

STRONG GROWTH of half-year earnings

Public release – August 31st, 2012

Consolidated numbers as of June 30 in million €	2012	2011	% change 2012/2011
Revenue from ordinary activities	349.4	314.5	+11.1%
<i>Growth at constant exchange rates</i>			+8.9%
<i>Pro-forma growth at constant exchange rates</i>			+9.2%
Current operating profit	55.8	49.6	+12.3%
<i>As a % of sales</i>	16.0%	15.8%	
Other non recurring income and expenses	1.1	-	
Operating result	56.9	49.6	+14.6%
Result before tax	55.5	48.6	+14.3%
Net result – Group share	37.9	32.6	+16.4%
Equity – Group share	337.7	306.9	+10.0%
Net financial debt	84.8	65.2	+30.0%

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 has been very positive, +11.1%, with an organic growth exceeding 9%, driven by the Group performance in the companion animals segment. In parallel, the weakening of the Euro contributed significantly as well, more than 2%, to the sales growth.

The consolidated financial results also increased strongly. The current operating profit is growing by +12.3% a 0.2 point improvement as compared to 2011. The following factors explain this good performance :

- a positive evolution of the gross margin rate, resulting essentially from the increased weight, as compared to last year, of the higher margin business in companion animals, in particular in the developed markets, United States, Europe, Japan;
- an increase of operating expenses, excluding Research and Development, which has been lower than the sales increase, while commercial investments have continued in certain countries, in particular the United States and Brazil;
- conversely and in accordance with what Virbac had announced previously, the consolidation of structures and resources allocated to innovation is going on and translated during this semester into an increase of Research and Development expenses by +22.8% or 0.6 point as a percentage on sales.

The divestment in May 2012 of Virbac's business in specialized channels (garden centers, pet-stores) generated an exceptional net revenue of 1.1 million Euros; as a consequence, the global operating profit increased by +14.6%.

- Including this one-time item and after deduction of interest and tax expenses, the net profit – Group share is increasing by 5.3 million Euros, a 16.4% growth. The net profit per share increases by nearly 20%.

From a financial standpoint, thanks to the generation of operating cash flow and a good control of working capital needs, the net consolidated debt has been kept stable during this first half on a comparable basis (excluding acquisitions and payment date of dividends) while it had been increasing by 31 million Euros during the same period of 2011. Virbac's financial structure remains very sound with a moderate level of net debt with regard to equity and cash flow generated. Early July Virbac acquired Stockguard in New Zealand, a company enjoying a strong range of specialties used in the dairy cattle and sheep markets, which generated 5.8 million Euros in sales during its last fiscal year.

2012 perspectives

With the good performance delivered in the first half, Virbac is confident in its capacity to reach the objective announced early this year, of a 7 to 9% organic growth. Therefore, a significant improvement of operating profitability before R&D is anticipated, which will allow the Group to continue allocate increased resources to innovation. In this context, the operating profitability ratio should stay close to the 2011 level, which had reached 13.8%.

