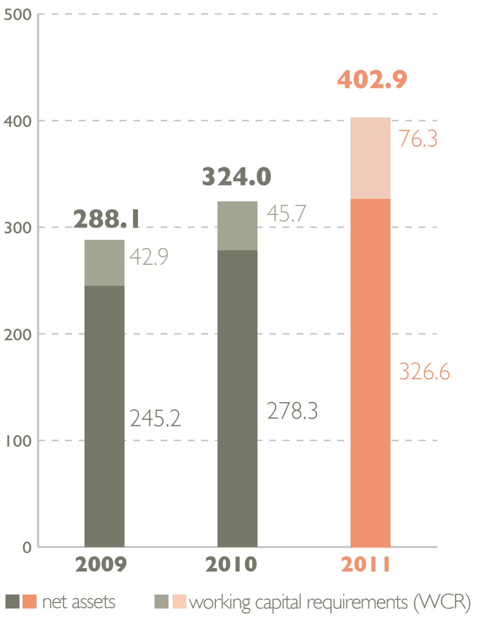




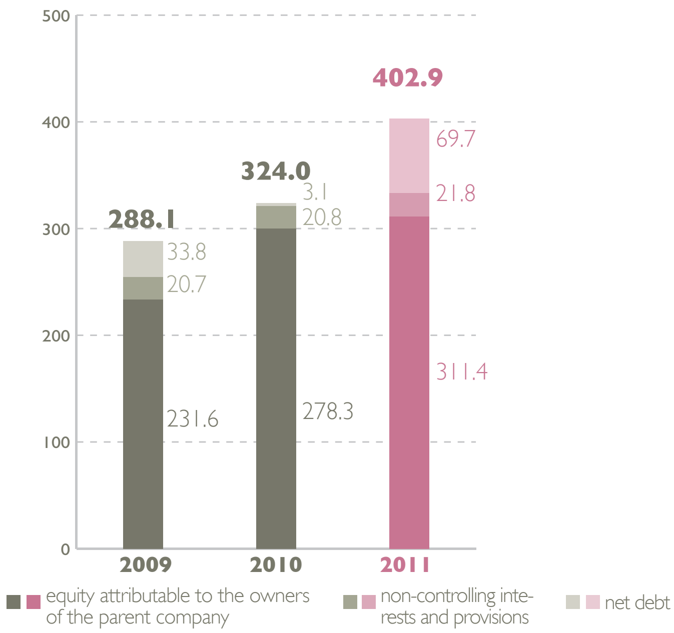
Financial structure

(in € million)

Capital employed



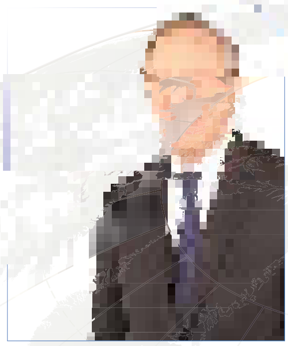
Financing



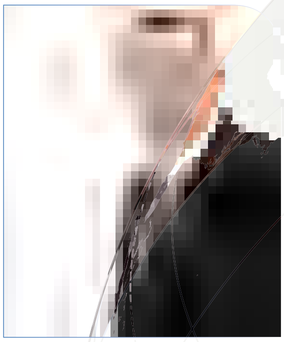
Corporate governance

Executive board

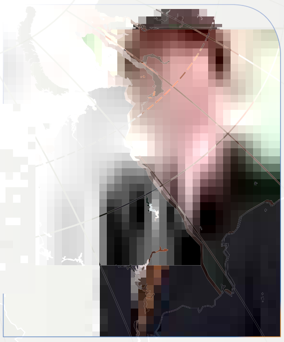
The executive board is responsible for the strategic and operational management of the company.
It has five members. The executive board is assisted by a strategic committee which brings together area and heads of major corporate function directors.



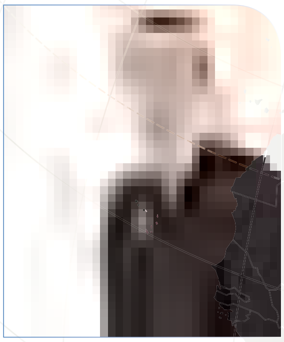
Éric Marée, chairman of the executive board



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

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
Olivier Bohuon
Philippe Capron
Pierre Madelpuech, permanent representative of the company Asergi
Xavier Yon, permanent representative of the company XYC

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, Olivier Bohuon and Pierre Madelpuech.

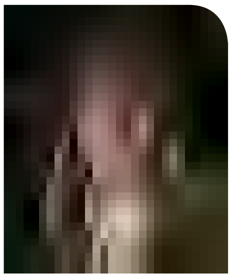
Compensation committee

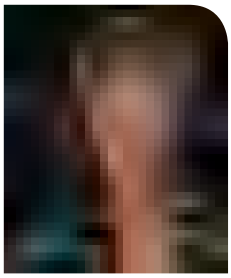
The compensation committee is responsible for:
• drawing up recommendations and proposals regarding the compensation of members of the executive board;
• staying informed of the Group's general HR policy and more specifically the compensation policy for the Group's principal executives;
• reviewing proposals 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, Olivier Bohuon and Xavier Yon.

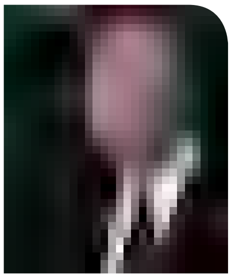
Statutory auditors

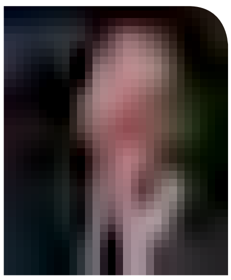
Deloitte & Associés, represented by Hugues Desgranges
Novances-David & Associés, represented by Jean-Pierre Giraud

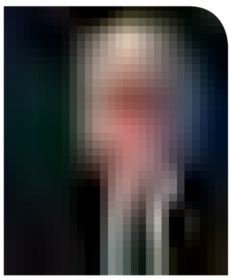

Marie-Hélène Dick


Jeanine Dick


Olivier Bohuon


Philippe Capron


Pierre Madelpuech


Xavier Yon

Sailing sponsorship

10 years of involvement

Virbac-Paprec 3: victory on every sea

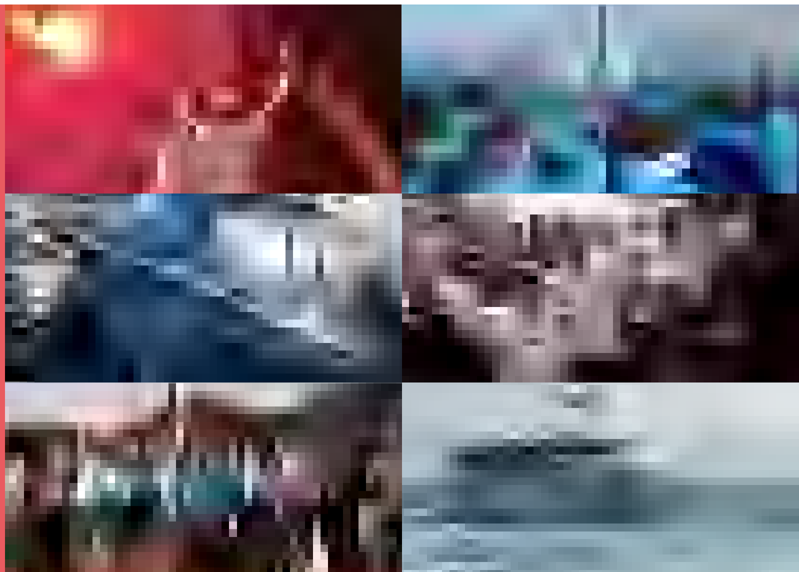
4 April 2011: Jean-Pierre Dick wins a formidable second victory at the Barcelona World Race. The veterinarian-cum-skipper's repeat triumph follows his 2008 victory in world tour. He finishes the double-handed race in 93 days with Loïck Peyron. Together, they beat the record for distance covered in 24 hours in an Imoca 60. In Barcelona, more than 80 Virbac France and Virbac Spain customers and employees aboard escort boats came out to witness them crossing the finish line. They celebrated the victory with the champions at a grand gala in their honour. A few days later, Jean-Pierre was hosted in Carros by more than 200 employees and Éric Marée, chairman of the executive board, who lauded "*his performance, skill and humility*".

Second major race of the year: the Transat Jacques Vabre and a new victory for Virbac-Paprec 3. The turbulent start to the race, postponed due to unfavourable weather conditions, could not shake the focus of the sailors. On 18 November, Jean-Pierre and his co-skipper, Jérémie Beyou, crossed the finish line after having dominated the race for eleven consecutive days. This was the third win for Jean-Pierre and a new record for Virbac-Paprec 3, as it beats the previous best time by one hour seven minutes. The enthusiasm of the veterinarians and employees could not be dampened neither by setbacks nor late hours! More than 70 came to Le Havre to support Jean-Pierre before the start and, despite the late hour of arrival in Puerto Limón, the entire Virbac Costa Rica team came out to welcome their victors.

A direct consequence of the success on the high seas was the media attention garnered throughout 2011, among the most intense since the project was inaugurated in 2001. The triumph at the Barcelona World Race was mentioned or appeared in the press 4,600 times and represented the equivalent of five hours of TV air time and four hours of radio time. The victory at Transat Jacques Vabre was also extensively covered in the media. Virbac-Paprec 3 was even featured several times in the French press headlines. As a result, according to one of the main audience research companies, 97% of the French population was exposed to the subject at least once.

JEAN-PIERRE DICK NAMED SAILOR OF THE YEAR 2011

Jean-Pierre Dick was chosen sailor of the year for 2011 in early December. The 46 year-old veterinarian-cum-skipper was awarded for winning five major victories in his ten years of racing by a jury presided over by former sailor Isabelle Autissier and comprised of representatives from the sailing community, journalists, members elected by the French Sailing Federation (FFV), and internet voters. He is the 11th sailor to receive the prize created by the FFV in 2001. Jean-Pierre Dick follows in the footsteps of Antoine Albeau, who was a world champion several times in various windsurfing disciplines, and even going further back, he was preceded by Michel Desjoyeaux, one of the most highly-awarded solo sailors of all times.



The fruits of a long lasting partnership

In 2001, Jean-Pierre Dick, a doctor of veterinary medicine, became a professional sailor. Ten years later, his dedication has paid off – his performances won him the 2010 Imoca world champion crown and the peer-elected 2011 sailor of the year title (*see box*). At his side since the beginning, Virbac has harnessed the media exposure he received to promote the veterinarian profession and animal health. Virbac employees regularly meet for the sailing events and daily race updates are given. Veterinarians are invited to accompany Virbac-Paprec to the start and finish lines or even to sail with their former colleague. Over the course of this 10-year partnership, there have been more than 80 events organised with close to 1,600 clients invited.

In 2011, Virbac renews its support for Jean-Pierre through its announcement to partner with him in the 2013 Multi One Championship. The stopovers of this international circuit with a MOD70 trimaran (Multi One Design 70^{ft}) provide new opportunities to bring together customers and employees from the Group subsidiaries across the globe. But before this trimaran adventure begins, Jean-Pierre will sail the monohull for the last time in November 2012, as he strives to win the Holy Grail of long races, the Vendée Globe.

MAJOR ACHIEVEMENTS

2011: winner of the Transat Jacques Vabre (with Jérémie Beyou)

2010-2011: winner of the Barcelona World Race (with Loïck Peyron)

2010: 4^{th} in the Route du Rhum

2007-2008: winner of the Barcelona World Race (with Damian Foxall)

2006: 3^{rd} in the Route du Rhum

2005: winner of the Transat Jacques Vabre (with Loïck Peyron)

2004-2005: 6^{th} in the Vendée Globe

2003: winner of the Transat Jacques Vabre (with Nicolas Abiven)

2001: winner of the Tour de France à la Voile

Sustainable development

Company profile

Strategy and analysis

Organisational profile

Report parameters

Governance, commitments, and engagement

Performance indicators

Economic

Environment

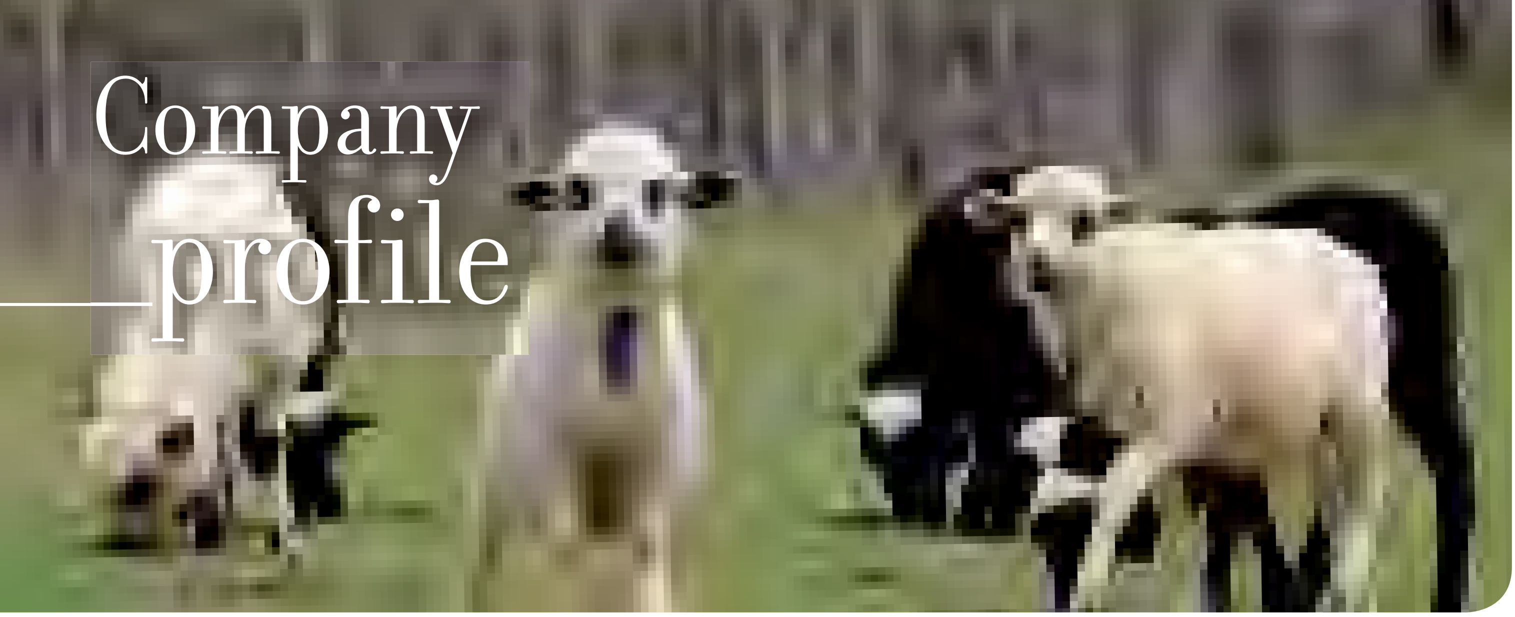
Social: labour practices and decent work

Social: human rights

Social: civil society

Social: product responsibility

In order to comply with the French law Grenelle 2 (legislative decree No. 2012-557 of 24 April 2012 regarding corporate transparency on social and environmental issues), Virbac is publishing its 2011 Sustainable Development report according to the GRI international standard guidelines 3.0 – application level B.



Company profile

Strategy and analysis

1.1 Statement from the most senior decision-maker of the organisation and its strategy

Reporting its long-term development is a natural move for Virbac, for multiple reasons.

The majority of Virbac's capital is controlled by one family, that of the founder, Dr. Pierre-Richard Dick. His profoundly humane values have marked the company and are the foundation upon which the strategy is built. The ability to envision the long term and act accordingly, runs in the company's blood, as is the case with many family owned businesses. Furthermore, being a listed company only serves to advance this vision as increasingly more shareholders favour companies whose strategies incorporate sustainable development goals which do not impede economic performance, but rather actually promote growth.
Virbac's mission of developing, manufacturing and selling veterinary medicines and more generally animal health products, places it squarely at the heart of the food chain. Its clients – veterinarians and farmers – are increasingly concerned about their impact on the environment and human health. Virbac has, thus, naturally focused its activities accordingly.

The Group's rapid growth, on average 9% per year over the previous five years, simultaneously strengthens the Group's local and global nature, which in turn generates additional demands. Virbac is firmly anchored in its land of origin, the Côte d'Azur region, where it recently became the largest local company. Its visibility is growing with an expanding workforce and investments in its native lands. As such, it should seek to set both a social and environmental example for its employees and community. Additionally, Virbac is now a global company, with more than 50% of sales made outside Europe and 28 subsidiaries spread across every continent. The company must ensure that its development respects certain common guiding principles, regardless of where it is operating, particularly in social and environmental issues – all the while incorporating development targets.

The year 2011 marked a new phase in this approach. The decision to standardise its operations within the framework of the GRI (Global reporting initiative) is a clear display of the company's determination to measure its economic, environmental and social performance in all its dimensions, systematically identify the areas for improvement, and implement ambitious action programmes. However, it had already laid a solid foundation in the three areas of sustainable development.

In the social sphere, respect for humankind has been one of the key values of the founder of the company: the pursuit of real social dialogue, a remuneration and social protection policy that favours employees at the lower end of the salary scale, and the confidence and interest shown in every employee thus represent some of Virbac's traditional values. The company is committed to preserving and fostering this legacy by complementing it with ambitious skills development policies.

In the environmental sphere, the company's operations guarantee high levels of quality (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 use. The search for energy savings and respect for the environment are increasingly integrated on a systematic basis into the process by which key company decisions (on investment, transport, product design, etc.) are made.

In the financial sphere, the company's goal is to continue posting the steady and profitable growth it has seen almost anually since it was founded. This development is primarily based on solid organic growth, driven by innovation and the

strength of Virbac's customer relationships. The company regularly boosts its development through targeted acquisitions, all the while 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.
Without resorting to extreme communication efforts, Virbac has been implementing an authentic approach targeting long-term development that respects clients, employees, shareholders, partners and its environment.

Éric Marée

1.2 Description of key impacts, risks, and opportunities

In its capacity as a veterinary pharmaceutical laboratory, Virbac provides veterinarians and farmers with medicines and vaccines that improve the health of food producing animals, as well as create a more abundant global supply of meat and milk that is higher quality and cheaper. The challenge is to meet the constantly growing quantitative and qualitative demands for food from the increasing global population that seeks to better feed itself.

Virbac also provides veterinarians and companion animal owners with medicines, vaccines and health products that extend the longevity of their animals and improve their quality of life. This, in turn, improves the well-being of the owners and is, therefore, a particularly important benefit for people who live alone.

Virbac's R&D efforts have led to the development of treatments and vaccines against infections that still remain poorly treated (e.g. the vaccine and treatment against canine leishmaniosis) or which present a new risk for an epizootic.

The primary risks for Virbac and all veterinary pharmaceutical laboratories are the following:
• producing medicines or vaccines of inadequate pharmaceutical quality, which could have potentially damaging effects on the health of animals and, therefore, humans. The obligation to obtain marketing authorisations (MA) from the health authorities, the obligation to conform to Good laboratory practices and Good manufacturing practices, and the implementation of adequate quality control and quality assurance structures reduce the Group's exposure to this risk;
• lacking sufficient innovation to meet veterinarian demands, due to several reasons:
- insufficient R&D budget;
- too few quality projects that would facilitate obtaining new molecules, new pharmaceutical forms, or new vaccines;
- assuming excessive risk in countries with lacking regulation, which could potentially feed dangerous products into the market;
- excessive caution in well regulated countries that could lead to weak innovation, thereby undermining the Group.
• incurring environmental risks or health risks for employees due to the inadequate control of materials in the composition of medicines or those used in the R&D or production processes.

Just as for any industrial company, there are opportunities for improvement in the environmental sphere:
• the industrial policy that encourages producing locally (from one to three production sites per large global region) is important for limiting the transport of finished goods. There are, however, opportunities for optimising the transport of finished goods, as well as raw materials, that could further limit CO_2 emissions;
• energy use at the various production sites could be further reduced by optimising processes, improving the insulation at operations buildings, and ensuring that new buildings meet higher environmental quality standards. Water use could also undergo further optimisation. It is possible to increase the quantity of recycled materials used in finished goods, within the limits imposed by pharmaceutical regulation. The volume of waste generated from the various sites could be further cut and the percentage of waste sorted could be increased.

In the social sphere, the key areas of improvement are enhancing the safety of workers in the workplace: reducing accidents in the workplace and improving protection against potentially hazardous materials, ergonomics, and psychosocial risk management. Ongoing skills development through training and enhanced diversity management are also areas of continuous improvement for Virbac.

In the economic sphere, there are three areas of improvement:
• assisting our customers on how to better prescribe and use our products by promoting the responsible use of veterinary medicines through tailored support and training activities;
• further developing our relations with suppliers engaged in sustainable development practices;
• expanding risk management practices throughout the Group.

Organisational profile

2.1 Name of the organisation
See pages 16, 95, 128 of the annual report.

2.2 Primary brands, products, and/or services
See pages 4, 5, 136 of the annual report.

2.3 Operational structure of the organisation, including main divisions, operating companies, subsidiaries, and joint-ventures
See page 128 of the annual report.

2.4 Location of organisation's headquarters
See page 95 of the annual report.

2.5 Number of countries where the organisation operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report
See pages 6, 7 of the annual report.

2.6 Nature of ownership and legal form
See pages 58, 65, 95 of the annual report.

2.7 Markets served (including geographic breakdown, sectors served, and types of customers/ beneficiaries)
See pages 49 and following.

2.8 Scale of the reporting organisation
See pages 8, 9, 72 and following .

2.9 Significant changes during the reporting period regarding size, structure, or ownership
See pages 53, 58 of the annual report.

2.10 Awards received in the reporting period
No awards were received in 2011.

Report parameters

3.1 Reporting period (e.g. fiscal/calendar year) for information provided
1 January 2011 – 31 December 2011

3.2 Date of most recent previous report (if any)
This document is Virbac's third annual sustainable development report and the first using the GRI format.

3.3 Reporting cycle (annual, biennial, etc.)
Annual

3.4 Contact point for questions regarding the report or its contents
Arnaud Brisset
Corporate Communications manager
arnaud.brisset@virbac.com

3.5 Process for defining report content
"Sustainable development" internal working group led by the chairman of the executive board.

3.6 Boundary of report (e.g. countries, divisions, subsidiaries, joint-ventures, suppliers)
For all social indicators, the boundary covers the primary Group subsidiaries: France, Mexico, United States, Australia, South Africa, India, Germany, Spain, Italy, United Kingdom, Brazil and Japan.

For environmental indicators, the boundary covers the primary production sites: France (Carros and Vauvert), Mexico, United States, Australia, South Africa and Vietnam.

Outside these two specific boundaries, all data provided cover the whole of the Group or highlight a particular country.

3.7 State any specific limitations on the scope or boundary of the report
The environmental reporting covers all production sites (with the exception of the use of packaging items and CO_2 emissions) for which the reporting accounts for more than two-thirds of Group sales. The social reporting, which includes the 12 largest countries in the Group, covers 86% of the global workforce (3,002 out of 3,509 people).

3.8 Basis for reporting on joint-ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organisations
In 2011, there were no unreported operations that could have had an impact on results or changes to the reporting methodology that could have undermined comparison with previous years.

3.9 Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the indicators and other information in the report

For all accounting-related Group information, IFRS financial standards apply. Any non-accounting related data would come from internal analytical reporting carried out by the Group.

3.10 Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statements (e.g. mergers/acquisitions, change of base years/periods, nature of business, measurement methods)

In the event of amendments, they should be explained in the relevant section.

3.11 Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report

In 2011, changes to the boundary were very minor and there were no changes made to measurement methods. These small changes had no impact.

3.12 Table identifying the location of the standard disclosures in the report

This document maintains the exact structure of the GRI framework.

3.13 Policy and current practice with regard to seeking external assurance for the report

This first report using the GRI structure was drafted without outside assistance.

Governance, commitments, and engagement

4.1 Governance structure of the organisation, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organisational oversight
See pages 10, 11, 78 and following of the annual report.

4.2 Indicate whether the Chair of the highest governance body is also an executive officer
See page 58 of the annual report.

4.3 For organisations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members
See page 78 of the annual report.

4.4 Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body
As regards employees, three elected from amongst the personnel are invited to all supervisory board meetings. In France, the chair of the executive board presides over the Works council and actively participates. The same applies to the CHSCT (Health, safety and working conditions committee).

For shareholders, the annual shareholders' meeting and the www.virbac.com website are two channels of communication available for sending requests.

4.5 Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organisation's performance (including social and environmental performance)
See pages 58 to 63 of the annual report.

4.6 Processes in place for the highest governance body to ensure conflicts of interest are avoided
See page 151 of the annual report in french: Special report of the statutory auditors on the regulated conventions and commitments (not available in English).

4.7 Process for determining the composition, qualifications, and expertise of the members of the highest governance body, including any consideration of gender and other indicators of diversity
The recruitment process for independent members of the supervisory board exclusively comply with the skills criteria specific to the area and industrial sector. The independent members make up half of the supervisory board.

4.8 Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation
Virbac values – innovation, customer-driven, entrepreneurship, empowerment, and team work – are widely encouraged throughout all its sites and incorporated into each important company event. They are explicitly and systematically explained during the presentation made by one of the Group managers for all newcomers. This presentation, the "Virbac Way", illustrates how the company values and guiding principles of the strategy are implemented in the various Group entities. The Group code of ethics and other codes of best practices are also presented to all newcomers and may be easily accessed on the intranet.

4.9 Procedures of the highest governance body for overseeing the organisation's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence to or compliance with internationally agreed standards, codes of conduct, and principles

A Risk Management department was created at the end of 2009 and placed within the purview of the executive board with a two-pronged objective: mapping the major risks of the Group and developing a mechanism to reduce the company's level of exposure to priority risk areas.

In 2010, the first initiatives helped define a mapping of the Group's major risks. The risks identified are representative of the economic, environmental and social risks, among others, that the company faces.
The mapping was presented to the Group's audit committee which validated the content.

In 2011, risk owners were appointed. Their role is to define, implement and oversee action plans for priority risks. From 2012 on, the outcomes of these action plans will be presented each year to the company's audit committee.

4.10 Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance

Virbac has a supervisory board and executive board. The environmental, social and economic performance is closely monitored by the supervisory board. For further information, consult the report of the chairwoman of the supervisory board on pages 78 and following of the annual report.

4.11 Explanation of whether and how the precautionary approach or principle and its actions are addressed by the organisation

Given the nature of pharmaceutical activities, Virbac systematically abides by the principle of precaution. However, the Group ensures that this principle does not disproportionately impact the innovation process by prioritising, where appropriate, the risk/benefit analysis.

4.12 Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organisation subscribes or endorses

Virbac's commitments are based on the principles set out in the following international documents:
• the Universal Declaration of Human Rights;
• the international conventions of the International Labour Organisation;
• the guiding principles of the Organisation for Economic Co-operation and Development as regards multinational companies.

4.13 Memberships in associations and/or national/international advocacy organisations in which the organisation: has positions in governance bodies; participates in projects or committees; provides substantive funding beyond routine membership dues; or views membership as strategic

Similar to all other large veterinary pharmaceutical laboratories, Virbac belongs to the primary professional organisations representing animal health: IFAH (International Federation for Animal Health) and all its subdivisions (AHI in the United States, IFAH-Europe in Europe, SIMV in France, NOAH in the United Kingdom, etc.).

4.14 List of stakeholder groups engaged by the organisation

The main stakeholder groups engaged by the Group are veterinarians, distributors, farmers, companion animal owners, employees, regulatory authorities, suppliers, shareholders and communities.

4.15 Basis for identification and selection of stakeholders with whom to engage

See point 4.17

4.16 Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group

See point 4.17

4.17 Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting

Listening to stakeholders is a key factor in Virbac's sustainable development strategy in order to be aware of the expectations of customers, employees, suppliers, scientists, residents near its sites, representatives of public authorities, and non-governmental organisations. For example, there are multiple means for communicating with veterinarians (technical call centres in France, United States, etc., multiple markets surveys) that could translate into modifications to existing products, the development of new products or services, etc.

Virbac's approach is to encourage dialogue with stakeholders at the subsidiary level. The company does not consolidate all actions taken by the various subsidiaries in this sphere, except those regarding social issues about which an internal opinion survey, coordinated by headquarters, is performed every two years among all Group employees. Based on the results, the Group is committed to initiatives for progress in terms of management and communication. This approach is appreciated – 84% of its global employees voluntarily participate in the survey.

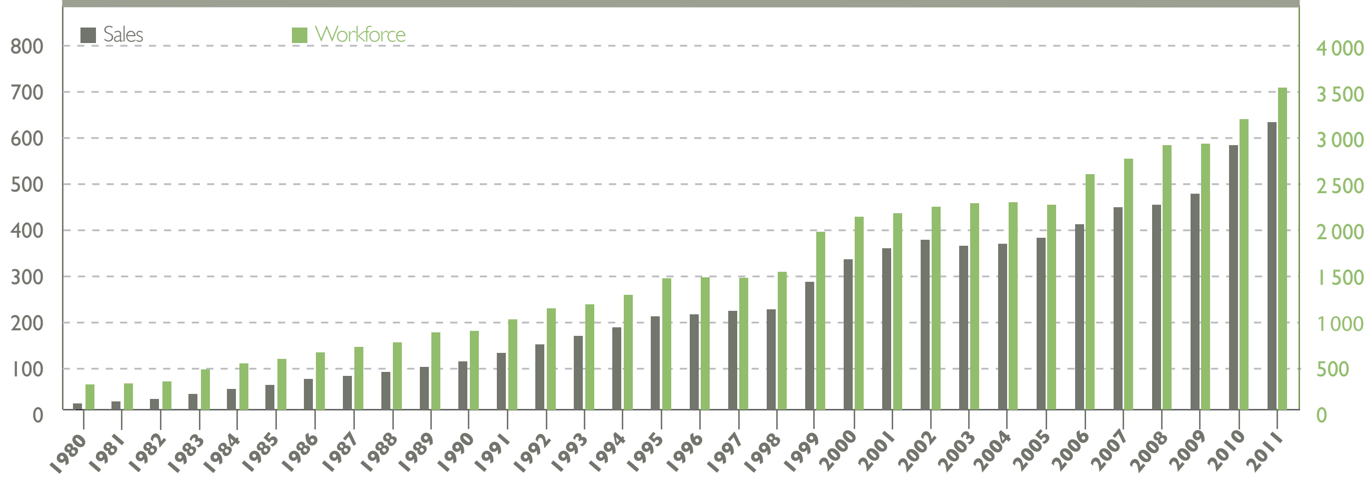
Performance indicators

Economic

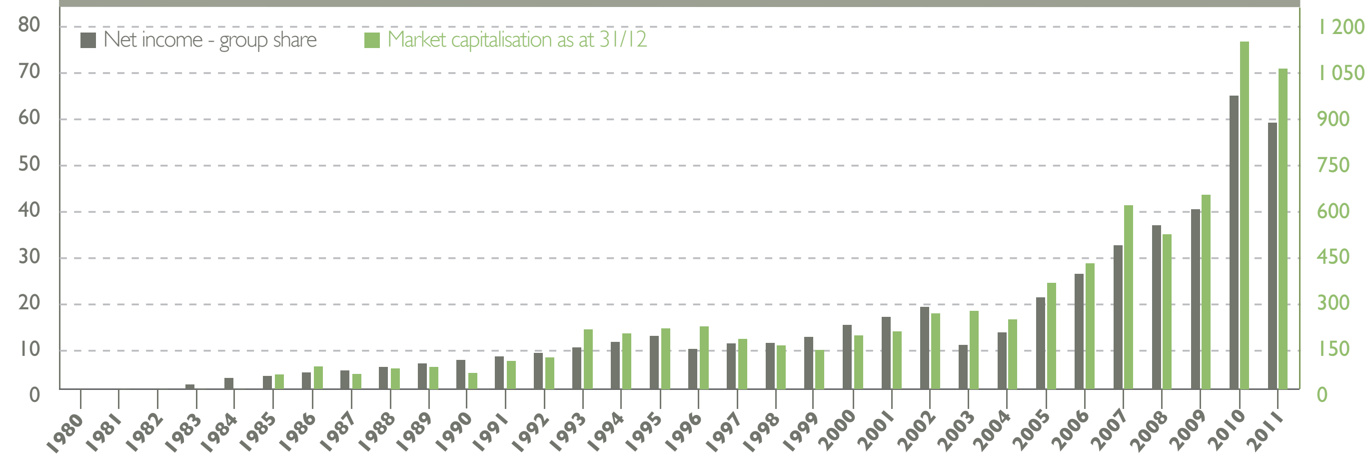
Operating in the field of animal heath for over forty years and as the leading independent operator in the market, Virbac aims to continue its growth in harmony with its environment and the people who work for it, thereby ensuring the Group's long-term survival through profitable and sustainable growth.

Virbac consolidated its growth in 2011, bringing average organic growth over the previous five years to +7.4%. This growth amounts to +8.7% in 2011 and stems from developments in our two main areas of activity: companion animals and food producing animals. Virbac's development is underpinned by the continual launch of new products, the strength of its broad portfolio and a global presence covering all major markets, both in developed and emerging-market countries. This controlled-growth strategy is reflected in steadily growing sales, net profit and workforce. Moreover, Virbac benefits from a stable family shareholder base that prefers steady and long-term growth to short-termism.

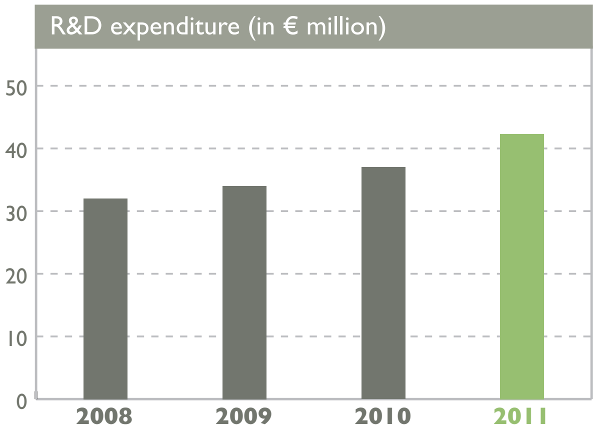
Change in Group sales (in € million) and workforce

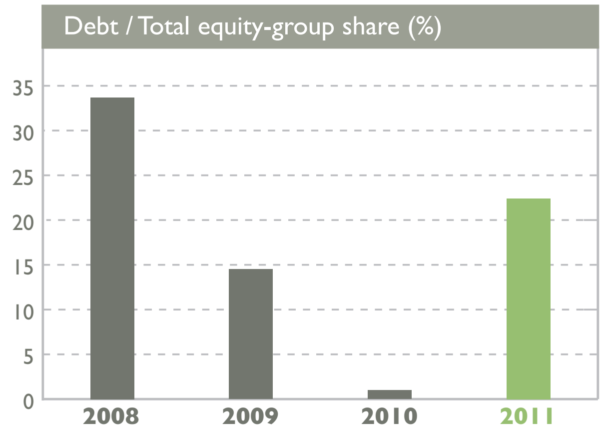


Change in net income and stock market capitalisation (in € million)



Virbac sustains a policy of investment and innovation, which ensures the continuity and independence of the company. Also, thanks to controlled debt, Virbac is able to pursue internal and external growth with full independence. The resources deployed focus on financing innovation that is geared towards satisfying customer needs (close to 6.8% of sales in 2011, increasing by 15%) and provide the Group with the capacities to develop through targeted external growth (acquisitions of companies, products, active ingredients, etc.).





Economic performance

EC1
Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments

For data regarding generated direct economic value, distributed economic value and undistributed economic value, refer to the annual report on pages 76, 92 and following.

EC2
Financial implications and other risks and opportunities for the organisation's activities due to climate change

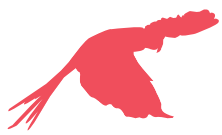
The 2011 report does not cover this issue.

EC3
Coverage of the organisation's defined benefit plan obligations

See pages 61, 113, 114.

EC4
Significant financial assistance received from government

In 2011, Virbac received close to €5.8 million in assistance, primarily in the form of research tax credit in France.



Market presence

EC5
Range of ratios of standard entry level wage by gender compared to local minimum wage and significant locations of operation

In France, 100% of employees' compensation is higher than the legal minimum wage. The base salary policy is +5% above the industry minimum (Union) for all personnel categories. Additionally, for upper management, the policy follows a logic of competitiveness within the animal health market and is at the market median for personnel excelling in their position.

