Virbac

Annual report 2012

Passionate about animal health

SUMMARY

A LABORATORY DEDICATED TO ANIMAL HEALTH

Overview

Sustainable development

Financial report

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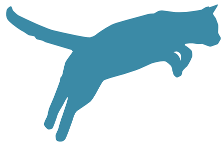
Overview

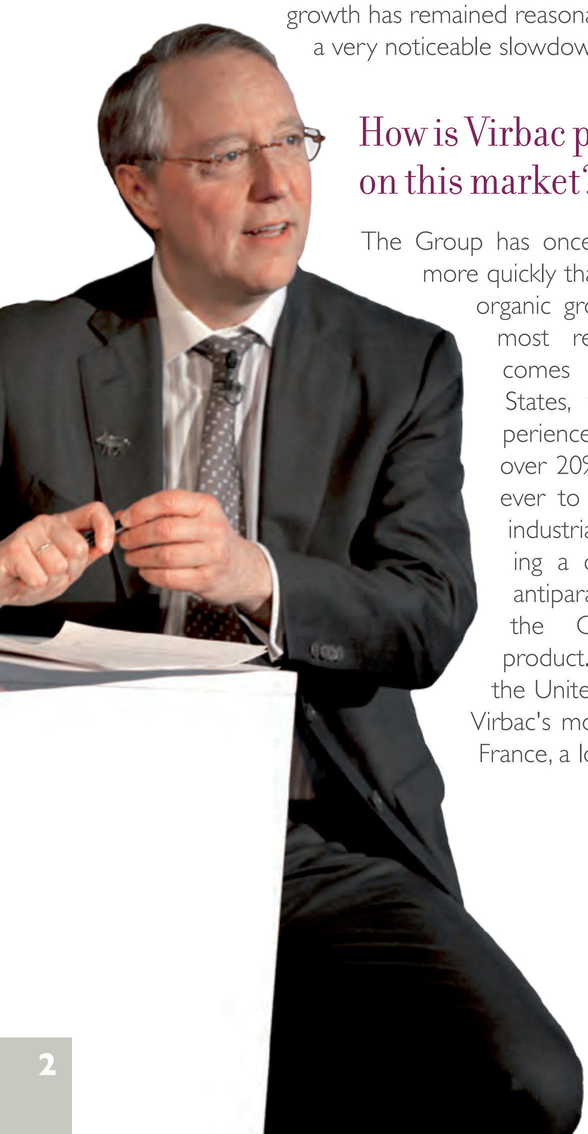


CHAIRMAN'S MESSAGE

2012: EXTERNAL GROWTH IN THE SPOTLIGHT

Animal health: an unchanged market trend?

Indeed, the market continued to develop very satisfactorily in 2012, with its regional components being relatively unchanged compared with 2011. Europe is still exhibiting low growth rates of around 2% in spite of the still adequate growth in companion animals. As in 2011 the United States has shown rather strong growth, three times greater than in Europe, with growth being similar for companion animals and food producing animals. In the rest of the world, growth has remained reasonably high in spite of a very noticeable slowdown in Latin America.



How is Virbac performing on this market?

The Group has once again progressed more quickly than the market with organic growth of 8.2%. The most remarkable growth comes from the United States, where Virbac experienced an increase of over 20%, partly due however to the closure of an industrial site manufacturing a competitor to the antiparasitic Iverhart, now the Group's foremost product. This has made the United States subsidiary Virbac's most important after France, a logical development given the respective market sizes. Virbac has also gained shares of the companion animal market in Europe thanks to the first full year of the CaniLeish vaccine, which experienced remarkable success in Spain, Greece and to a lesser extend in Italy. The company has also gained market shares in Latin America (Brazil, Mexico) and Asia (India, Japan). The only losses in market share are in Europe, in food producing animals, where Virbac declined slightly in an almost stable market.

2012: major year for acquisitions

2012 will undoubtedly be remembered as a year of **external growth**. The acquisition of Stockguard in 2012 allowed us to become a key player in the dairy cattle market in New Zealand, and the acquisition of rights in Multimin in Australia further reinforced our positions in this country, now the Group's third largest subsidiary. Continuing the divestment done in the United States a few years ago, Virbac also sold its activities over the counter (pet shops and garden centres) in France and the Netherlands to better equipped market players. Conversely, the Dutch and Belgian subsidiaries, which were only 75% owned, are now wholly owned subsidiaries. However, the highlight of the year is undoubtedly the 51% participation, with option of subsequent purchase of the remaining 49%, in Centrovet in Chile. This company, leader in animal health on the Chilean market, has enjoyed remarkable development in aquaculture, which already accounts for two thirds of its turnover. Aquaculture seems to have a bright future, fish representing the most efficient source of protein for the world's growing nutritional needs. There are not many market players in animal health specialising in aquaculture, and Centrovet is characterised in particular by its technological leadership in oral vaccines.

January

SOUTHERN EUROPE
Successful launch of CaniLeish vaccine in Greece, Spain and Italy

June

UNITED STATES
Three new registrations for companion animals: Suprelorin F, Rilexine tablets and Effipro Plus

April

FRANCE
Virbac sells OTC activities, Francodex and Mastery

What about the financial results?

Operating profitability has increased again from 13.8% to 14.1% of turnover, which is actually a similar performance to that of 2011 if we take into account the increase of 0.6 point in the ratio of R&D expenditure to turnover which we wanted in order to reinforce the Group's medium-to-long-term innovation capability. Cash generation, on the other hand, is one area where performance has been superior to 2011. The €58.7 million in free cash flow generated thanks to the careful control of working capital requirements has enabled us to limit the increase in the Group's net debt to equity ratio to 38.7% in spite of the year's very substantial programme of acquisitions.

June

GROUP
Sustainable development report: Virbac obtains GRI level B certification

July

NEW ZEALAND
Acquisition of Stockguard makes Virbac a key player in the dairy cattle sector

What can we expect in 2013?

As in 2012, Virbac expects a slight growth in European markets, but a continuing satisfactory trend in the United States and in the rest of the world.

At the beginning of April, Virbac's United States subsidiary announced to its distributors that it had halted temporarily the commercialisation of its internal antiparasitic Iverhart Plus due to the fact that some batches recently produced, were or might be below specification in the potency level of one of the actives before the expiry date of the product. To compensate for this interruption of supply and to replace the recalled batches, Virbac United States is offering to its customers, for a six-month period, the product Iverhart Max at the price of Iverhart Plus.

This event, combined with weak activity in the first quarter, will make it more difficult to achieve the ambition announced with the publication of the 2012 results, of an organic growth of 5 to 7% and an increase of half a point in operating profitability. However, taking into account the acquisitions completed in 2012, the growth potential of recently launched products, and that of the emerging countries, the Group remains confident that it can generate global double digit growth of its revenues and operating result.

August

BRAZIL
Continued international roll-out of Effipro after Australia and Taiwan

November

CHILE
Centrovet allows Virbac to become a market leader in aquaculture

December

NORTHERN EUROPE
Acquisition of non-controlling interests in Virbac Netherlands/Belgium and sale of Bridgefarma

December

NEW ZEALAND & AUSTRALIA
Virbac acquires Multimin, a nutritional supplement for cattle and sheep

Virbac worldwide

8TH VETERINARY COMPANY WORLDWIDE

29 sales subsidiaries outside France

Organic growth +8,2 % vs 2011

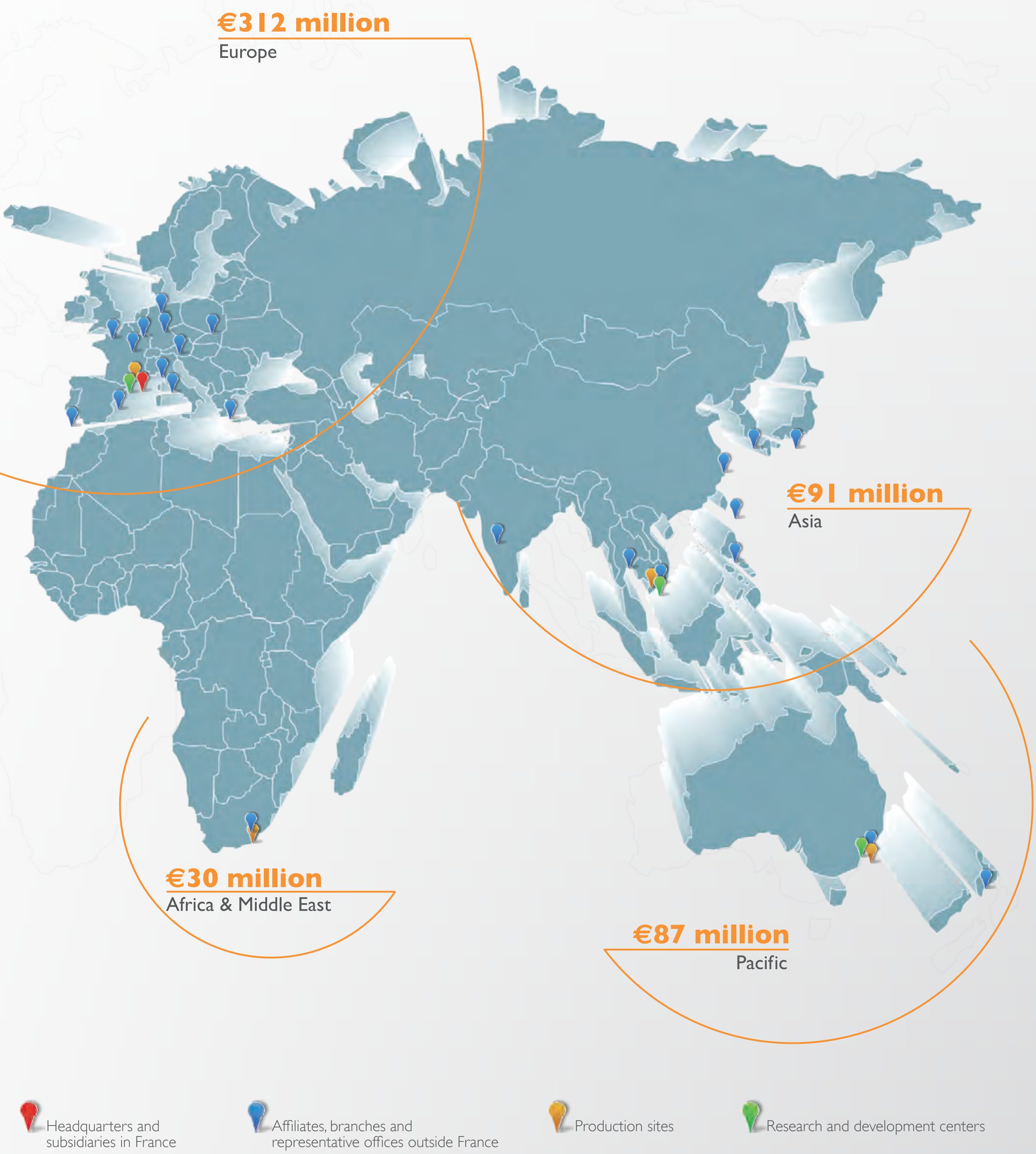
4 100 employees

Present in over 100 countries

R&D centers on 5 continents

Production sites in 9 countries

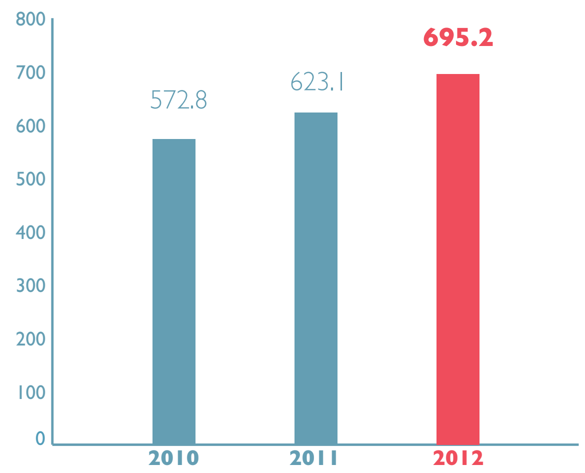
695 M€
Turnover



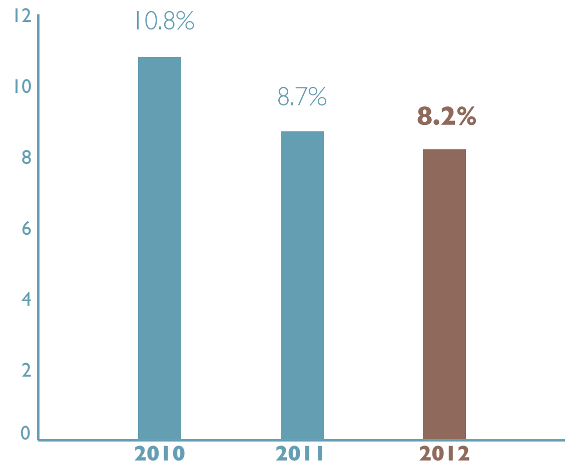
2012

KEY FIGURES

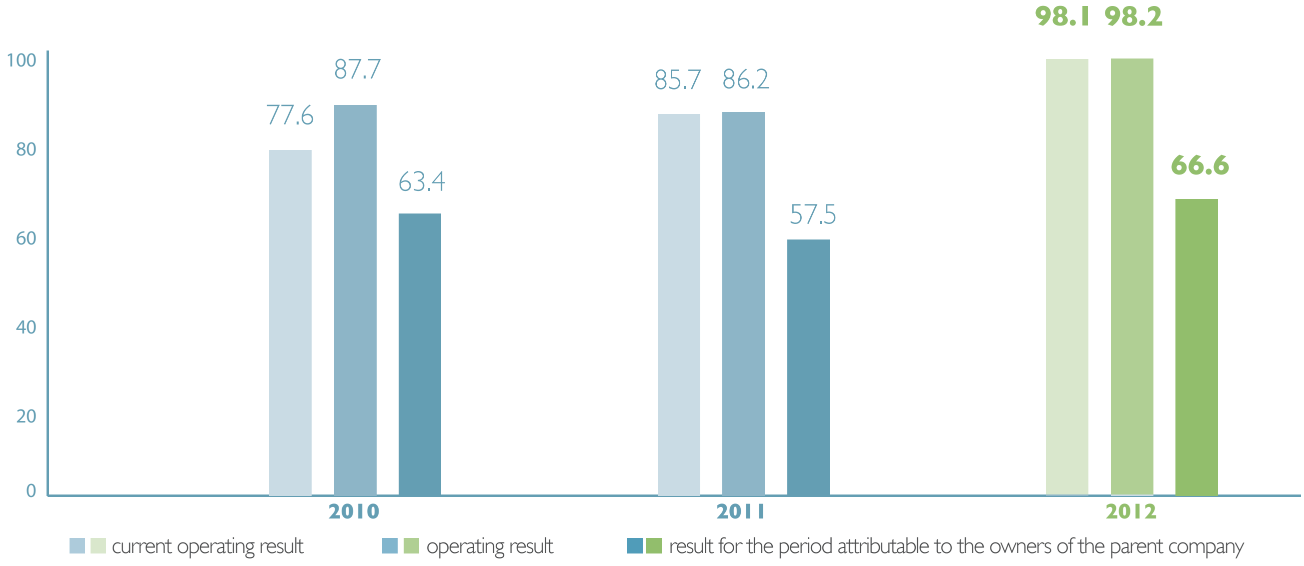
Net sales
(in € million)



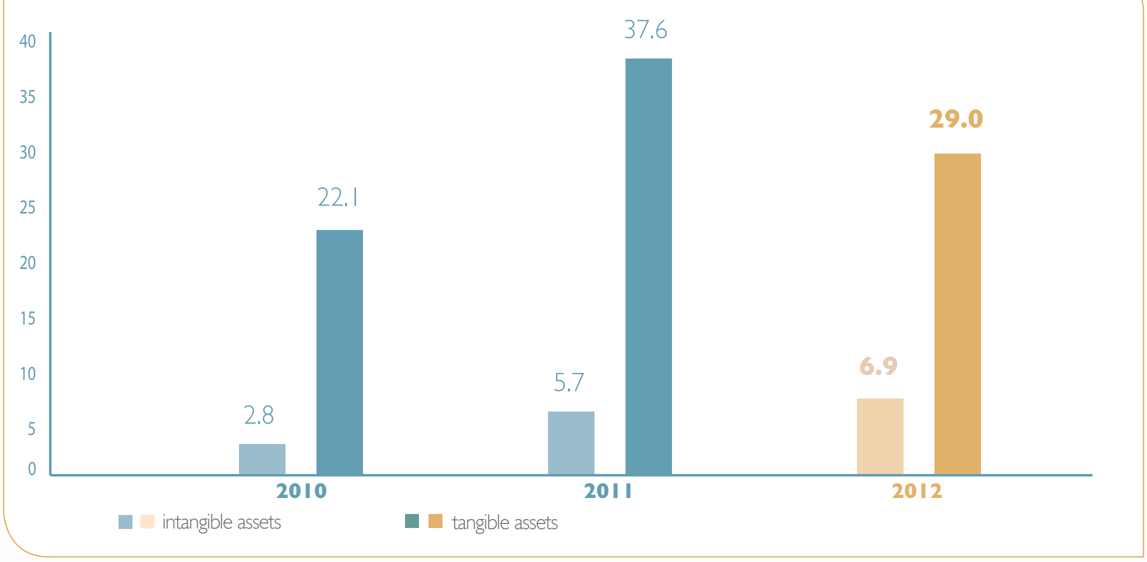
Organic growth
like-to-like exchange rates and scope



