Virbac

Passionate
about animal health

SLIGHT INCREASE OF THE CURRENT OPERATING PROFIT
in the first half of 2013

Public release – August 30, 2013

Consolidated numbers as of June 30 *in million Euros*	2013	2012	% change 2013 / 2012
Revenue from ordinary activities	**372.0**	**349.4**	**+6.4%**
Growth at constant exchange rates			+8.6%
Growth at constant scope and exchange rates			-0.5%
Current operating profit	**56.2**	**55.8**	**+0.8%**
As a % of sales	15.1%	16.0%	
Other non-operating income and expenses	-1.8	1.1	
Operating profit	**54.4**	**56.9**	**-4.4%**
Financial expense	2.9	1.4	
Profit before tax	**51.5**	**55.5**	**-7.2%**
Net profit – Group share	**32.6**	**37.9**	**-14.0%**
Shareholders' equity	**350.8**	**337.7**	**+3.9%**
Net financial debt	**210.9**	**84.8**	**+149%**

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

The sales evolution during the first half reached +6.4% and is coming from acquisitions made during 2012 (New Zealand and Chile). Organic growth during these first six months has been nearly nil globally (-0.5%) due to low market dynamics and factors of slow down specific to the Group in Europe and in the United States. Besides, the rather strong weakening of foreign exchange rates weighted negatively (-2.2%) on the overall performance.

The current operating profit is slightly increasing. It amounted to 56.2 M€ compared to 55.8 M€ last year, a decrease of 0.9 point as a percentage of sales. Such evolution is resulting from different factors which have compensated in value:

- on one side, excluding acquisitions, the overall stability of sales and the worsening of exchange rates resulted in a decrease in operating profitability, despite a strict control of current expenses, in comparison to the record level reached last year. Results in the first half of 2012 had actually been driven up by a high performance in Europe and in the United States, markets generating the highest contribution for Virbac, and by favourable exchange rates. Besides, costs incurred in the US related to the temporary withdrawal of Iverhart Plus and the offer of a substitution with Iverhart Max weighted unfavourably on this first half result;
- at the same time, the increase of resources dedicated to innovation is being confirmed. Research and development expenses have grown by around 11.5% at constant perimeter, a 0.9 point increase as a percentage of sales;
- conversely, acquisitions made in 2012 and mainly Centrovet (Chile) because of its size had, as expected, a positive impact on the operating profitability and a high contribution to the result, compensating for the factors of decrease described here above.

The net profit - Group share is decreasing. Firstly it includes a non-current expense of 1.8 M€ due to the revaluation of Centrovet inventories in accordance with IFRS rules related to business combinations. Last year on the contrary, a one-time profit of 1.1 M€ had been booked following the sale of a non-strategic business. Secondly, financial expenses increase this year as a consequence of a higher level of debt due to the 2012 acquisitions. Lastly, the profit attributable to the non-controlling interests, which reflects the share of minority interests in Centrovet, amounted to 3.7 M€.

From a financial standpoint, the increase of debt in comparison to June 2012 is due to the acquisitions made last year. During the first six months of this year, debt increased by 77 M€: this is due on the one hand to the payment of a price adjustment clause on the Centrovet acquisition; on the other hand to the seasonal working capital needs; lastly, to major capital expenditure projects including new industrial units in France and in Mexico and the extension of Centrovet facilities in Chile. Virbac's financial structure is very sound with a level of net debt which remains moderate compared to equity and cash flow generation.

2013 perspectives

After the low start of the year, Virbac remains confident in a rebound of organic growth in the second half. With the addition of external growth – net of divestments occurred in 2012 –, total 2013 revenues should reach a double digit growth at constant exchange rates and lead to an evolution at least similar of the current operating profit. Should the current trend of foreign exchange rates be lasting it will however moderate this evolution. Taking into account the increase of financial expense and the non-controlling interests in Centrovet, the net profit-Group share should be a bit lower than in 2012, excluding exceptional items (1).

(1) besides the non-recurring expense recorded in the first half, an exceptional profit or loss may also be recognized in the 2013 result, following IFRS, if the actual amount to be paid early 2014 with respect to the last price adjustment for the Centrovet acquisition, which is linked to 2013 performance criteria, would differ from the estimate made and booked as of the date of the transaction in 2012.