Market
presence

EC6
Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation

Virbac endeavours to work with regional suppliers as long as the conditions offered are competitive and fit Group requirements. Purchases made from the regional suppliers reached 23% of total purchases, or more than €60 million.

EC7
Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operations

The procedure for hiring for key positions consists of first seeking to hire among internal Group candidates, and in certain cases also seeking candidates from outside the company. The decision is taken exclusively on the basis of skills and qualification criteria for the job in question. The nationality of the candidate is not a deciding factor. The senior management at the France headquarters comprises 65 people, three of whom do not hold French citizenship. Among the 12 subsidiaries in the social scope, five are under strictly local management. In the other subsidiaries, there are between one and three foreigners in management.

Proportion of locally hired managers

	Australia	Brazil	France	Germany	India	Italy	Japan	Mexico	South Africa	Spain	USA/ Canada	United Kingdom
Local leaders	57%	100%	95%	100%	100%	84%	100%	86%	89%	72%	63%	100%
Foreign leaders	43%	0%	5%	0%	0%	16%	0%	14%	11%	28%	37%	0%

Average percentage of local leaders in the social scope is 88%. In some cases, Virbac sends employees abroad in order to develop their career internationally and, at the same time, bolster the Group's future ambitions and expand the number of non-French employees in key positions at headquarters.

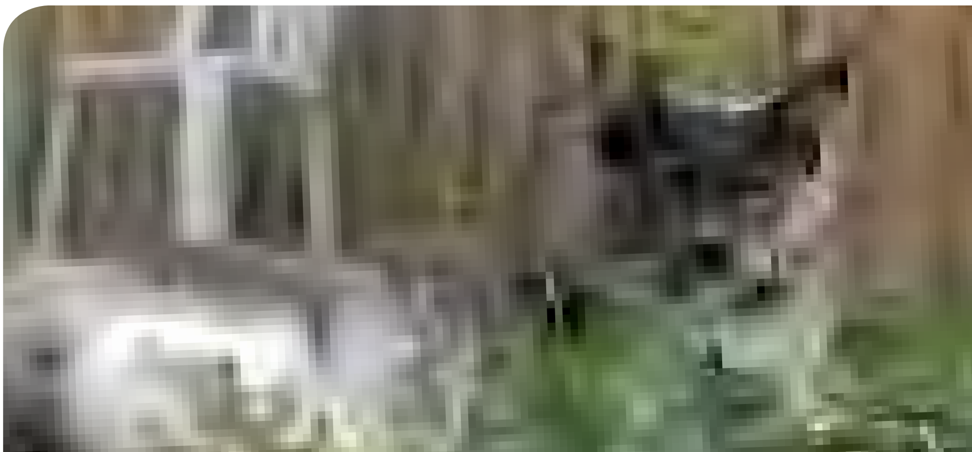
Indirect
economic impacts

EC8
Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement

Examples in France: assistance granted to the Université de Nice foundation and financial contribution to the initiative to sponsor sustainable development to benefit local SMEs.

EC9
Understanding and describing significant indirect economic impacts, including the extent of impacts

The 2011 report does not cover this issue.



Environment

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

Materials

Minimising losses at every stage of the industrial process

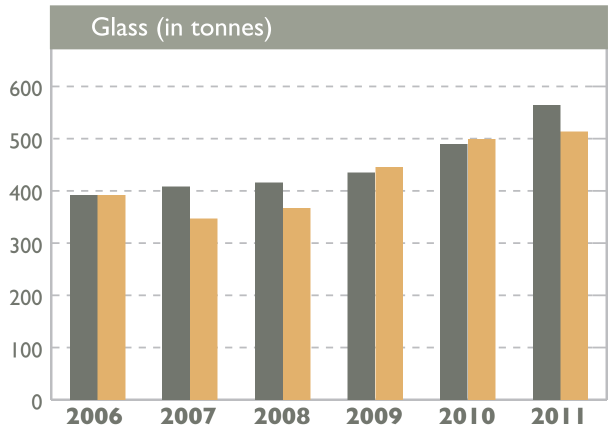
Since the introduction of the continuous improvement project, Virbac has stepped up the fine-tuning of its active ingredients, excipients and packaging use. This enhancement has been achieved via dedicated supplier partnerships: from procurement of the bare minimum (reduction of inventories and internal 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.

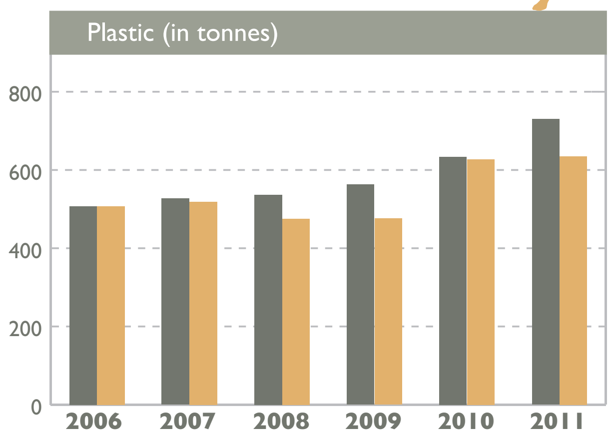
EN1
Material used by weight or volume

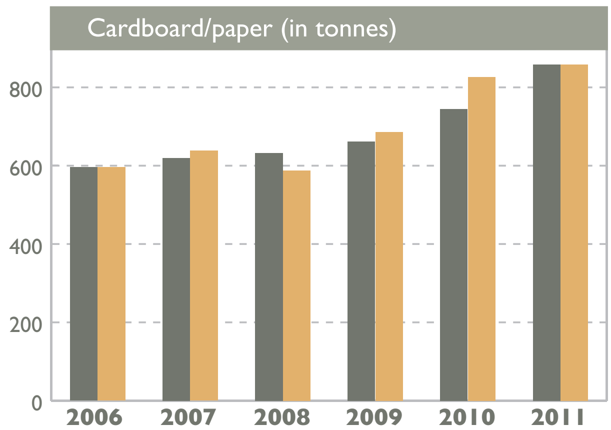
Packaging placed on the market in tonnes

Between 2006 and 2011, the average increase of packaging products was lower than activity (more than a 6% difference)

■ as a proportion of activity ■ used







EN2
Percentage of materials used that are recycled input materials

The pharmaceutical industry imposes strict regulations regarding the purity, quality and stability of primary packaging (that comes into contact with the medication). As such, currently, the materials used cannot come from recycled sources. For secondary packaging (that does not come into direct contact with the medication), Virbac undertakes to use recycled material, as long as it upholds protection and resistance standards. In France, the 480 tonnes of cardboard used for secondary and tertiary packaging are made of 86% recycled fibres. Moreover, where possible, the packaging uses a simplified cardboard structure that lessens the total weight. Example finalised in 2011: all intramammary antibiotic bottles produced at the Carros, France site.

Energy

Lowering energy and natural resource consumption on comparable activity

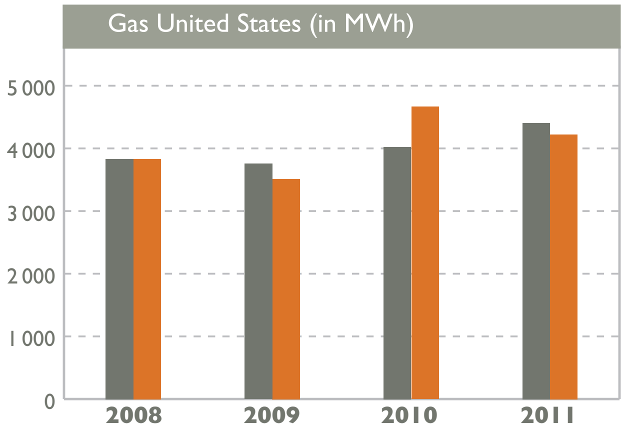
For several years now, Virbac has endeavoured to cut energy and natural resource use through replacing equipment (more efficient), insulating, optimising air conditioning and establishing consumption indicators as close as possible to the end users (better control of energy expenditure). For a comparable volume of activity, overall reduction over the last six years in consumption at the Carros site alone (which represents almost 50% of Group production) amounted to 30% for gas and 22% for electricity. Through significant sharing of energy, the total reduction in consumption between 2010 and 2011 was 15% for gas and 7.5% for electricity.

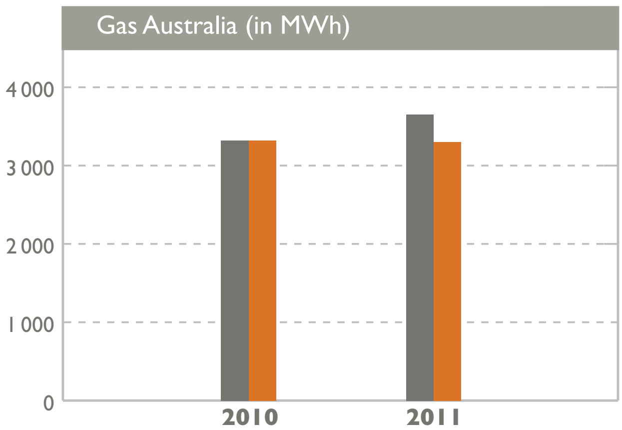
EN3
Direct energy consumption by primary energy source

These graphs compare the annual real consumption with the theoretical consumption the company would have had if it had maintained the same energy performance as the reference year (2008), weighted for activity levels. Activity is defined as: Index base 100 in 2008: added value (direct labour costs + indirect production costs), with the exception of Australia (base 100 in 2010).

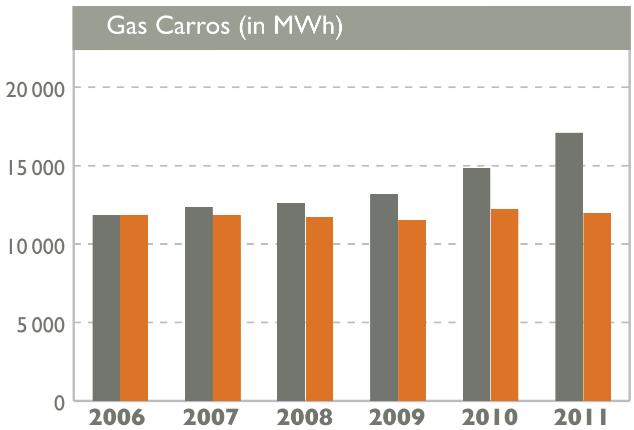
The facilities at the sites in Vauvert (France) and South Africa do not use gas.

■ as a proportion of activity ■ used

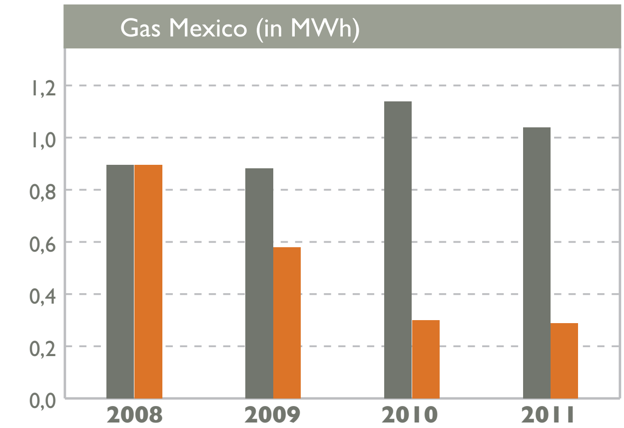




Consumption Australia: heavy maintenance operations on the steam network at the production sites (specifically, replacing obsolete materials and insulating piping) have stabilised gas consumption despite robust growth in activity.



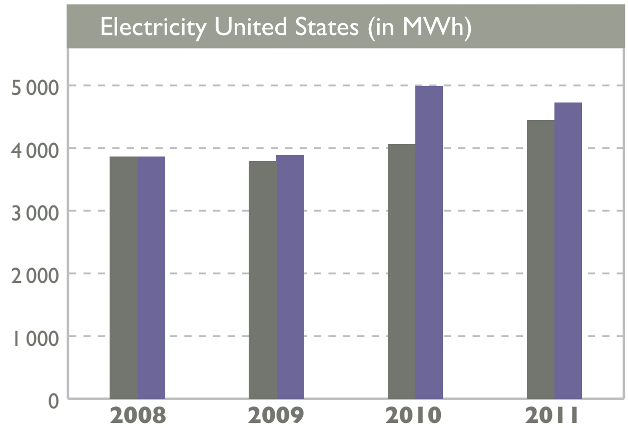
Consumption France Carros: the relative direct energy consumption has declined as the increase in product volumes at Carros makes it possible to better compensate for areas where energy savings cannot be made, such as steam or hot water boilers.



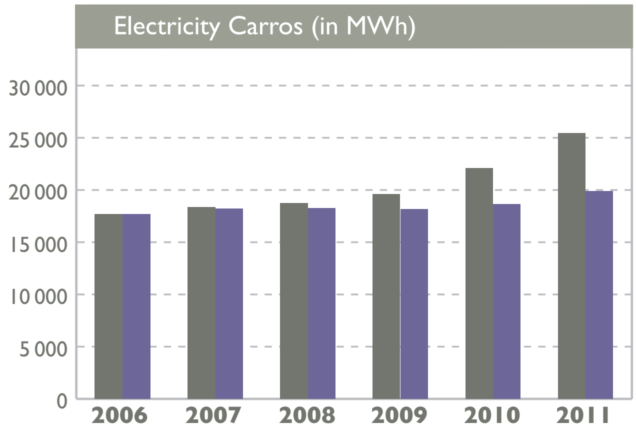
Consumption Mexico: In 2009, a solar heating system for heating running water was installed, enabling savings to be made in gas consumption. Gas energy bills were cut by more than half. Policies applied for limiting electricity consumption also contributed to a decrease in our energy consumption.

EN4
Direct energy consumption by primary source

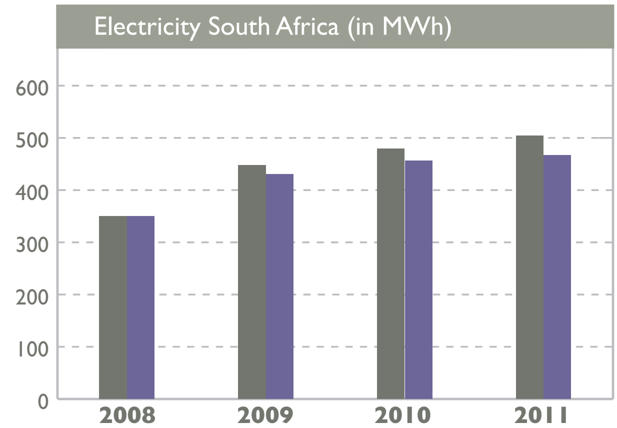
as a proportion of activity   used

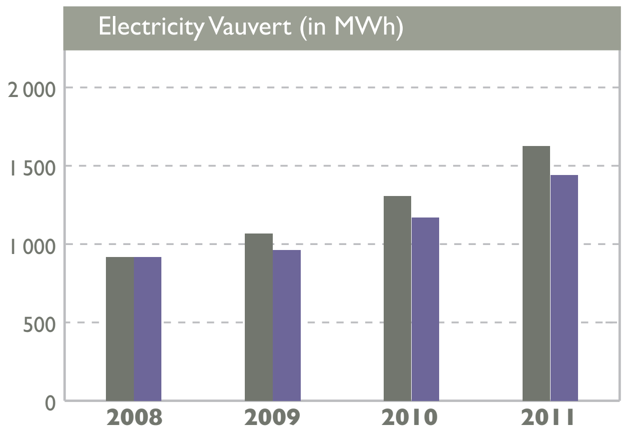


Consumption in the United States: Virbac United States has installed a temperature, humidity and pressure control system in various production and storage areas at its St. Louis site, with the aim of meeting local compliance requirements.

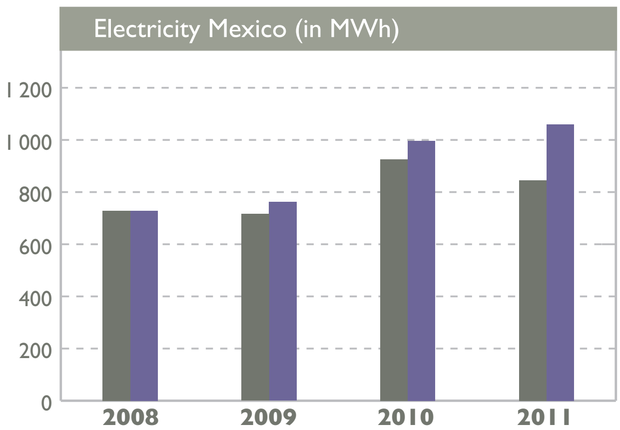


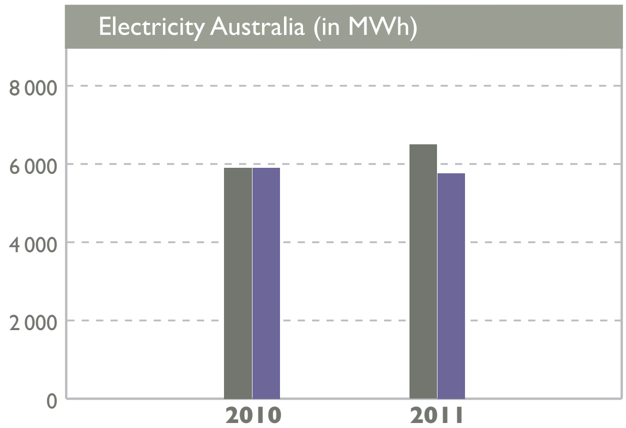
Consumption France Carros: relative energy consumption is falling as the increase in product volumes at Carros makes it possible to better compensate for areas where energy savings cannot be made, such as chilling chambers and air treatment.

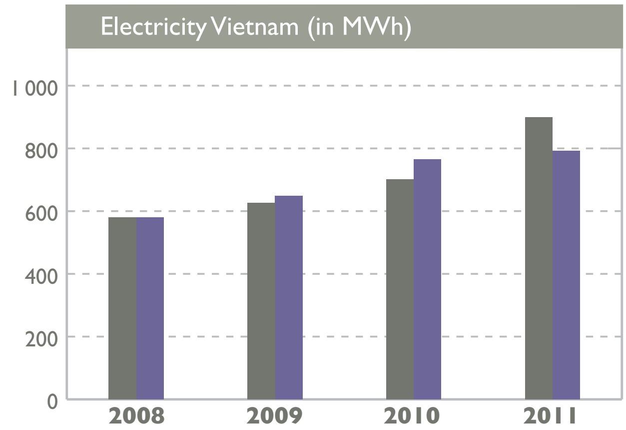




Consumption France Vauvert: the growth in energy consumption – directed tied to the considerable increase in the size of the production and storage buildings – is lower than the growth of product volumes stemming from access to the new Vet Complex ranges.



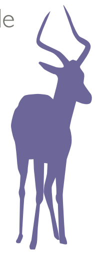




EN5
Energy saved due to conservation and efficiency improvements
The 2011 report does not cover this issue.

EN6
Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives
Virbac endeavours to optimise direct energy consumption facilities. At the Carros site, the company was able to avoid installing a new boiler room for the two new production units for the CaniLeish vaccine launched in May 2011 and injectables which are under construction.

EN7
Initiatives to reduce indirect energy consumption and reductions achieved
In this framework of establishing new production units, Virbac plans to install new energy production facilities such as solar panels. When choosing new equipment, Virbac takes into consideration energy consumption, based particularly on the BAT (Best Available Techniques) applicable to the activity in question.

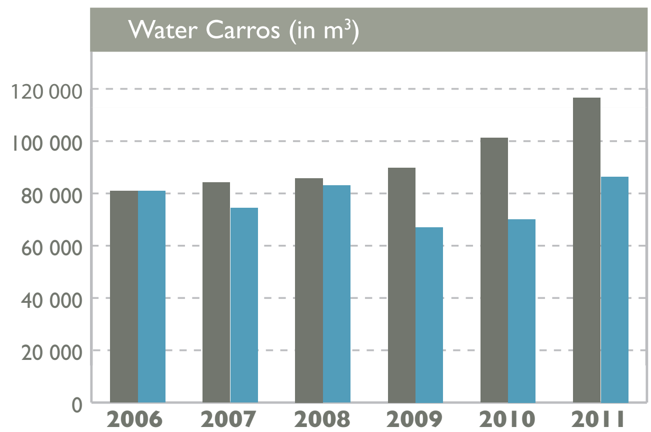


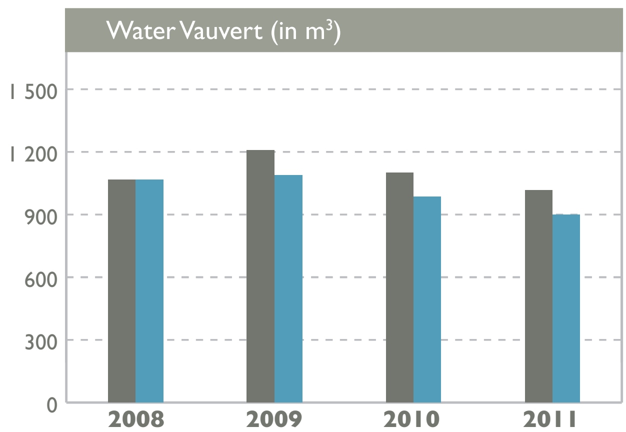
Water

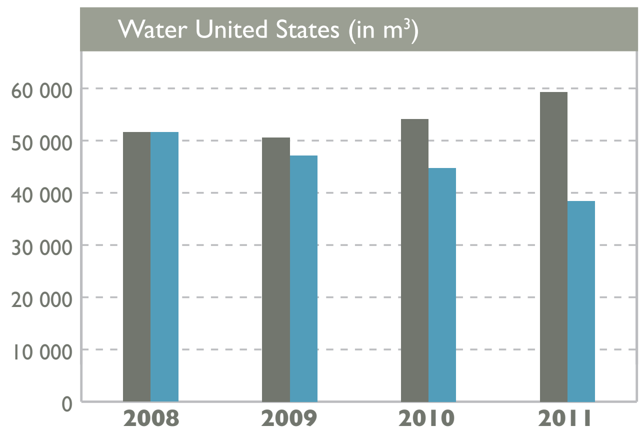
For several years, Virbac has undertaken significant efforts to reduce water consumption in the volume equivalent to activity: by implementing recycling or installing production equipment with quality levels complying with the BAT. Water consumption has been cut close to 26% over the last six years.

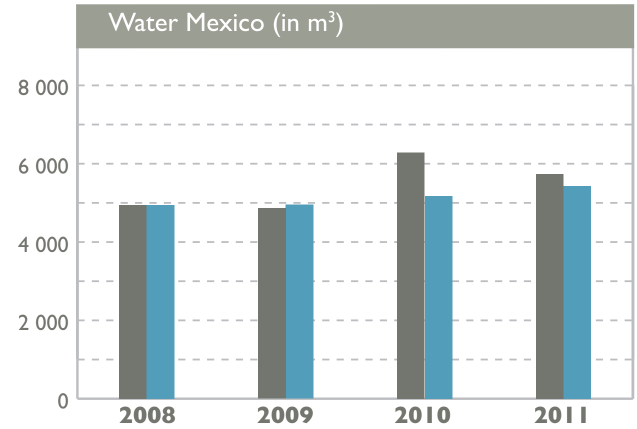
EN8
Total water withdrawal by source

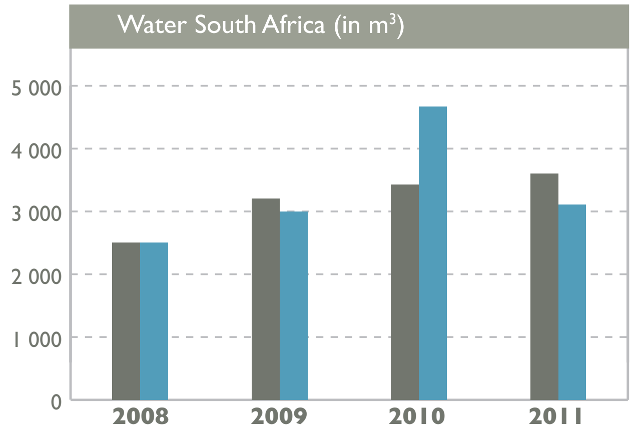
as a proportion of activity
used

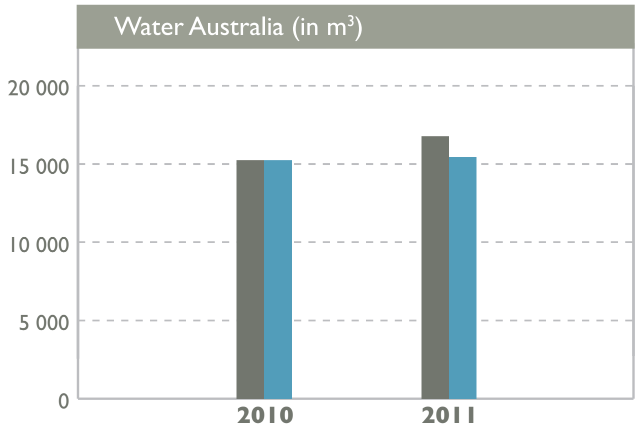


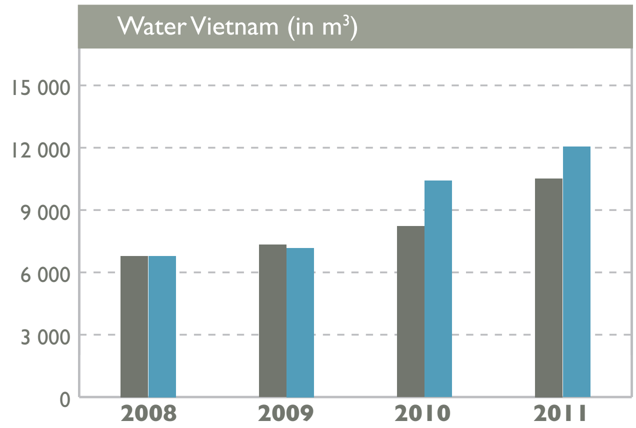






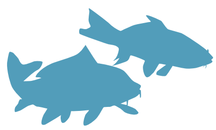






EN9
Water sources significantly affected by withdrawal of water
No Virbac site withdraws quantities of water that could impact the sustainability of the water source in question.

EN10
Percentage of total volume of water recycled and reused
The 2011 report does not cover this issue.



Biodiversity

EN11
Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas
The various Virbac industrial sites at Carros are located along the boundary of the *Plaine du Var*, an Operation of National Interest (OIN). The EPA (French public planning authority) created by the State is responsible for planning the development of the *Plaine du Var* with a view to sustainable development (see www.ecovallee-plaineduvar.com).

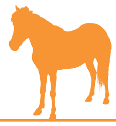
EN12
Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas
The 2011 report does not cover this issue.

EN13
Habitats protected or restored
The 2011 report does not cover this issue.

EN14
Strategies, current actions, and future plans for managing impacts on biodiversity
As regards initiatives, Virbac Mexico, in conjunction with the *Lycée Franco-Mexicain*, ran a waste collection and forest cleanup campaign in 2011 for the largest forest in Mexico: *Bosque de la Primavera*. In terms of biodiversity, this forest is considered by the Mexican government to be one of the key target zones for protection.

EN15
Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk
The 2011 report does not cover this issue.

Emissions, effluents and waste

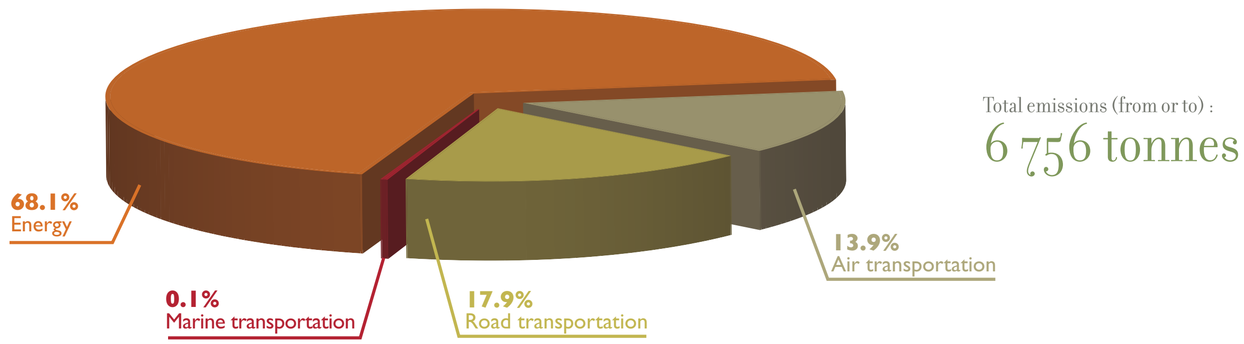


Given the nature of its pharmaceutical manufacturing activity (in particular restrictive technologies), Virbac does not create any visual, noise or smell nuisance. Although Virbac is a non-polluting business, it invests increasingly in respecting the environment: creation of the Industrial Projects department working in close collaboration with the strengthened HSE department and the creation of the Risk Management department. In addition, Group principles on the environment are adapted by subsidiaries to meet different local regulatory requirements.

EN16
Total direct and indirect greenhouse gas emissions by weight

Although the company is not affected by regulation of CO_2 quotas, since it is considerably below the lower limit of 25,000 tonnes per annum, Virbac is committed to managing this greenhouse gas linked to energy consumption (gas and electricity) and transport (by road, air and sea). In France, Virbac emits 6,756 tonnes of CO_2 through its industrial activity. The CO_2 emissions from energy consumption (gas and electricity) were stable between 2010 and 2011. However, the CO_2 emissions calculated for road transport were notably reduced, due in part to a systematic consolidation of several important destinations and also due to the more precise calculation of CO_2/kg emissions for transported materials.

CO_2 emissions (in tonnes)



EN17
Other relevant indirect greenhouse gas emissions by weight

Virbac does not generate other CO_2 emissions, other than those referred to in EN16.

EN18
Initiatives to reduce greenhouse gas emissions and reductions achieved

As regards the transport of finished products, taking into account customer satisfaction, Virbac has implemented a bulk transport system for several national and international destinations, thereby reducing the quantity of CO_2 emitted during transport. For all personnel at the Carros sites, Virbac provides a shuttle that connects the SNCF train station to the industrial area. This shuttle is also used for inter-site transportation as well as for the company restaurant at the industrial area. In 2011, there were more than 1,800 passengers each month. Within the framework of the company commuter plan (PDIE), Virbac is currently implementing an "express shuttle" to connect to various points throughout Nice and the Carros industrial sites. This new line should open in the first quarter of 2012. Since 2010, Virbac has also put into place an incentive-based policy for company vehicles geared towards limiting the carbon footprint.

EN19
Emissions of ozone-depleting substances by weight

Virbac does not generate emissions that depletes the ozone layer.

EN20
NOx, SOx, and other significant air emissions by type and weight

Virbac does not generate NOx or SOx emissions.

EN21
Total water discharge by quality and destination

Given the activities at Virbac's industrial sites, the key pollutant discharged into industrial waters is COD (Chemical Oxygen Demand). Monitoring of this pollutant is performed in compliance with local regulations, particularly at the main Carros site, through the operating authorisation decree defined by the DREAL (France's regional environmental, development and housing department). For 2011, the total discharge of COD from the Carros site was 17,030 kg, only 43% of the authorised threshold.

EN22
Total weight of waste by type and disposal method

Virbac generates two different types of waste: non-hazardous industrial waste and special industrial waste. They are managed via dedicated collection and sorting channels (at the Carros site, overall change in sorting from 61% in 2009 to 67% in 2011) in order to ensure optimal recycling or recovery, depending on their nature.

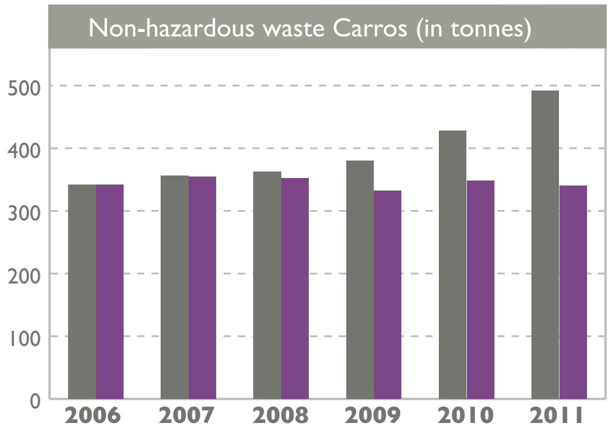
Improving sorting at source and reducing the volume of non-hazardous industrial waste

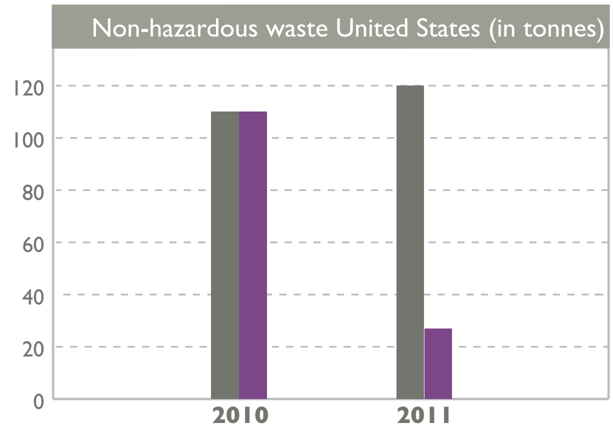
Since 2003, Virbac has participated in the implementation of a collection system for non-hazardous industrial waste (aluminium, iron, glass, cardboard, plastic, paper, etc.) at the Carros industrial area. This specific system (regularly studied by local authorities or other industrial areas looking to 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, etc.).

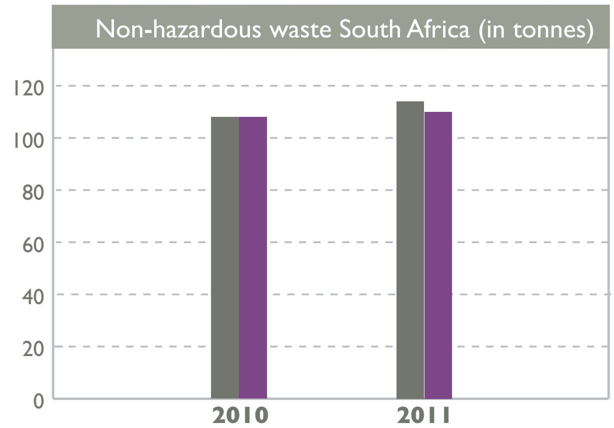
Thus, at the Carros sites, compared to an identical volume of activity, the quantity of non-hazardous industrial waste has fallen by 31% over the last six years.

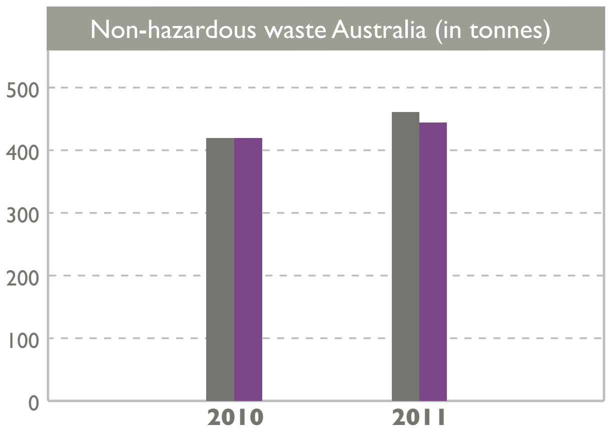
Another initiative was at the United States St. Louis site where, in 2011, the two 5,000 gallon reservoirs for special waste regulated by the EPA were converted into non-hazardous waste through a multi-flow sorting system.