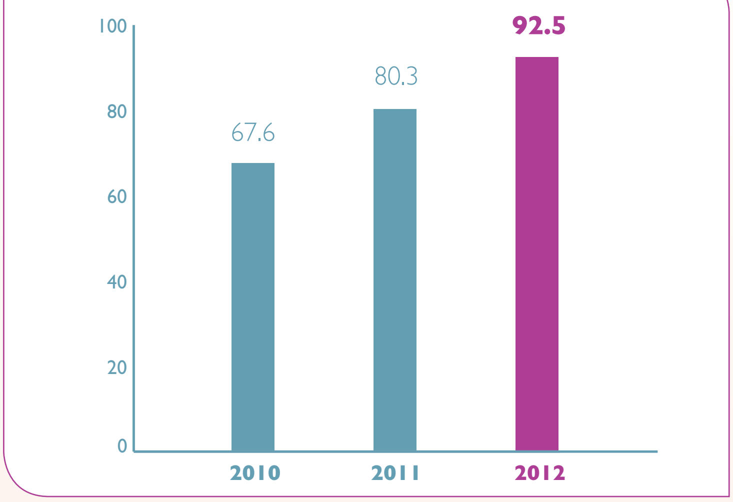
Results
(in € million)



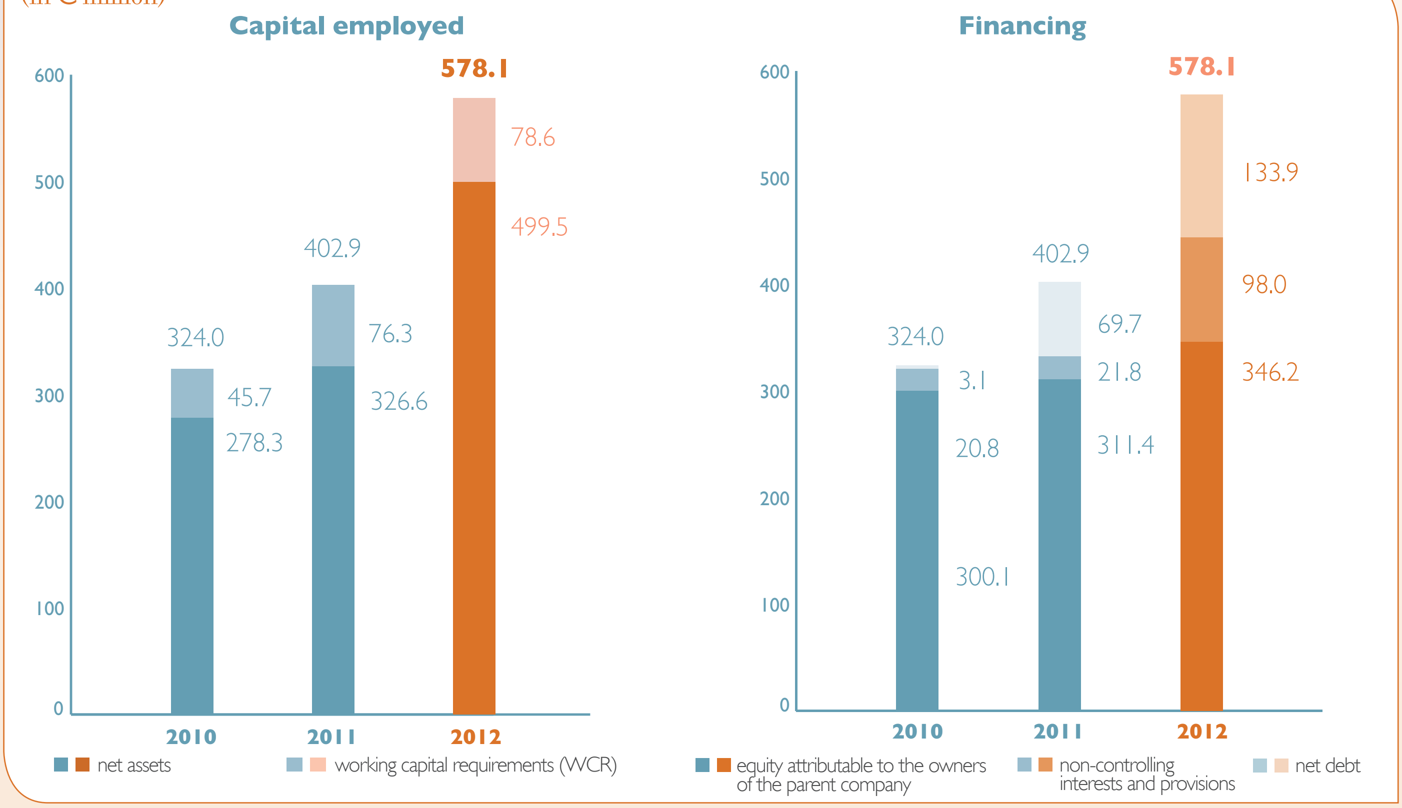
Investments
(in € million)



Cash flow
(in € million)



Financial structure
(in € million)



VIRBAC GROUP

CORPORATE GOVERNANCE

Executive board

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

Michel Garaudet, chief financial officer

Pierre Pagès, chief operating officer

Éric Marée, chairman of the executive board

Jean-Pierre Dick, responsible for special projects and president of the *Fondation d'Entreprise Virbac*, a corporate foundation

Christian Karst, executive vice-president corporate development

Sébastien Huron, aera director Europe

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.

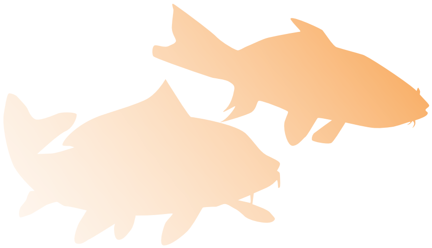
It is comprised of Marie-Hélène Dick, chairwoman, Olivier Bohuon and Xavier Yon.

Statutory auditors

Deloitte & Associés, represented by Hugues Desgranges
Novances-David & Associés, represented by Christian Dechant

SPONSORSHIP

VIRBAC & SAILING: A HUMAN ADVENTURE



The fantastic human and sporting adventure that Virbac and Jean-Pierre Dick embarked upon in 2001 is shared by the Group's employees and veterinary customers.

The adventure continued in 2012 with a programme that started in May at the Europa Warm'Up. For this two-stage race, representatives and customers of Virbac subsidiaries were present in Barcelona (Spain), Cascaïs (Portugal) and La Rochelle (France). In June, about one hundred French customers took the helm of Virbac-Paprec 3 with Jean-Pierre Dick during the sailing days organised in Lorient, the home base of the Imoca 60.
Lastly, on 10 November in Les Sables d'Olonne, almost 250 Virbac guests, French and Swiss customers and employees from all over the world accompanied Jean-Pierre to the start line of the 7th Vendée Globe.

Sporting events promote human bonding. The personality of Jean-Pierre Dick, who is a trained veterinarian, contributes to this, especially for Virbac customers. Since the start of the sponsorship their support for the "veterinarian-navigator" has never faltered. This can be seen in the numerous messages of encouragement sent to JP throughout the 2012-2013 Vendée Globe.

Vendée Globe: the triumph of tenacity

In his 3rd attempt to scale "the Everest of the seas", Jean-Pierre Dick obtained his best result yet by finishing 4th after 86 days, 3 hours, 3 minutes and 40 seconds and sailing the last 2,650 nautical miles without a keel! This feat was hailed by his peers and resulted in more than 100,000 spectators welcoming him back when he arrived in Les Sables d'Olonne, on 4 February 2013.

"Jean-Pierre, you stir the imagination of us landlubbers when we see you confront difficulties without batting an eye"

Etienne Leiseing, veterinarian in Saint-Macaire en Mauges (France)

"We warmly congratulate our most brilliant man and vet."

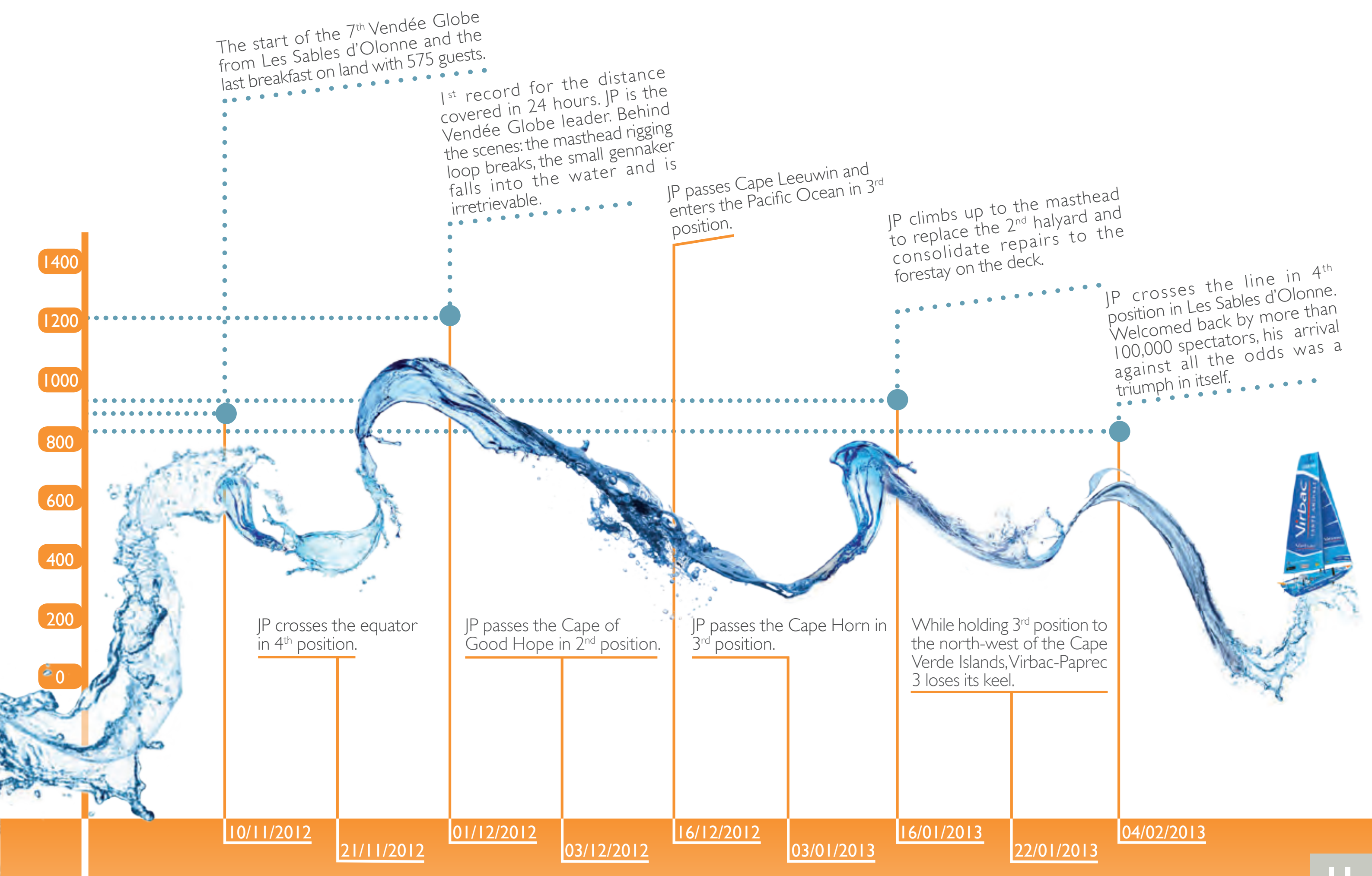
Xavier Levy, veterinarian in L'Isle-sur-Jourdain (France)

"Jean-Pierre was fighting like a lion in race mode when suddenly his Vendée Globe turned into an exploit near the Azores. During this exploit, he showed the same qualities as those deployed in race mode, particularly his incredible force of character and determination. In the end, he would cross the line, whatever the cost. Thus, Jean Pierre has joined the small circle of sailors who have marked the history of the Vendée Globe by doing his utmost to arrive and achieving a very good ranking! Bravo JP - everyone at Virbac is thrilled and extremely proud of this fantastic result and magnificent abnegation; it is an example for us all to follow"

Eric Marée, Chairman of the Virbac executive board

The highlights of the race

The Vendée Globe is the sailing event that receives the most media attention in France. The 2012-2013 race garnered 98 hours of radio coverage, 230 hours of television coverage, plus 146 hours of TV coverage for the rest of Europe and 249 hours of international coverage (Source: Kantar Media and ASO data). The media exposure offered by such an event is a great opportunity for sponsors and this was an exceptional year for Virbac thanks to the performance of Virbac-Paprec 3 and the surprises of the race (on the internet, the number of references and articles devoted to Jean-Pierre Dick represented a quarter of the media coverage of the Vendée Globe 2012-2013.



Number of online articles devoted to Jean-Pierre Dick during the Vendée Globe 2013 (weekly basis)

Sustainable development 2012

GRI REPORT GRI CHECKED B+

PRESENTATION

COMPANY PROFILE

Strategy and analysis

1.1 Statement from the most senior decision-maker on the relevance of sustainable development for 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 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, wich on the contrary enhances it. 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 14% per year over the past three years, simultaneously bolsters 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 must endeavour to set both a social and environmental example for its employees and community. But Virbac has now become a global company, with more than 50% of sales made outside Europe and its subsidiaries operating in 30 countries in 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.

After 2011 and the decision to standardise its operations within the framework of the GRI (Global Reporting Initiative), 2012 marked a new phase in this approach with one of Virbac's statutory auditors checking the exhaustiveness of the report with regard to regulations. The three areas of the company's sustainable development approach rests on very solid foundations.

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 very 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.

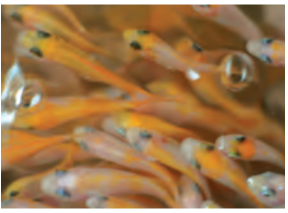
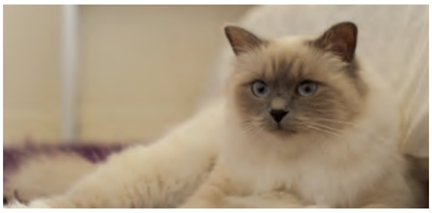
In the economic sphere, the company's goal is to continue posting the steady and profitable growth it has seen almost annually since its founding. This development is primarily based on solid organic growth, driven by innovation and the strength of Virbac's customer relationships. The company regularly 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 lacking regulations, 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 target 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 14, 106 and 148 of the annual report.

2.2 Primary brands, products and/or services
See pages 158 and 159 of the annual report.

2.3 Operational structure of the organisation, including main divisions, operating companies, subsidiaries, and joint ventures
See page 148 of the annual report.

2.4 Location of organisation's headquarters
See page 106 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 4 and 5 of the annual report.

2.6 Nature of ownership and legal form
See pages 80 and 106 of the annual report.

2.7 Markets served (including geographic breakdown, sectors served, and types of customers/ beneficiaries)
See pages 54 to 59 of the annual report.

2.8 Scale of the reporting organisation
See pages 6, 7, 42 and 64 and following of the annual report.

2.9 Significant changes during the reporting period regarding size, structure, or ownership
See pages 58 and 80 of the annual report.

2.10 Awards received in the reporting period
No awards were received in 2012.

Report parameters

3.1 Reporting period (e.g. fiscal/calendar year) for information provided
1 January 2012 – 31 December 2012.

3.2 Date of most recent previous report (if any)
This document is Virbac's fourth annual sustainable development report and the first to have the exhaustiveness of its contents and some of its environmental and social indicators checked by an independent auditor. Moreover, this document adopts the format of the GRI international standard guidelines 3.0 – application level B+.

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
A "Sustainable development" internal working group led by the Chairman of the Executive Board was set up 4 years ago. All the departments in the company are represented in this task force: HR department, Finance, Marketing, Risks, Security, Sourcing, Communication, etc. During individual and collective meetings (more than 20 per year), the content of the report is defined and then produced according to two precise criteria: pertinence of themes with regard to the Group's activities and conformity with regard to the French law (*Grenelle II*). Lastly, the final contents are discussed during an open debate arbitrated by the chairman of the executive board.

In terms of data collection, this year the task force benefited from an optimised recovery and production process, as a result of greater formalisation of indicators and reporting scope in a specific framework implemented in the Group's major subsidiaries. This optimisation also involves the organisation of a network of local correspondents specifically responsible for the main themes of sustainable development: environmental, social and economic issues.

3.6 Scope of report (e.g. countries, divisions, subsidiaries, joint-ventures, suppliers)
For all social indicators, the scope covers the primary Group subsidiaries: France, Mexico, United States, Australia, South Africa, India, Germany, Spain, Italy, United Kingdom, Brazil and Japan. For the main environmental indicators, the scope covers all the major production sites (France, Mexico, United States, Australia, South Africa, Vietnam and Brazil), excluding Chile, which entered the financial scope in December 2012. For reasons of reporting maturity, some indicators are collected from a more limited scope and the Group is striving to extend this scope. All exclusions, if any, are specified in the report.

3.7 Specific limitations on the scope of application or the scope of the report

The environmental reporting covers all major production sites which account for more than two-thirds of Group business. The following information is not calculated for this scope but only for France:

- use of packaging items;
- water discharge;
- CO_2 emissions related to transport and other greenhouse gasses.

This year the previously defined social reporting covers 83% of the global workforce. This percentage does not include the workforce of the Chilean subsidiary in which Virbac holds a 51% stake and which recently joined the Group. However, the "organisation of working time" indicator is only published for France. Furthermore, the report does not cover the following subjects:

- the Group's policy on health and safety at work;
- account of agreements reached in this field with staff representative bodies.

In the coming years, Virbac shall strive to extend the scope of reporting by gradually integrating these subjects.

3.8 Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations and other entities that can significantly effect comparability from period to period and/or between organisations

The social and environmental impact of the Chilean subsidiary, in which the Group holds a 51% stake and which joined the Group in December, are not included in the 2012 reporting but will be included in the following years. Therefore, there were no unreported operations that could have had a major impact on results and 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. A specific reporting method for any non-accounting related data has been developed with the methodological support of experts, the aim being to comply -with the new French regulations in force (*Grenelle II*).

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 2012, a more standardised methodology based on a homogenous definition of indicators was implemented. In some cases, it may be difficult to compare the data with that of 2011 (staff turnover for example). In the event of amendments, they are explained in the relevant section.

