Virbac: half-year results
heavily impacted by the United States

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CONSOLIDATED DATA AS OF JUNE 30th *in million Euros*	2015	2014	% change 2015/2014
Revenue from ordinary activities	**432.3**	**366.3**	**+18.0%**
Evolution at constant exchange rates			*+8.0%*
Evolution at constant scope and exchange rates			*-1.9%*
Current operating profit - adjusted (excluding amortization of intangibles from acquisitions)	**27.4**	**52.8**	**-48%**
As a % of sales	*6.3%*	*14.4%*	
Amortization of intangibles from acquisitions	9.6	2.9	
Operating profit from ordinary activities	17.8	49.9	-64%
Non-recurring expenses and revenues	7.9	-	
Operating profit	10.0	49.9	-80%
Net consolidated profit	-0.5	31.7	-102%
Of which net profit – Group share	**-3.8**	**27.8**	**-114%**
Shareholder's equity	430.7	378.6	+14%
Net financial debt	632.4	265.1	+139%
Operating cash-flow before interest and tax	43.4	65.0	-33%

The financial statements have been subject to a limited review by the auditors; issuance of their report is ongoing. They are available on www.virbac.com

Net revenue in the first half recorded a +18.0% growth, very positively impacted by the favourable evolution of exchange rates and the integration of the Sentinel range recently acquired in the United States. Conversely, the interruption of operations in the St. Louis (Missouri) manufacturing facility has reduced organic growth globally to -1.9% despite a good level outside the United States: +5.3%.

Presentation of operating profit. Because of the importance of external growth transactions realized in the last years, the amortization expense related to intangible assets valued according to the purchase price allocation of these acquisitions is significant. In order to facilitate the reading of the Group's operating performance, this amortization expense is now identified on a separate line in the current operating profit, which is consequently presented adjusted or not from such expense. This item amounted to 9.6 million € in the first-half, compared to 2.9 million € in 2014.
Besides, certain accounting entries resulting from the application of IFRS principles may have an exceptional incidence on operating profit. It is the case in 2015 due to the revaluation of finished goods inventories from the Sentinel acquisition at net realisable value: this represents a non-recurring expense of 7.9 million € in the first-half (equal to the full-year impact of this factor).

The current operating profit -adjusted, before any incidence of the above items amounts to 27.4 million €, a strong decrease compared to last year (52.8 million €) due to the situation of the U.S. affiliate and despite the very positive contribution from Sentinel.

This contribution reached close to 20 million US$ but as recently announced, could not offset the very important drop of activity observed in the United States as a consequence of the temporary interruption of operations at the St. Louis facility, as well as the additional costs incurred in connection with the quality systems improvement plan which is being implemented. In total, the U.S. affiliate recorded a negative operating contribution (excluding R&D) during this half-year of almost -11 million US$ (-9.7 M€) compared to +17 million US$ (+12.4 M€) in 2014.
Outside of the United States, the current operating profit - adjusted is decreasing by around -3 million €; this includes a continued investment from the Group in R&D (a +4.6 M€ increase) and an exceptional expense (2.2 M€) due to a litigation related to a trademark used by the Group in France. Conversely the evolution of exchange rates since the beginning of the year had a positive impact of around 4 million €.

The net profit - Group share amounts to -3.8 million €. It includes the entries mentioned above related to amortization and inventories from acquisitions, as well as financial expenses which have increased as a consequence of the Sentinel acquisition, financed through debt.

From a financial standpoint, Virbac's financial debt has been restructured early this year after the Sentinel acquisition, using bank and private loans, in € and US$, with maturities of 5 to 10 years. The increase of net debt as compared to 2014 comes essentially from the price paid for this acquisition and the situation of the U.S. affiliate.

Due to the seasonality of working capital needs and the progressive recovery in the United States, a significant decrease of indebtedness is expected in the second part of the year.

Perspectives
The gradual return to market of certain products manufactured in the St. Louis facility will have a still limited impact until this year end, but the additional costs incurred in the first half should be strongly reduced. Consequently the current operating profit – adjusted is expected to show a real improvement in the second half as compared to the first half. It should still remain however, lower than in the second half of 2014 despite the addition of Sentinel.
In 2016 sales in the United States excluding Sentinel should rebound strongly, without reaching totally the level of 2014, while the Sentinel range should continue to perform well.
With the animal health market remaining well oriented, the Group should continue to generate growth in the other regions of the world.

Shaping the future of animal health