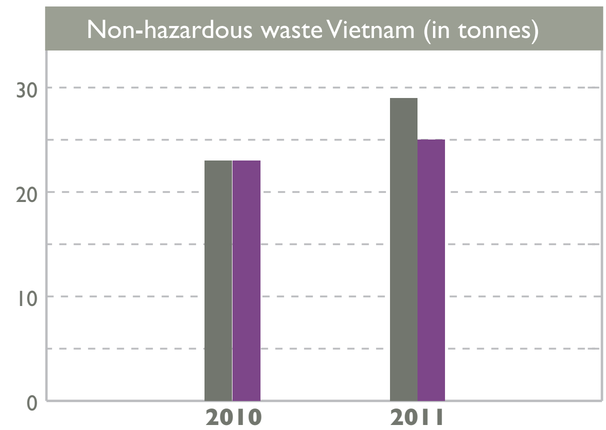
as a proportion of activity   used







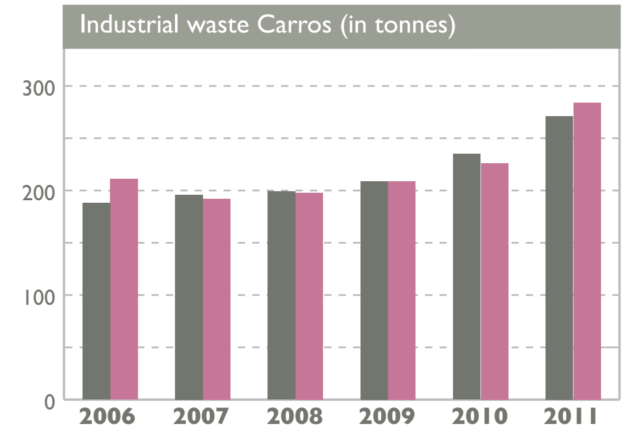


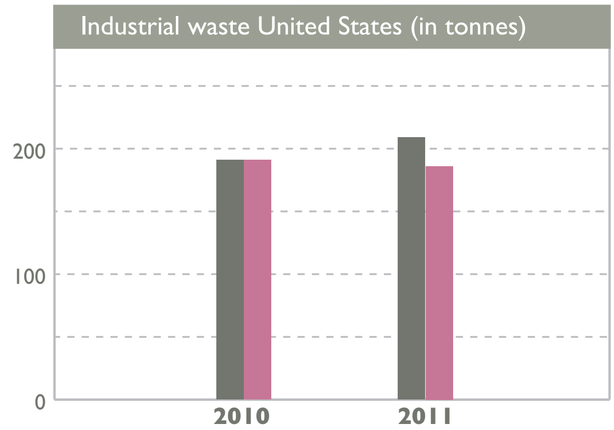


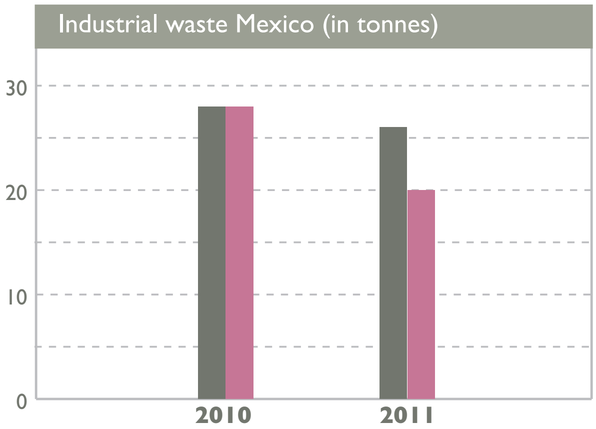
Bringing volumes of special industrial waste under control

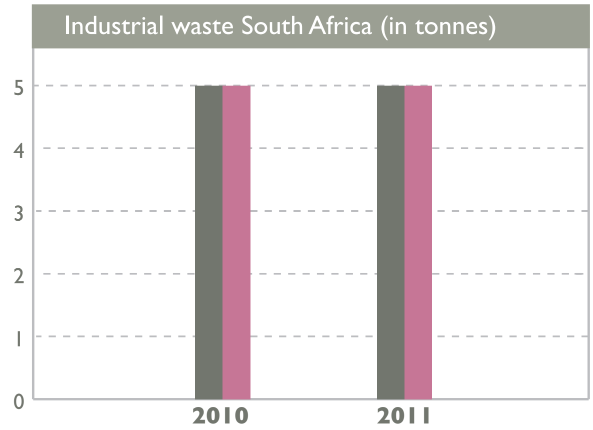
Virbac ensures traceability up to elimination of all its special waste: soiled packaging, laboratory, manufacturing and medicinal waste or waste that could gives rise to infection risk plus chemical effluent (incinerated for the most part and accordingly heat recovered or recycled to recover solvents). 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.

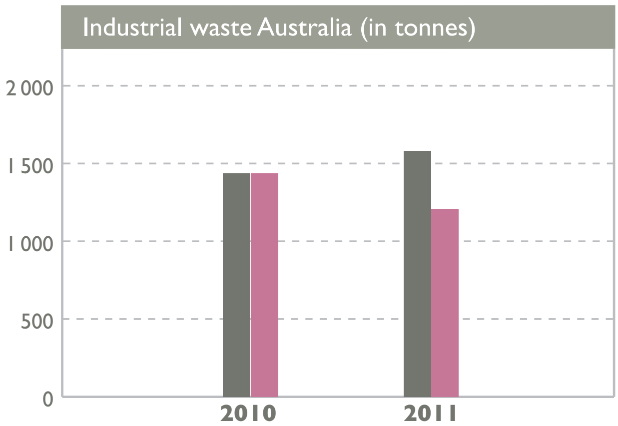
as a proportion of activity · used

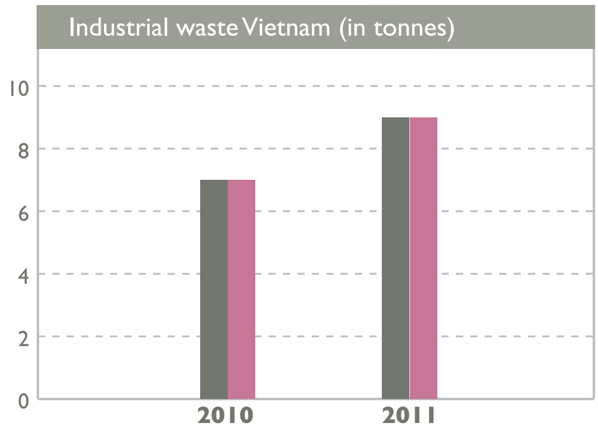












EN23
Total number and volume of significant spills

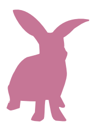
There were no significant spills at any of the Group's sites in 2011.

EN24
Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III and VIII, and percentage of transported waste shipped internationally

This indicator does not concern Virbac.

EN25
Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organisation's discharges of water and runoff.

The 2011 report does not cover this issue.



Products and services

EN26
Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation

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.

Product packaging

Where possible, Virbac eliminates packaging elements, thereby reducing waste on the user side. For example, the measuring spoon was removed from the product Suramox POS in 2011; and in 2012, the plastic cup packaging will be replaced by a simple sachet.

E-marketing

In 2011, a 100% digital communications initiative for horse veterinarians and owners in the Netherlands was implemented for the entire Virbac equine product range: e-mailing, e-learning, social networking, etc. Following the very positive user feedback (ease of accessing information, reactivity), Virbac will expand the initiative to all European subsidiaries in 2012. Objective: significantly reduced amount of paper used for printing in customer relations and monitoring through indicators.

Green IT

The Group's IT team actively pursues a communication system that reduces the environmental impact:
• collaborative tools helping to reduce unnecessary travel (videoconferences in most subsidiaries, shared meeting spaces, instant messaging);
• communication tools leading to the 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).

For example, since 2011, Virbac has only held one annual workshop in Europe (bringing together more than 60 people). For all other meetings, videoconferencing takes priority.

EN27
Percentage of products sold and their packaging materials that are reclaimed by category
This approach is not directly applicable to the pharmaceutical industry.

Compliance

EN28
Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations
No sanction was paid to third parties for any of the Group sites in 2011. The only case in this area was the €60,000 payment for excess discharge of industrial water at the Carros site, in compliance with the prefectoral order.

Transport

EN29
Significant environmental impacts of transporting products and other goods and materials used for the organisation's operations, and transporting members of the workforce
See EN18.

Overall

EN30
Total environmental protection expenditures and investments by type
The 2011 report does not cover this issue.

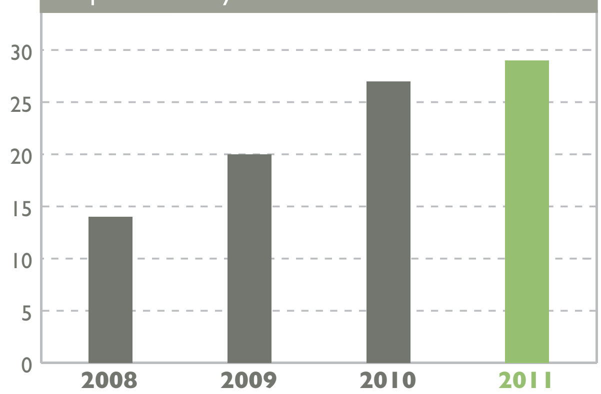
Social: labour practices and decent work

Assess and improve well-being at work

Every two years Virbac conducts an internal opinion survey for all Group employees. The 2011 participation rate remained very high at 84%. The improvement in results for 2011 was weaker than in previous years: the score for headquarters climbed two points (from 27 to 29), while that of the Group was unchanged at 47. Overall, the score is satisfactory and in line with the benchmark established by the company Inergie. Specifically, there were positive scores in the areas of employee commitment, their motivation, pride in belonging, as well as progress made in welcoming newcomers and local management. Progress must still be made in organisational operations as regards meetings and collaboration.

In 2011, a section on the psychosocial risks was included in the France survey, which revealed a portion of employees who identify themselves as less "stressed" than the average in Inergie's data. The main cause of stress is tied to the workload generated by the Group's growth. Since then, the issue of load management has been reinforced by local management and, in particular, during mid-year and annual interviews. A psychosocial risk group that brings together all the health stakeholders, those elected by personnel and the HR department was established in 2010. In 2011, a general awareness plan was drawn up and conferences and debates entitled "Stress - Let's talk about it" were organised. Trainings on stress continue to be offered. A specific training for managers was created to help them understand difficult situations and learn the proper reactions to adopt.

Opinion survey France

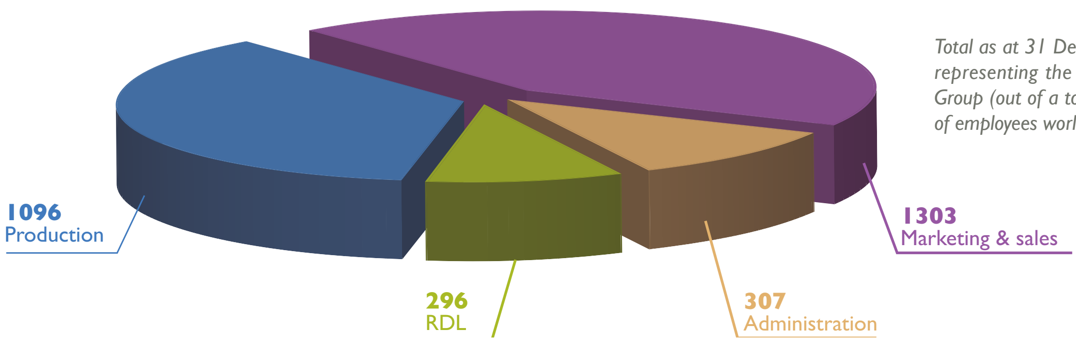


Employment

LA1
Total workforce by employment type, employment contract, and region, broken down by gender

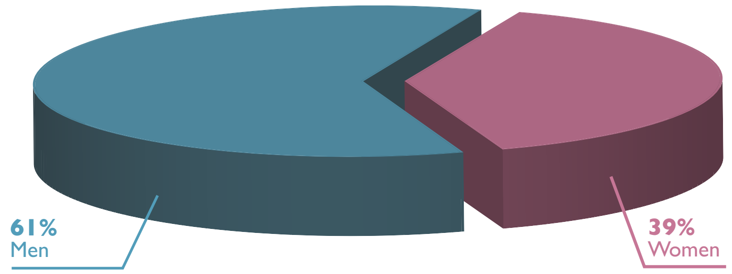
All functions are represented within the Group: 44% of employees work in marketing and sales, 36% in industrial tasks, 10% in R&D, and 10% in all other support and administrative areas.

Total workforce by employment type



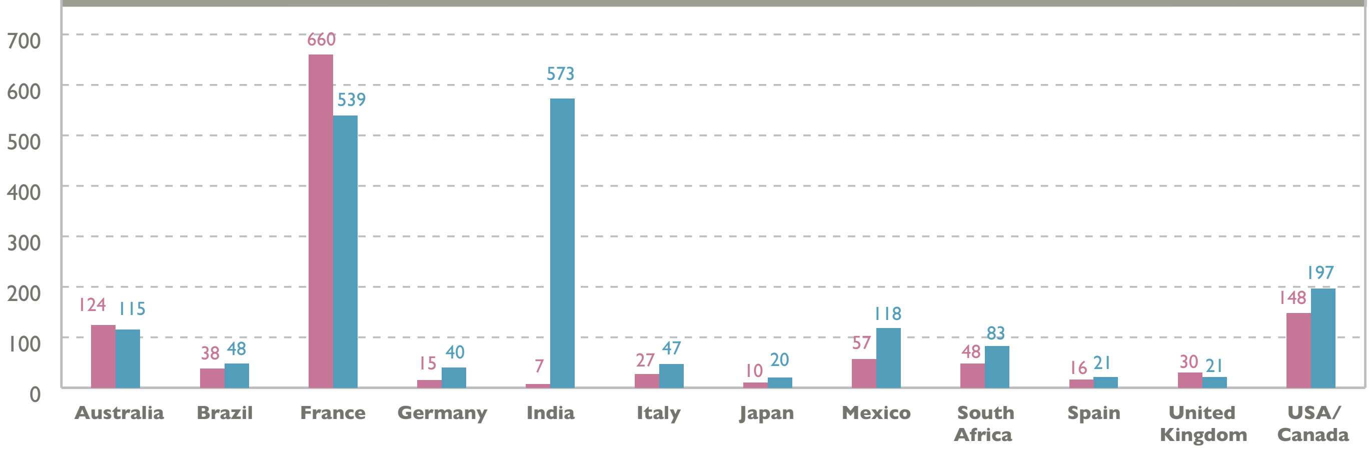
Total as at 31 December 2011: 3,002 people representing the 12 largest countries in the Group (out of a total of 3,509 people, or 86% of employees worldwide)

Gender breakdown



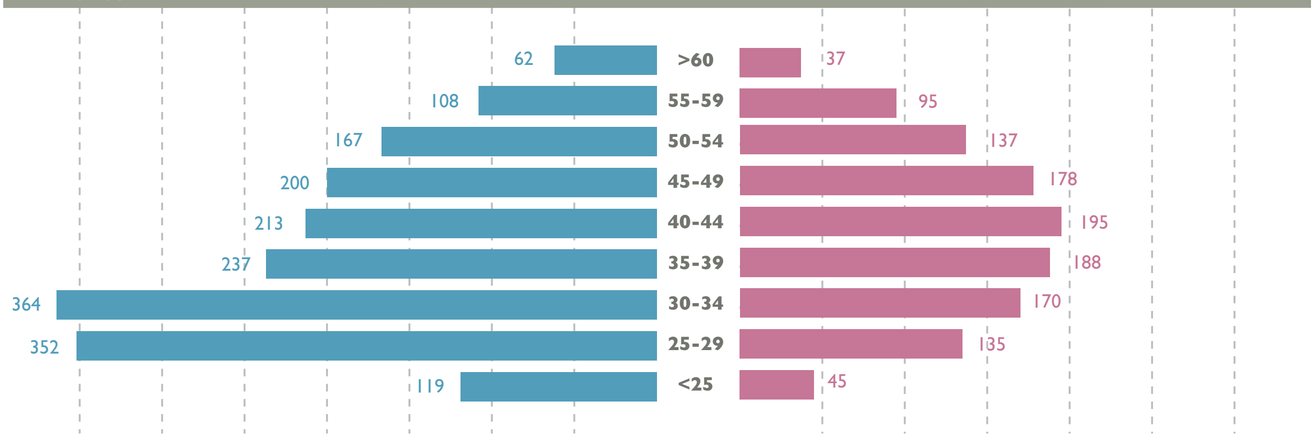
As regards the breakdown of employees by gender, there are still significant differences depending on the country. Overall, 60% are men and 40% are women.

Gender breakdown by country



India is a unique case. The overwhelming majority of male employees is explained by the fact that 93% of the workforce of the subsidiary is comprised of the sales team. Due to local cultural reasons and issues with harsh conditions and security (farm visits on motorbike), this type of position is more naturally directed to men.

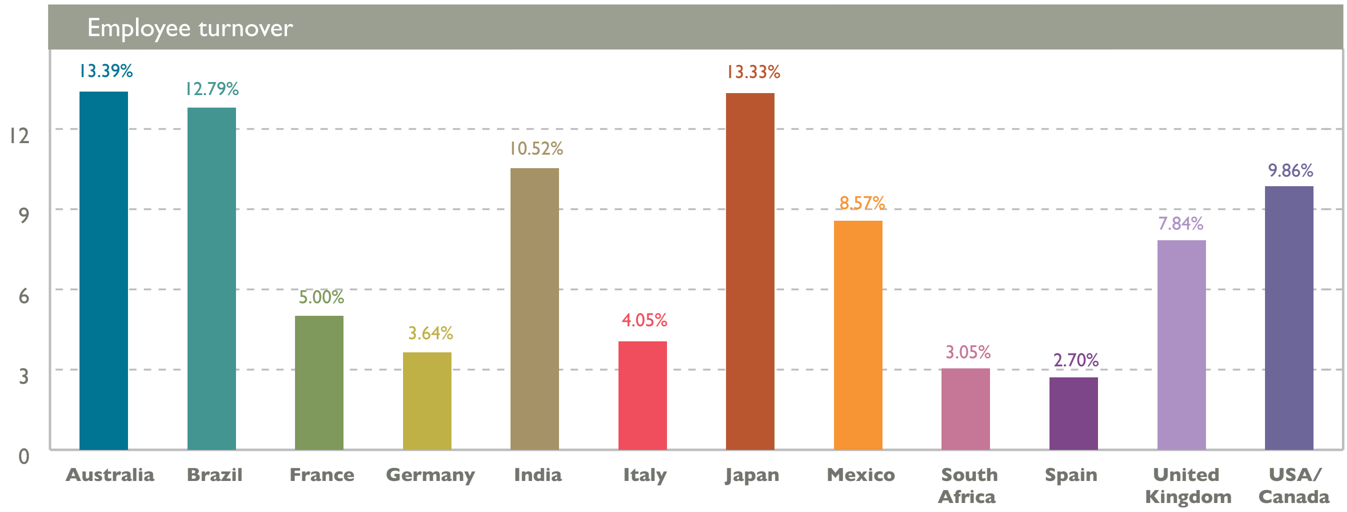
Age pyramid



Depending on the region of the world, the generational balance varies. There is a strong representation of seniors in Europe and a stronger representation of younger persons in regions of the world with robust growth, like Latin America and Asia. Overall, Virbac seeks to keep seniors employed while implementing dynamic hiring of younger generations, particularly in France, in order to contribute to the professionalisation of young people and train them up to take over in the future.

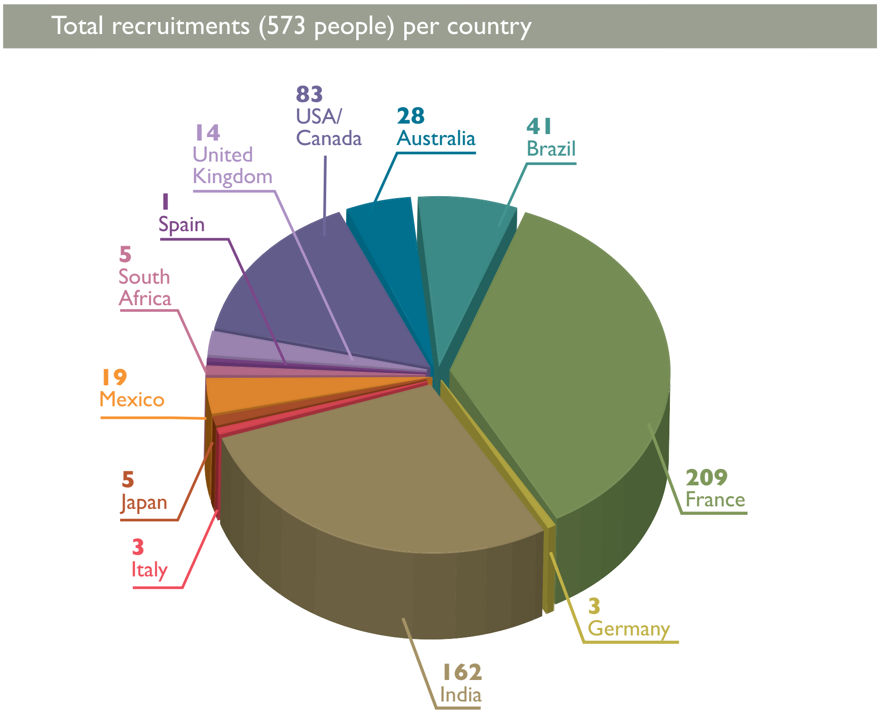
LA2
Total number and rate of new employee hires and employee turnover by age group, gender, and region.

Commitment to the company is strong and, thus, retaining loyalty is essential. Overall, employee turnover falls within the lower average of each country. These indicators are particularly favourable in strong-growth countries like India where the "war for talent" is raging, or in Australia where full employment makes the market very favourable for candidates. At the headquarters in France, one quarter of the turnover is generated by retirees, which lowers even further the actual rate of departure from the company (dismissal or resignation) to 3.85%.



Newcomers

In 2011, Virbac remained highly active in the domestic and international employment markets in order to meet its recruitment needs and pursue growth. 573 people were recruited in 2011 in the 12 countries in the social scope, or the equivalent of 19% of the workforce. In terms of jobs created, the net growth was 277 people (3,002 people in 2011 vs. 2,725 in 2010). There was substantial growth in the workforce in India and the United States in 2011. Virbac, as an employer, is enticing to candidates seeking to join a global company whose size allows for personal contact with clients and that consistently posts strong growth. Virbac is a serious alternative career path for professionals in the animal health sector and offers a diverse profile with true prospects for development and real possibilities of having an impact.

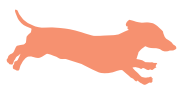


Focus France: Maintaining and developing employment

Thanks to a sustainable economic performance, Virbac has significantly developed employment in France since 2010. The workforce grew by 93 people in 2011 compared to 2010, to a total of 1,199 as at 31 December 2011.

LA3
Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations

The 2011 report does not cover this issue.



Labour/management relations

LA4
Percentage of employees covered by collective bargaining agreements

Each Virbac subsidiary follows the social regulations in force in its country in terms of employee collective bargaining agreements. Most subsidiaries have additional budgets to ensure that 100% of employees eligible for a raise will be compensated for their annual performance.

	Australia	Brazil	France	Germany	India	Italy	Japan	Mexico	South Africa	Spain	USA/ Canada	United Kingdom
Percentage of employees covered by collective bargaining agreements	0%	84%	59%	0%	75%	84%	100%	5%	0%	0%	0%	23%

LA5
Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements

The 2011 report does not cover this issue.

Occupational health and safety

LA6
Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs

The 2011 report does not cover this issue.

LA7
Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region and by gender

Focus France (excluding maternity leave)

	2010	2011
Occupational accidents	0.37%	0.52%
Diseases	3.34%	3.27%
Rate of absenteeism	3.71%	4.42%

Focus France: Workplace safety

In 2011, there were a total of 31 occupational accidents, which generated 650 lost working days. The departments have organised safety rules awareness and reminder campaigns. An additional nurse has been recruited, which gives longer hours of coverage from 6:30 to 19:00. This also allows the board to be active in ensuring services for those with medical restrictions and to improve working conditions.

LA8
Education, training, counseling, prevention, and risk-control programmes in place to assist workforce members, their families, or community members regarding serious diseases

Focus South Africa

In 2011, a day of information and education was organised around the topic of HIV. This day was offered to all employees and their families. The event also offered screening tests and direct medical consultations with local specialist doctors. In 2011, a similar day was organised around the topic of cancer.

LA9
Health and safety topics covered in formal agreements with trade unions

The 2011 report does not cover this issue.

Training and education

LA10
Average hours of training per year per employee by gender, and by employee category

Development of skills and employability: 29.76 hours per person per year (Group social scope)

At Virbac, skills development is one of the key areas of investment with a view to enhance 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.

Focus France: offering more training to as many as possible

In France, in-house training accessible to all: Virbac training expenses reached more than 4% of total payroll, with 1,800 participants in trainings throughout 2011. Also in 2011, 800 employees of all categories benefited from training. The range of training offered changes every year, according to the company's strategy and staff needs.

LA11
Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings

Developing managerial organisational skills

Advanced managerial development policy: thanks to a course focused on the fundamentals of management and several more in-depth modules. This course covers a wide variety of managerial topics and allows managers to better assist their employees throughout their professional development. These management workshops accounted for 55% of training given in France in 2011. Training is designed above all to strengthen management understanding of employees, a guarantee for the well-being and personal development of staff. This managerial course has been translated into English and Spanish, and is available at all Group subsidiaries.

LA12
Percentage of employees receiving regular performance and career development reviews, by gender

100% of Group employees received at least an annual interview for their performance evaluation, to discuss skills and training needs, and to define the goals for the coming year in terms of results and development. Some subsidiaries have also added a mid-year interview to make contact during the year.

In France, this is a more in-depth development interview – different from the evaluation interview – the purpose of which is to allow employees to weigh in on their professional development. In 2012, Virbac will develop a specific portion of the interview for employees over 45 years old, to prepare them for the second half of their career.

Diversity and equal opportunity

A diversity audit was performed in France in 2011 in order to strengthen our actions in this area. A seniors agreement has been in place since 2009 to guarantee that a minimum of 100 employees would fall in the +55 years old category. In 2011 that figure was 124. A gender equality agreement was negotiated with the elected members to monitor the wage gap, in addition to the automatic pay raise for women returning from maternity leave. This is scheduled to be signed in 2012. The situation regarding employment of disabled persons is not up to our expectations and will be a priority in the future.

LA13
Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity

Focus France: gender breakdown of managers (%)

	Work-force	Percentage
Women	103	43%
Men	139	57%
Total	242	

LA14
Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation

Focus France

In French companies, the average gender wage gap for senior management positions varies between 20% and 30%, depending on the sector. At Virbac in France, the gap is 7%.

	2011
Senior management	93%
Professional / Middle management	89%
Technicians / employees / assistants	98%
Manual workers	99%

Social: human rights

Investment and purchasing practices

HR1
Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening
The 2011 report does not cover this issue.

HR2
Percentage of significant suppliers, contractors and other business partners that have undergone human rights screening, and actions taken
Since 2009, Virbac has undertaken a process to qualify suppliers accounting for 80% of the value of the raw materials. Within this framework, an ethical and environmental questionnaire (pollution, child labour, discrimination, corruption, health conditions, etc.) is administered every three years and for every call for tenders. As of today, no supplier has failed to meet the criteria. Should Virbac identify a supplier failing to meet the criteria, the Group could require it to come into compliance under risk of termination of the contract.

HR3
Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained
The 2011 report does not cover this issue.

Non-discrimination

HR4
Total number of incidents of discrimination and actions taken
No incident of discrimination was reported in the Group in 2011.

Freedom of association and collective bargaining

HR5
Operations and significant suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of child labour
No incident of this type was identified in the Group in 2011.

Child labour

HR6
Operations and significant suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of child labour
See HR2.

Forced or compulsory labour

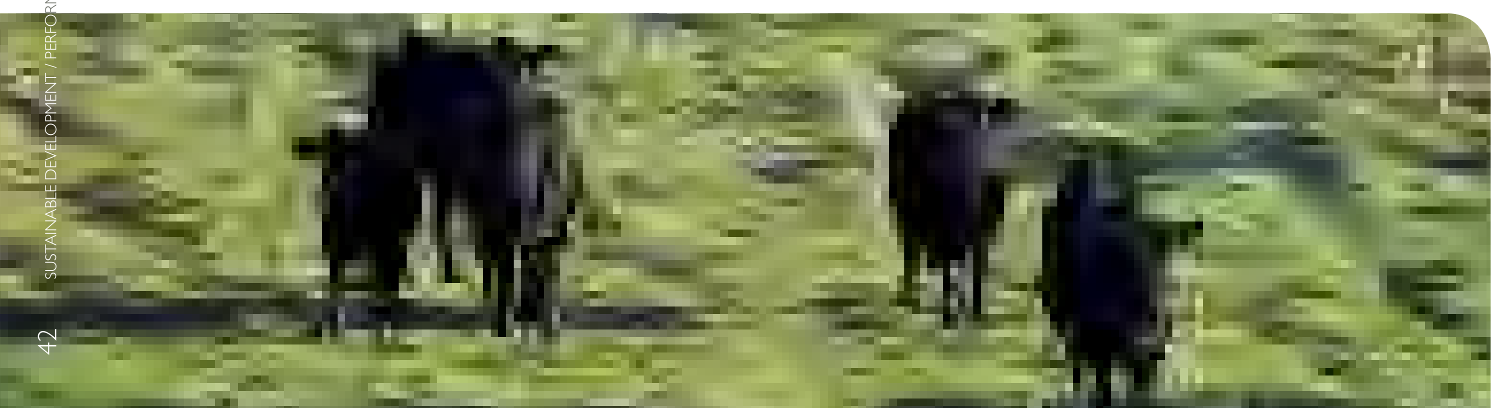
HR7
Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of all forms of forced or compulsory labour
See HR2.

Safety practices

HR8
Percentage of security personnel trained in the organisation's policies or procedures concerning aspects of human rights that are relevant to operations
The 2011 report does not cover this issue.

Rights of indigenous populations

HR9
Total number of incidents of violations involving rights of indigenous people and actions taken
No incident was reported in the Group in 2011.



Social: civil society

Local communities

SO1
Percentage of operations with implemented local community engagement, impact assessments, and development programs
Virbac United States supports New Horizon Service Dogs (a non-profit organisation) which breeds and trains dogs for persons with reduced mobility or in a wheel chair. In 2011, Virbac United States donated US$35,000 as well as Virbac products to support the health and well-being of the dogs in the training programme. In 2011, the Portuguese subsidiary offered the primo vaccination against leishmaniosis (fatal canine disease) to all the members of the Portuguese association of guide dogs.

Corruption

SO2
Percentage and total number of business units analysed for risks related to corruption
In 2011, Virbac did not analyse any corruption-related risks.

SO3
Percentage of employees trained in organisation's anti-corruption policies and procedures
Corruption practices are clearly forbidden in the Group's code of ethics. These principles are presented to each newcomer, specifically during the Virbac Way presentation, and are also accessible to all employees through the Group Intranet.

SO4
Actions taken in response to incidents of corruption
No incident of corruption was identified in the Group in 2011.

Public policies

SO5
Public policy positions and participation in public policy development and lobbying
The Group did not engage in this activity in 2011.

SO6
Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country
The Group did not make any such contributions in 2011.

Anti-competitive behaviour

SO7
Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes
There were no such actions involving the Group in 2011.

Compliance

SO8
Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations
See EN28.

Social: product responsibility

Customer health and safety

PR1
Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentages of significant products and services categories subject to such procedures

Virbac constantly monitors CMR risks (carcinogenic, mutagenic and reprotoxic chemicals) and, active ingredients excluded, actively works to reprocess or replace components falling in this category that may be present in its finished products. 2011 examples: in France, the complete reprocessing of the formula in the vermifuge Oxfenil; and in Europe, the elimination of coal tar in all shampoo products in the dermatology range.

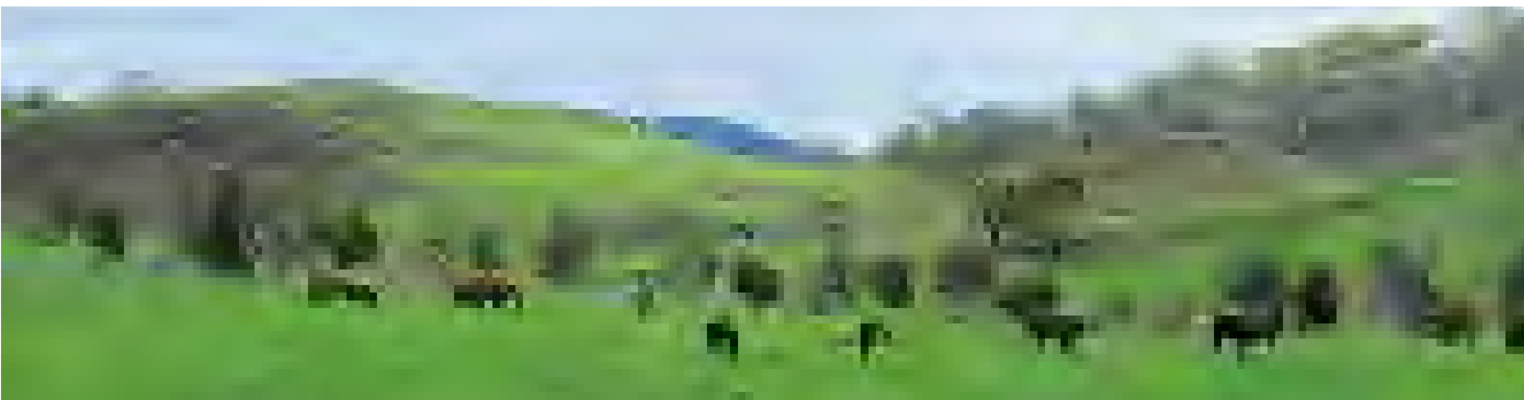
With a view to promoting proper use of veterinarian medicines, Virbac carries out the following actions:

• encouraging awareness amongst veterinarians of newly emerging pathologies and training in new diagnostic methods for detection to improve use of medicines used in animal health;
• educational work for veterinarians and farmers regarding compliance (with regard to administration, dosage levels, duration and useful period). An approach that limits overuse of medicines and avoids the development of potential resistance to products;
• advice and support for veterinarians and farmers via systematic communication on best practices regarding the use of medicines for both food producing and companion animals (guides, data sheets, DVDs, training, etc.).

For example, in 2011 during the EBF (European Buiatrics Forum), Virbac dedicated an entire symposium on managing the health of udders and the responsible use of antibiotics. Several hundred veterinarians from all over Europe learned about these issues during the event.

PR2
Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes

The Corporate Quality Assurance department, created in 2011, will allow Virbac to have a full report on this indicator starting in 2012. For operations in France, out of a total of 520 reference products sold in the country in 2011, Virbac received seven notifications from the ANMV (French agency for veterinary medicine) for product samples found to be non-compliant, of which none posed any danger to animal health.



Product and service labelling

PR3
Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements

In terms of the safety of products and their components, the Virbac policy is the following:
• provision of safety data sheets to Virbac employees (raw materials) and shippers (products);
• organisation of transportation in line with strict European regulations governing the transportation of hazardous products:
- availability of safety data sheets of finished goods in French and in English;
- packaging of hazardous products in packaging that meets current standards.

As regards customers, Virbac performed a full review in 2011 of the labelling of so-called nutritional products to provide clearer information on indications and safe use (European directive 767). For its companion animal external parasiticide range, Virbac added information to the warning section regarding child safety. Dual protection was also directly added to certain products.

PR4
Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes

Focus France
In 2011, out of a total of 520 reference products sold in France, Virbac received four notifications from the ANMV for non-compliant labels, which had no negative impact on the distribution of the products.

PR5
Practices related to customer satisfaction, including results of surveys measuring customer satisfaction
A customer satisfaction survey was carried out in 2011 for veterinary customers of Virbac France.

Marketing communications

PR6
Programmes for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship
Given the nature of pharmaceutical industrial activity, Virbac is subject to the promotional requirements defined by the domestic and international veterinary medical agencies. All claims must be scientifically proven and made available to regulatory authorities. The pharmaceutical qualified person at each Virbac subsidiary is responsible for ensuring compliance with regulations regarding marketing communications in the country in question.

PR7
Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes

Focus France
In 2011, out of a total of 520 reference products sold in France, Virbac received only one notification from the ANMV for non-compliance in the technical information of a food producing animal injectable product. This caused no negative impact on distribution.

Customer privacy

PR8
Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data
There were no such complaints received by the Virbac group in 2011.

Compliance

PR9
Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services
See EN28.

Financial
report

2011 Management report

The Group's consolidated sales of €623.1 million grew 8.8% in actual rates, 9.6% at constant exchange rates and 8.7% at constant scope and exchange rates. This performance is due to organic growth bolstered by two Group business segments.

Virbac's companion animal segment saw an increase of 8.9% at constant scope and exchange rates for all product ranges. In Europe, this growth reflects the increasing strength of recent specialties, the consolidation of Effipro and Fiproline, fipronil-based external parasiticides, and the successful launch of CaniLeish in Portugal and France, the first vaccine against canine leishmaniosis in Europe. Growth in the veterinary channel in the United States was robust, particularly driven by the internal parasiticide Iverhart and the dental product range.

The food producing animal sector has also seen considerable organic growth of 11.1% at constant scope and exchange rates, with strong gains in the bovine segment and good development in industrial breeding (pigs and poultry). This is essentially due to the persistent dynamic growth in emerging countries and favourable weather conditions in key countries, such as Australia. Additionally, there have been very positive gains made in the Fort Dodge ranges acquired in 2010 in Australia. Despite sluggish global markets, activity in Europe grew slightly.