3.11 Significant changes from previous reporting periods in the scope and measurement methods applied in the report

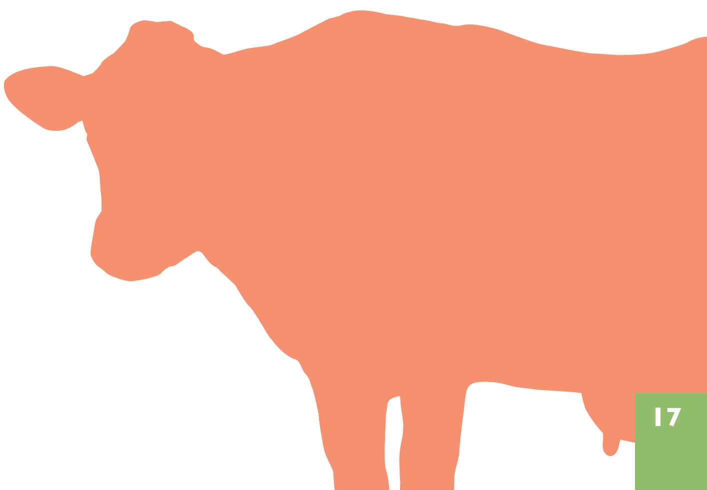
In 2012, insofar as the reporting does not include the Chilean subsidiary, in which Virbac holds a 51% stake and which joined the Group in December, changes regarding scope were very insignificant. In 2012, a more standardised methodology based on a homogenous definition of indicators was implemented. In some cases, it may be difficult to compare the data with that of 2011 (staff turnover for example).

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

This document maintains the exact structure of the GRI framework The detailed index is available at: www.virbac.com/gri-fr

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

This report was audited by one of Virbac's statutory auditors - Deloitte. The auditing focused on the exhaustiveness of the information published with regards regulatory obligations (*Grenelle II*) and on a selection of environmental and social information marked with a √.
See statement on page 51 of this document.



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 8, 9, 90 to 92 and following of the annual report.

4.2 Stating whether the Chair of the highest governance body is also an executive officer

See page 73 of the annual report.

4.3 For organisations that have a unitary board structure, statement on the number of independent and/or non-executive members

See page 90 of the annual report.

4.4 Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body

Three elected members of staff are invited to all supervisory board meetings. In France, the chairman 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 general meeting and the www.virbac.com website are two channels of communication available for sending requests.

4.5 Link between the remuneration of members of highest governance body, senior managers and executives (including departure arrangements) and the organisation's performance (including social and environmental performance)

See pages 73 to 79 of the annual report.

4.6 Processes introduced by the highest governance body to avoid conflicts of interest

See page 177 of the annual report: in french: special report from 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 complies 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, delegation/accountability, 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 new arrivals. 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 new arrivals 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

At the end of 2009, the Virbac group set up a Risk Management department which reports to the executive board. Its first priority was to map 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 audit committee which validated the content. At the same time, risk owners were appointed. Their role is to define, implement and oversee action plans for priority risks. The results of these actions are presented at the audit committee every year, as are the Risk Management objectives and approaches for the coming year. In 2012, an in-house risk management training course was implemented and will continue in 2013.

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

Virbac is a public limited company with a supervisory board and an executive board. The environmental, social and economic performance is closely supervised by the supervisory board. For further information, consult the report of the chairwoman of the supervisory board on pages 90 to 96 and following pages 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 (OECD) 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

As 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 UK, etc.).

4.14 List of stakeholder groups engaged by the organisation

The main stakeholder groups engaged by the Group are

veterinarians, distributors, farmers, animal owners, employees, regulatory authorities, suppliers, shareholders and communities.

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

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.

The stakeholders with whom Virbac is actively engaged are identified according to the following factors:

- their contribution to a better definition of needs within the Group's fields of business;
- their alignment with company strategy and their added value;
- their business expertise;
- staff involvement in the company's operations;
- their perception of the Group's activities and products.

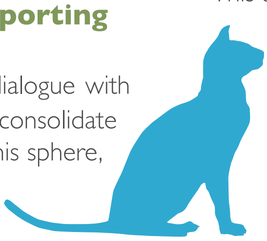
4.16 Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group

Stakeholders	Approach and frequency of engagements
Veterinarians **Farmers** **Animal owners** **Distributors**	• Continuous product information via advertising • Continuous information on specific animal diseases • Continuous support programmes for veterinarians and farmers • Technical call centres in France, the USA, etc. • Conferences, specialised trade fairs, scientific conferences • Permanently accessible websites • Market research • Presence on social networks
Financial community **Investors** **Analysts** **SRI Funds**	• Analysts and investors meetings • Annual shareholder meeting • Website including all regulated information • Multi-platform financial press releases
Suppliers **Partners**	• Regular follow-up of the Group's main suppliers (annual meetings) • Audit plan for the Group's main suppliers • Formal exchanges at each invitation for tenders and for the main suppliers on financial, environmental, ethical and quality-related criteria
Public authorities **Regulatory authorities** **Professional animal health associations**	• Regular communication with regulators and decision-makers on critical issues affecting the pharmaceutical industry, the scientific community and Virbac customers • Taking part in working groups specific to the industry
Civil society **Journalists** **Organisations** **Non-Governmental Organisations**	• Many ways to establish contact via the Group's website • Transparency and accessibility with regards to the Group's official reports • Local contributions to NGO initiatives
Scientific community **Research partners** **Opinion Leaders** **Universities and veterinary schools**	• Establishing research partnerships • Contributing to scientific education programmes • Organising technical symposia
Employees **Applicants**	• Intranet, magazines, presentations and in-house poster networks • Loyalty programmes for employees and new arrivals • Annual conventions • Plenary meetings for managers and employees twice a year • Internal opinion poll and world compilation every two years • Recruitment websites, professional and corporate culture forums on the Internet • Partnerships with schools and universities

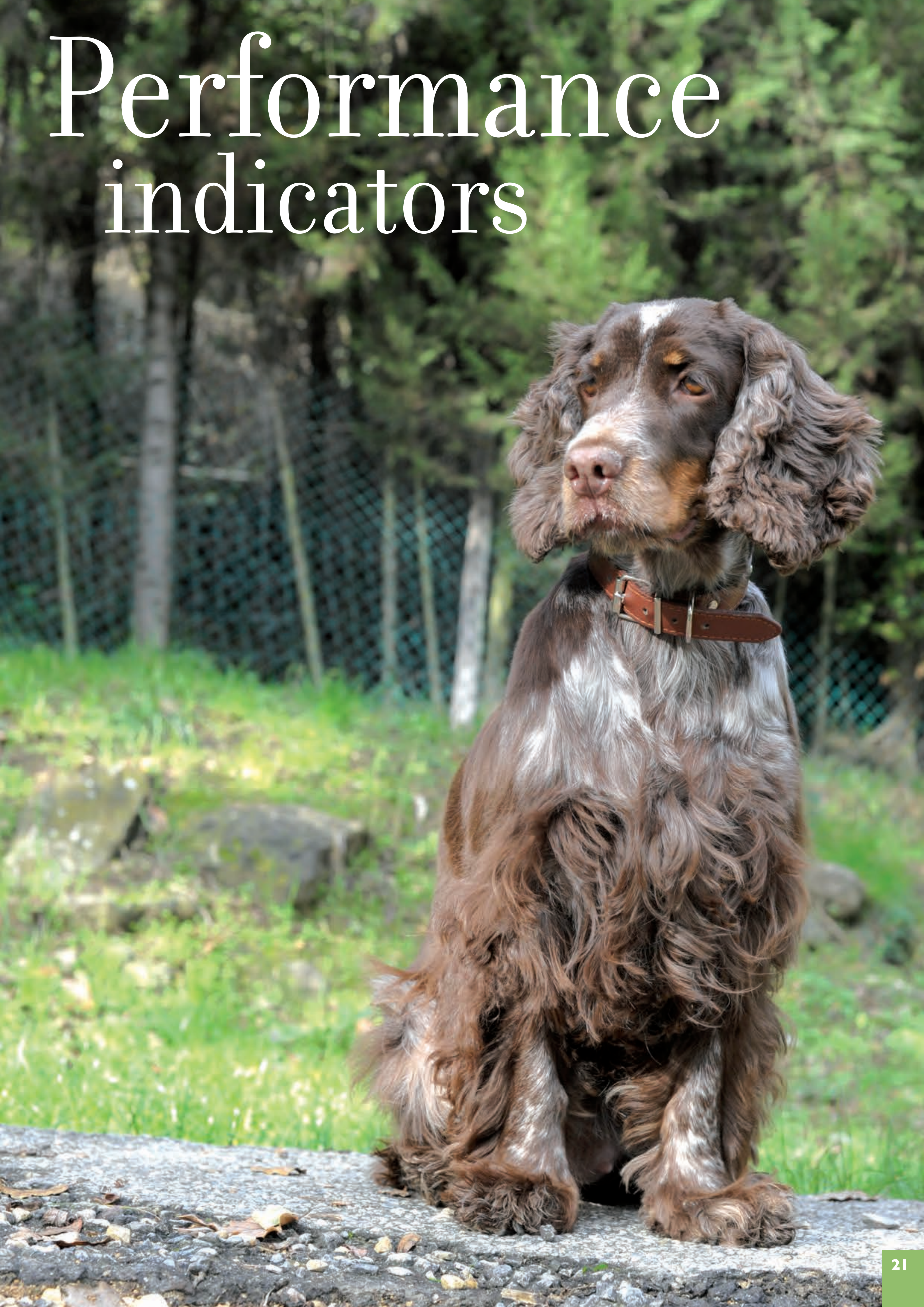
4.17 Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting

See "Strategy and analysis", points 1.1 and 1.2.

Moreover, Virbac's approach is to encourage dialogue with stakeholders at local level. The Group 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 employees worldwide willingly participated in the last questionnaire organised in 2011.



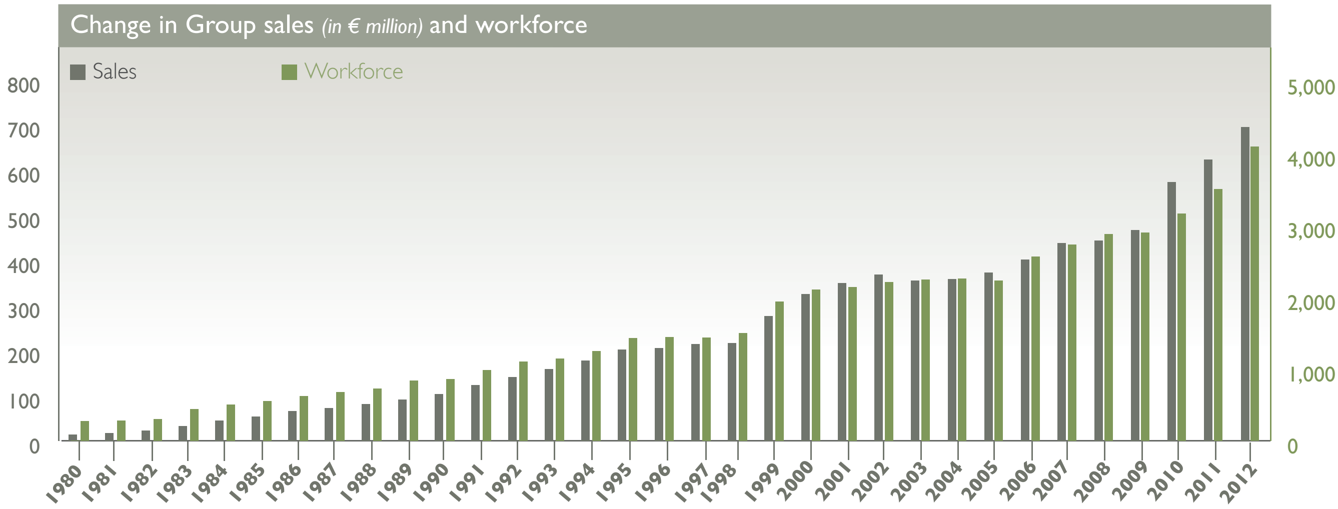
Performance indicators



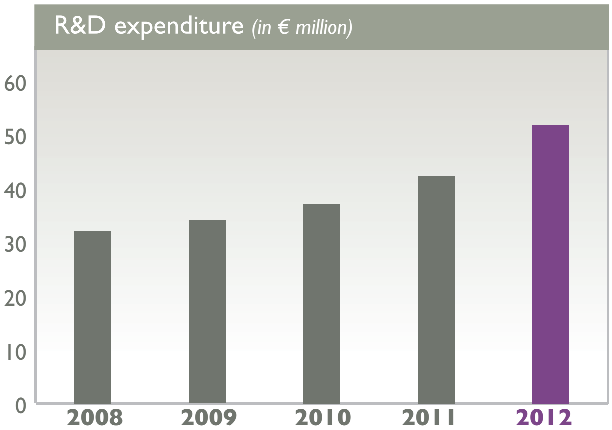
PERFORMANCE INDICATORS

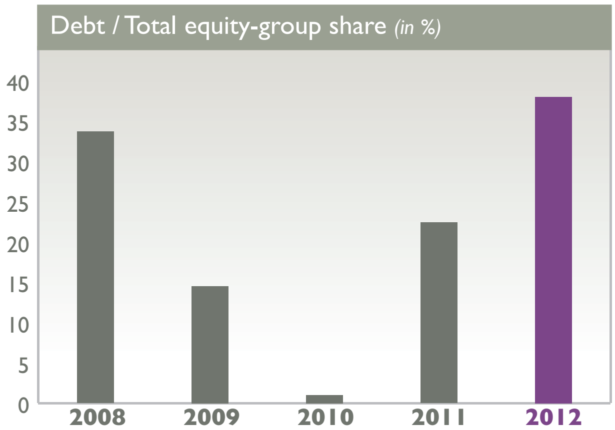
ECONOMIC

Operating in the field of animal health 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 continued to consolidate its growth in 2012, bringing average organic growth over the previous five years to +7.6%. This growth amounts to +8.2% in 2012 and stems from developments in our two main areas of activity: companion animals and food producing animals. This year, however, the sector of companions animals made a greater contribution because it benefited from the positive impact of the sales of Iverhart in the USA and the CaniLeish vaccine in Southern Europe. 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.



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. In 2012, resources devoted to innovation increased sharply (+22%) compared to the previous year and now represent 7.4% of its sales. At the same time, the Group continued to use its investment capacities to support development through targeted external growth (acquisitions of companies, products, 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 84 and 102 to 105 and following pages.

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

The 2012 report does not cover this issue.

EC3
Coverage of the organisation's defined benefit plan obligations

See pages 110 and 125 to 129 of the annual report.

EC4
Significant financial assistance received from government

In 2012, Virbac received €7.3 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 at the main operating sites

Focus France

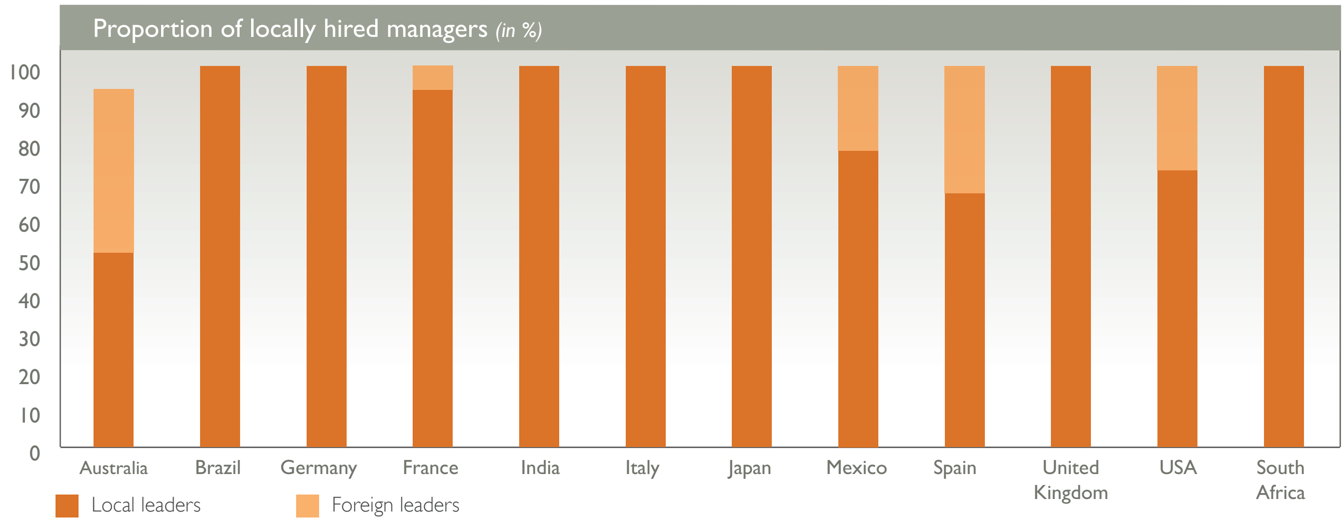
In France, 100% of employees' remuneration is higher than the legal minimum wage. The base salary policy is +5% above the industry minimum (Union) for all personnel categories. Additionally, for upper management, the policy follows a logic of competitiveness within the animal health market and is at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

EC6
Policy, practices, and proportion of spending on locally-based suppliers at the main operating sites

Virbac works with regional suppliers as long as the conditions offered are competitive and fit Group requirements. In 2012, purchases made from the regional suppliers reached 25% of total purchases.

EC7
Procedures for local hiring and proportion of senior management hired from the local community at the main operating sites

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 French headquarters comprises 65 people, three of whom do not hold French citizenship. Among the 12 subsidiaries in the social scope, seven were under strictly local management in 2012 compared with five in 2011. This is due to a French expatriate in Italy and a French expatriate in South Africa returning to headquarters. In the other subsidiaries, there are between one and three foreigners in management.



Average percentage of local leaders in the social scope is 89%. In some cases, Virbac sends employees abroad in order to develop their career internationally or increase the number of non-French employees in key posts 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, the assistance granted to the *ASPF* (*Accueil - Savoir - Partage - Francophonie*) and the 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 2012 report does not cover this issue.