2011 highlights

Virbac debuted 2011 with the purchase of the veterinary business of Synthesis in Colombia. This acquisition doubled Virbac's presence in this market and places it among the top 10 in animal health in Colombia – Latin America's fourth-largest market.

In late February, Virbac, through its South African subsidiary, purchased the rights to Multimin – a trace mineral injectable – which was previously distributed by Virbac South Africa on behalf of Animalia. This acquisition secures its position in this commercial activity as it leads this segment in South Africa.

In May 2011, Virbac furthered its external growth strategy with the acquisition of the Australian company Peptech. Peptech has unique expertise in slow-release technologies. With this acquisition, Virbac has secured the distribution of Suprelorin, a long-acting contraceptive for dogs, already sold by the Group in Europe since 2007.

In the second quarter of 2011, Virbac inaugurated its manufacturing unit for vaccines against canine leishmaniosis in Carros, France. Additionally, the Group launched the sale of CaniLeish, first in highly endemic countries like Portugal, then in France in September.

In early July, Virbac bolstered its quality assurance through the creation of a full Group structure, whose aim is to ensure pharmaceutical compliance in production as well as in research and development. This new structure, coupled with additional human resources, seeks to expand efforts begun in 2010 to strengthen and streamline compliance throughout all company areas (R&D, industrial, commercial, pharmaceutical and biological products).

In early November 2011, Virbac forged a new strategic alliance in vaccines for food producing animals through a joint-venture with the company Schweitzer Biotech Company (SBC). This new partnership in pig, poultry and aquatic vaccines will eventually give Virbac a range of vaccines for various food producing animals – a segment of the market that has been rapidly growing for several years.

At the end of November, Virbac United States obtained three major registrations: Effitix and Cortavance, to be launched in 2012, and EasOtic, which should solidify

Virbac's position as leader in the ear market.
In December 2011, Virbac France launched Bovidec – its first bovine vaccine to protect cattle against bovine viral diarrhea. This product, launched several years ago by Virbac Germany, is the first vaccine for food producing animals sold by the French subsidiary. The many advantages of Bovidec – indicated for foetal protection, the vaccine may be given at any stage of gestation, etc. – make it a strategic product for Virbac France's portfolio.

The Group's 2011 business performance

Performance by segment

Breakdown of sales by segment

in € million	2011 sales at actual rates	Like-for-like growth by segment at constant scope and exchange rates < 0%	0% to +5%	+5% to +10%	+10% to +15%	> 15%
Parasiticides	97.1				10.0%	
Immunology	65.6				14.1%	
Antibiotics/dermatology	60.9			9.9%		
Specialties	71.2				10.9%	
Equine	28.0	-10.5%				
Specialised petfood	25.5			8.3%		
Other	26.2			9.4%		
Companion animals	**374.4**			**8.9%**		
Bovine parasiticides	45.4			5.8%		
Bovine antibiotics	56.1			9.5%		
Other bovine products	86.2					16.6%
Pig/poultry antibiotics	37.2		3.1%			
Other	16.4					26.3%
Food producing animals	**241.4**				**11.1%**	
Other businesses	**7.3**	**-38.0%**				
Sales	**623.1**			**8.7%**		

In 2011, Group sales rose 8.7% at constant scope and exchange rates, on the back of sustained growth in the two businesses: 8.9% in the companion animal segment and 11.1% in the food producing animal business.

Companion animals

As at 31 December 2011, this activity represents 60.0% of total Group turnover and generated strong organic growth of 8.9% compared to last year.
All ranges, with the exception of the equine range, recorded positive increases over 2010. The immunology segment enjoyed a notable performance, which benefited in 2011 from the successful launch in Portugal and France of CaniLeish and from strong growth in the classic range of Virbac vaccines.
The specialties also significantly drove growth, particularly through the reproduction range (thanks to the positive full-year impact of Suprelorin sales in Europe), dental range, and anaesthetic range.
The parasiticide segment continues its upward trend thanks to the consolidation of key products like Effipro and Fiproline in Europe and Iverhart in the United States.
The performance of the antibiotic and dermatology segments is linked to several factors: the strong growth of Clintabs dental antibiotics in the United States, increasing sales in Europe of EasOtic, Epi-Otic and Cortavance following the launch of Allerderm spot-on, and the full-year effect of Enrox tablet sales in Europe.
As in previous years, the specialised petfood segment continued to grow, particularly in France and Benelux, and outside Europe, thanks to the launch of the Virbac Vet Complex range in Mexico and Costa Rica.
The decline in the equine range in 2011 follows an inventory build-up by our American distributor at the end of 2010.

Food producing animals

This business accounted for 38.7% of Group sales, up 11.1% at constant scope and exchange rates. This organic growth is

the result of a strong performance in the cattle business and good performance in industrial breeding.
With growth of 16.6% in 2011, the other bovine products (excluding parasiticides and antibiotics) benefited from the strong increase in vaccine sales in Australia, due to the acquisition of the Fort Dodge range in 2010.
Bovine antibiotics sales rose 9.5% compared to 2010, thanks to the full-year effect of the launch of the Readycef antibiotic in Europe and Tribrissen in Brazil and the strong performance of major products like Shotapen and Multibio.

Bovine parasiticides revived their growth, due mainly to the strong performance of the Cydectin range in Australia (the result of the Fort Dodge range purchase in 2010) and product sales by Virbac India.
The other-products segment of the food producing animal business includes aquaculture, pig and poultry products (excluding antibiotics). This segment experienced strong growth of 26.3%, in large part thanks to the launch of new products like Toltranil in Europe, Virbagest in Mexico and Korea, and pig vaccines in Vietnam. Aquaculture had a significant breakthrough in Indian and Vietnamese markets.

Other businesses

The Group recorded a 38% decline in sales in this segment, compared to 2010. This is due to a decrease in tenders for the rabies bait in Italy and Estonia, as well as the sales of other rodenticides and contract manufacturing in the United States.

Performance by geographic region

Geographic breakdown of sales

Throughout the year, all geographic regions recorded positive growth at constant exchange rates, with double-digit growth in Latin America, Asia, Pacific, and Africa & Middle East.
At actual rates, the Group performance was somewhat weakened by the adverse effects of exchange rate fluctuations, specifically the American dollar.

The major contributions by geographic area are as follows:

in € million	2011	2010	Variation at actual exchange rates	Variation at constant exchange rates
France	111.3	106.5	*4.6%*	*4.6%*
Europe (outside France)	190.7	180.0	*6.0%*	*5.6%*
North America	81.2	83.4	*-2.6%*	*2.7%*
Latin America	50.7	39.2	*29.3%*	*32.3%*
Africa & Middle East	33.0	30.7	*7.5%*	*11.1%*
Asia	79.0	69.4	*13.9%*	*18.6%*
Pacific	77.0	63.6	*21.1%*	*13.8%*
Sales	623.1	572.8	*8.8%*	*9.6%*

Europe

The turnover of the Group's European operations surpassed the €300 million mark in 2011, up 5.5% at actual rates compared to the previous year. Growth in Europe comes from all its subsidiaries, except Italy, which benefited from rabies bait tenders in 2010 that did not continue into 2011, and the Netherlands. It had to contend with heightened regulatory restrictions on the use of antibiotics in food producing animals, in addition to a difficult season for external parasiticides among OTC channels.
The major developments that have contributed to the performance in Europe are:

France

Turnover grew 4.6% compared to 2010. In the ethical sector, this increase was due mainly to the companion animal business, thanks to the launch of CaniLeish, strong sales in the Vet Complex range, and the commercial development of Vetflurane. However, the food producing animal segment saw a slowdown in the sale of products such as Virbamec and Suramox and, therefore, a slight decrease of 1% compared to 2010 figures.

OTC channel earnings rose 1.5% for 2011, thanks largely to the nutrition and dermatology segments. The external parasiticide segment remained nearly unchanged over last year.

Germany

Virbac Germany again posted strong growth in 2011, with a 10.0% increase over 2010. The good performance in companion animals came from the Suprelorin sales consolidation and the contribution of new products, such as Luminal and Endogard. The food producing animal segment was marked by the successful launch of Marfloquin in 2011.

United Kingdom

The subsidiary saw solid growth of 10.5% at constant exchange rates and 8.9% at actual rates. The companion animal business continued its growth, thanks to dynamic sales throughout the dog and cat segments. The food producing animal business experienced renewed growth due to the industrial ranges and antibiotics for ruminants.

Portugal

The subsidiary recorded strong growth of 25.9% in 2011, thanks to the significant contribution of CaniLeish sales.

Spain

Turnover rose 8.3% in 2011, due mainly to the full-year effect of Toltranil sales in the parasiticide segment for pigs and poultry. The subsidiary launched a range for testing and diagnosis in the companion animal market. It also pursued the commercial development of the Effipro range for veterinary clinics.

North America

The United States saw a year of contrasting trends, with growth of 2.7% at constant exchange rates, but a 2.6% decline at actual rates, due to the dollar exchange rate compared to 2010. In dollars, Virbac United States recorded good performances in the companion animal market, with 10% growth in the ethical segment, generated by the Iverhart range, chewable strips, Aquadent, and the launch of Remend Corneal Repair drops in the ophthalmology segment. These good performances offset the slowdown in the equine range.

Latin America

The Group again had a breakthrough in this region in 2011, which translated into extremely high sales growth of 32.3% at constant exchange rates and 29.3% at actual rates.

Brazil

Virbac Brazil had an excellent year in 2011. Its sales significantly jumped in both the companion animal and food producing animal markets, reaching overall growth of 34.7% at constant exchange rates, or 33.5% at actual rates. All segments in the companion animal business saw double-digit growth, with the exception of electronic identification and internal parasiticides. In the food producing animal business, the subsidiary benefited from the full-year effect of sales of Tribrissen, acquired in June 2010 from Intervet/Schering-Plough, and the April 2011 launch of Clostrisan vaccines for food producing animals manufactured through the Virbac-Santa Elena joint-venture.

Mexico

The subsidiary recorded growth of 10.1% at constant exchange rates, and a lower 6.2% at actual rates as a result of the appreciation of the euro against the Mexican peso. In the companion animal business, vaccines performed particularly well and posted strong growth again in 2011, as the anaesthetic segment was buoyed by Zoletil's increased strength and the food supplement segment by the positive performance of Nutriplus gel. In the food producing animal business, growth continued thanks to the launch of new products, such as Virbagest, and key products, such as bovine and pig antibiotics, like Shotapen, Maxflor, or parasiticides for ruminants, like Zeramec and Flukill.

Colombia

The Synthesis veterinary business acquired in early 2011 was successfully absorbed by Virbac Colombia. In its eleven months as part of the subsidiary, it generated €3.4 million in sales and also doubled the subsidiary in size.

Asia

Turnover rose 18.6% at constant exchange rates and 13.9% at actual rates.

India

Virbac India continued its double-digit growth in 2011, with figures close to 30% at constant exchange rates and over 20% at actual rates. The food producing animal business, which accounts for 98% of the subsidiary's sales, continues to see strong growth, driven by products for cattle, such as Ostovet, Vimeral and Agrimin, and, to a lesser degree, products for pigs and poultry.

Greater China

2011 was an excellent year in this region, with 15% growth, led by the companion animal segment and particularly due to the successful launch in Taiwan of EasOtic and Sebazole in the dermatology segment.

Asia (excluding Greater China)

All Asian subsidiaries, excluding Japan, strongly contributed to the business growth in Asia. In Vietnam, Virbac grew 27.1% at constant exchange rates, 10.5% at actual rates, thanks to good performances by the shrimp, poultry and companion animal segments. In Korea, growth was close to 17% and was driven by sales in the companion animal business in the major Virbac ranges, such as dental, anaesthetic, vaccines and dermatology, as well as the food producing animal business. It was also an excellent year for the Philippines, which saw growth of 23%, stemming from sales in both companion animals and food producing animals.

Pacific

Virbac business in the region posted growth of 13.8% at constant exchange rates and 21.0% at actual rates, thanks to the strong appreciation of the Australian and New Zealand dollars throughout 2011.

Australia

Virbac Australia recorded new growth in 2011 – 15.4% at constant exchange rates and 22.8% at actual rates. The Fort Dodge product range, purchased from Pfizer in 2010, was the main driver of growth, specifically the sheep vaccines, which posted very strong growth in 2011.

Africa & Middle East

Virbac's business in Africa and the Middle East in 2011 rose 11.1% at constant exchange rates and 7.5% at actual rates. The sales in this region are primarily driven by Virbac South Africa. At constant rates, the turnover of the subsidiary increased close to 10% compared to 2010 and 5.4% at actual rates, given the appreciation of the euro against the rand in 2011. Virbac continued to pursue advances in the companion animal market, particularly through internal parasiticides, electronic identification and antibiotics. The subsidiary recorded good performance in the food producing animal market, especially through the Multimin and Prodose ranges.
Export sales to Africa and the Middle East, mainly composed of food producing animal products, continued to rise in 2011.

Changes in Group scope

In early November 2011, Virbac forged a new strategic alliance in vaccines for food producing animals through a joint-venture with the company Schweitzer Biotech Company (SBC). Virbac has a 49% shareholding in the SBC Virbac joint-venture, based in Hong Kong, and will ultimately be able to acquire the whole of the capital stock.
SBC, founded in 2001, has built extensive expertise in developing banks of cell cultures, which serve as the basis for producing viral vaccines. It also specialises in the research and development of vaccines used for pigs, aquaculture and poultry.
SBC Virbac will be a sound basis for the development, registration and production of vaccines used for pigs, aquaculture and poultry. It will be able to harness the Virbac commercial platform to market them in future years, beginning with non-Chinese Asian markets and then potentially in other regions of the world, including China.
Following the alliance formed in 2010 with Santa Elena in Uruguay in the field of bovine vaccines, this new partnership will give Virbac access to a range of vaccines for various species of food producing animals – market segments that have been growing quickly for several years.
In exchange for Virbac's financial contribution to the joint-venture, SBC will bring its skills, technological and scientific know-how, product portfolio in development and production resources to the table. This also includes contributing its current commercial operations in Taiwan and existing commercial and technological partners.

In May 2011, Virbac acquired the Sydney, Australia-based Peptech, with whom a distribution contract had been signed in 2007 for Suprelorin, the contraceptive implant for dogs. This acquisition formalises the Group's rights to this product, not only in Europe (where it is already distributed), but also worldwide, where distribution is being expanded, especially in the United States. With this acquisition, Virbac secured distribution of the original product (Suprelorin), which prevents fertility in dogs through a long-acting implant (up to one year of prevention). It also obtained access to an innovative technological platform for a progressive short-, medium- or long-acting release system customisable for several animal species through various molecules.
With this takeover, Virbac also acquired Ovuplant, a product for horses, which is currently distributed by a third party in the United Kingdom. Finally, it granted access to two proprietary technologies for solid and liquid implants, which could be implemented in other R&D projects for companion and food producing animals.

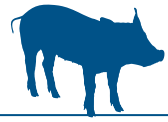
On 28 February 2011, Virbac acquired from Animalia the rights for Multimin for South Africa and neighbouring countries. After having distributed this product range for many years, Virbac secures its position in this major market segment for the South African subsidiary that has enjoyed years of steady growth and still offers a significant growth prospective.

In late January 2011, Virbac 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 5 million American dollars, of which 60% is bovine products (mainly antibiotics and nutritional supplements) and 40% is companion animal products (specialties). This operation is accompanied by the addition of the Synthesis teams and it bolsters Virbac's commercial presence on the fourth-largest Latin American market.

Scope as at 31 December 2011

The table of subsidiaries and affiliates as at 31 December 2011 is presented in annex A38 of the consolidated financial statements.

Research, Development & Licensing



Virbac spends 6.8% of its turnover on RDL (Research, Development & Licensing) and demonstrated, once again this year, the adequacy of the management of this activity through a steady stream of new products in all areas of its activity.

The year 2011 was marked by significant advances in the regulatory framework with several major marketing authorisations (MA) filed and obtained. Advances were also made in R&D in the field of biology for food producing animals.

As regards regulation, the Virbac R&D structures saw steady activity in filing and obtaining MAs for new products in Europe as well as other countries where the Group has a presence.

Virbac obtained the MA in Europe in late January 2011 for the variation of the Effipro pipette that offers improved functions with easy-opening packaging and a drop-free system. The close collaboration between R&D and the industrial and marketing departments made it possible to develop, register and launch the new pipettes in record time (two years), in an increasingly complicated regulatory landscape and in a highly competitive environment.
Virbac obtained the European MA on 14 March 2011 to market CaniLeish. This vaccine is a major scientific advance in the fight against canine parasitic diseases. The product was first launched in 2011 in endemic countries such as Portugal and France and will subsequently be launched in 2012 in other Mediterranean countries.

In addition to the new registrations obtained, the departments of Regulatory Affairs have shored up their structures in order to maintain and update current registrations to comply with regulatory changes in Europe.

In North America, the structural and resource-focused measures taken in RDL in recent years paved the way for obtaining the EPA (Environmental protection agency) registration for Effitix, the FDA (Food and drug administration) registration for EasOtic, and the Cortavance registration in Canada in late November.
With this, Virbac proved its ability to develop products that comply with the rules of differing regulatory agencies.

Several registrations were also obtained in Asia in 2011, thanks to the effective partnership developed in recent years between the local and headquarter RDL offices. Three major registrations were acquired in Japan for Cortavance, Virdentmycin and Rilexine Appétence.

The regulatory departments in South Africa (Johannesburg), Brazil (São Paulo) and India (Mumbai) continue to make contributions to the various R&D centres through their local presence and ability to tailor the product dossiers to the requirements of their countries. They also generate and monitor developments of products for their domestic markets, as well as maintain and update registrations to comply with local regulatory changes.

In R&D, the Group advanced its development strategy in food producing animal biology. Following the partnership made in 2010 with the Uruguayan company Santa Elena, which inserted Virbac into the bovine vaccine segment, the Group forged a new partnership in 2011 with SBC to expand in the very promising segment of pig, fish and poultry vaccines.
Virbac also gained access to the skills, technological and scientific know-how, and product portfolio in development, which will translate into the implementation of joint Virbac-SBC projects in 2012.

Production

France

2011 was marked by the launch of major projects at the historic Carros site. To ensure the Group's growth, Virbac modernised its industrial base by providing expansion for future capacities, new product processes, and compliance to meet the most recent regulatory changes.
In 2011, Virbac debuted its production and purification unit for the active ingredient for CaniLeish. The facility is 538m² and is used to produce the vaccine through an innovative manufacturing process, which consists of a serum-free cultivation method and an innovative production tool based on the concept of single-use bioreactors. Virbac invested €11.1 million to build this production unit.

To create a centre of excellence for the production of sterile forms (biological and pharmaceutical), Virbac began the construction of a new building in June 2011 for manufacturing sterile injectable products. The construction should be completed by the end of 2012 and production of the sterile injectables should come online mid-2013. Furthermore, a new high-frequency filling line for vaccines was acquired in April 2011 and all necessary equipping was completed in November 2011. This new facility was inspected in December 2011 and Virbac subsequently obtained the GMP (Good manufacturing practices) certificate and the guarantee of *Anses* (French agency for food, environmental and occupational health and safety). Nearly €23 million will be invested in building and equipping the sites.

The production sites for insecticides are also being retrofitted to accommodate the new industrial equipment for manufacturing the new pipettes for the Effipro range, as well as to allow for production capacity growth.

Internationally

United States

After several inspections, the industrial site in St. Louis received authorisation to manufacture and distribute solid and semi-solid oral pharmaceutical products (equine pastes) and topical liquids for external use in Europe. Consequently, this facility is now the only Group facility authorised to manufacture these products for the United States, Canada and Europe.
The St. Louis site has begun a project to expand the fluid bed dryer capacity. This project aims to grow the production capacities to drive future growth and reduce production delays.
North American industrial operations completed a project to convert hazardous liquid waste into non-hazardous waste that could be either reused or recycled.

Australia

2011 saw significant changes in the organisation of industrial operations in Australia and the implementation of a strategy seeking to bolster the integration of the production of ruminant vaccines at the site. Moreover, the quality assurance, planning and procurement services, previously based in Milperra (Virbac Australia headquarters), were transferred to the Penrith site (vaccine production) to centralise all industrial activities and improve integration. A common strategy based on customer service, performance research and earnings was developed. Finally, important updates were made to administrative areas in Penrith in 2011.
Despite the significant levels of backorders seen again in 2011, the production of clostridial vaccines grew 64% over 2010 and the production capacity of injectables for sheep nearly doubled.
In May 2011, the acquisition of Peptech was concluded (13 people and an annual production capacity of around 300,000 implants).
Inspections of the Crookwell and Milperra sites were performed by the APVMA (Australian pesticides and veterinary medicines authority) and were successfully completed.

Mexico

In 2011, the industrial teams actively participated in the conceptualisation of the new Argo Navis industrial site, which was acquired in early 2011. The engineering studies have begun and should be finished first quarter 2012.

This year also marked the beginning of transferring production operations for Synthesis products (Colombia) to the Virbac Mexico industrial sites. The transfer of Tribrissen (Brazil) is still in an evaluation phase.

Finally, excellent results were obtained in continuous improvement, specifically in the premix workshop, which saw a significant rise in productivity, overall equipment efficiency and reduced overtime hours.
The continuous improvement program has been expanded to other activities, through the successful implementation of the 5 'S' *(Seiri, Seiton, Seiso, Seiketsu, Shitsuke* – eliminate, arrange, clean, standardise, respect) in packaging and quality control operations.

Vietnam

2011 saw a significant increase in production volumes as a result of the increased demand of third-party and Group clients. Powder production, specifically, doubled compared to 2010 and the chewable strips line reached its full capacity. Consequently, Virbac Vietnam has had to invest in recruiting new employees and building a new inventory warehouse that is expected to come online in March 2012.

In June 2011, Virbac Vietnam successfully deployed Movex M3.

Brazil

Several major projects were undertaken in 2011, making 2011 an important year for Virbac Brazil's industrial operations.
Early on in the year, Virbac Brazil implemented a new ERP, Movex M3, which had already been used in several group subsidiaries.
In the industrial sphere, the new production liquids line that became operational and the installation of the new filler have improved quality and productivity. Furthermore, in the medium term they offer prospects for significant expansion in production volumes.
The first inspection of the industrial site was performed last December by MAPA *(Ministério da agricultura, pecuária e abastecimento)* and was successfully completed.

South Africa

The continuous improvement programme advanced in 2011 with enhanced productivity and reduced production costs.
Virbac South Africa met its objectives in terms of inventory levels and customer service.
In February 2011, Virbac South Africa acquired the rights for Multimin to sell mineral-based injectable supplements for food producing animals. The industrial teams are currently studying the possible options and necessary technology to jumpstart this production.

Corporate
Quality Assurance

In 2011, Virbac sought to create a Corporate Quality Assurance department, whose sole objective is pharmaceutical compliance in industrial and R&D activities. Previously, these functions were decentralised and managed at each production or R&D level.
These functions are now centralised within a structured global department. It has the additional resources and human resources that are important for strengthening and streamlining compliance in all areas of the company (R&D, industrial, commercial, pharmaceutical and biological products).

Review of the
2011 financial statements

Consolidated financial statements

Operating performance

Turnover was €623.1 million, an increase of €50.2 million, or +8.8% at actual rates (+9.6% at constant exchange rates) compared to 2010. The current operating result was up by 10.4% over last year due to improved margins on purchases, controlled increase of external expenses, and the effects of external growth.

The margins on purchases are up by 9.4%, an increase slightly higher than sales generated mainly by European subsidiaries and, in part, due to the positive impact of the CaniLeish launch. In other areas, the margins on purchases were relatively stable between 2011 and 2010.

Other current operating expenses net of income amounted to €341.9 million, up by €28.6 million, or 9.1% at actual rates. The largest increase was due to staff expenses resulting from job creation throughout 2011, the full-year effect of jobs created in 2010, and the differences between 2010 and 2011 associated with the acquisitions in Colombia and Australia over the course of the year. The increase in personnel costs was mainly concentrated in the marketing, commercial, and R&D sectors.
Other non-current income was €0.5 million in 2011. This figure was €10.1 million in 2010 due to the extraordinary income recognised during that year associated with the negative goodwill arising from the acquisition of assets sold by Pfizer in Australia.

The net finance result was -€2.7 million, compared to -€1.6 million the previous year. This variation is explained by the rise in interest expenses due to increasing interest rates as well as higher debt (+€65.0 million in 2011) incurred by external growth operations, the investment programme, and the share buyback programme in preparation for share cancellation.

Income tax amounted to €25.0 million, up by 14.6%. The rise in the effective tax rate (32.1% in 2011 compared to 31.5% in 2010) stems mainly from the deferred income tax included in the negative goodwill arising from the acquisition of the assets sold by Pfizer in Australia in 2010.

The result for the period attributable to the non-controlling interests rose by 15.4%: €1.0 million in 2011 compared to €0.9 million in 2010.

The Group share net profit was €57.5 million in 2011, compared to €63.4 million the previous year. This is a decrease of €5.9 million, due mainly to the recognition in 2010 of non-current income.

Consolidated financial position and financing

The Group's cash flow amounted to €80.3 million compared to €67.6 million in 2010, an increase of 18.8%. Net debt as at 31 December 2011 was €69.7 million – 0.87 times cash flow from operations – and 22.4% of Group share equity.

The increase in tangible assets is due to investments made by the parent company (construction of a new production workshop for CaniLeish and a new site under construction at Carros for the injectables) and the acquisition of land in Mexico for establishing new sites for the Mexican subsidiary.

The need for working capital is up from last year and amounted to €76.3 million against €45.7 million in 2010. This rise was primarily due to increased operating working capital requirements stemming from growth in volume of activity and, therefore, higher inventory levels from the several new product launches over the course of the last two years.

Dated 16 July 2010, Virbac opened a 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 fulfil two types of commitments:
• respect financial ratios:
- consolidated net debt/cash flow from operations;
- consolidated net debt/consolidated

shareholders' equity;
• publish financial statements.

The credit line had been drawn down €45 million at end-of-year 2011. The Group is fully complying with is contractual obligations.
As at 31 December 2011, the three loans subscribed in 2009 for a period of five years and a total of €30 million were used for up to €13.5 million.

Statutory financial statements

As at 31 December 2011, sales at the Virbac parent company amounted to €216 million, up 11% from the previous year. The share of the sales made by Virbac with the Group's subsidiaries accounts for 89% of total sales. The remaining 11% involved direct sales by Virbac in countries in which the company does not have a subsidiary. In 2011, the areas that contributed most to this growth were Europe (primarily due to the consolidation of the Effipro range and the launch of CaniLeish), Latin America and Asia.

Operating profit for 2011 was €8.2 million, up €2.3 million compared to the previous year. This increase resulted primarily from growth in sales.

The net finance expenses result rose 8.7% following the increase in dividends received (+€3.2 million compared to 2010), despite increased interest expenses associated with the use of the line of credit.

The exceptional items amounted to -€2.9 million and include depreciation primarily for a net allowance of €2.1 million.

The non-deductible expenses covered in article 39-4 of the French general tax code amounted to €143,480 in respect of the financial year ended 31 December 2011.
Net result after tax stood at €35.9 million against €32.8 million in 2010.

Allocation of earnings

The Virbac parent company earned €35,948,518.23.
A net dividend of €1.75 per share with a par value of €1.25 will be proposed at the shareholders' meeting. In keeping 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 €14,801,500;
• retained earnings €21,147,018.23;
• net result for the period €35,948,518.23.

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 24 July 2012.

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 article158-3-2 of the French general tax code	Global distribution
In respect of 2008	1.20	1.20	10,404,230
In respect of 2009	1.32	1.32	11,447,597
In respect of 2010	1.50	1.50	13,018,970

For individual beneficiaries who are fiscally domiciled in France, the dividend is eligible for a 40% reduction (article 158-3-2 of the French general tax code), unless the beneficiary elects to have tax withheld at a fixed rate of 21% (excluding social security contributions), as provided for in article 117 *quater* of the French general tax code.

These mechanisms are not applicable to legal entities.

Share buyback programme

The ordinary shareholders' meeting of 28 June 2011 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 7 June 2011.

As at 31 December 2011, Virbac held 296,652 treasury shares acquired on the market for a total of €33,961,713, excluding fees, for an average price of €114.48 per share.
During the year, the company bought 315,766 treasury shares, including 52,951 (at an average price of €114.16) under a market-making agreement, 252,815 shares under the 2011 share buyback programme (at an average price of €118.36), and 10,000 shares (at an average price of €121.08) under the stock grants plan. Virbac also sold 65,150 shares, including 51,900 shares under a market-making agreement (at an average price of €115.50), 13,250 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 2011 accounted for 3.40% of Virbac's capital, part of which was intended for market-making, stock grant plans, and the cancellation of shares called for in the eighth resolution adopted by the shareholders' meeting on 28 June 2011.

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 liquidity or facilitate the share market via a market maker acting independently under a liquidity contract in line with a code of ethics recognized by the AMF (French financial markets authority), or for stock grant plans.

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 liquidity agreement.

Capital decreased by cancellation of shares

On 17 February 2012, the executive board, in accordance with the authorisation granted in the eighth resolution of the shareholders' meeting of 28 June 2011, cancelled 256,352 shares, including 252,815 shares purchased in 2011 and 3,537 shares purchased in early January 2012. This cancellation, which accounts for 2.94% of shares, was performed pursuant to the provisions of article L225-209 of the French commercial code.

Following the share cancellation, the share capital breakdown is as follows:

As at 17 February 2012

	Shares	Voting rights	Capital	Voting rights
Dick family group	4,200,916	8,273,636	49.67%	65.52%
Company savings plan	75,800	151,600	0.90%	1.20%
Public	4,137,447	4,201,843	48.92%	33.28%
Treasury shares	43,837	-	0.52%	-
Total	**8,458,000**	**12,627,079**	**100.00%**	**100.00%**

Employee holdings

Pursuant to article L225-102 of the French commercial code, we would like to inform you that, as at 31 December 2011, employees of the company and related companies owned 75,800 Virbac shares, or 0.87% 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, account for 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.
As such, a vote on the resolution will be proposed at the next shareholders' meeting pursuant to the provisions of article L225-129-6 of the French commercial code.

Management and supervisory bodies

Supervisory board

Marie-Hélène Dick, chairwoman of Virbac's supervisory board.
Expiry of current term of office: 2013.
Aged 47, 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 2011: €109,000.
Number of shares held at 31 December 2011: 1,635.

Jeanine Dick, vice-chairwoman of Virbac's supervisory board.
Expiry of current term of office: 2013.
Aged 75, 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 2011: €12,000.
Number of shares held at 31 December 2011: 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 51, 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 Arteis Développement (France);
• general manager of RPG (France);
• manager of Art'Pro (France);
• manager of Soexpar (France);
• manager of Crearef (France);
• manager of Crea Negoce (France);
• manager of the ABCD company (France);
• manager of Color'I (France);
• manager of Ulymaxcrea (France).
Directors' fees received in respect of 2011 by the company Asergi: €19,000.
Number of shares held at 31 December 2011 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 71, 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:
• director of Photocure (Norway);
• director of Graceway Pharmaceuticals Inc. (United States);
• director of Medical Instill Technologies Inc. (United States);
• director of Elastagen (Australia);
• chairman of Goapharma (France);
• director of Panpharma (France);
• manager of XYC (France).
Directors' fees received in respect of 2011 by the company XYC: €19,000.
Number of shares held at 31 December 2011 via the company 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 (United States);
• member of the supervisory board of GVT (Brazil);
Director's fees received in respect of 2011: €22,000.
Number of shares held at 31 December 2011: 410.

Olivier Bohuon, member of Virbac's supervisory board.
Expiry of current term of office: 2014.
Aged 52, doctor in pharmacy and holds an MBA from the HEC business school, Olivier Bohuon is a member of the National Pharmacy Academy and the Academy of Technologies.
Other positions held:
• director of the Smith&Nephew Plc (United Kingdom);
• director of HealthCare Promise Investments partners SA (Luxembourg).
Director's fees received in respect of 2011: none
Number of shares held at 31 December 2011: 45.

Executive board

Éric Marée, chairman of Virbac's executive board.
Aged 59, 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 of 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 (United States);
• director of Virbac Limited (United Kingdom);
• director of Virbac Animal Health India Private Limited (India).
• chairman of Virbac Trading (Shanghai) Co Ltd (China).

Pierre Pagès, member of the executive board and chief operating officer of Virbac.
Aged 60, 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 Dog N'Cat International (France);
• chairman of Virbac Nutrition (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 (United States);
• chairman of PP Manufacturing Corporation (United States);
• 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 (United Kingdom);
• 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);
• vice-chairman of Virbac Vietnam Co. Ltd (Vietnam);
• administrator of Virbac Asia Pacific Co. Ltd (Thailand);
• director 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).
• director of Vetsearch International Pty Ltd (Australia);
• director of Virbac Trading (Shanghai) Co Ltd (China).

Christian Karst, member of Virbac's executive board.
Aged 53, 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:
• 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 (United Kingdom);

Michel Garaudet, member of Virbac's executive board.
Aged 57, 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);
• director of Virbac Corporation (United States);
• chairman of Virbac (Switzerland) AG (Switzerland),
• member of the executive board of Virbac Sp. z o.o. (Poland).
• manager of Ulysse 001 (France).

Jean-Pierre Dick, member of Virbac's executive board.
Aged 46, 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:
• chairman of the Fondation d'Entreprise Virbac (corporate foundation);
• member of the Défi Voile Sud association;
• manager of Absolute Dreamer;
• joint manager of the Terre Du Large, a non-trading property investment company.

Compensation of members of the executive board in respect of 2011

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

Gross value due in respect of 2011

in €	Éric Marée	Pierre Pagès	Christian Karst	Michel Garaudet	Jean-Pierre Dick
Compensation due	502,707	347,925	321,439	235,188	50,476
Value of stock grants awarded for 2011 based on the method used for the consolidated financial statements	133,400	98,600	95,120	59,160	-
Total compensation	**636,107**	**446,525**	**416,559**	**294,348**	**50,476**

Gross value 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 stock grants awarded for 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**

The compensation paid in respect of 2011 corresponds to the fixed compensation paid in 2011, the compensation linked to terms of office for directors in Group companies paid in 2011, the variable compensation paid in 2012 in respect of 2011, and the benefits in kind granted in 2011 (company vehicle).

Gross value due in respect of 2011

in €	Éric Marée	Pierre Pagès	Christian Karst	Michel Garaudet	Jean-Pierre Dick
Fixed compensation (including benefits in kind)	301,737	206,090	200,774	180,958	36,000
Variable compensation	139,470	83,435	82,665	42,130	14,476
Compensation for directorships in Group companies	61,500	58,400	38,000	12,100	-
Total compensation	**502,707**	**347,925**	**321,439**	**235,188**	**50,476**

The compensation paid in respect of 2010 corresponds to the fixed compensation paid in 2010, the compensation linked to terms of office for directors 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 vehicle).

Gross value 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**

Calculation criteria for the variable portion

The variable compensation for the executive board is based on several common objectives:
- sales growth;
- growth in operating income from ordinary activities;

as well as specific goals;
- inventory control;
- acquisitions (companies, products).

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 of service) granted on the following terms:
- over ten years of 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 that their duties are terminated are as follows:
- Éric Marée: €483,000;
- Pierre Pagès: €404,000;
- Christian Karst: €326,000.

At its 16 December 2011 meeting, the supervisory board reappointed the executive board members for an additional term. In line with the provisions of the act of 21 August 2007, the supervisory board, at its 5 March 2012 meeting, renewed the commitments made by the company and the companies it controls in the event of the termination of the duties of the chairman of the executive board, Éric Marée, and executive board members Pierre Pagès and Christian Karst. This authorisation, pursuant to the Afep-Medef recommendations, reiterates the same terms and conditions set by the supervisory board on 22 December 2008, *i.e.*: 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 income/ sales over the two half-year periods preceding the departure of the senior manager, greater than or equal to 7%.

Pursuant to the law, a vote on a resolution for each beneficiary will be proposed at the next shareholders' meeting to approve the continuation of commitments made to benefit the company.

■ Stock grant plans

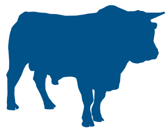
Since 2006, the Virbac executive board, in accordance with authorisation from the shareholders' meeting, has awarded the allocation of stock grants to certain Virbac employees and directors and those of its subsidiaries.

These grants are contingent upon the achievement of a performance goal tied to the Group's profitability and net debt, which has been or will be respectively assessed at the end of 2008, 2009, 2010, 2011, 2012 and 2013.

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 2011 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
2011	10,000
Total	81,350

Stock grant plans granted 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
Plan 2011 - 01/07/2011	1,150	€133,400	2014	2016
Shares granted to Éric Marée	10,710	€683,365		
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
Plan 2011 - 01/07/2011	850	€98,600	2014	2016
Shares granted to Pierre Pagès	7,530	€487,541		
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
Plan 2011 - 01/07/2011	820	€95,120	2014	2016
Shares granted to Christian Karst	6,820	€447,430		
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
Plan 2011 - 01/07/2011	510	€59,160	2014	2016
Shares granted to Michel Garaudet	4,475	€292,532		
Shares granted to the members of the executive board	29,535	€1,910,867		

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

In 2011, the stock grants plan for 2008 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 2008 - 17/03/2008	1,800	1,800
Pierre Pagès	Plan 2008 - 17/03/2008	1,300	1,300
Christian Karst	Plan 2008 - 17/03/2008	1,200	1,200
Michel Garaudet	Plan 2008 - 17/03/2008	800	800
Total number of shares		5,100	5,100

The authorisation granted by the shareholders' meeting on 19 June 2009 is set to expire. A resolution will be proposed at the next shareholders' meeting to authorise the executive board to award the stock grants of the company for a new three-year period.

This resolution will authorise the granting of stock grants to employees and the 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 account for more than 1% of Virbac's capital. Similar to the prior authorisation, the 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 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 the Group was notified.

By managers and related parties

	Number of shares	Total amount of transactions
Éric Marée	950	€111,568
Pierre Pagès	-	-
Christian Karst	-	-
Michel Garaudet	-	-
Purchases	**950**	**€111,568**
Éric Marée	1,500	€184,820
Pierre Pagès	4,930	€604,083
Christian Karst	300	€34,700
Michel Garaudet	-	-
Sales	**6,730**	**€823,603**

By members of the supervisory board and related parties

	Number of shares	Total amount of transactions
Investec (Dick family group)	36,468	€4,364,214
Pierre Madelpuech	-	-
Xavier Yon	-	-
Philippe Capron	-	-
Olivier Bohuon	45	€5,385
Purchases	**36,513**	**€4,369,599**
Investec (Dick family group)	-	-
Pierre Madelpuech	-	-
Xavier Yon	-	-
Philippe Capron	-	-
Olivier Bohuon	-	-
Sales	**-**	**-**

Shareholder structure and stock market performance

Virbac provides clear, consistent and transparent information to its individual and institutional shareholders and their advisors (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 website, and publication of Group quarterly sales figures and half-year results as required by law.

Relations with individual investors

The www.virbac.com website has a financial information section that is regularly updated. Users may consult and download the Group's financial information: press releases, annual and half-year financial statements, and annual reports. 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", thereby 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 2012

The provisional 2012 timetable is as follows:
• 2011 annual sales: 19 January 2012, after market close;
• 2011 annual results: 12 March 2012, after market close;
• analyst meeting – 2011 annual results: 13 March 2012;
• 2012 first-quarter sales: 18 April 2012, after market close;
• 2012 second-quarter sales: 19 July 2012, after market close;
• 2012 half-year results: 31 August 2012, after market close;
• analyst meeting – 2012 half-year results: 13 September 2012;
• 2012 third-quarter sales: 18 October 2012, after market close;
• 2012 annual sales: 17 January 2013, after market close.

Stock market data

in €	2007	2008	2009	2010	2011
Highest share price	68.90	68.85	75.85	130.00	133.00
Lowest share price	47.00	45.23	49.82	70.35	101.15
Average share price	59.09	56.58	60.11	92.49	118.86
Closing share price	68.70	57.94	72.73	130.00	119.90

Share capital structure

As at 31 December 2011

	Shares	Voting rights	Capital	Voting rights
Dick family group	4,190,916	8,263,636	48.09%	65.43%
Company savings plan	75,800	151,600	0.87%	1.20%
Public	4,150,984	4,215,380	47.63%	33.37%
Treasury shares	296,652	-	3.40%	- %
Total	**8,714,352**	**12,630,616**	**100.00%**	**100.00%**

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%**

Thresholds crossed

During the year ended 31 December 2011, Virbac was informed that Ameriprise Financial Inc., acting on behalf of Threadneedle Asset Management Holdings Ltd., declared on 24 March 2011 that it had crossed under the 5% stake threshold in Virbac. The threshold was crossed due to a disposal of Virbac shares on the market.

Information likely to have an impact in the event of 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	75,800
Public	64,396

The 296,652 treasury shares do not carry any voting rights.

Outlook for 2012

The main market trends observed in 2011 should continue in 2012. There was robust growth in the companion animal segment and strong – though uneven – growth in the food producing animal segment (rapid expansion in emerging countries but stagnation in Europe), and faster growth in vaccines than in pharmaceutical products.
In this environment, Virbac will continue targeting market share gains in a number of areas: firstly, in the companion animal market, through the introduction of CaniLeish in Southern Europe and the launch of several new products in the United States; and secondly, in the food producing animal market, thanks to growth in the major markets of Latin America and Asia, which remains strong.

This relatively ambitious growth is unlikely to lead to a further improvement in operating profitability in 2012 percentagewise. This is because the Group plans to accelerate its commercial investments in higher growth countries where its market presence remains modest (United States, Brazil). It is also looking to substantially increase its R&D budgets to ensure that future vaccine projects for food producing animals come to fruition, and more generally, to strengthen innovation capacity, which is essential to maintaining high levels of organic growth in the medium term.

Risk factors

In 2010, the Group implemented a risk management system under the responsibility of the Risk Management department. The initial measures allowed the Group to map its major risks to highlight the potential impact and frequency of each risk identified and its level of control.

The rollout of the system in 2011 was carried out through the creation of work priorities for addressing risks. "Risk owners" have been appointed. Their role is to define, implement and oversee action plans for priority risks.
The specifics of the risk management system are detailed in the report of the chairwoman of the supervisory board on pages 81 to 87 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 position or its results (or its ability to achieve its objectives) and finds that so far there are no significant risks other than those shown.

Risks related 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, maintain its market share and ensure its development, Virbac devotes significant resources to research and development.

In 2011, Virbac committed 6.8% of its turnover to 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 will not be met and a project where large amounts have been invested will be abandoned, including at advanced stages 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 in-house R&D projects, the Group also pursues a policy of acquisition of licenses that allows it to have access to new products ready to be marketed or projects under development that it oversees to completion. Similar to 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 obtain, where necessary, all the administrative authorisations required, the MA, to market its products. 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 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.

Obtaining the European MA in the first quarter of 2011 for the CaniLeish vaccine perfectly illustrates the Group's capacity to manage the risks inherent to the innovation process. A true scientific innovation, this vaccine is the culmination of several years of research, development and required tests to finally launch the first vaccine against canine leishmaniosis into the European market. At each step, the Group monitored and measured the risks inherent to the project.

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 any default in quality should occur. The consequences of such events could be the recall of batches sold, or the loss, temporary or permanent, of the MA. If Virbac's liability were admitted in large claims, the Group's financial position could be greatly affected, as well as its reputation. Drug recall costs would be also added in the event of a quality problem.

Virbac constantly strengthens 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.
Moreover, 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 development.

Concentration of the distribution channel and customer portfolio

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

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

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 phenomenon of gradual consolidation magnifies this concentration.
Virbac analyses and constantly monitors the movements of its competitors and has a policy of external growth through acquisitions, which enables it to participate in the ongoing consolidation of the sector.

Reputational risks

Virbac's success depends on its ability to maintain its reputation for quality, integrity and seriousness. Although the Group pays careful attention to customer demands and the quality of its products, it cannot guarantee that it will be protected from the damaging impact on its reputation arising from a potential quality issue or if it is involved in a liability dispute that would be covered extensively by the media.
The current context of growing pressure and heightened 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 policies implemented and internal control activities;
• specific action: in order to respond as quickly and efficiently as possible to 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 crisis scenarios and communication training actions. This crisis management process is subject to periodic updates.

Risks related to the external growth policy of the Group

Since its inception, Virbac has pursued an active external growth policy that has led it to be present today in many countries and have a wide range of products. The Group aims to continue this policy in the future to bolster its geographic presence and product offerings. The choice of growth through acquisition entails financial and operational risks, especially related to the valuation of assets and liabilities and the 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 successfully integrate acquired companies and their product lines.

Virbac has defined a rigorous process for mergers and acquisitions to cover the analysis of potential targets and the 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 requires the 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 associated challenges.

Risks associated with the ability to attract key skills and 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 to hiring, given 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 cannot always attract the best.

For years to come, the HR strategy in talent management will require publicising the dynamism and competitiveness of the Group's development and compensation, while strongly reinforcing its 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 lack of holdings of major strategic assets in these countries. The Group remains vigilant and closely follows the level of political or economic instability in certain countries to anticipate possible response or prevention methods if the level were to reach a magnitude that could have a major impact on employees, assets or the operations of Virbac.

Additionally, 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 operating costs and liability in case of fire or explosion.

The ultimate risk would be the temporary or permanent closure of a site for non-compliance with certain rules or following a major incident.

But the industrial processes implemented by the Group are primarily low risk. Its exposure remains, therefore, limited.

However, Virbac pays particular attention to industrial risk prevention and environmental protection, in keeping with its social and environmental policy, as presented in the sustainable development report.

The responsibility for industrial risk management and environmental protection policy falls mainly to the heads of operational sites, who monitor compliance with regulations and standards in this field by implementing operating procedures, quality systems and a series 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 could, should they materialise, cause damage to persons, property and the environment.

To limit these risks, the Group complies with the safety measures prescribed by the 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 possibility of unforeseen incidents that may result in the temporary suspension of production or permanent 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 its industrial facilities.

The probability of such events occurring and any related potential impact on the Group's production and its results are limited by the following measures:

• buildings are in compliance with regulatory safety requirements (e.g. standardised fire detection systems);

• annual audits of facilities are performed;

• insurers make preventive visits and audits;

• ongoing investments are made to improve and secure production-related operations activities.

Virbac also has business interruption insurance.

HSE risks (Health, safety and environment)

Key rules

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

The majority of the production sites in France are subject to operating regulations issued by the supervisory authorities. These regulations include environmental requirements that all sites must meet, including those concerning waste management, the volume and quality of water discharges, the rules of safety and risk prevention, etc.

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 the compliance of its different sites to existing regulation. Furthermore, it has set 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 pages 27 to 34 of the annual 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 whose mission is 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 process for new site acquisitions.

Legal risks

Virbac attaches special importance to 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 ongoing, continuous and proactive monitoring of the regulations relevant to the Group, and remains 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 were negative – have a significant impact on the Group's accounts.

Given its prudent provisioning policy, the Group considers the provisions recorded in the accounts in respect of these matters to be 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 position 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 uses contract manufacturing suppliers or industrial partners who have expertise in or mastery of particular 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 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 which 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, or more recently in 2011, the acquisition of Peptech, which specialises in the production of intradermal implants.

Whatever the solution adopted, the Group systematically ensures upstream the sustainability of the source.

In addition, Virbac has recently conducted 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 others, to prevent the risk of fraud.

Virbac's code of ethics highlights the Group's commitment to operate in compliance with the law and ethics. It 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 oversight 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 strengthen control and reduce 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 directly impact Virbac's business and results.

The Group Information Systems department (DSI) ensures the ongoing security of the information system 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 regularly develops and updates all measures to preserve the confidentiality of data, protect systems against intrusion and minimise the risk of interruption of service (back up, redundancy and server backups procedures, disaster recovery plan, and so forth).

In addition, an IT systems use code 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 an accident occurring at work (either 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 defined through a clear and precise safety organisation, prevention policy and continuous improvements approach.

For this purpose, the Group has pursued the implementation of tools and resources to cover all teams through:

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

Financial risks

Policy management of financial risk is controlled centrally by the Group's Financial Affairs department and in particular its Treasury department.

Strategies for financing, investment, and interest and exchange rate risk hedging are systematically reviewed 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 interest rate risks and has no speculation purpose.

Market risks

Currency exchange risks

The Group's policy is to ensure coverage of exchange rate 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 transactions. The details associated with this risk are presented in note A30 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 the cost of its debt, the Group monitors 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 associated with this risk are presented in note A30 of the consolidated financial statements.

Liquidity risks

The Group has conducted a specific review of its liquidity risk and deems that it is able to meet 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 maintain a level of cash and cash equivalents that reflects its size and requirements.

Since July 2010, Virbac has had a line of credit in the amount of €220 million to finance the needs related to internal and external growth. This line of credit has a period of five years which may be extended to six years. The details associated with this risk are presented in note A30 of the consolidated financial statements.

Other financial risks

Credit or counterparty risk

Virbac deems that it has low exposure to credit risk given the quality of its major counterparties (the investments are only from leading banks) and the high fragmentation and dispersal of its customers. The details associated with this risk are presented in note A30 of the consolidated financial statements.

Hedge accounting

The purpose of hedge accounting is to offset the impact of the hedged item and of the hedging instrument in the income statement. 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

General coverage policy

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

Virbac regularly reviews its insurable

risks and financial coverage with the assistance of a broker that is a member of an international network. In this regard, all contracts have been reviewed and harmonised at the Group level, and the parent company assists subsidiaries with the set up of local insurance policies and the monitoring of all contractual clauses relating to insurance and liability. Insurable risks are covered by Group insurance policies with a level of coverage that the Group deems appropriate given its circumstances, barring any wholly unforeseeable events.

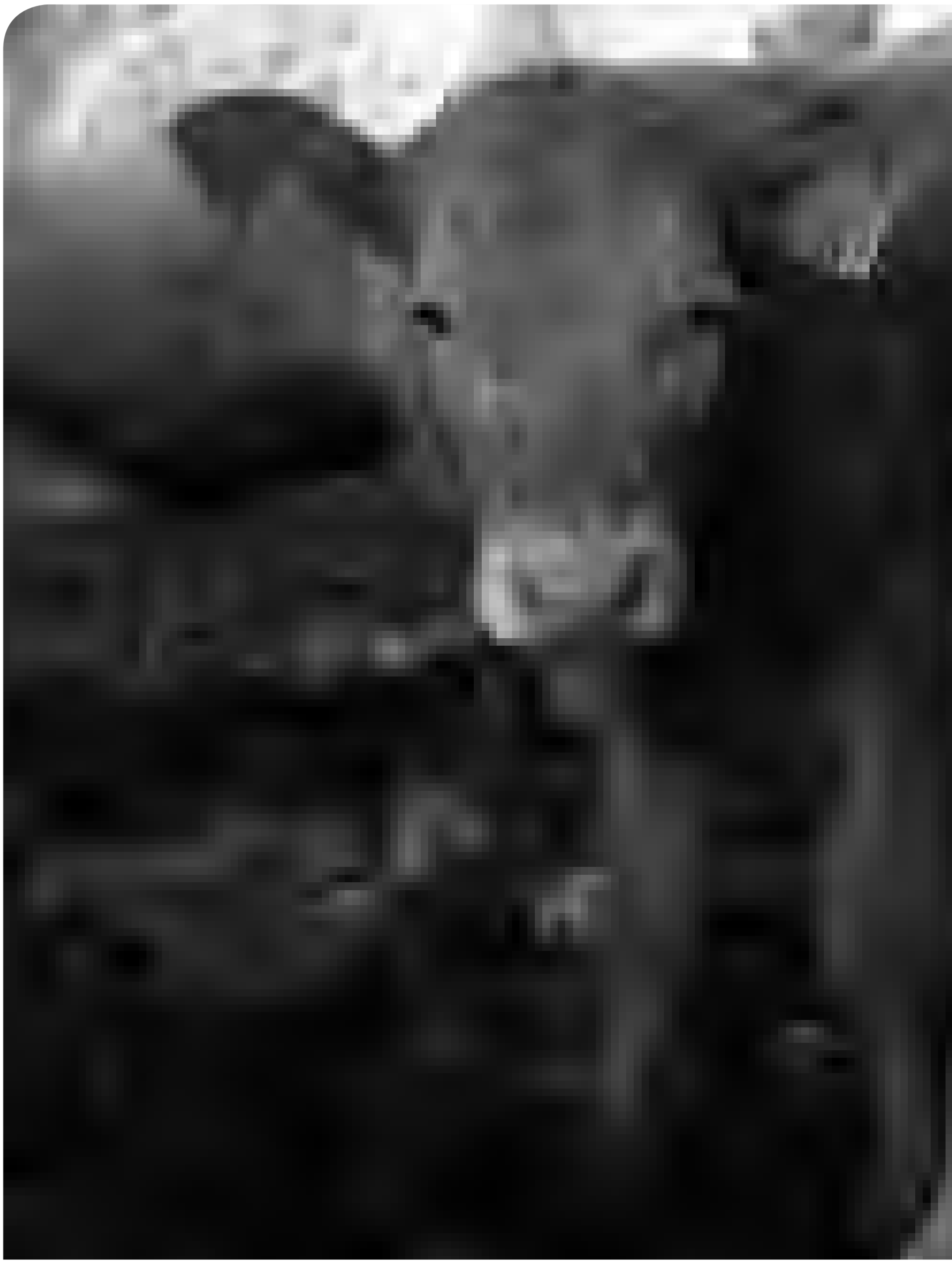
Insurance programmes

The damage and business interruption insurance programme, as well as the general public liability and product liability insurance programme, covers the whole Group. Since early 2011, the Group has had a new single transport insurance programme that covers all goods transported across the globe. The Group is also insured for environmental and social risks. The directors' and officers' liability insurance programme protects all Group directors and officers.
For all its insurance programmes the Group uses 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 primary insurance policies cover:
• property damage and business interruption;
• general public, product and environmental liability;
• transport of goods and equipment;
• loss or damage caused to customers and third parties;
• motor vehicle damage.

In 2011, the Group paid €2.8 million in insurance premiums for this coverage, a 13% increase compared to 2010.

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



Sustainable development

The full sustainable development report (see pages 14 to 47) sets out the Group's values and guiding principles with regard to social, economic and environmental matters.

Human resources

The Group has 3,509 employees in 30 countries, 39 subsidiaries and one representative office.

Strategy

The men and women of Virbac are critical to the company's success. They represent a major competitive advantage and embody Virbac's key strengths:
- concern for 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 the business growth and vitality of everyone with the same determination. As such, Virbac has a development programme for managers in their daily roles in managing personnel. This programme is available in French, English and Spanish and is available to HR specialists anywhere in the world. Since 2007, Virbac has bolstered the values and know-how of upper management throughout the world through the Leadership programme. Since 2009, this programme has focused on multicultural and cross-cutting collaboration, which is a pillar for the development of the organisation to tackle the growing challenges the Group faces.

Since 2005, every two years, Virbac conducts internal opinion surveys with the help of an external partner, Inergie, throughout its subsidiaries worldwide. In 2011, the global score maintained its high level – the areas with higher scores saw a slight drop and headquarters saw a slight increase.

Recruitment and mobility

2011 marks a year full of opportunities for Virbac with the recruitment of 268 new employees and 85 trainees.

All organisations (sales, marketing, industrial, research and development) have been involved in hiring highly specialised professionals and 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, expertise in pharmaceutical regulation, particularly lacking on the market, is and will be for time to come an important recruitment element for Virbac.
The ongoing recruitment of operators initiated in 2008 has paved the way for hiring twenty employees in the Carros industrial organisations.
This need to identify and attract new talent has required the implementation of several recruitment communication operations, in particular, participation in job fairs, ongoing partnerships with schools, and increased partnerships with recruitment agencies.

Training and development

In 2011, training and development were again a concrete priority for Virbac's human resources strategy. Training management has been greatly enhanced with the creation of a specific offer for Virbac training and a participatory and empowering process for defining needs. The training courses conducted by internal trainers have been expanded since 2008 and account for 48% of the training delivered in the company in 2011. The strong incentment in favour of Dif training (Individual right to training) also allowed 20% of the Virbac workforce to obtain training in 2011, compared to a French average of 6%.

Training participation involves all personnel categories and this year there were about 1,800 participants. Considerable efforts have been made to assist and train managers responsible for managing major changes 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 on the part of the Group since it has been gradually designed between the executive board and the Human Resources department in order to focus on major current issues. In 2011, the module on the topic of multicultural and cross-cutting collaboration was deployed for 40 leaders amongst the hundred who attended the programme. This constitutes the foundation 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. Performance is also 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 a streamlining of all compensation policies. The grading system was implemented in 2011 in Mexico and the United States. Furthermore, exchange of expertise among Group entities is becoming more frequent between headquarters and subsidiaries, subsidiaries and headquarters, and even occasionally subsidiary and subsidiary.

Group workforce

	Women		Men		Total	
Europe	820	58%	734	35%	**1,554**	**44%**
North America	148	11%	197	9%	**345**	**10%**
Latin America	134	10%	214	10%	**348**	**10%**
Pacific	138	10%	132	6%	**270**	**8%**
Asia	115	8%	746	35%	**861**	**25%**
Africa & Middle East	48	3%	83	4%	**131**	**4%**
Workforce	1,403	100%	2,106	100%	3,509	100%

Nearly half of the Group's workforce is located in Europe (44%), with 1,199 employees (34%) in France.

	2011	2010	Variation	
Europe	1,554	1,428	126	9%
North America	345	301	44	15%
Latin America	348	276	72	26%
Pacific	270	262	8	3%
Asia	861	770	91	12%
Africa & Middle East	131	130	1	1%
Workforce	3,509	3,167	342	11%

The workforce as at 31 december 2011 increased by 11% compared to 31 December 2010.

	2011		2010	
Production	1,218	35%	1,137	36%
Administration	386	11%	373	12%
Commercial & Marketing	1,578	45%	1,367	43%
Research & Development	327	9%	290	9%
Workforce	3,509	100%	3,167	100%

The robust growth in commercial and marketing personnel in Latin America (+49%) and North America (+25%) have significantly changed the distribution of employees by function.

Virbac in France

Workforce

Virbac has 1,199 employees in France. With 55% women and 45% men, the socio-professional classification breakdown of the workforce is as follows:

Socio-professional classification	
Managers	42%
Supervisory personnel/technicians/employees	38%
Manual workers	20%

Changes to the workforce

In 2011, with 176 hirings and 83 vacancies, the balance of personnel hiring/vacancies was positive (+93 people) in France.

Compensation

In 2011, gross compensation amounted to €48,249,147 and payroll taxes to €21,198,768. The average annual gross salary of €43,340 is up 2.8% compared to 2010.

Other employee benefits

In 2011, the company allocated €459,418.

Training

Training expenses this year amounted to €1,791,857, accounting for 4.03% of payroll. As in 2010, training expenses in 2011 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 RTT 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 to be eligible for a reduction to 4/5 or 90% of working time. If the number of applications exceeds the quota, weighted criteria have been 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 2011, there were a total of 31 occupational accidents, which generated 650 lost working days.

Safety has been identified as a key priority for the Industrial Operations department. The departments have organised security rules awareness and reminder campaigns.

An additional nurse has been recruited, which gives longer hours of coverage from 6:30 to 19:00, as well as counseling services to ensure job security for persons with medical restrictions and improved work situations.

Four open-debate conferences for all employees were held and spearheaded by the joint working group on the topic of "Stress – Let's talk about it".

The Group has established an alert procedure for risk situations and a series of indicators where changes are analysed half-yearly.

Various support methods of communication (Intranet, flyers, posters, etc.) have facilitated getting the word out about the objectives of the Group and key interlocutors on the subject.

A specific section on stress has been included in the internal surveys and the results have been shared and analysed by the departments.

A training course for managing difficult situations has been developed and will be required for all managers. Fifty managers already received the training in 2011.

Absenteeism

Absenteeism within the company amounted to 4.42%, and broke down as follows:

Causes	Breakdown
Occupational accident	0.52%
Maternity	0.54.%
Illness	3.27%
Commuting accident	0.04%
Part-time medical leave	0.05%

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 53 people with a legally recognised disability (the equivalent of 28.89 units). Additionally, subcontracting or employment of temporary personnel is encouraged.

However, depending on the actual time present of these employees, a contribution was paid in 2011 for Carros sites corresponding to 22.43 missing units (€109,119).

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.

An ergonomist was tasked, in collaboration with Sameth and Agefiph, with studying the workstations of 15 employees and proposing improvement thereto.

Based on those proposals, relevant aid tools were purchased in 2011.

In 2011, in the framework of the "diversity" approach, a diagnosis on the workstations of and employment services for those with recognised work disabilities was performed by a joint working group. Additional actions to encourage the recruitment, integration and development of person with disabilities will be taken throughout 2012, in connection with this assessment.

Optional and compulsory profit-sharing and company savings plan

Optional profit-sharing agreement

A new profit-sharing agreement was entered into 2011, for a period of three years (2011 to 2013). The key addition consists of having established a Group profit-sharing agreement between the two ESU:

• 1st ESU: Virbac, Virbac France, Francodex Santé Animale, Alfamed and Virbac Distribution;

• 2nd ESU: Virbac Nutrition and Dog N'Cat International.

This new agreement incorporates the characteristics of the agreement entered

into in 2005 with the 1st ESU, specifically the combination of two profitability ratios in order to calculate the profit-share:
• a profitability ratio that looks at the Virbac group share consolidated net profit over consolidated sales (same as previous agreement);
• a profitability ratio that looks at the Virbac group share consolidated operating profit over consolidated sales.

The combination of these two ratios to calculate the profit-share has the two-pronged goal 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 income from ordinary activities).
For this agreement, the beneficiaries are employees with at least three months of service in the Group as at 31 December in the year to which the calculation relates.

Compulsory profit-sharing in company net profit

The profit-sharing agreement entered into in 2008 constitutes a profit-sharing agreement between the two ESU:
• 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. The beneficiaries are employees with at least three months of 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 employee 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 employee 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 the payment periods of suppliers from the parent company Virbac is shown below.

As at 31 December 2011

in €	Overdue	Due between			Total
		0 and 30 days	31 and 60 days	More than 60 days	
Trade payables	3,035,215	9,085,974	5,726,110	319,197	**18,166,496**

As at 31 December 2010

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

In 2011, the amount of maturities over 60 days amounted to €319,197 on a total supplier debt reaching €18,166,496 (1.8%). These payments correspond mainly to foreign suppliers whose settlement period was fixed at 60 days end of month on the tenth.

Table of net result over the previous five financial years Virbac parent company

in € thousands	2007	2008	2009	2010	2011
Financial position at year end					
Share capital	10,892,940	10,892,940	10,892,940	10,892,940	10,892,940
Number of existing shares	8,714,352	8,714,352	8,714,352	8,714,352	8,714,352
Number of dividend-bearing shares	8,714,352	8,714,352	8,714,352	8,714,352	8,714,352
Overall results from operations					
Revenue before income tax	152,521,859	164,382,123	167,355,013	194,745,558	216,096,212
Earnings before tax, employee holdings, depreciations and provisions	24,215,771	27,809,367	34,470,897	37,935,964	45,398,411
Income tax payable	-509,519	-5,982,459	-5,860,794	-4,288,960	-4,618,341
Employee holdings	-	-	-	120,000	-
Allowances for depreciations and provisions	7,625,035	6,238,642	9,739,982	9,330,377	14,068,234
Earnings after tax, employee holdings, depreciations and provisions	17,100,255	27,553,183	30,591,708	32,774,547	35,948,518
Earnings distributed	9,585,787	10,457,222	11,502,945	13,071,528	14,801,500*
Result from operations per share					
Earnings after tax and employee holdings, but before depreciations and provisions	2.84	3.88	4.63	4.83	5.74
Earnings after tax, employee holdings, depreciations and provisions	1.96	3.16	3.51	3.76	4.13
Dividend per share	1.10	1.20	1.32	1.50	1.75
Personnel					
Average number of employees	764	786	835	863	964
Total payroll	29,453,649	31,660,677	34,147,855	37,024,861	40,376,362
Total benefits (social security, other employee benefits, etc.)	13,571,390	15,514,723	16,742,600	20,556,102	20,847,241

* Calculated on the basis of 8,458,000 shares comprising the share capital of €10,572,500 as at 17 February 2012.

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

in € thousands	Deloitte & Associés 2011		Deloitte & Associés 2010		Novances - David & Associés Nexia Network 2011		Novances - David & Associés Nexia Network 2010	
Issuer	150.0	17%	129.5	14%	65.4	72%	68.0	73%
Consolidated subsidiaries	683.5	77.%	745.2	81%	25.4	28%	25.6	27%
Auditing, review of the individual and consolidated accounts	**833.5**	**94%**	**874.7**	**95%**	**90.8**	**100%**	**93.6**	**100%**
Issuer	-	- %	-	- %	-	- %	-	- %
Consolidated subsidiaries	48.8	5%	-	- %	-	- %	-	- %
Other audit services directly related to the auditing task of the statutory auditors	**48.8**	**5%**	**-**	**- %**	**-**	**- %**	**-**	**- %**
Audit services	**882.3**	**99%**	**874.7**	**95%**	**90.8**	**100%**	**93.6**	**100%**
Legal, fiscal, social services	9.2	1%	49.0	5%	-	- %	-	- %
Other	-	- %	-	- %	-	- %	-	- %
Other services provided by the networks to the consolidated subsidiaries	**9.2**	**1%**	**49.0**	**5%**	**-**	**- %**	**-**	**- %**
Total fees	**891.5**	**100%**	**923.7**	**100%**	**90.8**	**100%**	**93.6**	**100%**

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 law on financial security act - article L225-68 of the French commercial code

The content of this report is 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 meeting of 5 March 2012 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 six members, three 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 shareholders' meeting of 28 June 2011 appointed Olivier Bohuon as a new member of the supervisory board for three years. The supervisory board is made up of two women and four men.

The chair is a woman. The offices held by supervisory board members are listed on pages 58, 59 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 Jeanine Dick and Xavier Yon, who were at four of the five meetings. Supervisory board members also met informally several times during the year for work and discussion sessions. At the 2011 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 (French financial markets authority) 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. 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, and is subject to demanding performance conditions: the operating profit ratio from ordinary activities/sales over the twelve months prior to the departure of the senior manager must be 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 the chairwoman of the supervisory board, met twice during 2011. 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 2011 with the chairman of the executive board, the chief financial officer and the statutory auditors in attendance. During 2011, it examined the 2010 financial statements and the 2011 interim financial statements.

It checked the financial information and decided upon the accounting treatment for the year's major transactions, in particular the acquisition and joint-venture operations completed in Australia, Colombia, South Africa and Taiwan. 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 2012, the audit committee met to confirm the financial information related to the 2011 annual financial statements.

Executive board membership

The executive board has five members. At its 16 December 2011 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, information systems, and health and safety and environmental issues;

• Pierre Pagès supervises international operations, manufacturing and Corporate quality assurance;

• Christian Karst supervises research and development, 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 law 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 pages 60 to 63 of the annual report

Special procedures regarding shareholder participation at 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, 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 content. 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 5 March 2012.

Internal control definitions 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 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.

Scope of application

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

Aims and principles of internal control

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

• economic and financial objectives are achieved in compliance with applicable laws and regulations;
• the orientations determined by the executive board are implemented;
• the 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.

An appropriate and sustainable organisation

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 approved 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 assistance 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 states 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, rules 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 which aims 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 functions 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 modules 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 functions. 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 tasks: 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 the effective implementation of internal control and risk management 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 Corporate Quality Assurance 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 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 described hereafter.

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;

• Corporate Quality Assurance department;

• Group Industrial Operations department;

• Group Product Innovation department.

The Strategic committee formulates its view on the Group's major strategic decisions: strategy by business, functions and major projects.

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 Operations department;

• Corporate Quality Assurance department;

• Group Product Innovation department;

• Group Communications department;

• Group Information Systems department;

• Europe area department;

• Virbac France affiliate;
• R&D Europe department;
• Corporate Sourcing 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, purchasing and health, safety and environment) 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 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 pages 84, 85 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 to 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 orientation, 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 at head office or locally, 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 role of Group departments is to define information system policies, coordinate the processes for managing the information systems role and manage global IT infrastructure 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 infrastructure 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 has distributed a crisis management procedure. The objective of this procedure is to anticipate, as far as possible, 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 Risk 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 market standards and best practices, notably the AMF refe-rence framework on risk management and internal control.

The aims of the Risk Management department are based on four key areas:
• 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: notify the executive board on any changes in the risk environment.

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 pages 66 and following 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.

Risk management system

The risk management system is based on a clearly defined risk management process and organisation:
• the organisation is the responsibility of the Risk Management department, which is supported by three committees (the executive board, the strategic committee and the executive committee France) that validate the risk management policies and the processes for identifying, assessing and addressing risks. The organisation also includes "risk owners", whose role is to define and oversee the action plans for the Group's major risks;
• the risk management process in place since 2010 is based on:
- identifying risks: the Group mapped its major risks in 2010. This process enabled a detailed report and an assessment of the Group's risks to be made. 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;
- assessing risks: the three committees referred to above played an active role in assessing and prioritising the risks that were identified. The members of these committees have extensive experience in the pharmaceutical sector and the company itself, which represented an advantage with regard to ascertaining the impact and the possible occurrence of each risk;
- addressing risks: each risk classified as a major risk has been analysed and prioritised. A risk owner has been appointed for each major risk. The risk owners are mainly the senior managers who are members of the three committees referred to above. Their role is to design and implement action plans in coordination with the different operational and functional organisations, in order to limit the company's exposure to the risks for which they are responsible;
- monitoring action plans: the Risk Management department coordinates the whole process in partnership with the risk owners. Lastly, it drafts a report for the executive board, to provide it with regular updates on progress.

Since its implementation, the risk management system has contributed to the following initial results:
• a general overview of the Group's major risks. The map of the Group's major risks was presented to the audit committee meeting on 11 March 2011;
• an impetus created by the significant efforts of the large number of managers who worked on this project. This impetus enabled a risk management culture to emerge among the managers involved;
• the implementation of action plans under the responsibility of the risk owners. At the end of 2011, approximately one hundred action plans had been identified, and most of these have been implemented, with initial results being obtained for some of them;
• the strengthening of company controls over cross-functional risks;
• implementation of the risk management system on an international basis. In 2011, for example, the risk management system was rolled out at the Group's American subsidiary.

For Virbac, risk management forms part of a continuous improvement cycle of the internal control 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 improvement are planned for 2012 aimed at extending this system, which is described on page 87 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. These functions comprise:
  - 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;
  - the 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;
- the 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 65. After the cancellation of 256,352 shares in February 2012, following the share buyback programme implemented in 2011, Virbac's main shareholder, the Dick family group, held 49.7% of the shares and 65.5% of the 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 83 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 83 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 84 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, working closely with the Group Communications department, 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.

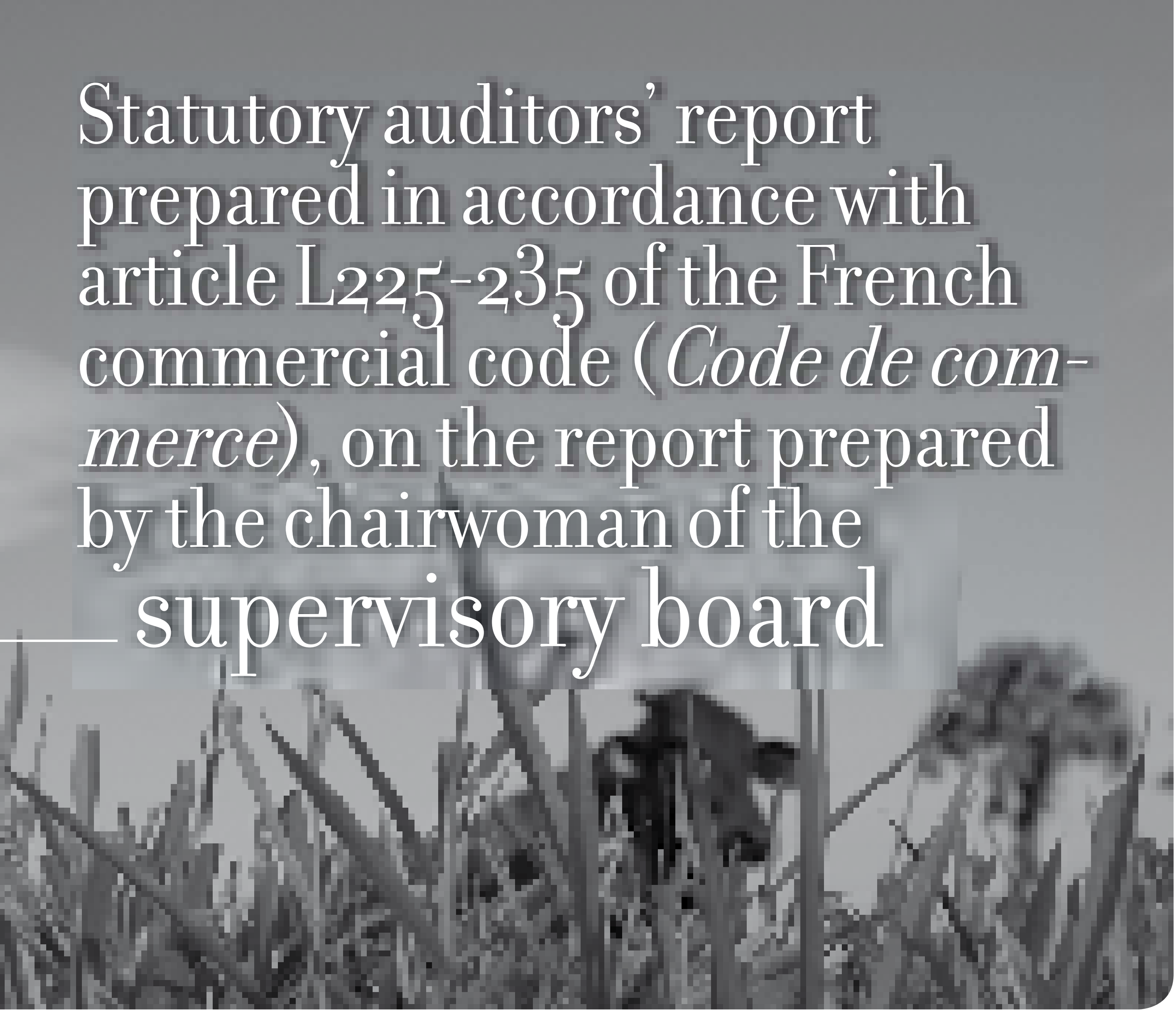
Improvement plan for the internal control and risk management system

The Virbac group embarked on a process improvement project for its internal control and risk management system in line with the general orientations 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 to the audit committee.