PERFORMANCE INDICATORS

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.). For the main environmental indicators, the scope covers all major production sites (France, Mexico, United States, Australia, South Africa, Vietnam and Brazil), excluding Chile, which entered the financial scope in December 2012. In case, for a given indicator and depending of the completeness of the reporting, a focus is made on a specific country, this is mentioned.

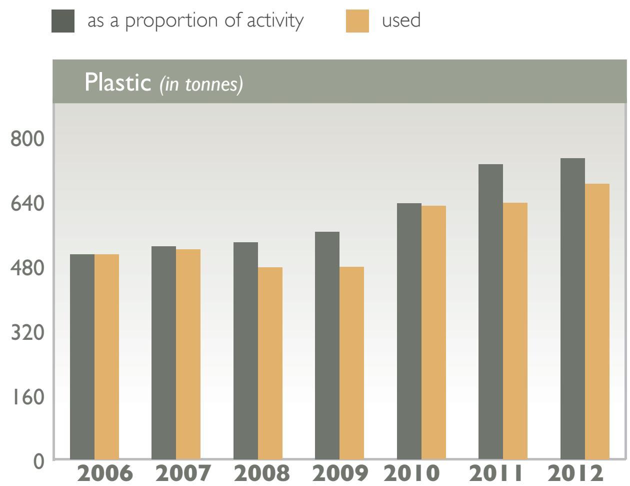
Environmental protection training initiatives and information campaigns aimed at employees
In 2012, to raise teams' awareness on environmental issues, Virbac conducted several campaigns in France. This was put into practice through training sessions to obtain authorisations to work in positions subject to environment and safety regulations, and through the production of information sheets on the environmental and safety regulations that have to be observed.

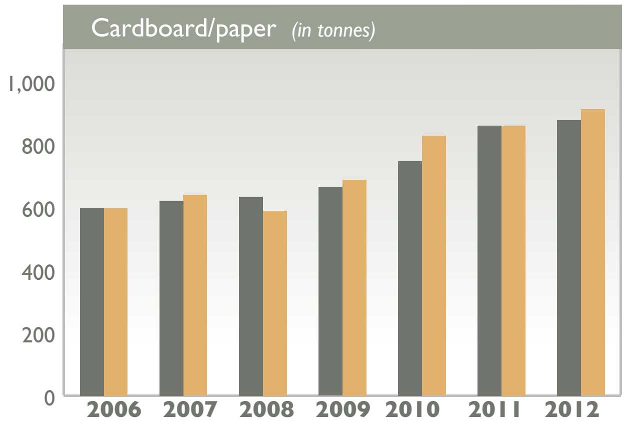
Materials

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). Finally, while taking account of statutory obligations related to the pharmaceutical industry, Virbac's innovation policy favours the manufacturing of products requiring the least amount of packaging.

EN1
Material used by weight or volume

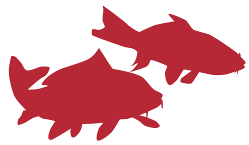
Packaging placed on the market in tonnes (the Carros-France production site accounts for almost 50% of the Group's production)
Between 2006 and 2012, the average increase in packaging products was lower than the activity (a difference of about 3%) while there was an ever increasing use of paper and cardboard due to statutory obligations.





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. Secondary packaging items are made of blank cardboard but they are fully optimised in terms of grammage. Tertiary packaging and thicker secondary packaging is made of recycled fibres. Thus for the French sites of Carros and Magny, 658 tonnes cardboard are made of 95% recycled fibres.



Energy

Lowering energy and natural resource consumption on comparable activity

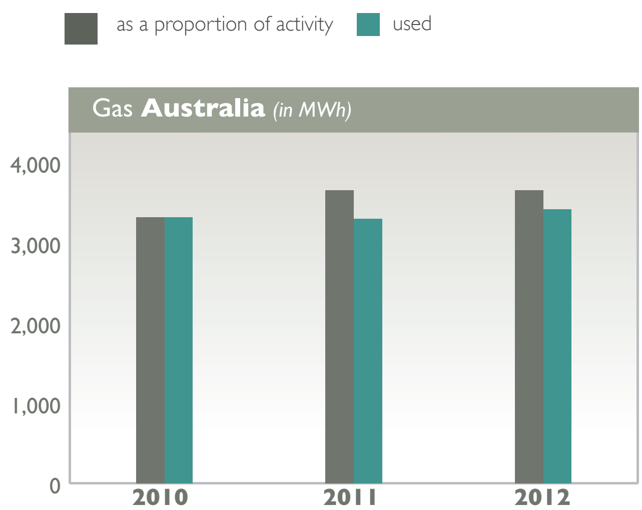
For several years now, Virbac has endeavoured to cut energy and natural resource use by replacing equipment (more efficient), insulating, optimising air conditioning and establishing consumption indicators as close as possible to the end users (better control of energy expenditure). For a comparable volume of activity, overall reduction over the last seven years in consumption at the Carros - France site alone (which represents almost 50% of Group production) amounted to 22% for gas and electricity.

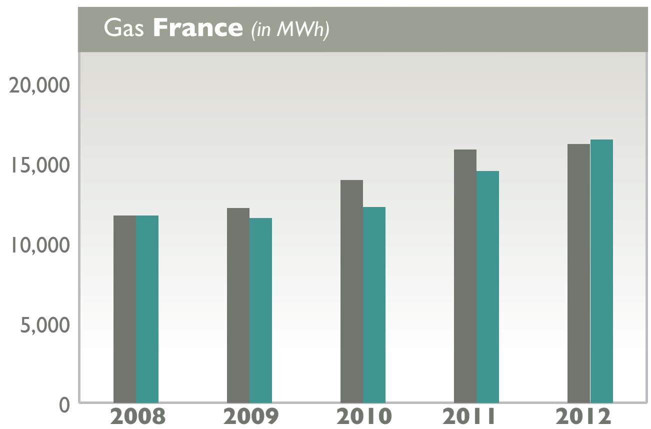
EN3
Direct energy consumption by primary energy source

These graphs compare the annual real consumption with the theoretical consumption if the company would have maintained same energy performance as the reference year (2008), weighted by activity levels. The 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).

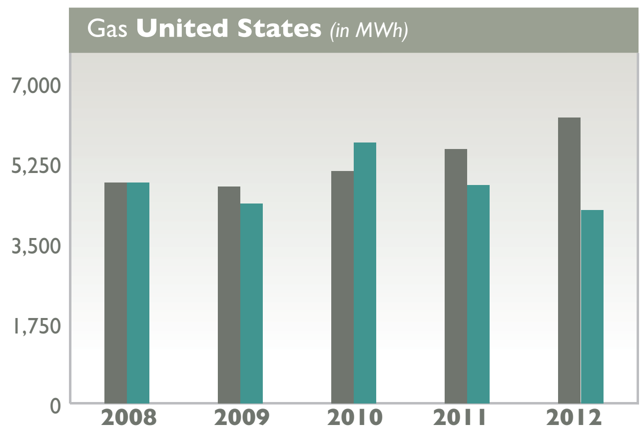
The 24,091,331 kWh of gas used in 2012 within the whole environmental scope can be broken down as follows.

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





Since 2011, relative direct energy consumption in France integrates consumption at the sites of Magny and Wissous as well as that of Carros.

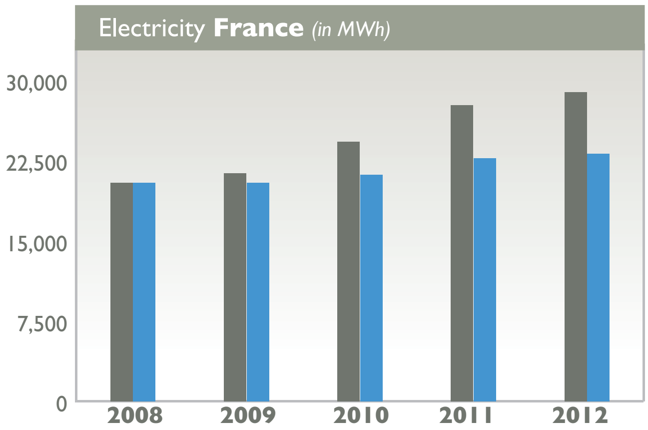


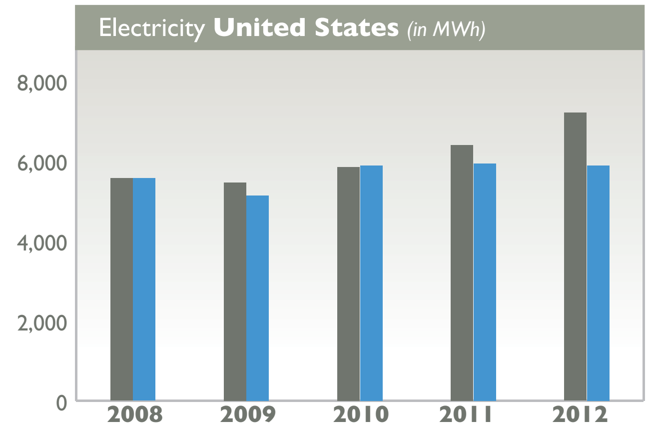
Despite the installation of a new boiler in 2008 and the significant savings made as from the following year, consumption at the USA sites remains very dependent upon weather conditions especially winter weather conditions.

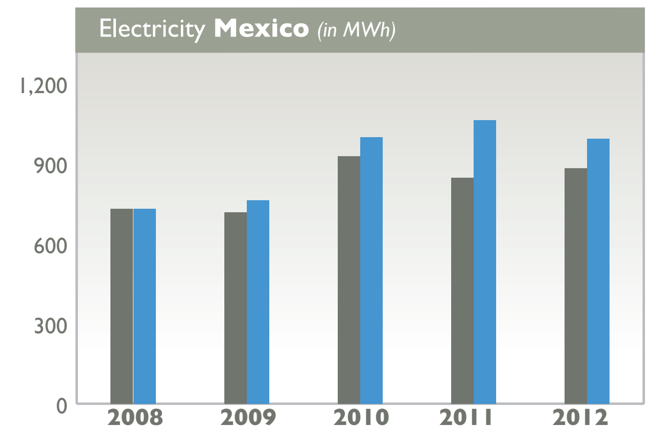
EN4
Indirect energy consumption by primary energy source

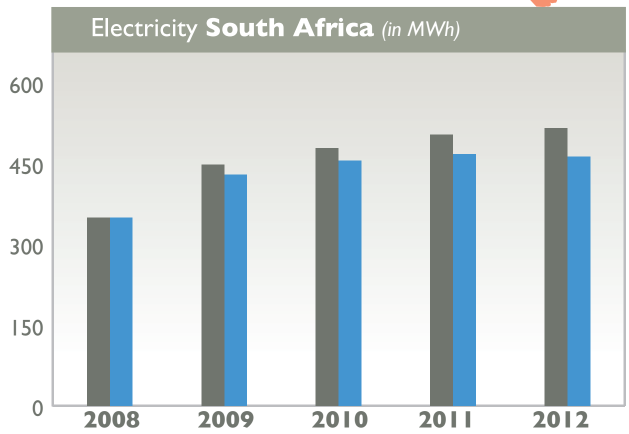
The 37,991,355 kWh ✓ of electricity used in 2012 within the whole environmental scope can be broken down as follows.

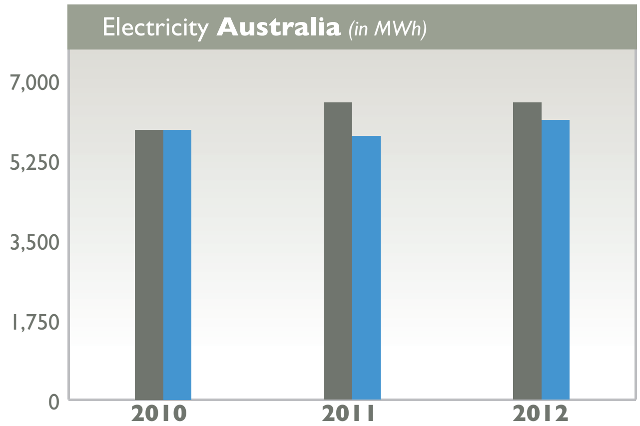
■ as a proportion of activity ■ used

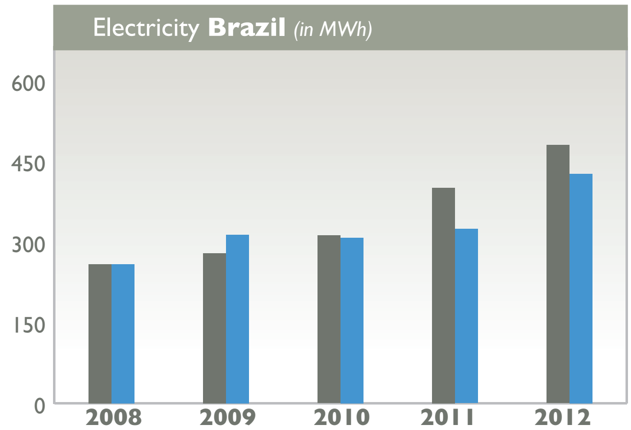


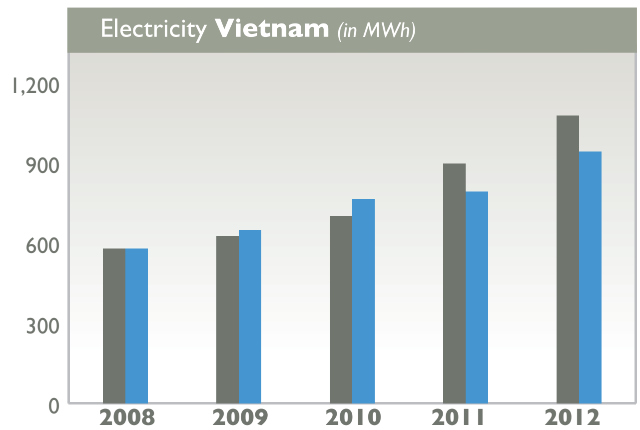












EN5
Energy saved due to conservation and efficiency improvements

The 2012 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. Therefore, at Carros, when possible the company tries to avoid installing new energy producing equipment for its two new production facilities (CaniLeish vaccines and the injectables site under construction).

EN7
Initiatives to reduce indirect energy consumption and reductions achieved

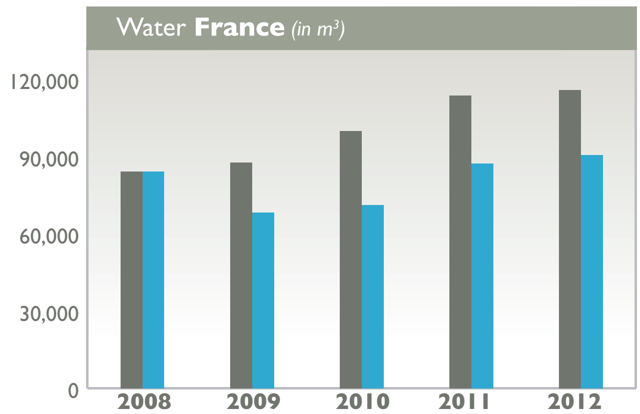
At all of its industrial sites around the world, whether choosing new equipment or implementing continuous monitoring, Virbac strives to address energy consumption by using the BAT (Best Available Techniques) that apply to its activity. For example, at the American site, it has set up a system to manage industrial lighting and in Mexico, it has installed solar boilers to produce hot water. In the framework of the new CO_2 regulations which affect companies with over 500 employees, Virbac France has also signed an agreement with EDF and its partners regarding the implementation of a three-year Energy Savings Plan (PEE).

Water

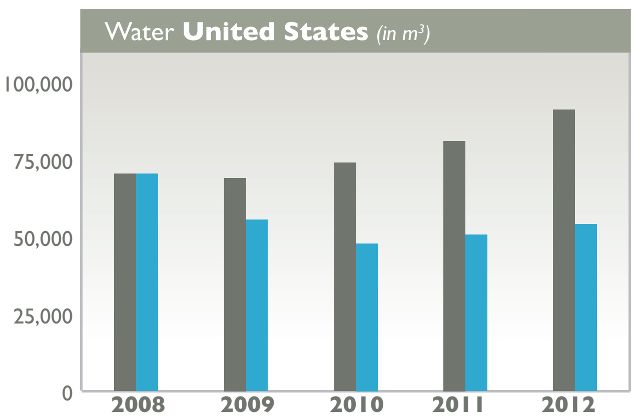
For several years, Virbac has striven to reduce water consumption, while keeping the same volume of activity, by implementing recycling or installing production equipment with quality levels complying with the BAT; thus there has been a 29% reduction in the water consumption at the Carros site over the last seven years (this site accounts for almost 50% of the Group's production).

EN8
Total water withdrawal by source

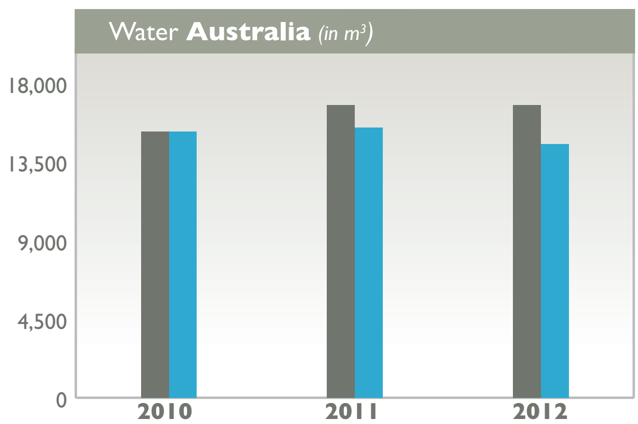
The 185,487 m³ ✓ of water used in 2012 within the whole environmental scope can be broken down as follows.