Outlook for 2012

The outlook for the coming year includes the following:

- monitoring of the implementation of action plans;
- improvement of the monitoring tool with the introduction of indicators to measure the progress and efficiency of the measures taken;
- continued implementation of the risk management system on an international basis, starting with the Group's main subsidiaries;
- implementation of training in relation to certain head office activities and the application of the risk management system to the same activities.



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 2011

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 2011.

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, 23 March 2012
The statutory auditors

Novances-David & Associés
Jean-Pierre Giraud

Deloitte & Associés
Hugues Desgranges

Statutory auditors' special report on the granting of existing or newly-issued shares for no consideration

Shareholders' meeting of 18 June 2012 - tenth resolution

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

To the shareholders,

As statutory auditors of your company and in accordance with article L225-197-1 of the French commercial code (*Code de commerce*), we have prepared this report on the proposed authorization to grant existing or newly-issued shares for no consideration to salaried employees and corporate officers of your company and its affiliates, a transaction on which you are asked to decide.
It is stipulated that the total number of shares to be granted for no consideration pursuant to this authorization may not exceed 1% of the company's share capital on the grant date.

Your management board recommends that, having considered its report, you confer on it the authority to grant existing or newly-issued shares for no consideration and for a period of 38 months.

The management board is responsible for preparing a report on this transaction which it wishes to carry out. Our role is to inform you of our comments, if any, on the information thus given to you on the proposed transaction.
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. Such procedures consisted in verifying that the proposed conditions as given in the management board's report comply with legal provisions.
We have no comments on the information given in the management board's report in respect of the proposed granting of shares for no consideration.

Nice and Marseille, 23 March 2012
The statutory auditors

Novances-David & Associés
Jean-Pierre Giraud

Deloitte & Associés
Hugues Desgranges

Statutory auditors' report on the share capital increase reserved for participants in corporate savings plans

Shareholders' meeting of 18 June 2012 - eleventh resolution

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

To the shareholders,

As statutory auditors of your company and pursuant to articles L225-135 et *seq.* of the French commercial code (Code de commerce), we hereby report to you on the proposed share capital increase via the issue of shares of ordinary shares with cancellation of preferential subscription rights in a maximum amount of €177,000, reserved for participants in corporate savings plans, a transaction on which you are asked to decide.
You are asked to approve this share capital increase pursuant to articles L225-129-6 of the French commercial code and L3332-18 *et seq.* of the French labor code (*Code du travail*).
Your management board recommends that, having considered its report, you confer on it, for a period of 26 months, the authority to set the terms and conditions of this transaction and that you consider waiving your preferential subscription rights.

It is the management board's responsibility to prepare a report in accordance with articles R225-113 and R225-114 of the French commercial code. Our role is to express an opinion on the fairness of the quantified data derived from the financial statements, on the proposed cancellation of preferential subscription rights and on certain other information pertaining to the issue, as presented in this report.
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. Such procedures consisted in verifying the content of the management board's report as it relates to this transaction and the conditions in which the issue price of the equity securities to be issued was determined.
Subject to the subsequent review of the terms and conditions of the proposed share capital increase, we have no comments on the methods used to determine the price of the shares of ordinary shares to be issued, as presented in the management board's report.

Nice and Marseille, 23 March 2012
The statutory auditors

Novances-David & Associés
Jean-Pierre Giraud

Deloitte & Associés
Hugues Desgranges

2011 consolidated financial report

Consolidated financial statements

Statement of financial position

in € thousands	Notes	2011	2010
Goodwill	A1-A3	91,487	86,413
Intangible assets	A2-A3	93,735	84,994
Tangible assets	A4	127,137	101,611
Other financial assets	A5	1,275	814
Share in companies accounted for by the equity method	A6	11,826	3,351
Deferred tax assets	A7	4,366	3,934
Non-current assets		**329,826**	**281,117**
Inventories and work in progress	A8	111,832	98,893
Trade receivables	A9	87,961	85,523
Other financial assets	A5	1,142	1,081
Other receivables	A10	34,048	27,141
Cash and cash equivalents	A11	23,826	39,998
Assets classified as held for sale	A12	-	-
Current assets		**258,809**	**252,636**
Assets		**588,635**	**533,753**
Share capital		10,893	10,893
Reserves attributable to the owners of the parent company		300,492	289,169
Equity attributable to the owners of the parent company	A13	**311,385**	**300,062**
Non-controlling interests		2,481	2,292
Equity		**313,866**	**302,354**
Deferred tax liabilities	A7	9,113	9,141
Provisions for employee benefits	A14	7,483	6,850
Other provisions	A15	2,148	2,012
Other financial liabilities	A16	73,417	32,512
Other payables	A17	1,829	10,554
Non-current liabilities		**93,990**	**61,069**
Other provisions	A15	612	479
Trade payables	A18	63,124	75,303
Other financial liabilities	A16	20,120	10,607
Other payables	A17	96,923	83,941
Current liabilities		**180,779**	**170,330**
Liabilities		**588,635**	**533,753**

Income statement

in € thousands	Notes	2011	2010	*Change*
Revenue from ordinary activities	A19	623,059	572,830	*8.8%*
Purchases consumed	A20	-195,371	-181,778	
External costs	A21	-145,429	-138,747	
Personnel costs		-164,026	-146,428	
Taxes and duties		-13,642	-10,847	
Depreciations and provisions	A22	-19,702	-19,229	
Other operating income and expenses	A23	860	1,843	
Current operating result		85,749	77,644	*10.4%*
Other non-current income and expenses	A24	464	10,100	
Operating result		86,213	87,744	*-1.7%*
Financial income and expenses	A25	-2,713	-1,612	
Result before tax		83,500	86,132	*-3.1%*
Income tax	A26	-24,967	-21,791	
Share from companies' result accounted for by the equity method		22	-28	
Result for the period		58,555	64,313	*-9.0%*
attributable to the owners of the parent company		57,516	63,413	*-9.3%*
attributable to the non-controlling interests		1,039	900	*15.4%*
Result attributable to the owners of the parent company, per share	A27	€6.83	€7.32	*-6.6%*
Result attributable to the owners of the parent company, diluted per share	A27	€6.83	€7.32	*-6.6%*

Comprehensive income statement

in € thousands	2011	2010	*Change*
Result for the period	58,555	64,313	*-9.0%*
Change in asset revaluation reserve	-	-	
Actuarial gains and losses	-	-	
Conversion gains and losses	-2,688	14,948	
Gains and losses from revaluation of financial assets available for sale	-	-	
Effective portion of gains and losses on hedging instruments	-140	14	
Other elements of comprehensive income (before tax)	-2,828	14,962	*-118.9%*
Tax on other elements of comprehensive income	48	-5	
Share from other elements of the companies' comprehensive income using the equity accounting method	-	-	
Comprehensive income	55,775	79,270	*-29.6%*
attributable to the owners of the parent company	54,741	78,356	*-30.1%*
attributable to the non-controlling interests	1,034	914	*13.1%*

Cash flow statement

in € thousands	2011	2010
Result for the period	58,555	64,313
Elimination of share from companies' result accounted for by the equity method	-22	28
Elimination of depreciations and provisions	20,319	18,119
Elimination of deferred tax change	592	-4,497
Elimination of gains and losses on disposals	281	18
Other income and expenses with no cash impact	526	-10,334
Cash flow	80,251	67,647
Effect of net change in inventories	-11,687	-10,609
Effect of net change in trade receivables	-2,625	-5,463
Effect of net change in trade payables	-8,319	14,958
Effect of net change in other receivables and payables	1,427	15,417
Effect of change in working capital requirements	**-21,204**	**14,303**
Net financial interests paid	2,734	1,947
Net cash flow generated by operating activities	61,781	83,897
Acquisitions of intangible assets	-5,686	-2,832
Acquisitions of tangible assets	-37,635	-22,102
Disposals of intangible and tangible assets	193	573
Change in financial assets	-293	225
Change in debts relative to acquisitions	1,546	-
Acquisitions of subsidiaries or activities	-35,913	-12,693
Disposals of subsidiaries or activities	120	-
Dividends received	-	-
Net flow allocated to investing activities	**-77,668**	**-36,829**
Dividends paid to the owners of the parent company	-13,019	-11,448
Dividends paid to the non-controlling interests	-705	-1,217
Change in treasury shares	-31,185	-994
Increase/decrease of capital	-	-
Debt issuance	48,850	10,681
Repayments of debt	-5,164	-13,821
Net financial interests paid	-2,734	-1,947
Net cash from financing activities	**-3,957**	**-18,746**
Change in cash position	-19,844	28,322

Statement of change in cash position

in € thousands	2011	2010
Cash and cash equivalents	39,998	14,069
Bank overdraft	-5,430	-9,675
Accrued interests not yet matured	-20	-35
Opening net cash position	**34,548**	**4,359**
Cash and cash equivalents	23,826	39,998
Bank overdraft	-10,830	-5,430
Accrued interests not yet matured	-38	-20
Closing net cash position	**12,958**	**34,548**
Impact of currency conversion adjustments	-1,746	1,867
Net change in cash position	-19,844	28,322

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 31/12/2009	**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**
2010 allocation of net income	-	-	63,413	-	-63,413	**-**	-	**-**
Distribution of dividends	-	-	-13,019	-	-	**-13,019**	-845	**-13,864**
Treasury shares	-	-	-30,399	-	-	**-30,399**	-	**-30,399**
Changes in scope	-	-	-	-	-	**-**	-	**-**
Other variations	-	-	-	-	-	**-**	-	**-**
Comprehensive income	-	-	-92	-2,683	57,516	**54,741**	1,034	**55,775**
Equity at 31/12/2011	**10,893**	**6,534**	**235,526**	**916**	**57,516**	**311,385**	**2,481**	**313,866**

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. The Virbac share is listed on the Paris stock exchange in section A 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 Nice. 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 2065m LID, 06511 Carros. The company is registered on the Grasse Trade registry under the number 417350311 RCS Grasse.

The 2011 consolidated financial statements were approved by the executive board on 5 March 2012. They will be submitted for approval to the shareholders' general meeting on 18 June 2012; 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 31 January 2011, Virbac 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 5 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 veterinary division's sales teams and it reinforces Virbac's presence on the fourth Latin American market. The operation constitutes a company consolidation within the meaning of IFRS 3 revised and is reported as such in these consolidated financial statements. The price allocation is shown in note A1.

On 28 February 2011, Virbac acquired the rights for Multimin 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. The operation constitutes an intangible asset acquisition within the meaning of IAS 38 and is reported as such in these consolidated financial statements (see note A2).

On 14 March 2011, Virbac obtained European authorisation to market CaniLeish, to protect against canine leishmaniosis. This vaccine is a major scientific advance in the fight against this parasitic canine disease. Initial product launches in 2011 focused on endemic countries such as Portugal and France, and will continue in other Mediterranean countries in 2012.

On 4 May 2011, Virbac acquired Peptech, a company based in Sydney, Australia, and with which it had signed a distribution contract for the canine contraceptive implant Suprelorin in 2007. This acquisition consolidates the Group's rights to this product, not only in Europe where it is already distributed but also in the rest of the world where it will have to be developed, especially the United States. Through this acquisition, Virbac has secured the right to distribute an original product (Suprelorin) aimed at suppressing canine sexuality by using a long-lasting implant (up to one year of protection), and gained access to an innovative technology platform of fast, medium and slow release drugs adaptable to numerous species of animal through a variety of molecules.
This takeover also gives Virbac a product for horses, Ovuplant, currently distributed by a third party in the United Kingdom. Lastly, it grants access to two proprietary technologies for solid and liquid implants. These can be adapted to other pet and livestock R&D projects.
The purchase price for full ownership of Peptech was 8.1 million Australian dollars. The operation constitutes a company consolidation within the meaning of IFRS 3 revised and is reported as such in these consolidated financial statements. The price allocation is shown in note A1.

On 8 November 2011, Virbac sealed a new strategic alliance in the field of livestock vaccines by creating a joint-venture with Schweitzer Biotech Company. Virbac holds a 49% stake in this joint-venture, SBC Virbac, based in Hong Kong, and will have the option of buying out the remainder at a later date. Founded in 2001, SBC has developed considerable expertise in developing cell culture banks used in the production of viral vaccines by partners manufacturing veterinary vaccines. It also specialises in the research and development of viral and bacterial vaccines for swine, aquaculture species and poultry.
SBC Virbac will form a solid base for the development, registration and production of vaccines in pig, fish and poultry farming, and can count on Virbac's sales network to ensure that marketing begins within the next few years, first in Asia (excluding China) and potentially then in other regions of the world, including China.
Following the alliance forged with Santa Elena of Uruguay in 2010, in the field of cattle vaccines, this new pig, poultry and fish vaccine partnership will give Virbac a range of vaccines covering different species of livestock in market segments that have been rapidly growing for several years.
In exchange for Virbac's financial contribution to the joint-venture, SBC is offering all of its technological and scientific skills and experience, product portfolio and production facilities, as well as its current business activities in Taiwan and its existing commercial and technological partners.
The deal was recognised in accordance with IAS 31 and the joint-venture is accounted for by the equity method in these consolidated financial statements. The price allocation is shown in note A6.

Significant events after the closing date

On 17 February 2012, Virbac bought back its own shares on the market with a view to reducing the capital by cancelling these shares. This operation is described in note A13.

Scope of application

The financial consolidated statements as at 31 December 2011 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 note A38.

The changes executed in the scope during the fiscal year are the following:
• Virbac (HK) Limited became SBC Virbac Limited. This entity, in which Virbac holds a 49% stake, itself owns 100% of the shares of SBC Virbac Biotech Co Ltd in Taiwan. These two entities operate at a sub-consolidated level: a joint-venture consolidated according to the equity method;
• creation of Virbac Trading (Shanghai) Co. Ltd. This new Chinese entity which is wholly-owned by Virbac is consolidated by overall inclusion in the financial statements;
• creation of Virbac H.K. Trading Limited. This new Hong Kong entity which is wholly-owned by Virbac is consolidated by overall inclusion in the financial statements.
• disposal of Inomark AG, which was wholly-owned by Virbac (Switzerland) AG.

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 2011 financial year, the Group applied all standards and interpretations in force at the European level, applicable to periods beginning on or after 1 January 2011. These standards and interpretations are as follows:
• amendment to IFRS 1, "exemptions related to the information to be provided as part of IFRS 7", applicable to periods beginning on or after 1 July 2010;
• amendment to IFRS 7, "information to be provided – transfers of financial assets", applicable to periods beginning on or after 1 July 2011;
• revision to IAS 24, "related party disclosures", applicable to periods beginning on or after 1 January 2011;
• amendment to IAS 32, "classification of subscription rights", applicable to periods beginning on or after 1 February 2010;
• amendment to IFRIC 14, "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.

Application of these new standards has not had a significant impact on the consolidated financial statements in the 2011 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:

• amendment to IFRS 1, "serious hyperinflation and removal of fixed adoption dates for new adoptions", applicable to periods beginning on or after 1 July 2011;
• amendment to IFRS 9, "financial instruments", applicable to periods beginning on or after 1 January 2015;
• IFRS 10, "consolidated financial statements", applicable to periods beginning on or after 1 January 2013;
• IFRS 11, "joint arrangements", applicable to periods beginning on or after 1 January 2013;
• IFRS 12, "related party disclosures", applicable to periods beginning on or after 1 January 2013;
• IFRS 13, "fair value measurement", applicable to periods beginning on or after 1 January 2013;
• amendment to IAS 1, "presentation of other elements of comprehensive income", applicable to periods beginning on or after 1 July 2012;
• amendment to IAS 12, "recovery of underlying assets", applicable to periods beginning on or after 1 January 2012;
• amendment to IAS 19, "employee benefits", applicable to periods beginning on or after 1 January 2013;
• amendment to IAS 27, "separate financial statements", applicable to periods beginning on or after 1 January 2013;
• amendment to IAS 28, "investments in associates", applicable to periods beginning on or after 1 January 2013;
• IFRIC 20, "stripping costs in the production phase of a surface mine", applicable to periods beginning on or after 1 January 2013.

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 2011 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 transactions between Group companies, as well as inter-company profits, are eliminated from the consolidated accounts.

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 on the date of acquisition. 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 perpetual growth rates used, which depend on products and market growth expectations, and the discount rates based on the weighted average cost of capital before tax method, are presented in note A3.

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 are evaluated at the historic acquisition cost, including acquisition costs, less accumulated depreciation and if necessary less any impairment loss.
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. For cash flow forecasts, the perpetual growth rates used, which depend on products and market growth expectations, and the discount rates based on the weighted average cost of capital before tax method, are presented in note A3.

Tangible assets

In accordance with IAS 16, tangible assets are evaluated at the historic acquisition cost, including acquisition costs, or at the 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: ten to twenty years;
• materials and industrial equipment:
- structure: twenty years;
- components: five to ten years;
• IT equipment: three or four years;
• other tangible assets: five to ten years.

Financial assets

The Group's other financial assets include mainly securities (in particular personal securities), other intangible loans and other operating receivables.
They are recognised and posted at the initial loan amount. A provision is recorded where there is a risk of non-recovery.

Other financial assets at fair value

Observable data is used in the calculation of the Group's financial assets where these are measured at fair value. The only financial assets that come under this category are hedging instruments and investment securities.

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 accounts 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 made up of 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

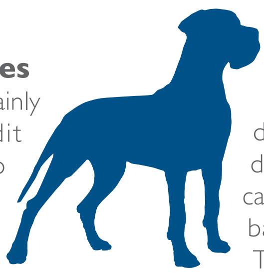
The Group's obligations resulting from defined benefit retirement plans are determined by using the actuarial method for projected unit credits. These commitments are measured at each balance sheet date. The commitment calculation model is based on a number of actuarial assumptions. The discount rate is determined in relation to the yield on investment grade corporate bonds (issuers rated "AA"). 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 in the income statement 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 income or expense of tax consolidation is recognised in the parent company's accounts.



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 2011, 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. 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.

Other non-current income and expenses

These are income or expenses for which the total is 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 2011, the net total of goodwill was €91,487 thousands and the value of intangible assets was €93,735 thousands.

Deferred taxes

Deferred tax assets are recognised on deductible temporary differences between tax and accounting values of assets and liabilities. Deferred tax assets, in particular those relating to carried forward tax losses, are recognised only if it is likely that the Group will have sufficient future taxable income, 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 A14, 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 €7,483 thousands as at 31 December 2011.

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 €2,760 thousands as at 31 December 2011.

A1. Goodwill

Change in goodwill by CGU

in € thousands	Gross value as at 31/12/2010	Impairment value as at 31/12/2010	Book value as at 31/12/2010	Increases	Sales	Impairment of value	Transfers	Conversion gains and losses	Book value as at 31/12/2011
Italy CGU	1,585	-	**1,585**	-	-	-	-	-	**1,585**
Denmark CGU	4,643	-	**4,643**	-	-	-	-	-1	**4,642**
Leishmaniosis vaccine CGU	5,421	-	**5,421**	-	-	-	-	-	**5,421**
Greece CGU	1,358	-	**1,358**	-	-	-	-	-	**1,358**
Colombia CGU	387	-	**387**	1,945	-	-	-	44	**2,376**
India CGU	18,775	-	**18,775**	-	-	-	-	-2,333	**16,442**
United States CGU	49,569	-3,069	**46,500**	-	-	-	-	1,617	**48,117**
Peptech CGU	-	-	**-**	3,571	-	-	-	224	**3,795**
Other CGUs	11,615	-3,871	**7,744**	-	-	-	-	7	**7,751**
Goodwill	93,353	-6,940	86,413	5,516	-	-	-	-442	91,487

Business combinations

Acquisition of veterinary assets in Colombia

On 31 January 2011, Virbac acquired the veterinary assets of the Synthesis company in Colombia for 9.6 million American dollars. This acquisition enables Virbac Colombia to double its size by providing additional revenue of about five million American dollars. 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 constitutes a company consolidation within the meaning of IFRS 3 revised and is reported as such in these consolidated financial statements. In line with the aforementioned synergies, the goodwill is calculated as follows.

in € thousands	Fair value in the consolidated accounts
Asset purchase price	7,129
Fair value of net assets purchased	5,139
Goodwill	1,990

The assets acquired are detailed below:

in € thousands	Book value in the seller's accounts	Fair value in the consolidated accounts
Intangible assets	-	4,756
Inventories and work-in-progress	300	383
Net assets acquired	300	5,139

If it had been acquired on 1 January 2011, this entity's sales and net income for the year would have been €3.4 million and €0.4 million respectively.

Acquisition of Peptech

On 4 May 2011, Virbac acquired the Australian company Peptech, with which it had signed a distribution contract for the canine contraceptive implant Suprelorin in 2007. This acquisition consolidates the Group's rights to this product, not only in Europe where it is already distributed but also in the rest of the world where it will have to be developed, especially the United States. This takeover also gives Virbac a product for horses, Ovuplant, currently distributed by a third party in the United Kingdom. Lastly, it grants access to two proprietary technologies for solid and liquid implants.

This acquisition constitutes a company consolidation within the meaning of IFRS 3 revised and is reported as such in these consolidated financial statements. In line with the aforementioned synergies, the goodwill is calculated as follows.

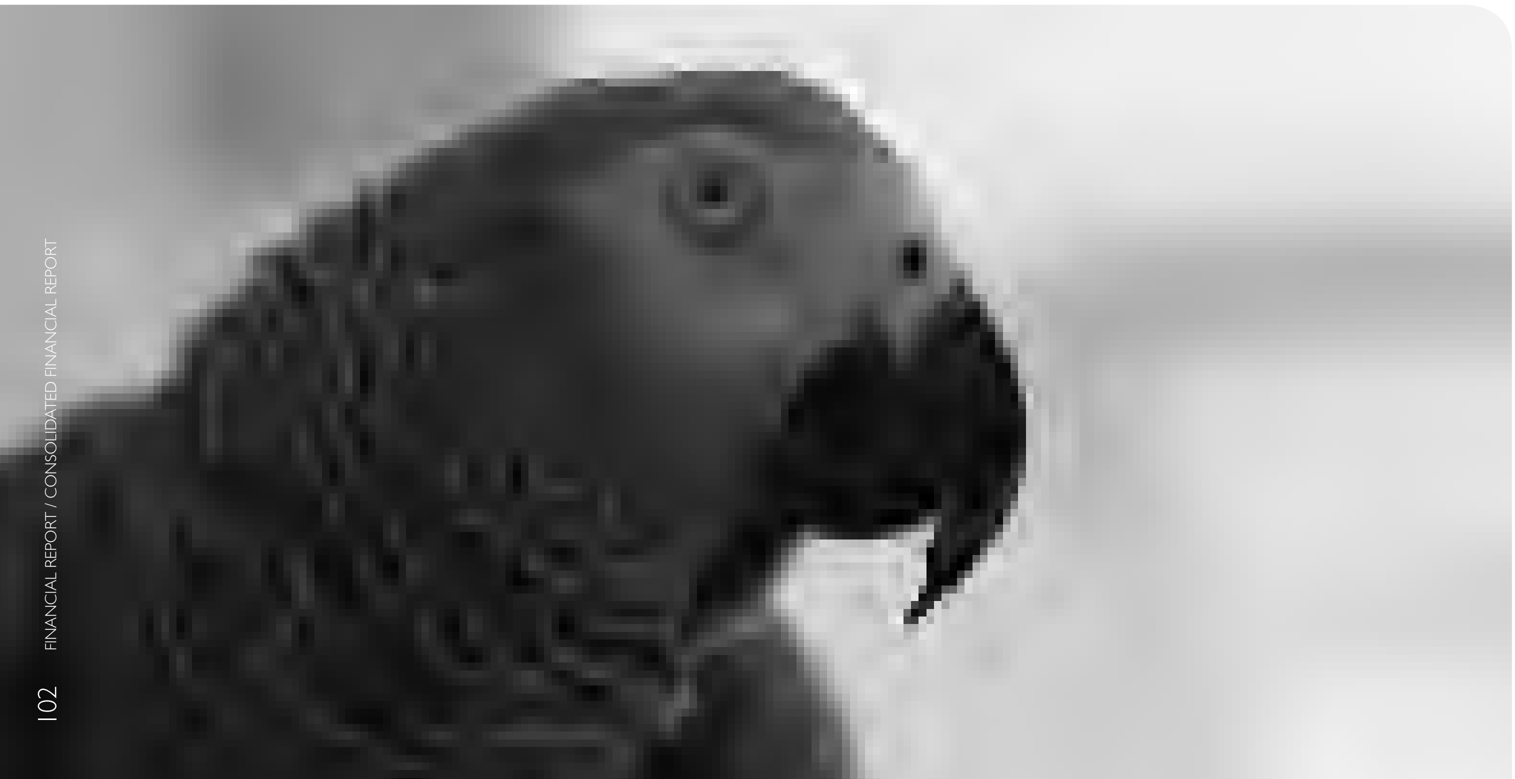
in € thousands	Fair value in the consolidated accounts
Asset purchase price	6,384
Share purchase price supplement*	786
Estimated share purchase price	**7,170**
Fair value of net assets purchased	2,729
Deferred tax asset	646
Goodwill	**3,795**

* The price supplement as estimated on the acquisition date will ultimately not be paid. Income has therefore been recognised in "other non-current income and expenses" on the income statement as at 31 December 2011 (see note A24).

The assets acquired are detailed below:

in € thousands	Book value in the seller's accounts	Fair value in the consolidated accounts
Intangible assets	-	2,611
Tangible assets	1,199	1,199
Inventories and work-in-progress	1,001	1,215
Operating receivables	535	535
Borrowings	-1,173	-1,173
Operating liabilities	-1,658	-1,658
Net assets acquired	**-96**	**2,729**

If it had been acquired on 1 January 2011, this entity's sales and net income for the year would have been €2.3 million and €0.5 million respectively.



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 Indefinite life	 Finite life	Other intangible assets Finite life	Intangible assets in progress	Intangible assets
Gross value as at 31/12/2010	50,311	46,295	35,745	4,102	136,453
Acquisitions	5,225	8,771	4,858	1,736	**20,590**
Sales	-	-280	-47	-	**-327**
Changes in scope	-	-	-	-	**-**
Transfers	-	4,968	-5,474	-2,812	**-3,318**
Conversion gains and losses	-940	-540	-87	-130	**-1,697**
Gross value as at 31/12/2011	54,596	59,214	34,995	2,896	151,701
Depreciation as at 31/12/2010	-6,346	-21,539	-23,574	-	-51,459
Allowances	-242	-3,477	-3,361	-	**-7,080**
Reversals	-	-	47	-	**47**
Sales	-	51	-	-	**51**
Changes in scope	-	-	-	-	**-**
Transfers	-	-643	1,420	-	**777**
Conversion gains and losses	-25	-262	-15	-	**-302**
Depreciation as at 31/12/2011	-6,613	-25,870	-25,483	-	-57,966
Net value as at 31/12/2010	43,965	24,756	12,171	4,102	84,994
Net value as at 31/12/2011	47,983	33,344	9,512	2,896	93,735

No non-current assets were generated internally.

Concessions, patents, licences and brands

The increase in the "Concessions, patents, licences and brands" item was mainly due to the acquisition of intangible assets through mergers and acquisitions. For example, brands and marketing authorisations acquired through the Colombian deal are worth €4,756 thousands. The patents, brands and customer portfolio acquired in the Australian deal are valued at €2,611 thousands. The acquisition of rights for Multimin in South Africa and neighbouring countries, recognised under IAS 38, amounts to €5,528 thousands.

In terms of transfers, patents linked to the leishmaniosis vaccine, which had been classed as "intangible assets in progress", are now classed as patents in the "finite life" column.

Intangible assets with indefinite useful lives

Intangible assets with indefinite useful lives are intangible assets acquired and are mainly composed of brands and certain marketing authorisations the life of which cannot be determined.

Trademarks

The trademarks acquired by Virbac are classified as intangible assets with indefinite useful lives. At 31 December 2011 the value of the trademarks on the balance sheet was €22,961 thousands.

Nearly all of the brands relate to the following acquisitions:

- the veterinary division of GlaxoSmithKline in India acquired in 2006;
- the product ranges acquired from Schering-Plough in 2008;
- the product ranges acquired from Synthesis in 2011;
- the product ranges acquired from Peptech in 2011.

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

Other intangible assets and intangible assets in progress

The increase in these two items largely corresponds to IT projects in several of the Group's subsidiaries.

A3. Impairment of assets

At the end of the 2011 financial year, Virbac reexamined the value of its CGUs' goodwill, intangible assets and tangible assets, checking that CGUs' recoverable amount exceeded their net carrying amount including goodwill. The recoverable amount is determined by discounting future cash flows (DCF). No changes have been made to valuation methods.

Each CGU's recoverable amount has thus been determined by discounting its future cash flows, using cash flow forecasts consistent with the 2012 budget as well as more recent forecasts. Key assumptions are shown in the table below.

As at 31 December 2011

in € thousands	Net book value as at 31/12/2011		Discount rate	Perpetual growth rate
	Goodwill	Intangible		
Italy CGU	1,585	4	10.30%	2.00%
Denmark CGU	4,642	-	10.30%	2.00%
Leishmaniosis vaccine CGU	5,421	18,727	10.30%	2.00%
Greece CGU	1,358	-	12.30%	2.00%
Colombia CGU	2,376	4,616	12.30%	2.00%
India CGU	16,442	13,110	12.30%	5.00%
United States CGU	48,117	4,090	10.30%	2.00%
Peptech CGU	3,795	2,611	10.30%	2.00%
CGU product range acquired from Schering-Plough in Europe	-	19,521	10.30%	2.00%
Leucogen CGU	-	2,330	10.30%	0.00%
Other	7,751	16,318	10.30% - 12.30%	0.00% - 2.00%
Total value	91,487	81,327		

As at 31 December 2010

in € thousands	Net book value as at 31/12/2011		Discount rate	Perpetual growth rate
	Goodwill	Intangible		
Italy CGU	1,585	8	9.50%	2.00%
Denmark CGU	4,643	-	9.50%	2.00%
Leishmaniosis vaccine CGU	5,421	15,827	9.50%	2.00%
Greece CGU	1,358	-	9.50%	2.00%
Colombia CGU	387	-	9.50%	2.00%
India CGU	18,775	15,075	9.50%	3.00%
United States CGU	46,500	3,972	9.50%	3.00%
CGU product range acquired from Schering-Plough in Europe	-	21,002	9.50%	2.00%
Leucogen CGU	-	3,793	9.50%	0.00%
Other	7,744	9,044	9.50%	1.00% - 2.00%
Total value	86,413	68,721		

Following tests carried out in 2011, an intangible asset with an indefinite life was written off completely (€242 thousands) while a fixed-term marketing authorisation suffered a partial €100 thousands impairment.

Sensitivity tests

Several calculations have been made of value in use, applying different key assumptions:

- keeping the same perpetual growth rate and increasing the discount rate by 2.0 points;
- keeping the same discount rate and reducing the perpetual growth rate by 2.0 points.

For the main CGUs, the results of these different assumptions are shown in the tables below. In neither case would Virbac have had to recognise an impairment.

in € thousands	Net book value of the CGU as at 31/12/2011*	Key assumption discount rate +2.0 points	Key assumption growth rate	Depreciation
Italy CGU	1,589	12.3%	2.0%	-
Denmark CGU	4,642	12.3%	2.0%	-
Leishmaniosis vaccine CGU	27,495	12.3%	2.0%	-
Greece CGU	1,358	14.3%	2.0%	-
Colombia CGU	6,992	14.3%	2.0%	-
India CGU	32,008	14.3%	5.0%	-
United States CGU	73,295	12.3%	2.0%	-
Peptech CGU	6,406	12.3%	2.0%	-
CGU product range acquired from Schering-Plough in Europe	19,521	12.3%	2.0%	-
Leucogen CGU	8,983	12.3%	0.0%	-

in € thousands	Net book value of the CGU as at 31/12/2011*	Key assumption discount rate	Key assumption growth rate -2.0 points	Depreciation
Italy CGU	1,589	10.3%	0.0%	-
Denmark CGU	4,642	10.3%	0.0%	-
Leishmaniosis vaccine CGU	27,495	10.3%	0.0%	-
Greece CGU	1,358	12.3%	0.0%	-
Colombia CGU	6,992	12.3%	0.0%	-
India CGU	32,008	12.3%	3.0%	-
United States CGU	73,295	10.3%	0.0%	-
Peptech CGU	6,406	10.3%	0.0%	-
CGU product range acquired from Schering-Plough in Europe	19,521	10.3%	0.0%	-
Leucogen CGU	8,983	10.3%	0.0%	-

*The net carrying amount of the CGU at 31 December 2011 includes goodwill, intangible assets as well as assets and liabilities that can be directly assigned to the CGU.

The discount rate, combined with a zero perpetual growth rate, on the basis of which Virbac would have to recognise an impairment is indicated in the table below.

in € thousands	Net book value of the CGU as at 31/12/2011*	Discount rate, combined with a zero perpetual growth rate, on the basis of which an impairment would be recognised
Italy CGU	1,589	65.9%
Denmark CGU	4,642	78.2%
Leishmaniosis vaccine CGU	27,495	38.9%
Greece CGU	1,358	106.6%
Colombia CGU	6,992	40.8%
India CGU	32,008	38.8%
United States CGU	73,295	44.9%
Peptech CGU	6,406	60.0%
CGU product range acquired from Schering-Plough in Europe	19,521	20.7%
Leucogen CGU	8,983	133.5%

*The net carrying amount of the CGU at 31 December 2011 includes goodwill, intangible assets as well as assets and liabilities that can be directly assigned to the CGU.

A4. Tangible assets

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

As at 31 December 2011, the gross value of goods acquired under leasings restated as tangible assets, in accordance with IAS 17, totalled €7,953 thousands.
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. As at 31 December 2011, capitalised borrowing costs amounted to €315 thousands, including €213 thousands in financial year 2011 at an effective interest rate of 2.81%.

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 31/12/2010	**10,341**	**94,763**	**75,323**	**19,007**	**13,855**	**213,289**
Acquisitions	1,910	6,623	10,027	3,581	15,572	**37,713**
Sales	-	-273	-1,839	-3,919	-	**-6,031**
Changes in scope	-	-	-	-	-	**-**
Transfers	195	9,837	3,697	909	-14,110	**528**
Conversion gains and losses	161	197	350	-181	93	**620**
Gross value as at 31/12/2011	**12,607**	**111,147**	**87,558**	**19,397**	**15,410**	**246,119**
Depreciation as at 31/12/2010	**-**	**-48,758**	**-49,252**	**-13,668**	**-**	**-111,678**
Allowances	-	-4,907	-5,762	-2,009	-	**-12,678**
Reversals	-	39	-	159	-	**198**
Sales	-	218	1,779	3,757	-	**5,754**
Changes in scope	-	-	-	-	-	**-**
Transfers	-	-570	-87	137	-	**-520**
Conversion gains and losses	-	-48	-137	127	-	**-58**
Depreciation as at 31/12/2011	**-**	**-54,026**	**-53,459**	**-11,497**	**-**	**-118,982**
Net value as at 31/12/2010	**10,341**	**46,005**	**26,071**	**5,339**	**13,855**	**101,611**
Net value as at 31/12/2011	**12,607**	**57,121**	**34,099**	**7,900**	**15,410**	**127,137**

The increase in this item is mainly due to building renovation work in Fort Worth, United States, the refurbishing and extension of the vaccines unit, and the construction of a new production unit at the Carros site in France.