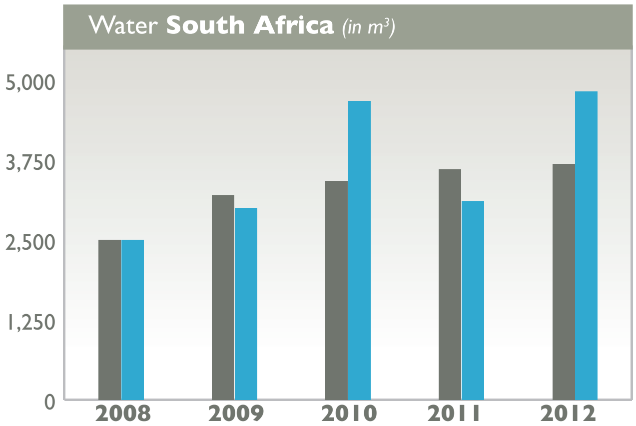
as a proportion of activity | used



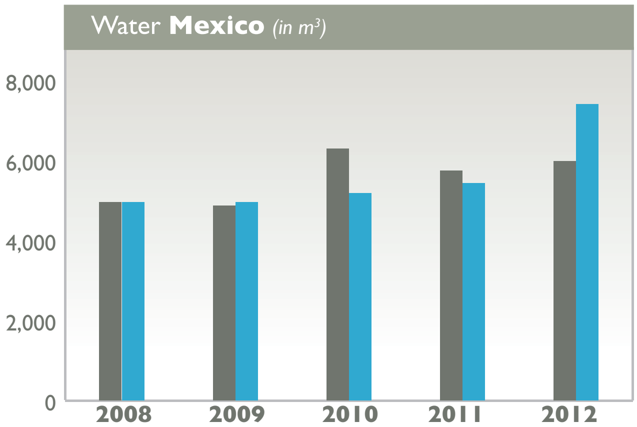
Transferring industrial activities to the sites of St. Louis in the USA in 2009, where industrial facilities are more efficient, had a positive impact on water consumption.



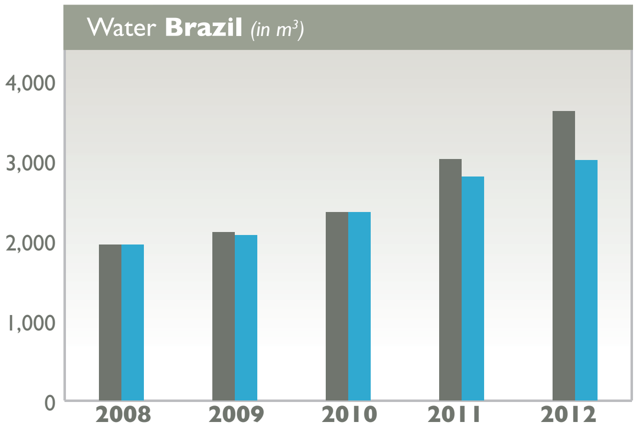
The reduced water consumption at Australian sites was the result of a decreased demand for products that use large quantities of water.

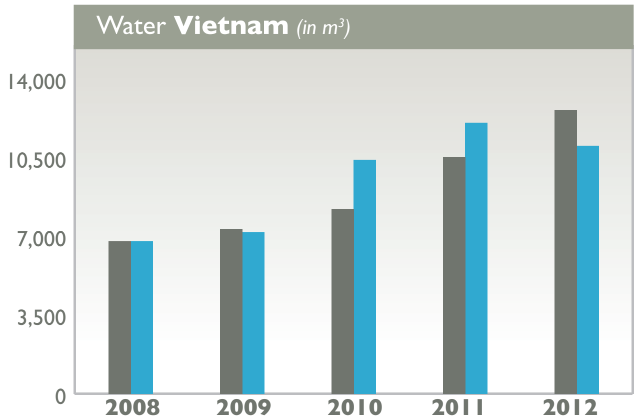


The installation of the new fire extinction system at the South African site and its commissioning, which required several tests and the washing of the tank, resulted in increased water consumption in 2012.



Additional pharmaceutical requirements, a large leak on a dilapidated area of the water network and a very dry summer account for the increased water consumption at the Mexican site.



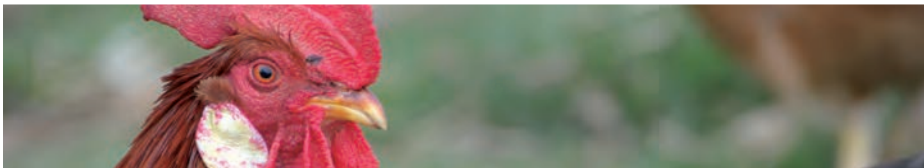


EN9
Water sources significantly affected by withdrawal of water

None of the Group's production sites are located in areas identified as suffering from water stress. Although no specific study has been carried out, Virbac considers that the quantities of water used by its sites do not impact the sustainability of the sources used.

EN10
Percentage and total volume of water recycled and reused

The 2012 report does not cover this issue.



Biodiversity

EN11
Location and size of land owned, leased, or managed in or adjacent to, protected areas and areas of high biodiversity value outside protected areas

Virbac's various industrial sites at Carros (that account for almost 50% of the Group's production) 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 2012 report does not cover this issue.

EN13
Protected or restored habitats

The 2012 report does not cover this issue.

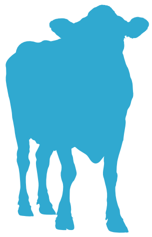
EN14
Strategies, current actions, and future plans for managing impacts on biodiversity

In addition to the 2011 campaign involving the waste collection and cleanup of Mexico's largest forest (the *Bosque de la Primavera* which is one of the main areas of biodiversity to be protected according to the Mexican government) in conjunction with the Franco-Mexican school, Virbac Mexico gave each of its 180 employees shrubs to re-plant in order to limit its carbon footprint.

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 2012 report does not cover this issue.

Emissions, effluents and waste

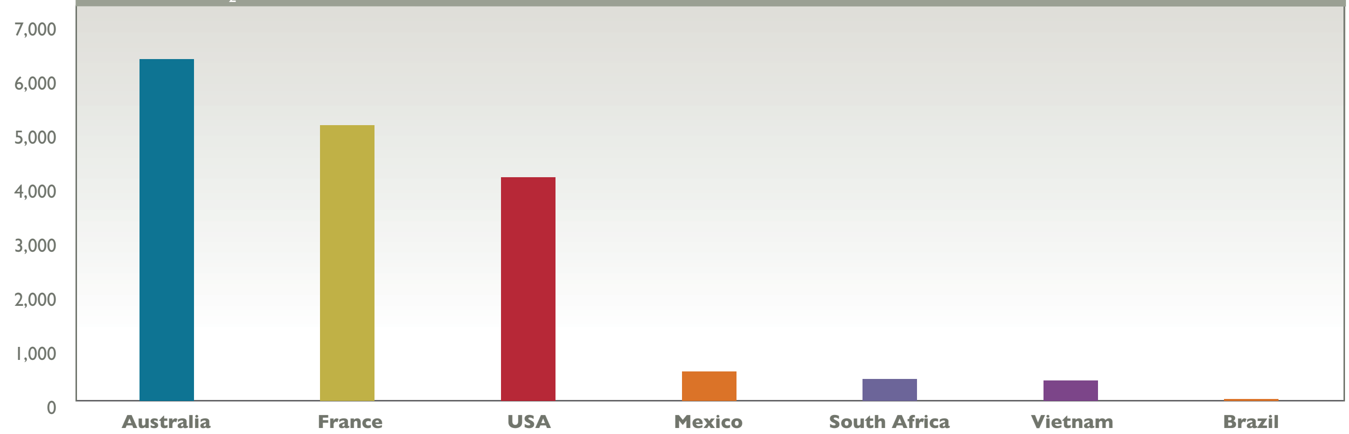


Given the nature of its pharmaceutical manufacturing activity (in particular restrictive technologies), Virbac does not create any visual, sound or odour nuisance. Although Virbac is a non-polluting business, it invests increasingly in environmental protection: consolidated integration of Industrial Project Management into the HSE department and increased capacity of the Risk Management department. In addition, Group principles on the environment are adapted by subsidiaries to meet different local regulatory requirements.

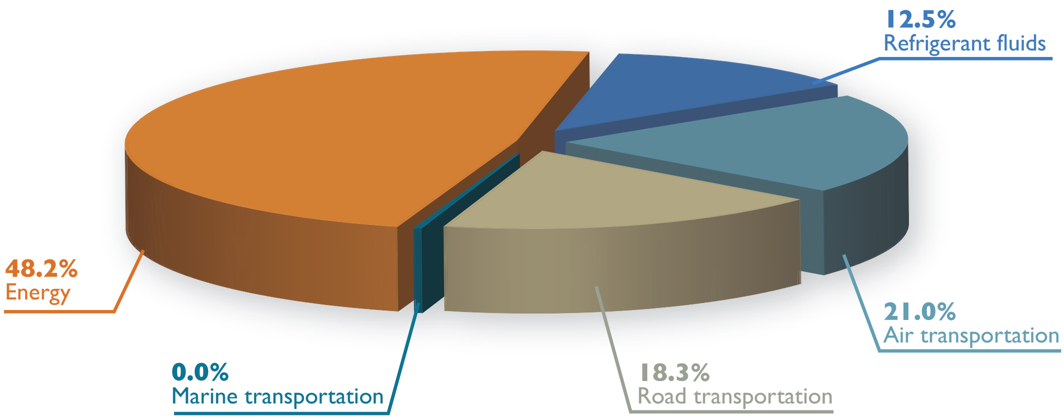
EN16
Total direct and indirect greenhouse gas emissions by weight

Apart from greenhouse gas emissions related to refrigerant fluids, for which the group is implementing a specific monitoring scheme, emissions related to direct and indirect energy at all the industrial sites worldwide represented 16,894 tonnes in 2012 (see breakdown per country).

World: CO_2 *emissions (in tonnes)*



France: CO_2 emissions *(in %)*



Integrating the transport of finished products leaving the site of Carros – France, and having integrated the impact of refrigerant fluids from all refrigeration units at French sites, Virbac France generated 10,383 tonnes CO_2 equivalent in 2012 of which almost 50% represent the use of direct and indirect energy. In accordance with CO_2 regulations for companies with over 500 employees, Virbac France declared its emissions for 2011 at the end of 2012 (accessible at www.virbac.com) and undertook to implement a plan to reduce greenhouse gases related to energy consumption (gas and electricity) over the next three years.

EN17
Other relevant indirect greenhouse gas emissions by weight

Virbac does not generate CO_2 emissions other than those mentioned 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 in France and in the United States for many national and international destinations, thereby reducing the quantity of CO_2 emitted during transport. For all personnel at the Carros sites, Virbac also provides a shuttle that connects the SNCF train station to the industrial area. This shuttle is also used for inter-site transportation and the company restaurant and in 2012, it carried more than 1,900 people per month.
In 2012, within the framework of a company commuter plan (PDIE), Virbac played an active role in setting up an "express shuttle" linking different places in the town of Nice and the Carros industrial estate. Since 2010 in France and 2012 in the United States, Virbac has also developed an incentive-based policy for company vehicles geared towards limiting the carbon footprint. The sites in Australia take greenhouse gas emissions into account when choosing refrigeration gases for each industrial refrigeration unit. In Mexico, a solar boiler producing industrial hot water has replaced a thermal boiler.

EN19
Emissions of ozone-depleting substances by weight

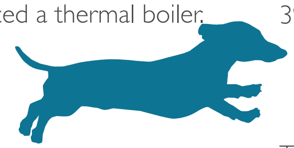
Emissions of ozone-depleting substances are due to any refrigerant fluid leakages at the Group's various sites. Currently, these emissions are only monitored in France (see EN16) but the scope of data collection is being extended to all production sites.

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

Virbac's activities do not generate significant amounts of NOx or SOx. Other possible emissions, particularly volatile organic compounds (VOC) related to activities, are considered as insignificant given the confined operating conditions.

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). This pollutant is monitored in compliance with local regulations, particularly at the main Carros site in France, through the operating authorisation decree defined by the DREAL (France's regional department for the environment, development and housing). For 2012, the total discharge of COD from the Carros site was 19,809 kg, only 39% of the authorised threshold.



EN22
Total weight of waste by type and disposal method

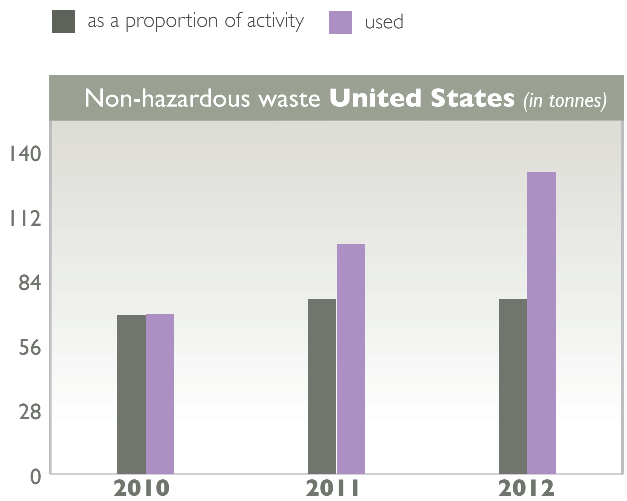
Virbac generates two different types of waste: non-hazardous industrial waste and special industrial waste. They are managed via dedicated collection and sorting channels (at the Carros site, overall change in sorting from 67% in 2011 to 69.5% in 2012) in order to ensure optimal recycling or recovery, depending on their nature.

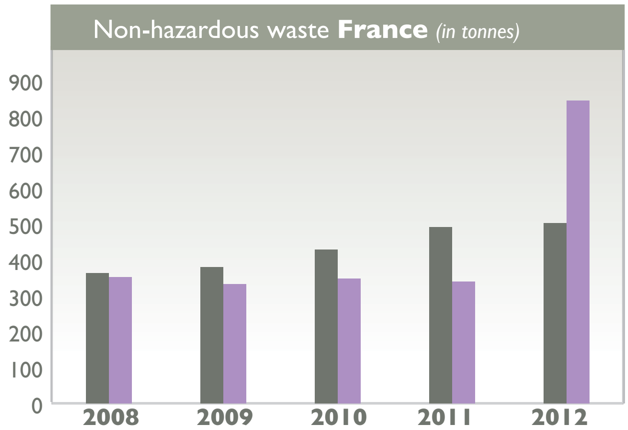
Improving sorting at source and reducing the volume of non-hazardous industrial waste

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 zone. This specific system managed by the CAIPDV (regularly studied by local authorities and other industrial areas looking to replicate it) makes it possible to take an independent, innovative and high-performance approach to the treatment of this type 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.). In 2012, the collection of non-hazardous industrial waste was expanded to include the collection of special industrial waste.

The 1,814 tonnes ✓ of non-hazardous waste generated in 2012 in the environmental scope (excluding the sites in Vietnam and Brazil) can be broken down as follows.

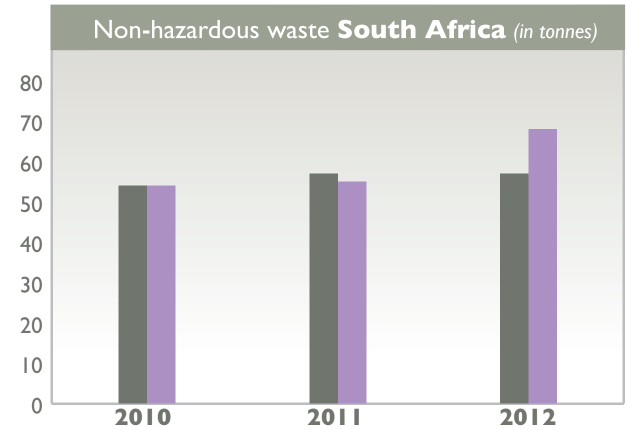
The production of non-hazardous waste at the sites in Vietnam and Brazil is included in the Group total but is not represented due to the very low quantities generated at these two sites.

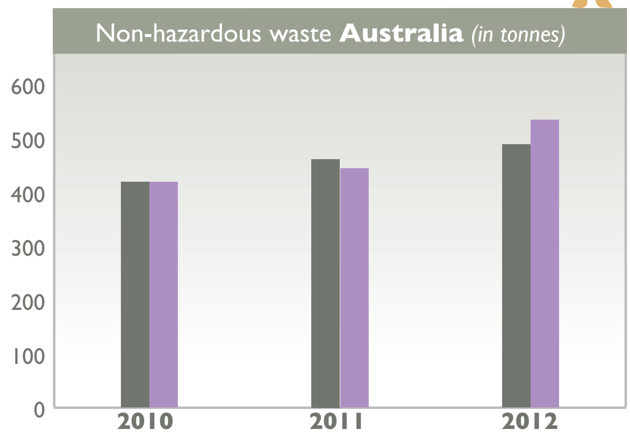


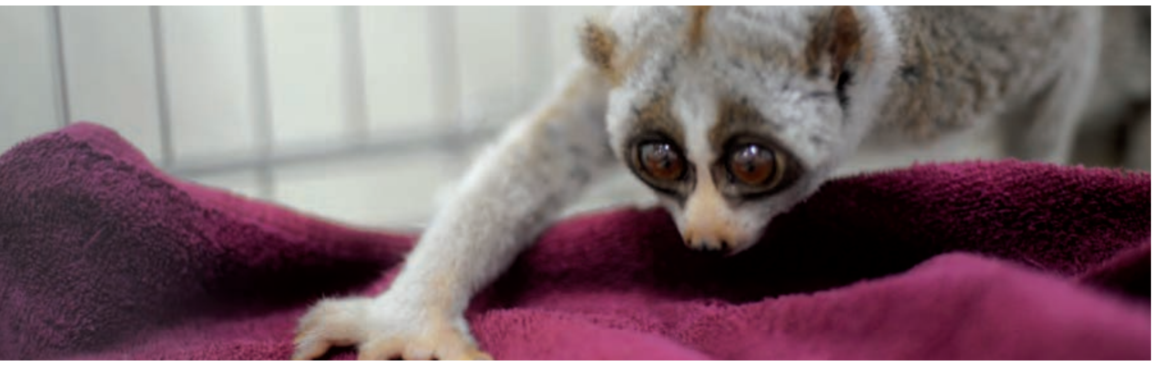


In France, there was an increase in the non-hazardous waste generated between 2011 and 2012. There are several reasons for this increase: the integration of the Magny and Vauvert site in 2012, the implementation of single-use materials to comply with pharmaceutical requirements, the doubling of the production capacity at the facility that produces the vaccination against leighmaniosis and the disposal of materials following various projects.

The very substantial increase in the quantity of non-hazardous waste in Mexico is due to greater rigour in sorting and monitoring but also to higher levels of pharmaceutical requirements.









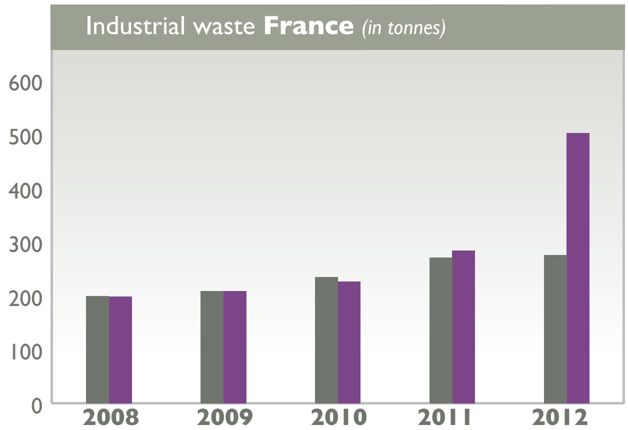

Bringing volumes of special industrial waste under control

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.

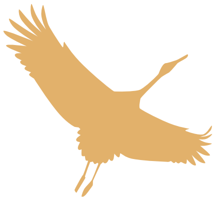
The 2,312 tonnes √ of special industrial waste generated in 2012 within the whole environmental scope can be broken down as follows.

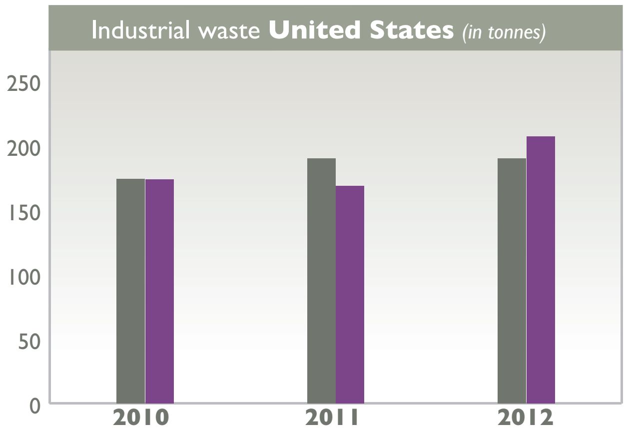
The production of special waste at the sites in Vietnam and Brazil is included in the Group total but is not represented due to the very low quantities generated at these two sites.

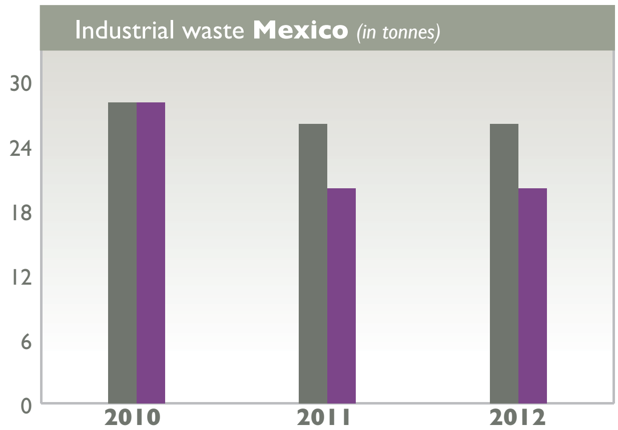
as a proportion of activity   used

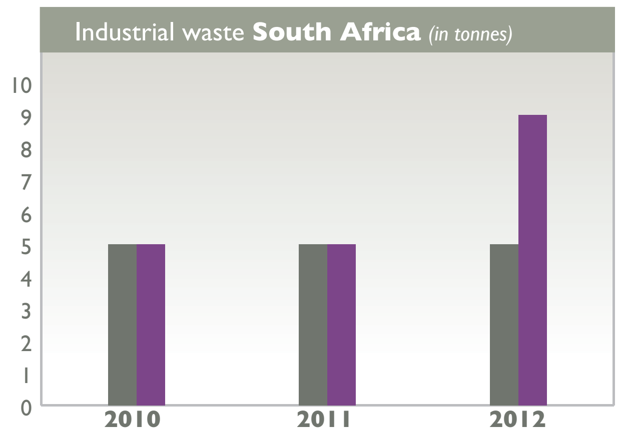


In France (which now includes all the French sites), there was a marked in the quantity of special waste generated. The main reasons for this are: the destocking and destruction of finished products or non-compliant raw materials, the general destruction of the first rinse waters as waste and a increase in validation batches in line with pharmaceutical requirements (batches destroyed afterwards).









EN23
Total number and volume of significant spills

There were no significant spills at any of the Group's sites in 2012.

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 2012 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, for Effipro (leading product in Virbac's pets portfolio in Europe), all the cardboard wedges used in displays and cases have been eliminated in France.

e-commerce

In 2012, the Export department created a bimonthly scientific letter which takes stock of all the scientific publications related to the veterinary sector. This letter is only circulated via e-mail. Currently, it is sent to 445 people in six countries (Algeria, Hungary, Poland, the Czech Republic, Serbia, Slovakia).

Since 2012, sales forces in Italy and France have been equipped with touch pads to replace the paper support tools use when visiting veterinary surgeons, thus reducing print-outs. This initiative will be extended to other European countries in 2013. In addition, in France, hard purchase orders have been replaced by electronic purchase orders which Virbac representatives send straight to the purchasing centres via their computers. Objective: a significant reduction (tracked via indicators) of paper print-outs used for business purposes.

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. This is also the case for the quarterly meetings between the R&D departments of Europe and the United States 50% of meetings are now held via videoconferencing, thus significantly reducing inter-continental travel.

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 noncompliance with environmental laws and regulations

No significant fine was paid to third parties for any of the Group sites in 2012.

Transport

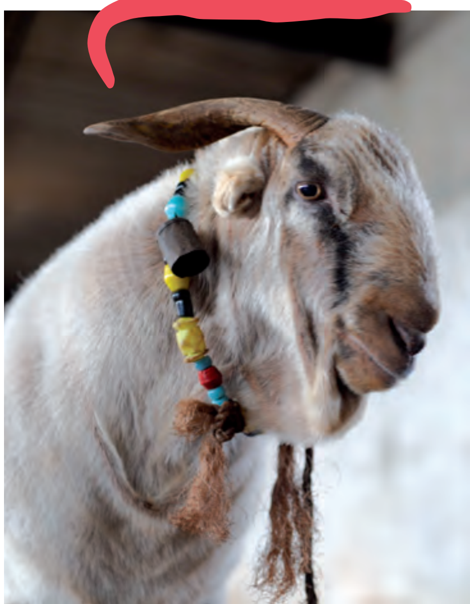
EN29
Significant environmental impacts of transporting products and other goods and materials used for the organisation's operations, and transporting members of the workforce

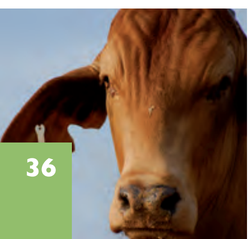
See EN16 and EN18.

Overall

EN30
Total environmental protection expenditures and investments by type

These budgets are managed locally by subsidiaries and are not yet consolidated at Group level.





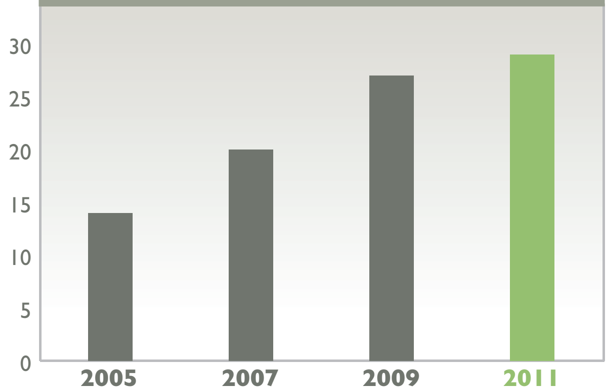
PERFORMANCE INDICATORS

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. Participation in 2011 remained very high at 84% and the results progressed more modestly than previous surveys: at head office the score was 29 (compared to 15 in 2005) and for the Group it remained stable at 47 (compared to 30 in 2005). Specifically, there were positive scores in the areas of employee commitment, their motivation, pride in belonging, as well as progress made in welcoming new members 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. One-day training sessions on stress were offered. A specific training course for managers was created to help them understand difficult situations and learn the proper reactions to adopt. In 2012, 90 managers followed this training course. New conferences and debates were offered throughout 2012 and the training course on stress was completely restructured. The length of the module was extended from one day to two complete days and more focus was placed on behavioural skills. Participants analyse the way they themselves behave when confronted with stressful situations in order to be able to react at all times, reinforce their assertiveness and manage critical situations and disagreements. 50 people followed this course in 2012; in 2013 it will be given to a broader audience, with groups made up of cross-functional teams who have to work together.

Opinion survey France - result



Employment

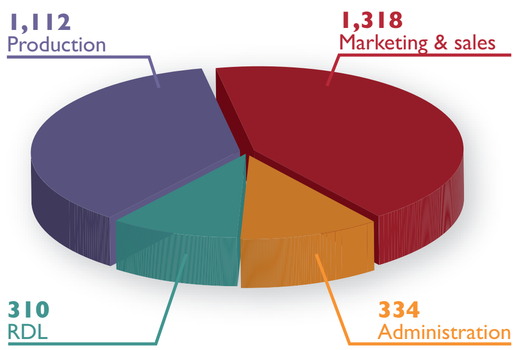
LA1

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

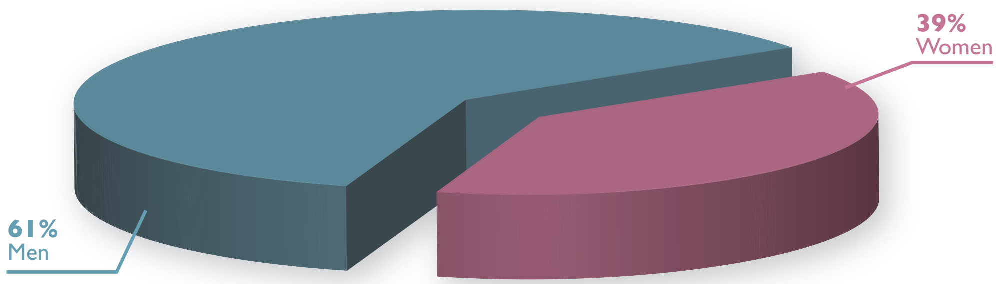
All areas are represented by the Group: 43% of employees work in marketing and sales, 36% in industrial tasks, 10% in R&D, and 11% in all other support and administrative areas (the calculating method changed in 2012: only permanent contracts are counted now). In the social scope, between 2011 and 2012, there were 72 more people employed, i.e. a 2.4% increase in the workforce.

Total on 31 December 2012: 3,074 people representing the Group's twelve largest countries (i.e. 82.7% of the global workforce, excluding the workforce at the Chilean subsidiary, in which Virbac holds a 51% stake, and which joined the Group in December 2012).

Total workforce by employment type

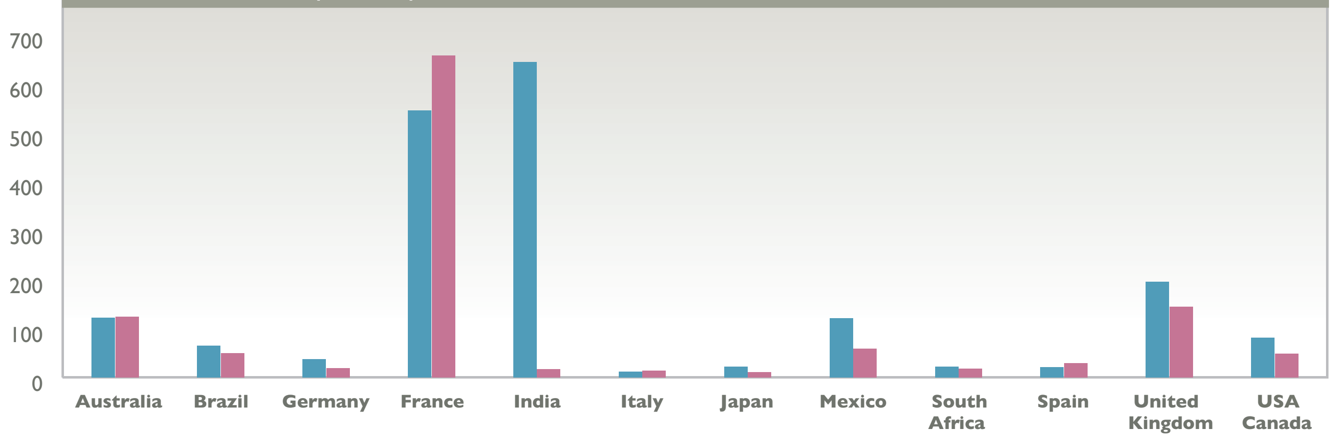


Gender breakdown *(in %)*



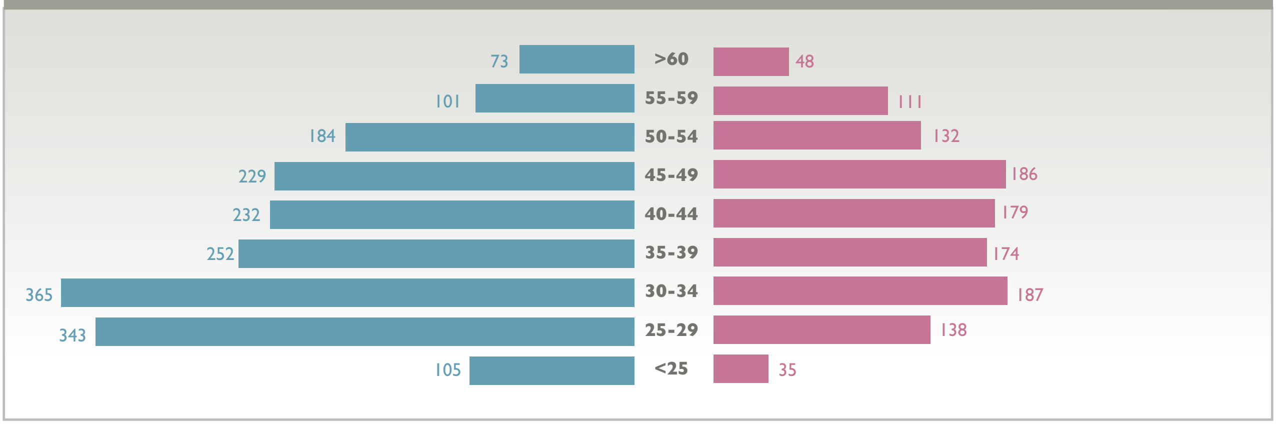
As regards the breakdown of employees by gender, there are still significant differences depending on the country. Overall, 61% are men and 39% are women. The Indian workforce has an important impact on this overall figure (see details per country).

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 culture, harsh conditions and safety (farm visits on motorbikes), this type of position is more suited to men. It should also be noted that the correct number of employees in Italy in 2012 is 26. This figure cannot be compared to that of 2011 (74 employees) when the independent sales force was wrongly integrated.

Age pyramid



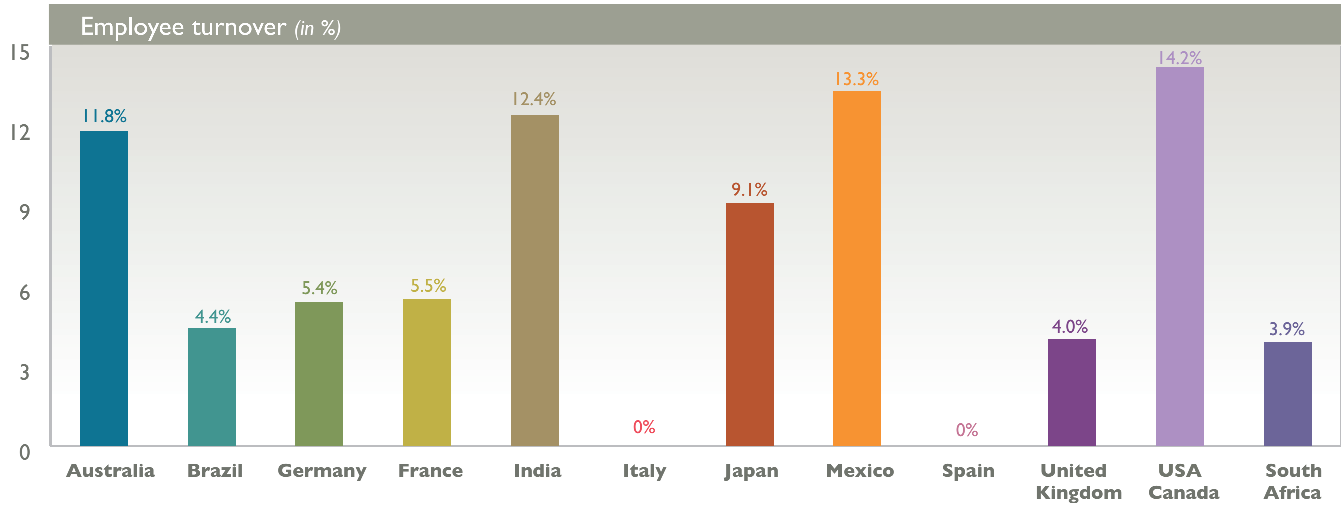
Depending on the region of the world, the generational balance varies. For example, there is a strong representation of seniors in Europe and a stronger representation of younger persons in regions of the world with robust growth, like Latin America and Asia. This is particularly true in India (where the majority of employees are men) and where there is a high proportion of younger people aged between 25 and 35. Overall, Virbac seeks to keep seniors employed while implementing dynamic hiring of younger generations, particularly in France, in order to contribute to the professionalization of young people and train them up to take over in the future. For this purpose, a seniors agreement was introduced in 2010 to ensure that 10% of the total workforce in France are over the age of 55.