A5. Other financial assets

Change in other financial assets

in € thousands	2010	Increases	Decreases	Changes in scope	Transfers	Conversion gains and losses	2011
Loans and other financial receivables	595	435	-100	-	88	2	1,020
Derivative foreign currency exchange and interest rate instruments	-	1	-	-	-	-	1
Restricted cash	214	37	-6	-	-	4	249
Other	5	-	-	-	-	-	5
Other non-current financial assets	814	473	-106	-	88	6	1,275
Loans and other financial receivables	-	-	-	-	-	-	-
Derivative foreign currency exchange and interest rate instruments	1,051	91		-	-	-	1,142
Restricted cash	-	-	-	-	-	-	-
Other	30	-	-30	-	-	-	-
Other current financial assets	1,081	91	-30	-	-	-	1,142
Other financial assets	1,895	564	-136	-	88	6	2,417

Other financial assets classified according to their maturity

As at 31 December 2011

in € thousands	less than 1 year	Payments from 1 to 5 years	more than 5 years	Total
Loans and other financial receivables	-	389	631	1,020
Derivative foreign currency exchange and interest rate instruments	1,142	1	-	1,143
Restricted cash	-	249	-	249
Other	-	-	5	5
Other financial assets	1,142	639	636	2,417

As at 31 December 2010

in € thousands	less than 1 year	Payments from 1 to 5 years	more than 5 years	Total
Loans and other financial receivables	-	34	561	595
Derivative foreign currency exchange and interest rate instruments	1,051	-	-	1,051
Restricted cash	-	214	-	214
Other	30	-	5	35
Other financial assets	1,081	248	566	1,895

A6. Share in companies accounted for by the equity method

in € thousands	Company's individual accounts using equity method: Balance sheet total	Equity	Sales	Result	Consolidated financial statements: Share of equity	Share of result
German company	-	776	-	132	373	32
South African company	-	-	-	5	1	1
Santa Elena (Uruguay)	7,122	4,313	6,685	445	3,252	134
SBC Virbac Limited (Hong Kong)	3,910	2,960	202	-296	8,200	-145
Share in companies accounted for by the equity method					11,826	22

Joint-venture agreement: SBC Virbac Limited

On 8 November 2011, Virbac sealed a new strategic alliance in the field of livestock vaccines by creating a joint-venture with Schweitzer Biotech Company. Based in Hong Kong, SBC Virbac will form a solid base for the development, registration and production of vaccines in pig, fish and poultry farming, and can count on Virbac's sales network to ensure that marketing begins within the next few years, first in Asia (excluding China) and potentially then in other regions of the world, including China.

Virbac holds 49% of the equity in this joint-venture. The board of directors has four members with two appointed by Virbac and two appointed by SBC. The chairman does not have a casting vote. The board of directors must approve key operations (investments, developments, debt, etc.) unanimously. This means that control is joint. As such, this transaction must 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 implied goodwill associated with this transaction is calculated as follows.

in € thousands	Fair value in the consolidated accounts
Amount paid for the capital injection	6,724
Unpaid additional injection	1,546
Estimated amount of the capital injection	**8,270**
Share of net situation acquired	3,732
Implicit goodwill	**4,538**

The share of the acquired net situation is detailed below:

in € thousands	Book value in the seller's accounts	Fair value in the consolidated accounts
Intangible assets	399	864
Tangible assets	1,165	1,165
Assets in progress	1,520	1,520
Inventories and work-in-progress	94	152
Other net assets	31	31
Share of net situation acquired	**3,209**	**3,732**

A7. 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 2011

in € thousands	Deferred tax assets
Internal margin on inventories	6,613
Retirement and end of career severance commitments	2,042
Reportable deficits	78
Sales adjustments (IAS 18)	341
Inventory adjustments (IAS 2)	728
Other non-deductible provisions	1,827
Other charges with deferred deduction	1,187
Other income taxed in advance	1,264
Total by type	14,080
Impact of compensation by fiscal entity	-9,714
Deferred net tax assets	4,366

in € thousands	Deferred tax liabilities
Adjustments on intangible assets	11,750
Adjustments on tangible assets	482
Adjustments on fiscal provisions	4,998
Activation of expenses linked to acquisitions	1,061
Leases adjustments	536
Total by type	18,827
Impact of compensation by fiscal entity	-9,714
Deferred net tax liabilities	9,113

As at 31 December 2010

in € thousands	Deferred tax assets
Internal margin on inventories	5,407
Retirement and end of career severance commitments	2,436
Reportable deficits	349
Sales adjustments (IAS 18)	840
Inventory adjustments (IAS 2)	553
Other non-deductible provisions	2,264
Other charges with deferred deduction	1,094
Other income taxed in advance	743
Total by type	13,686
Impact of compensation by fiscal entity	-9,752
Deferred net tax assets	3,934

in € thousands	Deferred tax liabilities
Adjustments on intangible assets	10,308
Adjustments on tangible assets	2,623
Adjustments on fiscal provisions	4,608
Activation of expenses linked to acquisitions	1,122
Leases adjustments	232
Total by type	18,893
Impact of compensation by fiscal entity	-9,752
Deferred net tax liabilities	9,141

Variation in deferred taxes

in € thousands	2010	Variations	Changes in scope	Transfers	Conversion gains and losses	2011
Deferred tax assets	13,686	88	-	320	-14	14,080
Deferred tax liabilities	18,893	631	-	-8	-689	18,827
Deferred tax offset	-5,207	-543	-	328	675	-4,747

The variation in deferred taxes shown above excludes deferred taxes on the effective share of the profits and losses on hedging instruments.

A8. 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 31/12/2010	33,390	8,040	65,997	107,427
Variations	4,133	557	7,891	12,581
Changes in scope	-	-	-	-
Transfers	-	-	-1,094	-1,094
Conversion gains and losses	198	-5	-78	115
Gross value as at 31/12/2011	37,721	8,592	72,716	119,029
Depreciation as at 31/12/2010	-1,186	-387	-6,961	-8,534
Allowances	-1,330	-624	-1,939	-3,893
Reversals	590	387	3,262	4,239
Changes in scope	-	-	-	-
Transfers	15	-	1,079	1,094
Conversion gains and losses	-42	-	-61	-103
Depreciation as at 31/12/2011	-1,953	-624	-4,620	-7,197
Net value as at 31/12/2010	32,204	7,653	59,036	98,893
Net value as at 31/12/2011	35,768	7,968	68,096	111,832

The increase in this item is largely due to business growth and the inclusion of inventories resulting from mergers and acquisitions.

A9. Trade receivables

in € thousands	Trade receivables
Gross value as at 31/12/2010	88,880
Variations	2,708
Changes in scope	-
Transfers	-123
Conversion gains and losses	-253
Gross value as at 31/12/2011	91,212
Depreciation as at 31/12/2010	-3,357
Allowances	-539
Reversals	455
Changes in scope	-
Transfers	123
Conversion gains and losses	67
Depreciation as at 31/12/2011	-3,251
Net value as at 31/12/2010	85,523
Net value as at 31/12/2011	87,961

The credit risk of trade receivables and other receivables is presented in note A30.

A10. Other receivables

in € thousands	2010	Variations	Changes in scope	Transfers	Conversion gains and losses	2011
Income tax receivables	995	6,471	-	-	-281	7,185
Social receivables	688	104	-	-87	-36	669
Other receivables to the State	11,972	48	-	-	-31	11,989
Advances and prepayments on orders	1,698	389	-	-	-53	2,034
Depreciation on various other receivables	-2	-	-	-	-	-2
Prepaid expenses	3,837	330	-	-	26	4,193
Other various receivables	7,953	31	-	85	-89	7,980
Other receivables	27,141	7,373	-	-2	-464	34,048

A11. Cash and cash equivalents

in € thousands	2010	Variations	Changes in scope	Transfers	Conversion gains and losses	2011
Available funds	35,715	-17,230	-	-	-1,145	17,340
Marketable securities	4,283	2,750	-	-	-547	6,486
Cash and cash equivalents	39,998	-14,480	-	-	-1,692	23,826
Bank overdraft	-5,430	-5,346	-	-	-54	-10,830
Accrued interests not yet matured	-20	-18	-	-	-	-38
Overdraft	-5,450	-5,364	-	-	-54	-10,868
Net cash position	34,548	-19,844	-	-	-1,746	12,958

A12. Assets classified as held for sale

During the 2011 financial year and as in 2010, no asset was classified as held for sale.

A13. 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	2011	2010
Capital	10,893	10,893
Premiums linked to capital	6,534	6,534
Legal reserve	1,089	1,089
Other reserves and retained earnings	196,449	176,694
Consolidation reserves	37,988	37,840
Conversion reserves	916	3,599
Result for the period	57,516	63,413
Equity attributable to the owners of the parent company	311,385	300,062
Other reserves and retained earnings	1,673	1,618
Conversion reserves	-231	-226
Result for the period	1,039	900
Non-controlling interests	2,481	2,292
Equity	313,866	302,354

Treasury shares

Virbac holds shares intended primarily to supply the allocation of stock grants. The amount of these treasury shares is posted as a reduction of equities.

Share buyback programme

The ordinary shareholders' meeting of 28 June 2011 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 7 June 2011.

As at 31 December 2010, Virbac held 296,652 treasury shares acquired on the market for a total of €33,961,713 excluding fees, representing an average price of €114.48 per share.

During the financial year, the company bought 315,766 treasury shares including 52,951 shares (at an average price of €114.16) as part of the market-making contract, 252,815 shares as part of a 2011 buyback programme (at an average price of €118.36), which led to the cancellation of the shares, and 10,000 shares (at an average price of €121.08) as part of the allocation of stock grants. Virbac also sold 65,150 shares including 51,900 shares under a market-making agreement (at an average price of €115.50), and 13,250 shares (transferred free of charge) as part of stock grant plans.

Expenses are no longer deducted from these transactions. As at 31 December 2011, treasury shares account for 3.40% of Virbac's capital. They are earmarked for market-making and stock grants, and for enabling the cancellation of shares in accordance with the eighth resolution of the shareholders' meeting of 28 June 2011.

On 3 February 2012, the executive board unanimously decided that as of 17 February 2012, it would:
• cancel 256,352 of its treasury shares acquired under the buyback programme and held by the company at 30 January 2012;
• reduce the share capital by an equal amount, from €10,892,940 to €10,572,500 divided into 8,458,000 shares with a par value of €1.25;
• attribute the difference between the purchase value of the cancelled shares and their nominal value to available reserves.

At the next shareholders' meeting, a resolution will be submitted for the approval of the shareholders' meeting, authorising the company to buy back up to 10% of the capital. Shares may be acquired with a view to:
• ensuring liquidity or supporting 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)*;
• stock grant plans;
• and reducing the share capital by cancelling all or some of the shares purchased provided that the shareholders' meeting agrees to cancel the 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.

A14. 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.

Change in provisions by country

in € thousands	2010	Allowances	Reversals	Changes in scope	Transfers	Conversion gains and losses	2011
France	**3,739**	273	-153	-	-	-	**3,859**
Netherlands	**129**		-18	-	-	-	**111**
Italy	**391**	78	-26	-	-	-	**443**
Germany	**77**		-3	-	-	-	**74**
Greece	**170**			-	-	-	**170**
Mexico	**56**	2	-3	-	-	-5	**50**
Korea	**34**	64	-94	-	-	-1	**3**
Taiwan	**-**	31	-	-	132	7	**170**
Retirement and severance pay allowances	**4,596**	**448**	**-297**	**-**	**132**	**1**	**4,880**
France	**-**	157	-	-	-	-	**157**
Japan	**917**	172	-72	-	-	88	**1,105**
Defined benefit retirement plans	**917**	**329**	**-72**	**-**	**-**	**88**	**1,262**
South Africa	**966**	212	-	-	-	-157	**1,021**
Medical cover	**966**	**212**	**-**	**-**	**-**	**-157**	**1,021**
India	**371**	-	-3	-	-	-48	**320**
Allowances for absence	**371**	**-**	**-3**	**-**	**-**	**-48**	**320**
Provisions for employee benefits	**6,850**	**989**	**-372**	**-**	**132**	**-116**	**7,483**

Calculation parameters of the main personnel benefits schemes in the Group

	France	Japan	South Africa	India
Discount rate as at 31/12/2011	4.20%	2.00%	8.75%	8.70%
Retirement and severance pay allowances				
Number of recipients as at 31/12/2011	1,152			595
Average age	44.5 years			31.2 years
Company expense ratio	47.0%			-
Retirement age for management personnel	between 62 and 67 years			60 years
Retirement age for non-management personnel	between 62 and 67 years			60 years
Rate of wage increases for management personnel	2.5%			7.0%
Rate of wage increases for non-management personnel	1.5%			7.0%
Defined benefit retirement plans (senior management)				
Number of recipients as at 31/12/2011	5	1		
Average age	54.2 years	53.6 years		
Retirement age	65 years	60 years		
Rate of wage increases	estimated wage at retirement date	3.0%		
Defined benefit retirement plans				
Number of recipients as at 31/12/2011		28		
Average age		40.6 years		
Retirement age		60 years		
Rate of wage increases		3.0%		
Medical cover				
Number of employee recipients as at 31/12/2011			13	
Average age			54.9 years	
Number of retirees recipients as at 31/12/2011			9	
Average age			68.8 years	
Retirement age			63 years	
Allowances for absence				
Number of privilege leave recipients as at 31/12/2011				595
Number of sick leave recipients as at 31/12/2011				450
Average age				31.2 years
Retirement age				60 years
Rate of wage increases				7.0%

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 five years 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.
At the end of 2010, Virbac paid a total of €3,280 thousands into the Gan fund in order to guarantee the integrity of the scheme's financing. These payments had been recorded as personnel costs as and when they were made. The provision recognised in the accounts is based on the total amount of the commitment on the balance sheet date, net of the amount of funds, corresponding to payments into the fund plus dividends.

■ 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.

A15. Other provisions

The other provisions mainly concern disputes and commercial risks in France of €495 thousands and in Brazil for €221 thousands, as well as the severance of commercial agents in Italy totalling €475 thousands.
The provision for tax disputes, recognised after a tax inspection carried out on the French companies in 2010, amounted to €85 thousands at 31 December 2011.
Following tax inspections carried out on the Brazilian and Philippine companies in 2011, sums of €109 thousands and €106 thousands were allocated to provisions.

in € thousands	2010	Allowances	Reversals	Changes in scope	Transfers	Conversion gains and losses	2011
Trade disputes and industrial tribunals	1,020	406	-541	-	-	-	885
Fiscal disputes	-	-	-	-	-	-	-
Various risks and charges	992	1,242	-973	-	-	2	1,263
Other non-current provisions	**2,012**	**1,648**	**-1,514**	**-**	**-**	**2**	**2,148**
Trade disputes and industrial tribunals	160	157	-9	-	-	-9	299
Fiscal disputes	319	213	-306	-	85	2	313
Various risks and charges	-	-	-	-	-	-	-
Other current provisions	**479**	**370**	**-315**	**-**	**85**	**-7**	**612**
Other provisions	**2,491**	**2,018**	**-1,829**	**-**	**85**	**-5**	**2,760**

All reversed provisions correspond with the amounts used.

A16. Other financial liabilities

Change in other financial liabilities

in € thousands	2010	Increases	Decreases	Changes in scope	Transfers	Conversion gains and losses	2011
Loans	31,354	41,467	-1,952	-	138	171	71,178
Bank overdrafts	-	-	-	-	-	-	-
Accrued interests not yet matured	-	-	-	-	-	-	-
Debt relating to leasing contracts	808	1,888	-465	-	-201	-65	1,965
Employee profit sharing	11	1	-5	-	-	-1	6
Derivative foreign currency exchange and interest rate instruments	170	71	-	-	-	-	241
Other	169	-	-	-	-138	-4	27
Other non-current financial liabilities	32,512	43,427	-2,422	-	-201	101	73,417
Loans	3,015	5,933	-1,977	-	-	-136	6,835
Bank overdrafts	5,430	5,346	-	-	-	54	10,830
Accrued interests not yet matured	20	18	-	-	-	-	38
Debt relating to leasing contracts	1,281	32	-461	-	201	-78	975
Employee profit sharing	324	544	-291	-	-	-9	568
Derivative foreign currency exchange and interest rate instruments	537	337	-	-	-	-	874
Other	-	-	-	-	-	-	-
Other current financial liabilities	10,607	12,210	-2,729	-	201	-169	20,120
Other financial liabilities	43,119	55,637	-5,151	-	-	-68	93,537

The increase in other financial liabilities corresponds mainly to drawdowns of €45 million at 31 December 2011 from a total credit line of €220 million.

Other financial liabilities classified according to their maturity

As at 31 December 2011

in € thousands	less than 1 year	Payments from 1 to 5 years	more than 5 years	Total
Loans	6,835	71,178	-	78,013
Bank overdrafts	10,830	-	-	10,830
Accrued interests not yet matured	38	-	-	38
Debt relating to leasing contracts	975	1,965	-	2,940
Employee profit sharing	568	6	-	574
Derivative foreign currency exchange and interest rate instruments	874	241	-	1,115
Other	-	27	-	27
Other financial liabilities	20,120	73,417	-	93,537

As at 31 December 2010

in € thousands	less than 1 year	Payments from 1 to 5 years	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
Other	-	169	-	169
Other financial liabilities	10,607	32,512	-	43,119

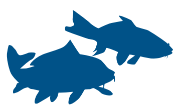
A17. Other payables

in € thousands	2010	Variations	Changes in scope	Transfers	Conversion gains and losses	2011
Income tax payables	-	-	-	-	-	-
Social payables	-	-	-	-	-	-
Other fiscal payables	-	-	-	-	-	-
Advances and prepayments on orders	-	-	-	-	-	-
Prepaid income	2,035	-252	-	-	46	1,829
Various other payables	8,519	-8,518	-	-	-1	-
Other non-current payables	10,554	-8,770	-	-	45	1,829
Income tax payables	6,534	1,025	-	-	-170	7,389
Social payables	25,980	4,766	-	-	10	30,756
Other fiscal payables	6,752	1,603	-	-	70	8,425
Advances and prepayments on orders	256	1	-	-	-28	229
Prepaid income	1,180	-600	-	-	8	588
Various other payables	43,239	5,704	-	-132	725	49,536
Other current payables	83,941	12,499	-	-132	615	96,923
Other payables	94,495	3,729	-	-132	660	98,752

A18. Trade payables

in € thousands	2010	Variations	Changes in scope	Transfers	Conversion gains and losses	2011
Current trade payables	72,170	-8,509	-	-632	-558	62,471
Payables of intangible assets	1,480	-1,340	-	-	-19	121
Payables of tangible assets	1,653	-1,051	-	-	-70	532
Trade payables	75,303	-10,900	-	-632	-647	63,124

The reduction in this line item was mainly due to the high amount at the beginning of the year, linked to extraordinary borrowing to acquire assets from Pfizer in Australia in 2010.



A19. Revenue from ordinary activities

in € thousands	2011	2010	*Change*
Sales of finished goods and merchandise	686,564	634,117	*8.3%*
Services	57	234	*-75.6%*
Additional income from activity	802	792	*1.3%*
Royalties paid	133	137	*-2.9%*
Gross sales	687,556	635,280	*8.2%*
Discounts, rebates and refunds on sales	-52,833	-51,207	*3.2%*
Expenses deducted from sales	-8,011	-8,382	*-4.4%*
Financial discounts	-3,162	-2,525	*25.2%*
Provision for returns	-491	-336	*46.1%*
Expenses deducted from sales	-64,497	-62,450	*3.3%*
Revenue from ordinary activities	623,059	572,830	*8.8%*

A20. Purchases consumed

in € thousands	2011	2010	*Change*
Inventoried purchases	-186,574	-187,095	*-0.3%*
Non-inventoried purchases	-20,337	-15,773	*28.9%*
Supplementary charges on purchases	-1,979	-1,737	*13.9%*
Discounts, rebates and refunds obtained	316	286	*10.5%*
Purchases	-208,574	-204,319	*2.1%*
Change in gross inventories	12,857	22,135	*-41.9%*
Allowances for depreciation of inventories	-3,893	-3,777	*3.1%*
Reversals of depreciation of inventories	4,239	4,183	*1.3%*
Net variation in inventories	13,203	22,541	*-41.4%*
Purchases consumed	-195,371	-181,778	*7.5%*

A21. External costs

Within this item, the research and development costs recorded during the 2011 financial year totalled €8,893 thousands, compared with €9,193 thousands during the 2010 financial year.

Operating lease agreements

in € thousands	Rents for the period	Minimum future payments as per contracts			
		less than 1 year	from 1 to 3 years	from 3 to 5 years	more than 5 years
Land	10	10	19	19	96
Buildings	3,390	3,018	5,726	3,443	891
Industrial equipment	1,590	1,399	2,502	28	26
IT equipment	1,521	1,503	47	-	-
Office equipment and furniture	501	207	214	7	7
Transport equipment	2,463	1,785	2,606	10	-
Lease payments	9,475	7,922	11,114	3,507	1,020

A22. Depreciations and provisions

in € thousands	2011	2010	*Change*
Allowances for deprecation of intangible assets	-7,080	-6,824	*3.8%*
Allowances for deprecation of tangible assets	-12,678	-11,694	*8.4%*
Reversals of depreciation of intangible assets	47	-	*- %*
Reversals of depreciation of tangible assets	198	19	*942.1%*
Depreciations	-19,513	-18,499	*5.5 %*
Allowances of provisions for risks and charges	-2,018	-1,493	*35.2%*
Reversals of provisions for risks and charges	1,829	763	*139.7%*
Provisions	-189	-730	*-74.1%*
Depreciations and provisions	-19,702	-19,229	*2.5%*

A23. Other operating income and expenses

in € thousands	2011	2010	*Change*
Royalties paid	-2,538	-2,336	*8.6%*
Grants received (for research tax credit)	5,769	5,576	*3.5%*
Allowances for deprecation of receivables	-539	-959	*-43.8%*
Reversals of depreciation of receivables	455	312	*45.8%*
Bad debts	-169	-105	*61.0%*
Net book value on disposed assets	-553	-590	*-6.3%*
Income from disposals of assets	193	509	*-62.1%*
Other operating income and expenses	-1,758	-564	*211.7%*
Other operating income and expenses	860	1,843	*-53.3%*

The amount of research tax credit posted for the financial year ended 31 December 2011 was €5,606 thousands.

A24. Other non-current income and expenses

As at 31 December 2011, this item included the following elements:

in € thousands	2011
Income linked to non payment of the price supplement on the Peptech purchase	740
Revaluation of inventories acquired in Australia (purchase accounting method)	-202
Revaluation of inventories acquired in Colombia (purchase accounting method)	-74
Other non-current income and expenses	**464**

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**

A25. Financial income and expenses

in € thousands	2011	2010	*Change*
Gross cost of financial debt	-3,324	-2,413	*37.8%*
Income from cash and cash equivalents	590	466	*26.6%*
Net cost of financial debt	**-2,734**	**-1,947**	***40.4%***
Foreign exchange losses	-2,543	-1,736	*46.5%*
Foreign exchange gains	2,682	2,022	*32.6%*
Changes in foreign currency derivatives and interest rate	-176	-60	*193.3%*
Other financial charges	-197	-63	*212.7%*
Other financial income	255	172	*48.3%*
Other financial income and expenses	**21**	**335**	***-93.7%***
Financial income and expenses	**-2,713**	**-1,612**	***68.3%***

A26. Income tax

	2011		2010	
in € thousands	Base	Tax	Base	Tax
Result before tax	**83,500**		**86,132**	
Adjustment for tax credits	-5,718		-5,236	
Adjustment of non-recurring items (including tax)	-		-11,810	
Result before tax, after adjustments	**77,782**		**69,086**	
Current tax for French companies		-4,551		-3,135
Current tax for foreign companies		-19,824		-23,153
Current tax		**-24,375**		**-26,288**
Deferred tax for French companies		639		1,379
Deferred tax for foreign companies		-1,231		3,118
Deferred tax		**-592**		**4,497**
Tax accounted for		**-24,967**		**-21,791**
Effective tax rate		*32.10%*		*31.54%*
Theoretical tax rate		*34.43%*		*34.43%*
Theoretical tax		**-26,780**		**-23,786**
Difference between theoretical tax and recorded tax		**-1,813**		**-1,995**

The difference between theoretical tax and recorded tax as of 31 December 2011 is explained essentially by the differential tax rates abroad at €1,493 thousands and by the using of reportable deficits in India.

The change in French tax rates, to take into account the impact of the one-off contribution on short-term items, increased deferred tax assets by €374 thousands.

A27. Result per share

	2011	2010
Result attributable to the owners of the parent company	€57,515,808	€63,413,225
Total number of shares	8,714,352	8,714,352
Impact of dilutive instruments	N/A	N/A
Number of treasury shares	296,652	46,036
Outstanding shares	8,417,700	8,668,316
Result attributable to the owners of the parent company, per share	€6.83	€7.32
Result attributable to the owners of the parent company, diluted per share	€6.83	€7.32

A28. 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 companion animals and food producing animals 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 the two segments (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 2011

in € thousands	France	Europe (excluding France)	Latin America	North America	Asia	Pacific	Africa & Middle East	Total
Revenue from ordinary activities	139,387	173,608	48,126	80,754	26,677	75,596	78,911	**623,059**
Operating result	16,415	19,338	6,575	19,152	4,416	9,474	10,843	**86,213**
Result attributable to the owners of the parent company	10,767	12,914	4,610	12,183	3,037	6,438	7,567	**57,516**
Non-controlling interests	3	826	-	-	-	210	-	**1,039**
Consolidated result	**10,770**	**13,740**	**4,610**	**12,183**	**3,037**	**6,648**	**7,567**	**58,555**

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**

A29. Financial assets and liabilities

Financial assets

The various categories of financial assets are as follows:

As at 31 December 2011

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	-	1,275	-	-	1,275
Trade receivables	-	87,961	-	-	87,961
Other receivables*	-	22,670	-	-	22,670
Current derivative financial instruments	-	-	699	443	1,142
Other current financial assets	-	-	-	-	-
Cash and cash equivalents	-	17,340	6,486	-	23,826
Financial assets	-	129,246	7,185	443	136,874

*excluding prepaid expenses and income tax receivables.

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.

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 2011, 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 through profit or loss

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 2011

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	-	241	-	**241**
Other non-current financial liabilities	73,176	-	-	**73,176**
Trade payables	63,124	-	-	**63,124**
Other payables*	88,946	-	-	**88,946**
Current derivative financial instruments	-	499	375	**874**
Bank overdrafts and accrued interests not yet matured	10,830	38	-	**10,868**
Other current financial liabilities	8,378	-	-	**8,378**
Financial liabilities	244,454	778	375	245,607

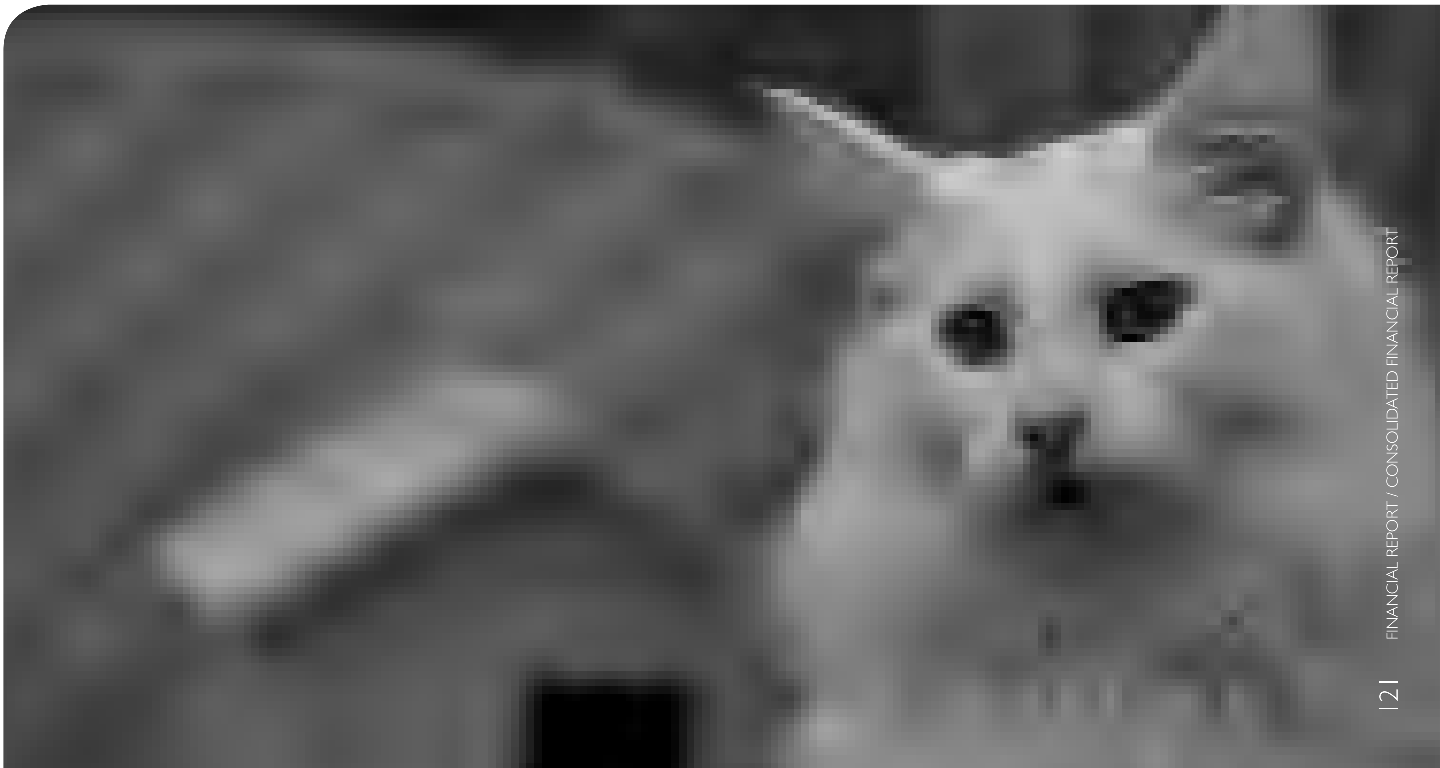
*excluding prepaid income and income tax debt.

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 accrued 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 debt.

At 31 December 2011, the gross cost of financial debt amounted to €3,324 thousands. As at 31 December 2010, it was €2,413 thousands.



A30. 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 2012.

Credit risk

As at 31 December 2011, the Group's maximum exposure to credit risk is €87,961 thousands, 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 2011

in € thousands	Receivables due	Receivables overdue for: < 3 months	3-6 months	6-12 months	> 12 months	Depreciated receivables	Total
France	21,388	67	-	-	-	246	**21,701**
Europe (excluding France)	23,822	793	564	-	-	2,080	**27,259**
Latin America	11,789	172	-	-	-	660	**12,621**
North America	5,096	1	-	-	-	34	**5,131**
Asia	7,115	3	-	-	-	221	**7,339**
Pacific	14,156	23	-	-	-	5	**14,184**
Africa & Middle East	2,964	8	-	-	-	5	**2,977**
Trade receivables	**86,330**	**1,067**	**564**	**-**	**-**	**3,251**	**91,212**

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**

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 2011, a total of €45 million had been drawn down from this credit line.
The financial obligations set out in the opening of credit contracts were met as at 31 December 2011.

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	2011	2010
Fair value hedges	-	-
Cash flow hedges	68	90
Net investment hedges	-	-
Derivatives not qualifying for hedges	200	424
Derivative financial exchange instruments	**268**	**514**

The Group's policy is to hedge exchange rate risks when the size and risk of currency fluctuation are high. It accordingly uses various instruments available on the market and generally employs foreign exchange forwards or options.
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 local loan in Colombia to finance the acquisition of the Synthesis assets is indexed on the DTF *(Depositos termino fijo)*.

The current amount on the credit limit is the following:

in € thousands	2011 Average real interest rate	2011 Book value	2010 Average real interest rate	2010 Book value
India	*9.100%*	1,146	*9.100%*	2,071
India	-	-	*8.750%*	1,150
India	-	-	*8.180%*	1,183
Other	*not defined*	1,815	*not defined*	1,307
Fixed rate debt		**2,961**		**5,711**
France	*2.430%*	10,000	*1.721%*	10,000
France	*2.438%*	10,000	*1.727%*	8,000
France	*1.855%*	25,000	-	-
France	*2.104%*	7,500	-	-
France	*2.177%*	6,000	-	-
Colombia	*8.570%*	5,548	-	-
Australia	*5.758%*	11,004	*6.192%*	10,658
Variable rate debt		**75,052**		**28,658**
Bank overdrafts		10,830		5,430
Loans and bank overdrafts*		**88,843**		**39,799**

*excluding debt relating to leasing contracts.

Interest rate derivatives are shown below, at market value.

in € thousands	2011	2010
Fair value hedges	-	-
Cash flow hedges	241	170
Net investment hedges	-	-
Derivatives not qualifying for hedges	-	-
Derivative financial rate instruments	241	170

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 2011 the swap rate does not qualify for hedging. It was not classified as hedging at 31 December 2010.

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 2011, the unrealised exchange gains and losses in equity for the period was €92 thousands. The ineffective share recorded as an expense for this cash flow hedging was €23 thousands.

	Nominal		Positive fair value		Negative fair value	
in € thousands	2011	2010	2011	2010	2011	2010
Forward exchange contract (sale)	26,481	13,929	90	277	854	227
Forward exchange contract (purchase)	17,626	35,652	1,095	1,133	24	526
OTC options exchange	2,917	5,555	-	-	39	143
Exchange instruments	**47,024**	**55,136**	**1,185**	**1,410**	**917**	**896**
Swap rate	39,500	26,000	-	-	241	170
Interest rate options	-	-	-	-	-	-
Interest rate instruments	**39,500**	**26,000**	**-**	**-**	**241**	**170**
Derivative financial instruments	86,524	81,136	1,185	1,410	1,158	1,066

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.
As 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 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.

A31. Composition of Virbac share capital

	2010	Increases	Decreases	2011
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	**8,668,316**	65,150	-315,766	**8,417,700**
Treasury shares	**46,036**	315,766	-65,150	**296,652**
Nominal value of shares	**€1.25**	-	-	**€1.25**
Virbac share capital	€10,892,940	-	-	€10,892,940

A32. Stock grant plans

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 2009 plan, €760,380 corresponding to 13,800 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 2011 is €277,442 representing 12/30.5th 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 2011 is €384,922 representing 12/30th of the total expenses;
- for the 2011 plan, €1,160,000 corresponding to 10,000 shares at €116.00. This amount has been spread over a vesting period of 30 months. The impact on the income account as at 31 December 2011 is €232,000 representing 6/30th of the total expenses;

A33. Dividends

In 2011, the company paid out a dividend of €1.50 per share in respect of the 2010 financial year.

For the 2011 financial year, it will be suggested to the shareholders' general meeting that a net dividend of €1.75 per nominal share of €1.25 is allocated.

A34. Workforce

Evolution of workforce by geographic zone

	2011	2010	*Change*
France	1,199	1,106	*8.4%*
Europe (excluding France)	355	322	*10.2%*
Latin America	348	276	*26.1%*
North America	345	301	*14.6%*
Asia	861	770	*11.8%*
Pacific	270	262	*3.1%*
Africa & Middle East	131	130	*0.8%*
Workforce	3,509	3,167	*10.8%*

Distribution of workforce by function

	2011		2010	
Production	1,218	*34.7%*	1,137	*35.9%*
Administration	386	*11.0%*	373	*11.8%*
Commercial	1,578	*45.0%*	1,367	*43.2%*
Research & Development	327	*9.3%*	290	*9.2%*
Workforce	3,509	*100.0%*	3,167	*100.0%*

The increase in Group employees corresponds mainly with the increase in the production force in France, the addition of Synthesis' teams in Colombia, as well as the hiring of salespeople in India.