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

Turnover for the whole scope under consideration is 8.7% ✓.

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. In Italy and Spain, where no departures were recorded in 2012, the rate was null. It should be noted that the proportion of separations only represent 1.9% of the total workforce in subsidiaries in the social scope.

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 4.2%.



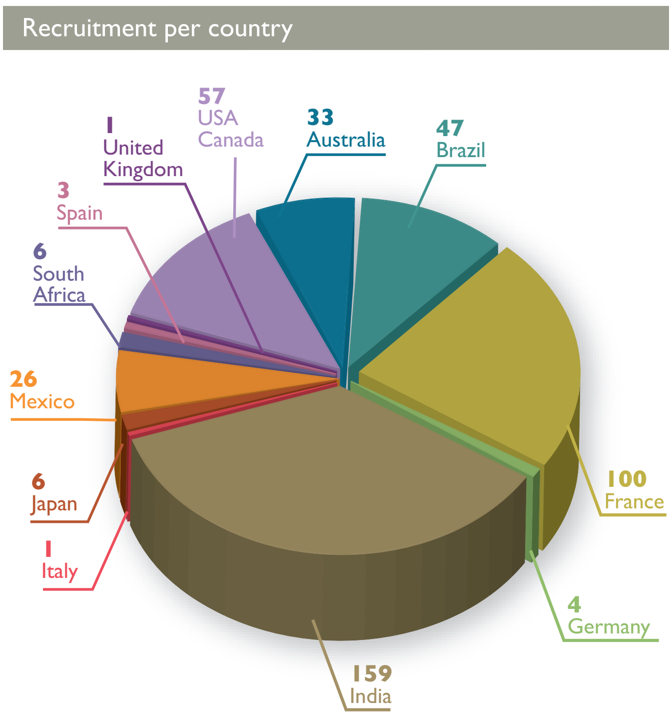
The figures for 2012 (which only include permanent employment contracts) cannot be compared to those of 2011 (which include all employment contracts).

Recruitments

In 2012, Virbac remained highly active in the domestic and international employment markets in order to meet its recruitment needs. 443 people were recruited in 2012 in the 12 countries in the social scope, or the equivalent of 14.4% of the workforce. In terms of jobs created, the net growth was 72 people (3,074 people in 2012 vs, 3,002 in 2011). With regards recruitment, four countries stand out: India, France, the USA and Brazil. Virbac is an attractive employer for candidates wishing to join a global company with a human size 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.

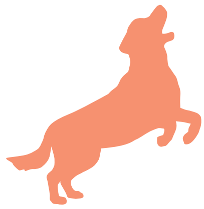
Focus France: Maintaining and developing employment

Thanks to a sustainable economic performance, Virbac has significantly developed employment in France since 2010. On 31 December 2012, there were 1,200 employees with permanent employment contracts.



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

The 2012 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.

Employees covered by collective bargaining agreements	
Australia	0%
Brazil	84%
France	100%
Germany	0%
India	75%
Italy	84%
Japan	100%
Mexico	5%
South Africa	0%
Spain	0%
United States/Canada	0%
United Kingdom	23%

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

The 2012 report does not cover this issue.

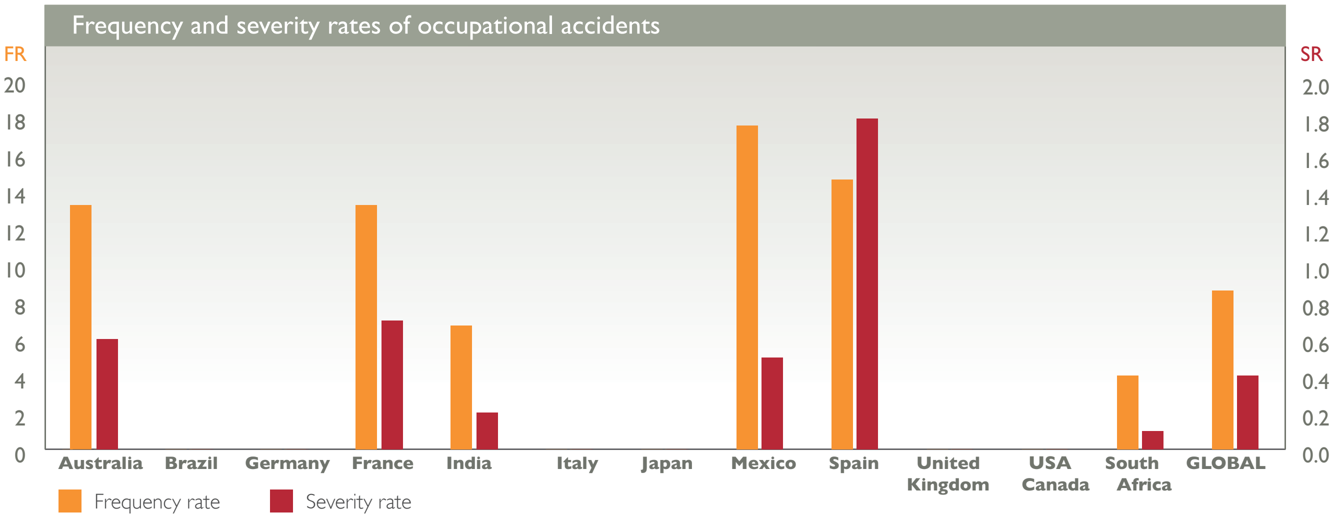
Occupational health and safety

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 programmes

The 2012 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

In 2012, Virbac had no work-related fatalities in the whole social scope.

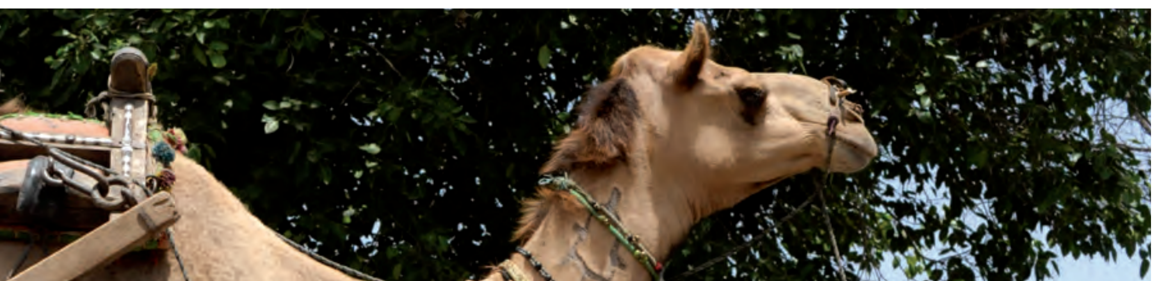


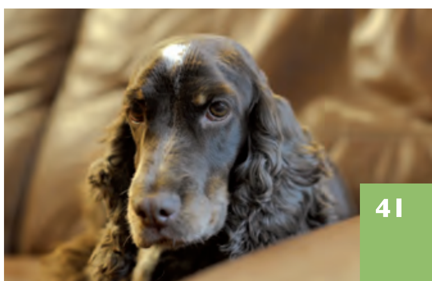
The frequency rate is based on French regulations and is defined as the number of occupational accidents that resulted in at least one lost working day divided by the number of hours worked (excluding all other absences) multiplied by one million. The severity rate is also based on French regulations and is defined as the number of lost working days (including the first day) divided by the number of hours worked (excluding all other absences) multiplied by one thousand.

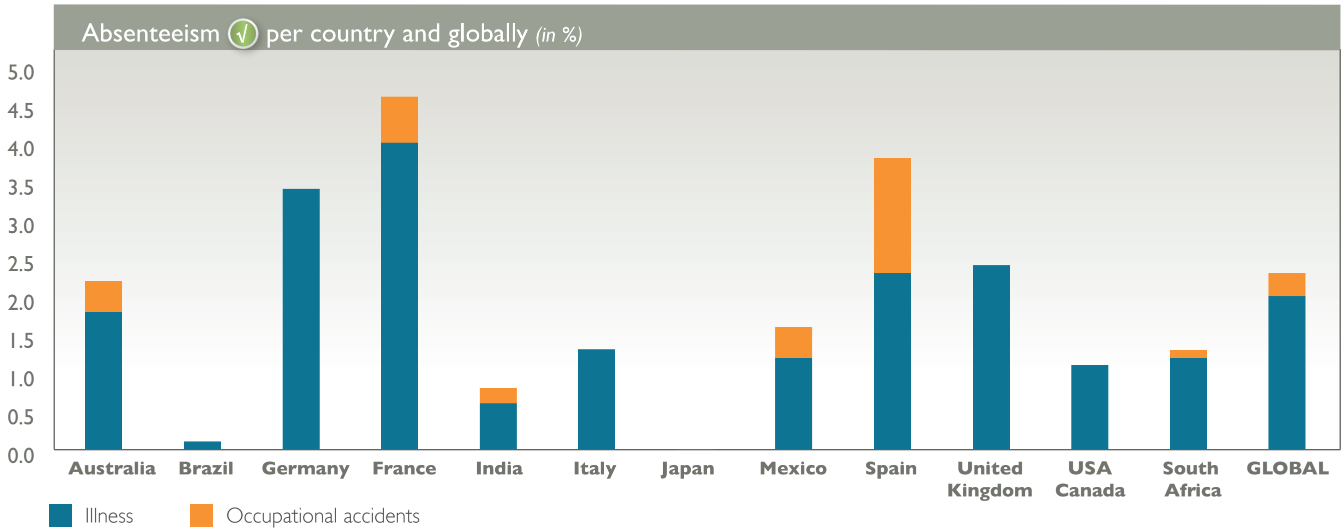
Focus France: Workplace safety

Results show that there was a great improvement in 2012 with accidents falling by 30% (with at least one lost working day) compared to 2011. The following initiatives contributed to this progress:

- within the framework of regulations on difficult working conditions, an action plan was drawn up in partnership with the CHSCT (Health, safety and working conditions committee) aimed at reducing difficult working conditions by over 50% in the coming years;
- the Single Document was completely revised and updated with the help of an outside firm;
- the process followed to welcome newcomers was also revised and tested at the end of the year;
- awareness raising initiatives were also conducted by the new safety manager who arrived at the beginning of the year;
- the "2015 HSE outlook" was presented to the Comex France and approved by it, thus giving greater visibility to this priority.







Absenteeism rates in the social scope is 2.4% of which 0.3% is related to occupational accidents. It is almost impossible to compare rates internationally because the social systems and age pyramids vary greatly from one country to another. In terms of quantity, the highest rate of absenteeism is 4.6% in France and the lowest rate is 0% in Japan.

LA8
Education, training, counselling, prevention, and risk-control programmes in place to assist workforce members, their families, or community members in the event of serious diseases

Focus South Africa

In 2012, a day of information and education was organised around the topic of HIV. This day is intended for all employees and their families. The event also offered screening tests and direct medical consultations with local specialist doctors.

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

The 2012 report does not cover this issue.

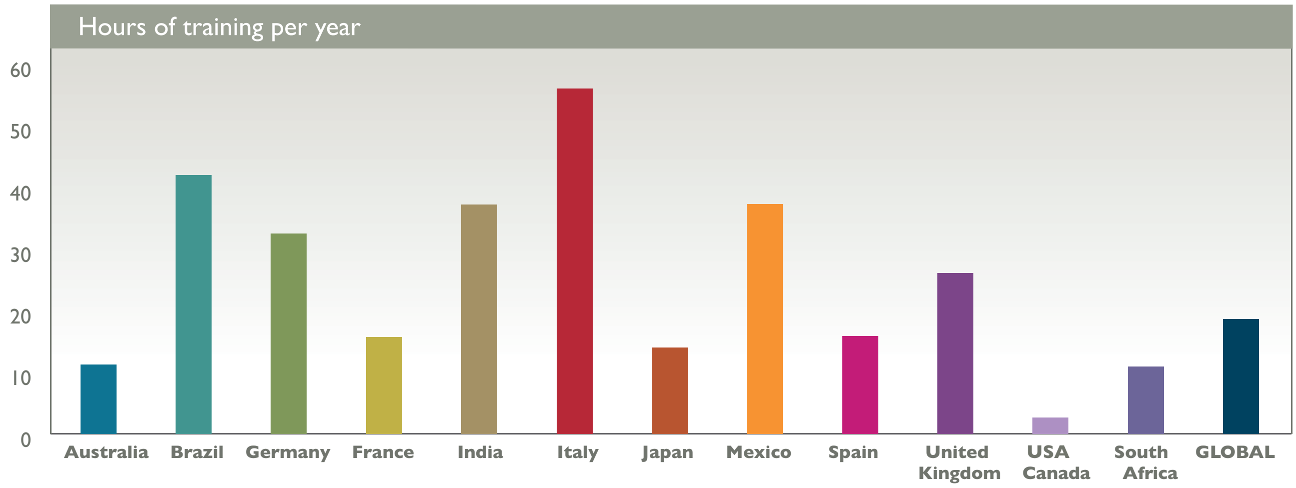
Training and education

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

Development of skills and employability: 18.6 hours per person per year (Group social scope)

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

Average hours of training per year	Women	Men	Total
Senior management	30.0	25.6	26.8
Professional / Middle management	22.7	25.2	24.3
Technicians, employees, assistants	16.6	18.5	17.4
Manual workers	10.7	12.8	12.2
Total	17.9	19.1	**18.6**



Focus France : offering training to as many people as possible
In France, in-house training is accessible to all: Virbac training expenses reached more than 4% of total payroll, with 2,100 people taking part in training courses in 2012. In the same year, 900 employees of all categories followed a training course. 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

The Virbac group offers an advanced managers development policy thanks to a programme focused on the fundamentals of management and completed by several in-depth modules. This programme covers a wide variety of managerial topics and allows managers to better assist their employees throughout their professional development. These management workshops accounted for 45% of training given in France in 2012. Training is designed above all to strengthen management understanding of employees, to ensure the well-being and personal development of staff. This managerial programme 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 one 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, a pilot scheme was set up with the sales subsidiary Virbac France based on the professional development of seniors. A group of 30 employees over the age of 45 were offered a late-career interview with the support of a specialised consulting firm. The results of this pilot scheme are being analysed and in 2013 the Human Resources department will put forward a policy to implement and monitor this initiative for the rest of employees. The aim is to stimulate internal mobility which is moderate with 15 vacancies out of 100 filled by internal candidates in 2012.

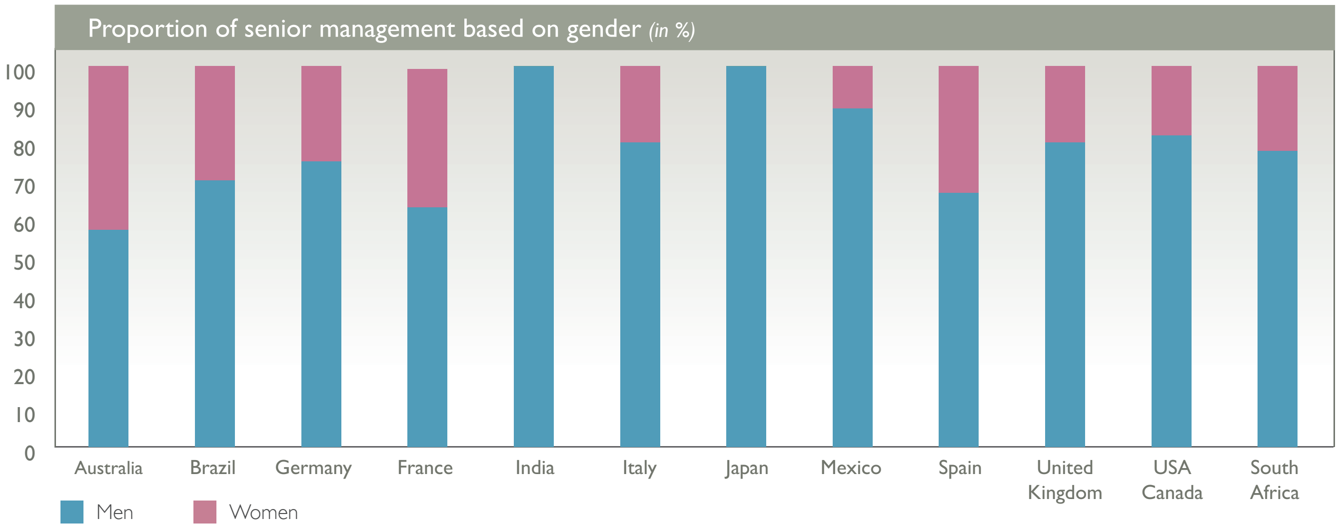
Diversity and equal opportunity

Over the past few years, the Virbac group has taken several initiatives in this area. A diversity audit was performed in France in 2011 in order to strengthen action in this area. A seniors agreement was reached in 2009 to ensure that at least 100 employees over the age of 55 years remained in work (in 2012 that figure was 124). A gender equality agreement was signed in 2012: it regulates pay rises for women returning to work after maternity leave, controls wage gaps between men and women, makes improvements to paternity leave and ensures that employees with family responsibilities can balance their personal and professional lives in terms of time.
The situation regarding employment of disabled persons is not up to Group expectations and a company-wide agreement on disability will be signed in 2013. In 2012, several experts and specialised associations were chosen to help Virbac carry this out.