A35. Information relating to individual entitlement training *(Droit individuel à la formation or Dif)*

	Total as at 01/01/2011	Usage	Elimination	Acquisition	Availability as at 31/12/2011
DIF hours	**92,822**	-4,282	-10,934	9,374	**86,980**

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

A36. Information on related parties

Compensation of supervisory board members

	2011		2010	
	Compensation	Directors' fees	Compensation	Directors' fees
Marie-Hélène Dick	€90,000	€19,000	€90,000	€17,500
Jeanine Dick	-	€12,000	-	€11,200
Pierre Madelpuech	-	€19,000	-	€17,500
Xavier Yon	-	€19,000	-	€17,500
Philippe Capron	-	€22,000	-	€20,500
Olivier Bohuon	-	-	-	-
Total	€90,000	€91,000	€90,000	€84,200

Gross compensation of executive board members

As at 31 December 2011

	Fixed compensation (including benefits in kind)	Compensation linked to terms of office for administrators in Group companies	Variable compensation	Total compensation
Éric Marée	€301,737	€61,500	€139,470	**€502,707**
Pierre Pagès	€206,090	€58,400	€83,435	**€347,925**
Christian Karst	€200,774	€38,000	€82,665	**€321,439**
Michel Garaudet	€180,958	€12,100	€42,130	**€235,188**
Jean-Pierre Dick	€36,000	-	€14,476	**€50,476**
Total	€925,559	€170,000	€362,176	€1,457,735

As at 31 December 2010

	Fixed compensation (including benefits in kind)	Compensation linked to terms of office for administrators in Group companies	Variable compensation	Total compensation
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 2011 corresponds to the fixed compensation paid in 2011, the compensation linked to terms of office for administrators in Group companies paid in 2011, the variable compensation paid in 2012 in respect of 2011 and the benefits in kind granted in 2011 (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 from ordinary activities;
- 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 nine years as a member of the executive board);
- be at least 60;
- finish his/her career in the Group.

The amount of the expenses linked with retirement schemes with defined contributions in the fiscal year was €157 thousands in 2011.

■ 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.

At its 16 December 2011 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 5 March 2012 meeting, renewed 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, Eric Marée, and various executive board members, Pierre Pagès and Christian Karst. This authorisation, which complies with Afep-Medef recommendations, meets the same terms and conditions as set by the supervisory board on 22 December 2008, namely: 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 Afep-Medef's recommended 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%.

In line with the law, the next shareholders' meeting will vote on a resolution to approve the company's ongoing commitments to each beneficiary.

■ Stock grant plans

The Virbac executive board, in accordance with authorisation from the shareholders' general meeting, awarded in 2009, 2010 and 2011 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 2010, 2011 and 2012 fiscal years.

The stock grants awarded under the 2009, 2010 and 2011 plans respectively amount to 13,800 shares, 12,000 shares and 10,000 shares.

The stock grants awarded to executive board members in 2009, 2010 and 2011 were as follows.

	Number of shares 2009 plan	Number of shares 2010 plan	Number of shares 2011 plan
Éric Marée	1,800	1,460	1,150
Pierre Pagès	1,300	1,080	850
Christian Karst	1,200	1,000	820
Michel Garaudet	800	665	510
Total	5,100	4,205	3,330

Partnership

A sporting sponsorship agreement was signed between the Absolute Dreamer company, of which Jean-Pierre Dick is manager, and Virbac 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 €675 thousands was accounted for in expenses in the 2011 financial year as part of this contract.

A37. Off-balance sheet commitments

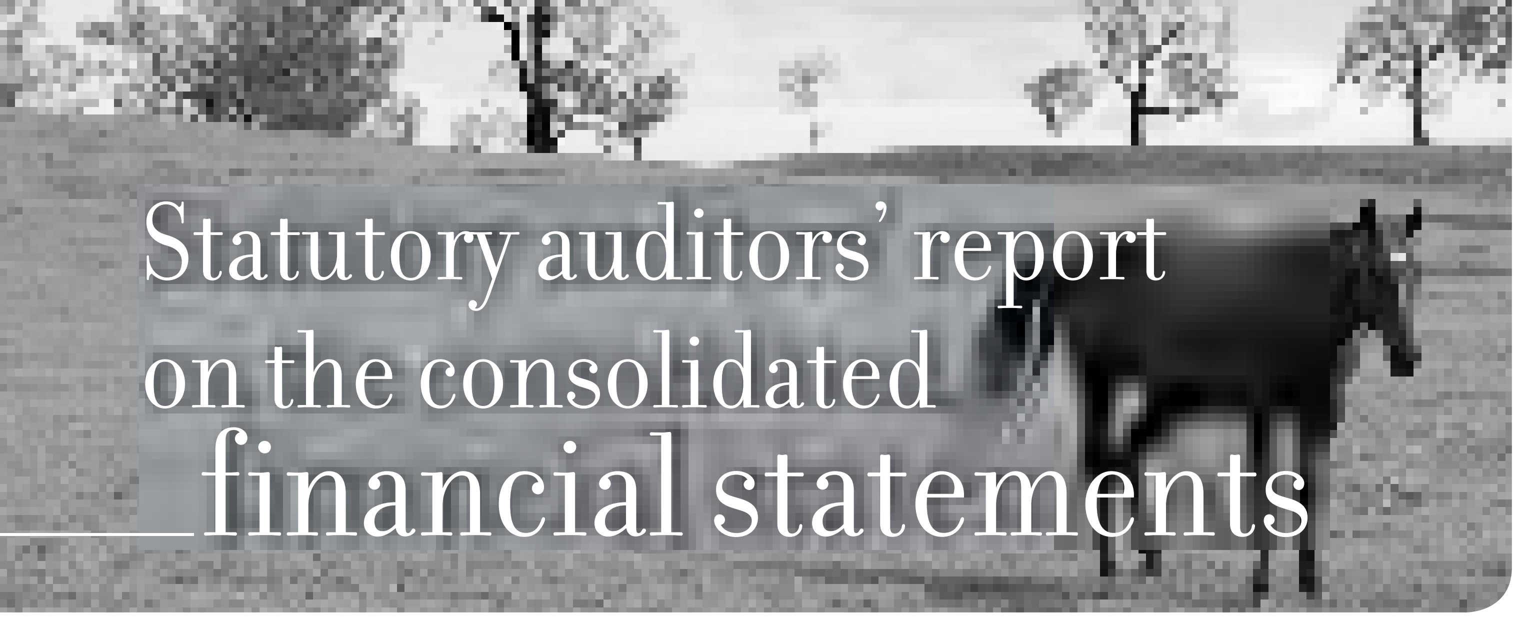
The off-balance sheet commitments were for deposits given by Virbac on behalf of certain subsidiaries. The deposits granted are shown below:

in € thousands	Guarantee provided with	Validity limit date	2011	2010
Virbac Vietnam Co. Ltd	Sanofi-Navetco	unspecified	76	76
PP Manufacturing Corporation	NDNE 9/90 Corporate Center LLC	30/09/2020	3,547	3,776
Deposits granted			3,623	3,852

A38. Scope of consolidation

Company name	Locality	Country	Control at 31/12/2011	Control at 31/12/2010
Virbac (parent company)	Carros	France	100.00%	100.00%
Interlab	Carros	France	100.00%	100.00%
Virbac France	Carros	France	100.00%	100.00%
Virbac Belgium SA	Wavre	Belgium	75.27%	75.27%
Virbac Nederland BV*	Barneveld	Netherlands	75.28%	75.28%
Virbac (Switzerland) AG	Glattbrugg	Switzerland	100.00%	100.00%
Virbac Ltd	Bury St. Edmunds	United Kingdom	100.00%	100.00%
Virbac SRL	Milan	Italy	100.00%	100.00%
Virbac do Brasil Industria e Comercio Ltda	São Paulo	Brazil	100.00%	100.00%
Virbac Danmark A/S	Kolding	Denmark	100.00%	100.00%
Inomark AG	Glattbrugg	Switzerland	- %	100.00%
Virbac Mexico SA de CV	Guadalajara	Mexico	100.00%	100.00%
Laboratorios Virbac Mexico SA de CV	Guadalajara	Mexico	100.00%	100.00%
Virbac Pharma Handelsgesellshaft mbH	Bad Oldesloe	Germany	100.00%	100.00%
Virbac Tierarzneimittel GmbH	Bad Oldesloe	Germany	100.00%	100.00%
Virbac SP zoo	Warsaw	Poland	100.00%	100.00%
Soparlic	Carros	France	100.00%	100.00%
Virbac Distribution	Wissous	France	100.00%	100.00%
Virbac Nutrition	Vauvert	France	100.00%	100.00%
Dog N'Cat International	Vauvert	France	100.00%	100.00%
Bio Véto Test	La Seyne sur Mer	France	100.00%	100.00%
Virbac Trading (Shanghai) Co. Ltd	Shanghai	China	100.00%	-%
Virbac H.K. Trading Limited	Hong Kong	Hong Kong	100.00%	-%
Francodex Santé Animale	Carros	France	99.60%	99.60%
Virbac Hellas SA	Agios Stefanos	Greece	100.00%	100.00%
Animedica SA	Agios Stefanos	Greece	100.00%	100.00%
Virbac España SA	Barcelona	Spain	100.00%	100.00%
Virbac Österreich GmbH	Vienna	Austria	100.00%	100.00%
Virbac Korea Co. Ltd	Seoul	South Korea	100.00%	100.00%
Virbac (Thailand) Co. Ltd	Bangkok	Thailand	100.00%	100.00%
Virbac Taiwan Co. Ltd	Taipei	Taiwan	100.00%	100.00%
Virbac Colombia Ltda	Bogota	Colombia	100.00%	100.00%
Virbac Philippines Inc.	Pasig City	Philippines	100.00%	100.00%
Virbac Japan Co. Ltd	Osaka	Japan	100.00%	100.00%
Laboratorios Virbac Costa Rica SA	San José	Costa Rica	100.00%	100.00%
Virbac Asia Pacific Co. Ltd	Bangkok	Thailand	100.00%	100.00%
Virbac de Portugal Laboratorios Lda	Almerim	Portugal	100.00%	100.00%
Virbac Vietnam Co. Ltd	Ho Chi Minh City	Vietnam	75.00%	75.00%
Virbac RSA (Proprietary) Ltd*	Centurion	South Africa	100.00%	100.00%
Alfamed	Carros	France	99.70%	99.70%
Virbac (HK) Limited	Kowloon	Hong Kong	-%	100.00%
Virbac Animal Health India Private Limited	Mumbai	India	100.00%	100.00%
Virbac Corporation*	Fort Worth	United States	100.00%	100.00%
PP Manufacturing Corporation	Framingham	United States	100.00%	100.00%
Virbac (Australia) Pty Ltd*	Milperra	Australia	100.00%	100.00%
Virbac New Zealand Limited	Auckland	New Zealand	100.00%	100.00%
Number of companies consolidated by global integration			**44**	**44**
German company	-	-	23.99%	23.99%
Santa Elena SA	-	-	30.00%	30.00%
SBC Virbac Limited *	-	-	49.00%	-%
Number of companies consolidated by the equity method			**3**	**2**
Number of companies incorporated in the consolidation			**47**	**46**

*pre-consolidated levels.



Statutory auditors' report on the consolidated financial statements

Year ended 31 December 2011

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 2011, 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 2011 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 €91.5 million and €93.7 million, respectively, as of 31 December 2011, 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, 23 March 2012
The statutory auditors

Novances-David & Associés
Jean-Pierre Giraud

Deloitte & Associés
Hugues Desgranges

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, 9 March 2012

Éric Marée, chairman of the executive board

Observations of the supervisory board

The executive board presented the financial statements and management report for the year ended 31 December 2011 to the supervisory board, which duly acquainted itself therewith.

The Group's consolidated turnover of €623.1 million increased by 8.8% over 2010, 9.6% at constant exchange rates and 8.7% at constant rates and scope.

The current operating income of €85.7 million rose by 10.4% over 2010, whilst the net income of €57.5 million is a decrease of -9.3%, which can be attributed to the fact that €11.8 million of exceptional income was included in the financial statements in 2010 in connection with the acquisition in Australia.

The Group's net debt as of 31 December was €69.7 million or 22.4% of equity. The value of shares at closing was €119.90 at the end of 2011, which represents a decline of 7.8% compared with 1 January 2011.

It will be proposed at the shareholders' meeting that a dividend of €1.75 per share is distributed, a 16.7% increase in distributed income per share over 2010.

At its 16 December 2011 meeting, the supervisory board reaffirmed its confidence in the executive board by reappointing the five executive board members.

The shareholders' meeting of 28 June 2011 appointed Olivier Bohuon as a new supervisory board member for a term of three years.

The supervisory board currently consists of six members, three 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.

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 18 June 2012

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 they were presented, the statutory financial statements for the financial year ended 31 December 2011 showing a net result of €35,948,518.23, as well as the 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 €143,480.
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 the statutory auditors for the financial year ended 31 December 2011, approves, as they were presented, the consolidated financial statements for the said year showing a net result attributable to the owners of the parent company of €57,515,808.
The shareholders' meeting also approves the transactions reflected in these financial statements or summarised in said 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 2011
Net result for the year	€35,948,518.23
Retained earnings carried forward	€93,943,447.69
Distributable result	**€129,891,965.92**
Distribution of dividends	€14,801,500.00
Balance carried forward	€21,147,018.23

The dividend distributed to each share with a nominal value of €1.25 is €1.75.The dividend to be distributed will be detached from the share on 19 July 2012 and will be payable on 24 July 2012.

The shareholders' meeting decides that in accordance with the 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), unless they opt to have tax withheld at a fixed rate of 21% (excluding social contribution deductions) under the conditions 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
2008 financial year	€1.20	€1.20	€10,404,230
2009 financial year	€1.32	€1.32	€11,447,597
2010 financial year	€1.50	€1.50	€13,018,970

Fourth resolution: approval of a regulated agreement pursuant to article L225-86 of the French commercial code

The shareholders' meeting, in accordance with *quorum* and majority requirements for ordinary shareholders' meetings, after having heard the special report from the statutory auditors on the agreements pursuant to articles L225-86 *et seq.* of the French commercial code, declares that it approves the report and the agreement referred to therein.

Fifth resolution: renewal of commitments made pursuant to article L225-90-1 of the French commercial code to Éric Marée

The shareholders' meeting, in accordance with *quorum* and majority requirements for ordinary shareholders' meetings, after having heard the special report from the statutory auditors on the agreements and commitments subject to the provisions of articles L225-86 and L225-88 of the French commercial code, takes note of the conclusions of this report and approves, in accordance with the provisions of article L225-90-1 of the French commercial code, the continuation of the commitments made by the company to Éric Marée, corresponding to payments that may be due in connection with the termination of his duties in the event of his dismissal, regardless of whether this relates to a change in strategy or control or otherwise and subject to performance criteria.

Sixth resolution: renewal of commitments made pursuant to article L225-90-1 of the French commercial code to Pierre Pagès

The shareholders' meeting, in accordance with *quorum* and majority requirements for ordinary shareholders' meetings, after having heard the special report from the statutory auditors on the agreements and commitments subject to the provisions of articles L225-86 and L225-88 of the French commercial code, takes note of the conclusions of this report and approves, in accordance with the provisions of article L225-90-1 of the French commercial code, the continuation of the commitments made by the company to Pierre Pagès, corresponding to payments that may be due in connection with the termination of his duties in the event of his dismissal, regardless of whether this relates to a change in strategy or control or otherwise and subject to performance criteria.

Seventh resolution: renewal of commitments made pursuant to article L225-90-1 of the French commercial code to Christian Karst

The shareholders' meeting, in accordance with *quorum* and majority requirements for ordinary shareholders' meetings, after having heard the special report from the statutory auditors on the agreements and commitments subject to the provisions of articles L225-86 and L225-88 of the French commercial code, takes note of the conclusions of this report and approves, in accordance with the provisions of article L225-90-1 of the French commercial code, the continuation of the commitments made by the company to Christian Karst, corresponding to payments that may be due in connection with the termination of his duties in the event of his dismissal, regardless of whether this relates to a change in strategy or control or otherwise and subject to performance criteria.

Eighth 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.

Ninth 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 from the executive board, authorises the executive board, with the option of subdelegation, in accordance with the 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 free stock grants under the provisions of articles L225-197-1 *et seq.* of the French commercial code.

The maximum unit purchase price may not exceed €200.

The maximum transaction amount, taking into account the 46,139 shares already held as at 29 February 2012, is thus set at €159,932,200.

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 28 June 2011 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

Tenth resolution: authorisation to be granted to the executive board to allocate free stock grants

The shareholders' meeting, in accordance with *quorum* and majority requirements for extraordinary shareholders' meetings, after having heard the report from the executive board and the special report from the statutory auditors, and in accordance with articles L225-197-1 *et seq.* of the French commercial code:

• authorises the executive board to allocate, on one or more occasions, free stock grants of existing Virbac shares to managers or comparable employees, or certain categories thereof, as well as to the corporate officers referred to in article L225-197-1 of the French commercial code, both of Virbac and companies that are directly or indirectly associated with it in the manner defined by article L225-197-2 of the French commercial code;

• decides that the total number of shares that may be allocated under a stock grant may not represent over 1% of Virbac's share capital, valued on the date on which the decision to allocate the stock grants is made by the executive board, subject to the regulatory adjustments necessary to safeguard the rights of the beneficiaries;

• decides that the definitive allocation of existing shares under a stock grant will be dependent on compliance with individual and collective performance criteria to be defined by the executive board;

• decides that the allocation of stock grants to beneficiaries will become definitive at the end of a vesting period of at least two years;

• decides that the shares allocated under a stock grant must be retained by the beneficiaries for at least two years;

• grants the executive board, with the option of subdelegation, all powers needed to implement this authorisation and, in particular, to:

- determine the identity of the beneficiaries or of the category or categories of beneficiaries of free stock grants from amongst the members of staff and corporate officers of the company or of the companies referred to above, as well as the number of shares allocated to each of them;
- assess compliance with the performance criteria in accordance with which the shares will be allocated and, if applicable, add any conditions and criteria that it deems appropriate;
- determine the conditions and, if applicable, the criteria governing the allocation of free stock grants; with regard to shares granted to corporate

officers, the supervisory board will decide either that the shares granted may not be transferred by the parties concerned before the end of their term of office or will determine the number of shares granted that they must retain in registered form until the end of their term of office;
- provide for the option of temporarily suspending allocation rights;
- record the definitive allocation dates and the dates from which the shares may be freely transferred, with due consideration for the statutory restrictions;
- enter the shares allocated under a stock grant into an account in the name of their holder, indicating that they are blocked and the period for which this block applies, and lift the block on the shares in any situation for which the applicable regulations allow such a block to be lifted;
• authorises the executive board to provide for cancellation of the two-year retention period in the event of the invalidity of the beneficiary, corresponding to placement into the second or third of the categories provided for in article L341-4 of the French social security code, as well as in the event of the beneficiary's death;
• authorises the executive board, if applicable, to make adjustments to the number of shares allocated under a stock grant in connection with possible transactions in Virbac's capital;
• delegates to the executive board, with the option of subdelegation within the statutory limits, all powers needed to implement this authorisation, take care of all acts, formalities and declarations, and, in general, take all measures that prove necessary.

The shareholders' meeting notes that any implementation of this authorisation by the executive board will require the supervisory board's prior approval.
The shareholders' meeting notes that, in the event that the executive board makes use of this authorisation, it will inform the shareholders' meeting annually of the transactions undertaken in accordance with the provisions of articles L225-197-1 to L225-197-3 of the French commercial code under the conditions provided for in article L225-197-4 of said code.
This authorisation is granted for a period of 38 months from the date of this meeting and supersedes the tenth resolution of the ordinary and extraordinary shareholders' meeting of 19 June 2009, to the extent not already used.

Eleventh resolution: authorisation to be granted to the executive board to increase the share capital by creating cash shares, excluding the preferential subscription right of shareholders for the benefit of employees who are members of a company savings plan in accordance with article L225-129-6 of the French commercial code

The shareholders' meeting, in accordance with *quorum* and majority requirements for extraordinary shareholders' meetings, after having heard the report from the executive board and the special report from the statutory auditors, authorises the executive board to increase the share capital by a maximum amount of €177,000, in application of the provisions of article L225-129-6 of the French commercial code, by issuing new shares to be subscribed for in cash, which will be reserved for employees of the company who are members of a company savings plan, and to exclude the preferential subscription right of shareholders in relation to the shares to be issued for the benefit of these employees.

The shareholders' meeting delegates to the executive board, with the option of subdelegation to the chairman of the executive board, under the conditions provided for in article L225-129-4 of the French commercial code, all powers needed to set the amount of the increase or increases in the share capital, up to the authorised limit, the timing of such increases, as well as the terms and conditions applying to each increase. It may decide on the issue price of the new shares, in accordance with articles L3332-18 to L3332-20 of the French labour code, how they will be paid for, the subscription periods and the terms applying to the exercising of the subscription right of beneficiaries, and may determine the conditions, in particular the number of years of service, that beneficiaries of capital increases will be required to meet. Furthermore, it may make any adjustments required in compliance with the statutory and regulatory provisions, record the implementation of capital increases, make corresponding amendments to the articles of association, take care of the necessary formalities and, generally, take all measures that prove necessary.
The executive board may delegate the power to decide on the implementation of the issue, as well as that to postpone it, to its chairman or, with his agreement, to one of its members.

This authorisation is valid for a period of twenty-six months from this meeting.

Within the competence of the ordinary shareholders' meeting

Twelfth resolution: powers for formalities

The shareholders' meeting, in accordance with *quorum* and majority requirements for ordinary 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 cattle

Allerderm spot-on: ceramide and fatty acid-based topical product for dogs aimed at strengthening the skin barrier function

Aquadent: oral hygiene product against bad breath in dogs and cats, to be used in drinking water

Bovidec: vaccine against bovine viral diarrhea

CaniLeish: vaccine against canine leishmaniosis

Clintabs: clindamycin-based antibiotic indicated for the treatment of dental infections, skin infections, deep wounds, abscesses and osteomyelitis in dogs

Clostrisan: vaccine for the prevention and control of clostridial diseases in cattle, sheep and goats

Cydectin: moxidectin-based range of parasiticides for food producing animals

EasOtic: auricular treatment for otitis in dogs which can be administered over 360-degrees 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

Effitix: permethrin and fipronil-based external parasiticide for treating tick, flea and mosquito infestations in dogs

Endogard: internal parasiticide tablet for dogs

Enrox: enrofloxacine-based antibiotic, in tablets for dogs and in oral solution for poultry

Epi-Otic: ear cleanser for dogs and cats

Fiproline: see Effipro

Flukill: nitroxinil-based injectable for the treatment and control of fluke infestations gastro-intestinal strongyles in sheep and cattle and botflies in sheep

Iverhart: range of broad spectrum internal anthelmintics in chewable tablets for dogs to prevent canine heartworm disease and for the treatment of intestinal parasites (roundworms and tapeworms for Iverhart Max)

Leucogen: vaccine against feline leukaemia, a disease caused by a retrovirus affecting the immune system

Luminal: phenobarbital-based tablet for treating epilepsy in dogs

Marfloquin: injectable marbofloxacin-based antibiotic for treatment of respiratory infections and acute mastitis in cattle and the treatment of metritis-mastitis-agalactia syndrome in pigs

Maxflor: florfenicol-based antibiotic prescribed for treating respiratory infections in food producing animals

Multibio: antibiotics and anti-inflammatory combination for treating digestive, respiratory and genito-urinary diseases in food producing animals

Multimin: mineral-based injectable supplement for food producing animals targeting reproductive performance

Nutriplus gel: oral paste-based food supplement for dogs

Ostovet: food supplement for cattle

Ovuplant: deslorelin-based implant for the induction of ovulation in mares

Oxfenil: oxfendazol-based anthelmintic for cattle

Prodose: range of anthelmintics for food producing animals

Readycef: ceftiofur-based antibiotic injectable suspension for the treatment of respiratory diseases in swine and cattle

Remend Corneal Repair: hyaluronic-based eye drops to enhance healing of corneal ulcers in dogs and cats

Rilexine: cephalexin-based antibiotic. In tablets: prescribed for treating skin infections in dogs and urinary infections in cats. In injectable form: prescribed for treating chronic and acute mastitis in dairy cows

Sebazole: econazole and thiosulphate-based shampoo for the treatment of keratinisation disorders associated with bacterial and yeast overgrowth in dogs and cats

Shotapen: combination of antibiotics prescribed for first-line treatment of numerous bacterial affections in food producing animals

Suprelorin: deslorelin-based implant to induce temporary infertility in male dogs

Suramox: coated amoxicillin-based antibiotic for the treatment of respiratory diseases in food producing animals

Toltranil: toltrazuril-based internal anthelmintic drinkable suspension for prevention of clinical symptoms of coccidiosis in piglets

Tribrissen: multi-species antibiotic

Vet Complex: specialised petfood for dogs and cats

Vetflurane: isoflurane-based inhalational anaesthetic for dogs, cats, horses, rodents, ferrets, reptiles and ornamental birds

Vimeral: food supplement for cattle in liquid form

Virbagest: altrenogest-based progestin for synchronising return to heat of gilts (batch management)

Virbamec: ivermectin-based parasiticide for food producing animals

Virdentmycin: clindamycin-based antibiotic indicated for the treatment of dental infections in dogs

Zeramec: patented injectable combination of zeranol and an endectocide for cattle

Zoletil: tiletamine and zolazepam-based multi-species injectable anaesthetic

Virbac on 5 continents

Africa

South Africa
Virbac RSA (Pty) Ltd
38 Landmarks Avenue
Samrand Business Park - Centurion 0157
Tel.: +27 (12)657 6000
www.virbac.co.za

Asia

China
Virbac Beijing Representative office
Room 709, Sunjoy Building
N° 6 Ritan Road
Chaoyang District
Beijing 100020
Tel.: +86 10 8530 6619
www.virbac.cn

Virbac Trading (Shanghai) Co. Ltd
Room 704 Tongquan Tower
N° 678 Gubei Road
ChangNing District
Shanghai 200336
Tel: +8621 623 51136
www.virbac.cn

India
Virbac Animal Health India Pvt. Ltd
604, 6th floor, Western Edge – I
Magathane - Western Express Highway
Borivali (East) - Mumbai 400 066
Tel.: +91 (22)4008 1333
minal.kolgaonkar@virbac.in

Japan
Virbac Japan Co. Ltd
C/o New Awajimachi Building
6th floor - 1-3-14 Awajimachi
Chuo-ku - 541-0047 Osaka
Tel.: +81 (6)62 03 48 17
www.virbac.jp

Philippines
Virbac Philippines Inc.
E-1204 Philippine Stock
Exchange Center - Exchange Road
Ortigas Center 1605 - Pasig City
Tel.: +63 (2)635 99 93/95/97
www.virbac.ph

South Korea
Virbac Korea Co. Ltd
2F Jinnex Lake View B/D
65-2 Bangi-dong - Songpa-gu
Seoul 138-828
Tel.: +82 (2)496 40 70
www.virbackorea.co.kr

Taiwan
Virbac Taiwan Co. Ltd
6F, 12, Lane 321
YangGuang Street - Taipei 114
Tel.: +886 (2)2798 7667
www.virbac.com.tw

Thailand
Virbac (Thailand) Co. Ltd
Centralplaza - Chaengwattana Office Tower
12th floor, Unit 1203
99/9 Chaengwattana Road
Tumbon Bangtalad - Amphur Pakkred
Nonthaburi 11120
Tel.:+662 193 8288
yotin.dokrakklang@virbac.co.th

Vietnam
Virbac Vietnam Co. Ltd
6th floor Minh Long Tower
17 Ba Huyen Thanh Quan Street
Ward 6, District 3
Ho Chi Minh
Tel.: +84 (8)3933 3170
www.virbac.vnn.vn

Europe

Austria
Virbac Österreich GmbH
Hildebrandgasse 27
A 1180 Vienna
Tel.: +43 1 2183426
www.virbac.at

Belgium
Virbac Belgium SA
Esperantolaan 4
B 3001 Leuven
Tel.: +32 (0)16 38 72 60
www.virbac.be

France
Virbac
13e rue LID – BP 27
F 06511 Carros cedex
Tel.: +33 4 92 08 71 00
www.virbac.com
contact@virbac.com

Virbac France
13e rue LID – BP 447
F 06515 Carros cedex
Tel.: +33 811 706 706
www.virbac.fr

Francodex Santé Animale
1ère avenue 2065 m LID - BP 105
F 06513 Carros cedex
Tel.: +33 4 92 08 71 83
www.francodex.fr

Virbac Nutrition
Zone Industrielle
252 rue Philippe Lamour
F 30600 Vauvert
Tel.: +33 4 66 88 84 36
www.virbac.fr

Dog N'Cat International
Zone Industrielle
252 rue Philippe Lamour
F 30600 Vauvert
Tel.: +33 4 66 88 30 07
www.dogcatinter.com

Bio Véto Test
285 avenue de Rome
F 83500 La Seyne sur Mer
Tel.: +33 4 94 10 58 94
www.bvt.fr

Germany
Virbac Tierarzneimittel GmbH
Rögen 20 - D 23843 Bad Oldesloe
Tel.: +49 (4531)805 0
www.virbac.de

Greece
Virbac Hellas SA
23rd km National Road Athens Lamia
14565 Agios Stefanos
Tel.: +30 210 621 9520
www.virbac.gr

Hungary
Virbac representative office
Szent Istvàn krt.11 II.emelet 21
1055 Budapest
Tel.: +36 70 338 71 77
www.virbac.hu

Italy
Virbac SRL
Via Caldera, 21
I 20153 Milan
Tel.: +39 02 40 92 47 1
www.virbac.it

Netherlands
Virbac Nederland BV
Hermesweg 15
3771 ND Barneveld
Tel.: +31 (0)342 427 100
www.virbac.nl

Poland
Virbac Sp. z o.o.
ul. Pulawska 314
02-819 Warsaw
Tel.: +48 22 855 40 46
jan.baranowski@virbac.pl

Portugal
Virbac de Portugal Laboratorios Lda
Rua do Centro Empresarial
Edifício 13, piso 1, escritório 3
Quinta da Beloura
2710-693 Sintra
Tel.: +351 219 245 020
www.virbac.pt

Scandinavia
Virbac Danmark A/S
Profilvej 1 - DK 6000 Kolding
Tel.: +45 75 52 12 44
www.virbac.dk

Spain
Virbac España SA
Angel Guimerá, 179-181
Esplugues de Llobregat
E 08950 Barcelona
Tel.: +34 (93)470 79 40
www.virbac.es

Switzerland
Virbac (Switzerland) AG
Europastrasse 15
CH 8152 Glattbrugg
Tel.: +41 (44)809 11 22
www.virbac.ch

United Kingdom
Virbac Ltd
Windmill Avenue
Woolpit Business Park
Woolpit
Bury St Edmunds
Suffolk IP30 9UP
Tel.: +44 (0)1359 243 243
www.virbac.co.uk

Latin America

Argentina
Laboratorios Virbac Mexico SA de CV - sucursal Argentina
Juan Jose Diaz no 629 - 1642 San Isidro
Provincia de Buenos Aires
Tel.: +54 (11)4732 3436

Brazil
Virbac do Brasil Indústria e Comércio Ltda
Av Eng Eusébio Stevaux no 1368
Jurubatuba CEP 04696-000 São Paulo
Tel.: +55 (11)5525 5000
www.virbac.com.br

Colombia
Virbac Colombia Ltda
CRA 54 no 76-20
Barrio Gaitán - Bogotá
Tel.: +57 (1)225 2100

Costa Rica
Laboratorios Virbac Costa Rica SA
500 metros Norte y 25 metros Este
de Multiplaza - Parque Industrial Guachipelin
Escazú - San José
Tel.: +506 2215 2192

Mexico
Laboratorios Virbac Mexico SA de CV
Avenida Mayas n° 3305
Fraccionamiento Monraz
CP 44670 Guadalajara - Jalisco
Tel.: +52 (33)5000 2500
www.virbac.com.mx

North America

United States and Canada
Virbac Corporation
3200 Meacham Boulevard
Fort Worth, Texas 76137-4611
Tel.: +1 (817)831 50 30
www.virbacvet.com

Pacific

Australia
Virbac (Australia) Pty Ltd
361 Horsley Road
Milperra NSW 2214
Tel.: +612 9772 9772
www.virbac.com.au

New Zealand
Virbac New Zealand Ltd
30-32 Stonedon Drive
East Tamaki
Auckland 2013
Tel.: +64 (9)273 9501
www.virbac.co.nz

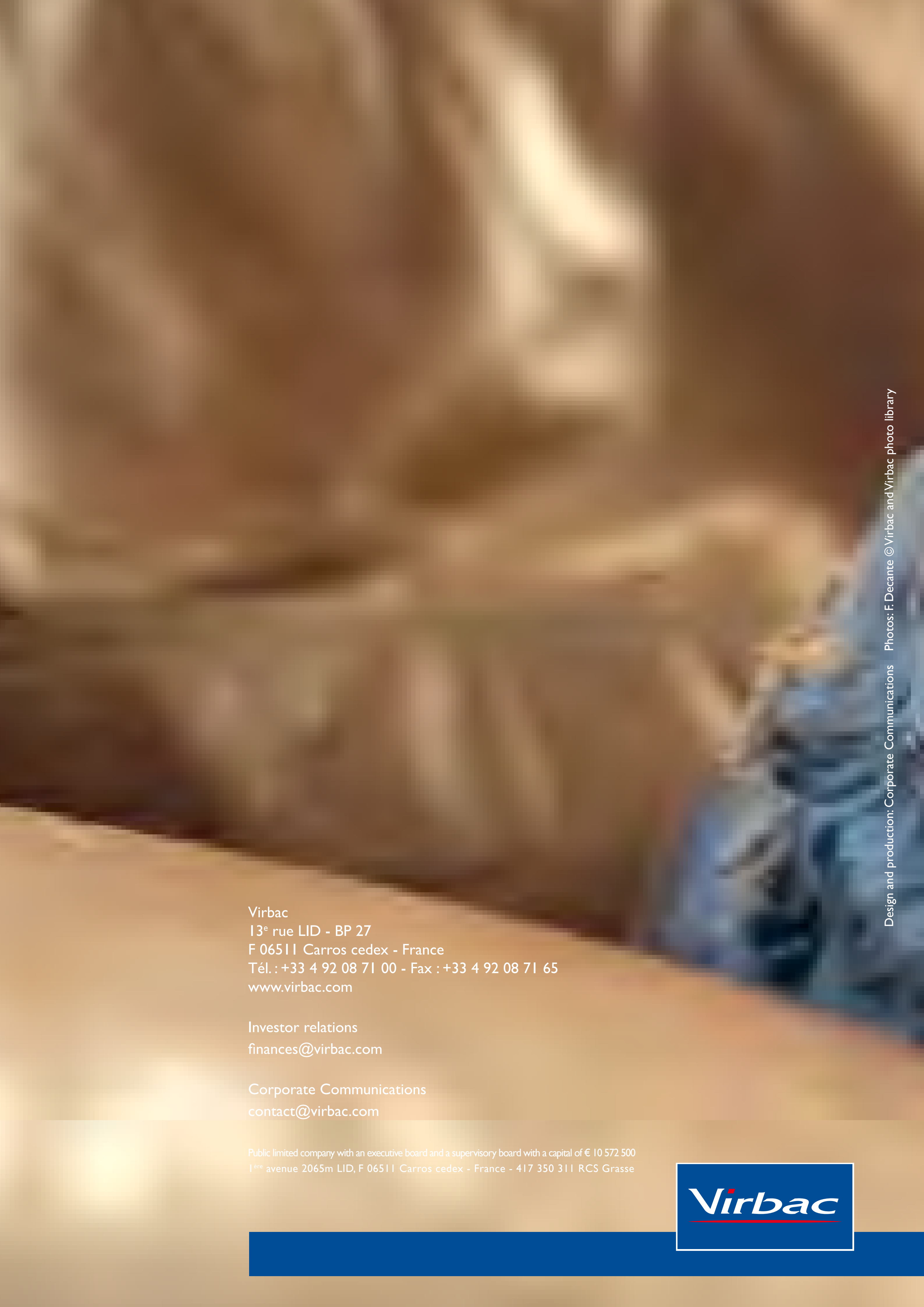
Export

Algeria
patricia.schmitz@virbac.com

Belorussia - Estonia
Finland - Latvia
Lithuania Russia - Ukraine
diana.otoiu@virbac.com

Bulgaria - Croatia
Czech Republic - Macedonia
Romania - Serbia
Slovakia - Slovenia
diana.otoiu@virbac.com
patricia.schmitz@virbac.com

Egypt - Israel
Ivory Coast - Kuwait
Morocco - Senegal - Tunisia
carole.nahas@virbac.com



Virbac
13e rue LID - BP 27
F 06511 Carros cedex - France
Tél. : +33 4 92 08 71 00 - Fax : +33 4 92 08 71 65
www.virbac.com

Investor relations
finances@virbac.com

Corporate Communications
contact@virbac.com

Public limited company with an executive board and a supervisory board with a capital of € 10 572 500
1ère avenue 2065m LID, F 06511 Carros cedex - France - 417 350 311 RCS Grasse

Design and production: Corporate Communications Photos: F. Decante ©Virbac and Virbac photo library