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

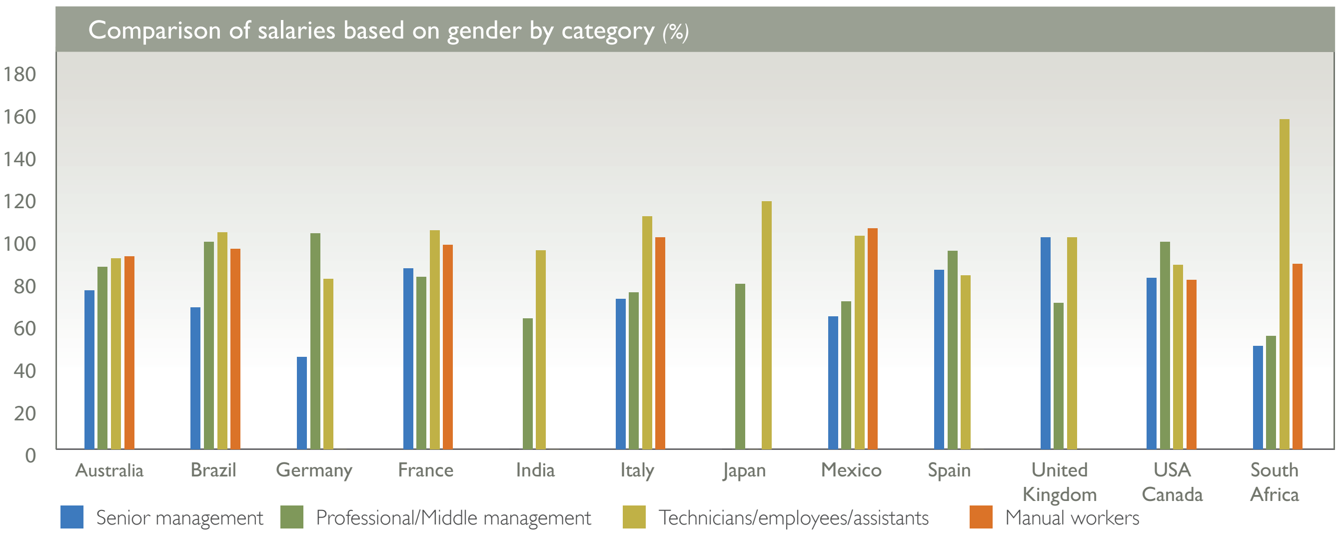
Australia is the country with the highest proportion of women in senior managerial positions (40% of the leaders are women). France is in second place with 36% of women in leading positions, then Spain with 33%, Brazil with 30%, Germany with 25%, South Africa with 21%, Italy and the United Kingdom with 20%, the United States with 18% and finally Mexico with 11%. The management teams in India and Japan are only made up of men.



LA14

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

At Group level, production operators have a comparative gender ratio of 80% to 120%, and technicians and assistants of between 80% and 110%. In the managers and executives category, 7 countries fluctuate between 80% and 100%, and in the 5 other countries the ratio is between 50% to 65%. Lastly, in the leaders category, 10 countries present ratios of between 60% and 80% while in the other 2 countries it is 45% or 40%. Fewer women are leaders or managers and this partly accounts for unfavourable comparison with regards to women's salaries. The company would like to continue its recruitment and promotion policy strictly based on skills, but when candidates have the same level of skills, it strives to increase the number of women in senior managerial positions in order to benefit from greater diversity.



PERFORMANCE INDICATORS

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 2012 report does not cover this issue.

HR2
Percentage of significant suppliers, contractors and other business partners that have undergone human rights screening; action taken
For the main suppliers of raw materials (73% of the value of purchases) and for every call for tenders, Virbac administers a questionnaire to assess whether they comply with environmental and human rights criteria (pollution, child labour, discrimination, corruption, health conditions, etc.). As of today, no supplier has failed to meet the criteria. Should Virbac identify a supplier that fails 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 their operations; including the percentage of employees trained
The 2012 report does not cover this issue.

Non-discrimination

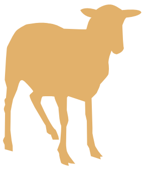
HR4
Total number of incidents of discrimination and action taken
In 2012, two incidents involving discrimination were reported in the United States. These incidents were investigated and corrective actions were taken.

Freedom of association and collective bargaining

HR5
Operations identified in which the right to exercise freedom of association or collective bargaining may be at risk and actions taken to support these rights
No operation of this type was identified in the Group in 2012.

Child labour

HR6
Operations identified as having significant risk of incidents involving child labour and measures taken to contribute to the elimination of child labour
Via the code of ethics questionnaire that Virbac distributes to its suppliers, they agree to comply with legislation on child labour. In 2012, no suppliers who completed the questionnaire admitted to disregarding this criteria. If Virbac identified a supplier which failed to meet this criteria, the Group would terminate commercial relations.



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
Via the code of ethics questionnaire that Virbac distributes to its suppliers, they agree to comply with labour legislation. In 2012, no suppliers who completed the questionnaire admitted to disregarding this criteria. If Virbac identified a supplier which failed to meet this criteria, the Group would terminate commercial relations.

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 2012 report does not cover this issue.

Rights of indigenous populations

HR9
Total number of incidents of violations involving rights of indigenous people and action taken

No incident was reported in the Group in 2012.





PERFORMANCE INDICATORS

SOCIAL: CIVIL SOCIETY

Local communities

SO1
Percentage of operations with implemented local community engagement, impact assessments, and development programs

Virbac United States supports New Horizons Service Dogs (a non-profit organisation) which breeds and trains dogs for persons with reduced mobility or in a wheel chair. In 2012, Virbac United States donated US$20,000 as well as Virbac products to support the health and well-being of the dogs in the training programme.

In 2012, the South African subsidiary consolidated its Elangeni team by hiring new farming advisors from the rural communities. Their duties involve developing technical support and training initiatives on the main pathologies effecting these communities' animals (which account for 40% of the country's cattle rearing). This sector has over 500,000 farmers (with between 20 and 100 animals) who have a low level of technology and almost no training. By adopting an educational approach, including the proper use of veterinary medicines, Virbac helps this sector progress from subsistence farming to small-scale farms that generate enough revenue to breed livestock.

Corruption

SO2
Percentage and total number of business units analysed for risks related to corruption

The internal control system is aimed at identifying, assessing and dealing with the main risks facing the Group. In 2010, the Group's major risks were mapped. On this occasion, the risk of corruption and more generally the risk of fraud were analysed. Since 2011, the Group has been implementing the risk management system in the main subsidiaries. When this is carried out, the risk of fraud is always integrated into the scope of analysis.

SO3
Percentage of employees trained in the organisation's anti-corruption policies and procedures

The Group's employees are not specifically trained in anti-corruption policies and procedures. However, Group values are regularly presented to employees (especially newcomers) and these values clearly ban corrupt practices.

SO4
Actions taken in response to incidents of corruption

No incident of corruption was identified in the Group in 2012.

Public policies

SO5
Public policy positions and participation in public policy development and lobbying

The Group did not engage in this activity in 2012.

SO6
Total value of financial and inkind contributions to political parties, politicians, and related institutions by country

The Group did not make any such contributions in 2012.

Anti-competitive behaviour

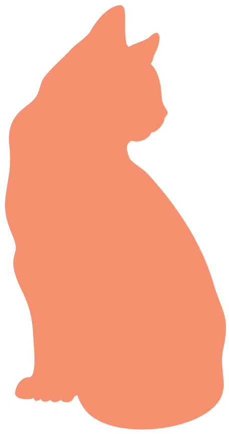
SO7
Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes

There were no such actions involving the Group in 2012.

Compliance

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

In 2012, the Group did not receive any significant fines.



PERFORMANCE INDICATORS

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

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;

• educating veterinarians, farmers and pet owners on compliance (observing the administration, dosage and form of medicines to ensure the greater accuracy in dosage by owners, guidance for veterinarians on reasonable use of antibiotic treatments). 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 livestock and pets (guides, interactive websites, information in waiting rooms, training for veterinary staff, etc.);

• advice and support for veterinarians and farmers/owners to develop preventive medicine and thus delay or limit the most frequent pathologies (for example: when puppies/kittens or older dogs/cats are brought to the vet);

• highlighting dog or cat foods sold through veterinary channels, that have very high nutritional value and are known to limit or prevent pathologies via a scientifically proven nutritional maintenance programme.

• For example, since 2012, Virbac has been actively working with French association of private veterinarians on a programme called "Vet Croissance" to help the veterinary profession develop their approach to the health of young dogs and cats and thus establish ways to prevent illnesses and promote proper hygiene right from the early stages of the animals' lives. Thus, 40% of Virbac's total sales in the cat and dog segment in Europe are devoted to preventive medicine.

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

In 2011, the Corporate Quality Assurance department was set up and it now enables Virbac to have comprehensive reporting on this indicator. In 2012, out of a total of 7,932 references sold worldwide, Virbac was directly alerted by national authorities about three cases of non-conformity observed in the field. None of these cases presented 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;
- packing of hazardous products in packagings that meet current standard.

• from the customers perspective, Virbac complies with the European directives concerning indications and precautions for use that must appear on the packaging of products that require pre-marketing authorisation and products referred to as feed (European directive 767). Each allegation is supported by appropriate clinical studies. For the leading product in its external parasiticides pet range, Virbac complied with legislation by adding dual protection (surblister) to prevent children from opening the product.

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

In 2012, out of a total of 7,932 product references sold worldwide, national authorities informed Virbac of 6 packaging non-conformities that had no impact on the distribution of products.

PR5
Practices related to customer satisfaction, including results of surveys measuring customer satisfaction

Market research is always carried out before and during the development of new medicines to ensure that the specifications match the animal health needs, the practices of the veterinary profession and the expectations of owners and farmers in terms of compliance. For example, during the product development phase, two of the criteria validated are the taste of products administered orally (pills, liquids) and the ease of administration by owners.

Market research is also carried out regularly after the launch of new products. For example, after the launch of the first European vaccine against canine leishmaniosis, a survey was carried out to validate its positioning, the level of satisfaction of veterinarians in terms of efficiency and the level of recognition amongst dog owners.

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.

These principles apply both to medicines with marketing authorisations (AMM) and feed, dietary and supplementary feeds for animals for which Virbac complies with the new European regulation 777/2009. Moreover, Virbac does not promote products subject to prescription (and not dispensatory) directly to owners but refers them to veterinary consultation to promote preventive medicine.

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

In 2012, out of a total of 7,932 product references sold worldwide, no communications by the Virbac group generated any incident of non-compliance with regulations or codes concerning marketing communications.

Customer privacy

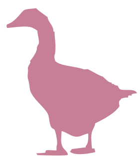
PR8
Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data

There were no such complaints received by the Virbac group in 2012.

Compliance

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

No such fines were drawn up in 2012 in the group.



EXTERNAL
AUDIT

STATUTORY AUDITORS' ATTESTATION AND MODERATE ASSURANCE ON A SELECTION OF SOCIAL, ENVIRONMENTAL AND CORPORATE INFORMATION ON THE VIRBAC GROUP CONTAINED IN THE ANNUAL REPORT

For the attention of Mr. Éric Marée, chairman of the executive board

Year ending on 31 December 2012

As requested and in our capacity as Statutory Auditors of Virbac, we hereby report on the consolidated social and environmental information presented in the annual report, featuring the management report, for the year ended 31 December 2012 in accordance with the requirements of article L225-102-1 of the French Commercial Code and our moderate assurance on a selection of information, marked with a √.

Company's responsibility

It is the responsibility of the Board of Directors to prepare a management report providing the consolidated social and environmental information required under article L225-102-1 of the French Commercial Code (hereinafter the "Information"), established in accordance with the protocol used (the "Protocol") by the company and available upon request from the HSE department and the Human Resources department.

Independence and quality control

Our independence is specified in the regulatory standards, the professional code of ethics and the provisions set out in article L822-11 of the French Commercial Code. Moreover, we have developed a quality control system that includes documented policies and procedures aimed at ensuring compliance with rules of conduct, professional standards and applicable laws and regulations.

Statutory auditor's responsibility

It is our responsibility, on the basis of our work:

• to attest that the required Information has been disclosed in the management report or that an explanation has been provided for any Information that has been omitted, in accordance with the third paragraph of article R225-105 of the French Commercial Code and Decree 2012-557 of 24 April 2012 (Attestation on disclosures);

• to provide moderate assurance on whether certain Information selected by the Group and identified by the symbol √ are fairly presented, in all its significant aspects, in accordance with the Framework document (moderate assurance report).

We were assisted in our work by the corporate social responsibility professionals of our firm.

1. Attestation on disclosures

We performed the following work in accordance with professional standards applicable in France:

• we compared the Information presented in the management report with the list provided for in article R225-105-1 of the French Commercial Code;

• we verified that the Information covers the consolidation scope, i.e. the company and its subsidiaries within the meaning of article L233-1 and the controlled entities within the meaning of article L233-3 of the French Commercial Code, based on the limits specified in the methodology notes presented in the report's "Sustainable Development" chapter;

• if any consolidated Information had been omitted, we verified that an explanation was provided in accordance with decree 2012-557 dated 24 April 2012.

On the basis of our work, we attest that the required Information has been disclosed in the management report.

2. Moderate assurance report on a selection of consolidated social, environmental and corporate information, marked with a symbol √

Nature and scope of work

We conducted our work in accordance with standard ISAE 3000 (International Standard on Assurance Engagements) and with professional guidelines applicable in France.

We performed the following procedures in order to obtain moderate assurance that the Information selected by the Virbac Group and marked with a symbol √ do not contain any significant mis-statements that would undermine the fact that they have been fairly presented, in all material respects, in accordance with the Protocol. A higher level of assurance would have required more extensive work.

We performed the following work:

• we assessed the suitability of the Protocol in terms of its relevance, completeness, neutrality, understandability and reliability, taking into consideration, where appropriate, industry best practice.

• we verified that the Virbac Group had set up a system to collect, compile, process and control information in order to ensure the completeness and consistency of the information selected. We examined the internal control and risk management procedures related to the preparation of this information. We conducted interviews with those responsible for social, environmental and corporate reporting.

• Regarding the selected quantitative Data:

- at consolidation level and on controlled entities, we implemented analytical procedures and verified the calculations and consolidation of information based on sampling;

- at the level of the entities that we selected based on their activity, their contribution to the consolidated indicators, their geographical distribution and a risk analysis, we:

- carried out interviews in order to verify that the procedures had been correctly applied and obtain information enabling us to carry out our verifications;

- conducted tests of details on a sampling basis, to verify calculations and review the associated documentary evidence.

The selected sample represents on average 58% of headcount and between 88% et 99% of the environmental quantitative data tested.

Conclusion

On the basis of our work, we did not identify any significant mis-statements that could call into question the fact that the Information selected by the Virbac group and marked by the symbol √ have been presented fairly, in all material respects, in accordance with the Protocol.

Marseille, 29 March 2013
One of the **statutory auditors at Deloitte & Associés**
Hugues Desgranges

[1] *LA1-Total workforce, LA2.3-Turnover, LA7.1-Absenteeism, EN3-Natural gas consumption, EN4-Electricity consumption, EN8-Water consumption, EN22-Waste production*

[2] *Virbac, Virbac France, Virbac Nutrition, Virbac Distribution, Bio Veto Test, Alfamed, Virbac Corporation United States and Virbac Australia PTY LTD*

Financial report 2012

MANAGEMENT REPORT

In 2012, the Group's consolidated sales of €695.2 million grew 11.6% in actual rates, 8.9% at constant exchange rates and 8.2% at constant scope and exchange rates.

This performance is linked to three factors: firstly a sustained organic growth that is higher than market levels, secondly the acquisitions of Stockguard in New Zealand and Centrovet in Chile, which contributed €8.6 million to sales growth, and at least a favourable exchange rate effect (2.7 points) due to the substantial decline of the euro.

The companion animal segment registered a strong growth of +10.4% at constant scope and exchange rates. This growth stemmed from strong sales of Iverhart in the United States, CaniLeish in Southern Europe, and, in general, strong growth in all product ranges.

The food producing animal segment grew 5.1%, with solid development in emerging countries, particularly Brazil and India. This growth was somewhat offset by a slight decrease in activity in some areas: in Europe, given sluggish markets, in Australia, where activity level was very high in 2011, and in South Africa, where weather conditions were less favourable than the previous year.

On a regional scale, growth was very strong in the United States, driven particularly by Iverhart, the internal parasiticide, and the launch of new products, in Southern Europe, thanks to the ongoing launch of CaniLeish, and in emerging countries. However, activity was low in France and Northern Europe, in sluggish markets, as well as in Australia and South Africa following the robust growth registered in 2011.

2012 HIGHLIGHTS

Following the 2011 launch of the CaniLeish in Portugal and France, Virbac successfully launched it in Spain and Greece in January 2012, then in Italy at the end of the first quarter. These three launches, which brought together more than 5,000 veterinarians, generated more than €10 million in additional revenue for this product compared to 2011.
Likewise, Virbac continues to expand the marketing of its Effipro range outside Europe, with successful launches in Australia and Taiwan in March and Brazil in August. These launches bolster the Group's position in the external parasiticide market for companion animals.

In April 2012, Virbac sold distribution activities in non ethical channels (garden centres, pet shops) of healthcare and nutrition products for companion animals. The brands and businesses of Francodex (in France) and Mastery (France and Europe) were sold to a French group, leader in OTC (over the counter) products for companion animals in supermarkets. At the end of the year, in addition to said termination of activities, Virbac also disposed of its OTC businesses in Holland.

In mid-2012, Virbac United States obtained three major registrations for companion animal products: Effipro Plus, Suprelorin F and Rilexine tablets.

In the area of sustainable development, the Virbac Group obtained the GRI (Global Reporting Initiative) certification in June 2012 and the application level B for its 2011 sustainable development report published in April 2012. Virbac was among the first medium-sized companies to embark on this undertaking which made it possible to comply with the French law Grenelle 2, better measure and compare the Group's performance in this category, and identify the targets for progress for the coming years.
In the second half of 2012, Virbac concluded two significant external growth operations.
On 2 July 2012, Virbac acquired Stockguard Animal Health Ltd and Stockguard Laboratories Ltd, both headquarter in Hamilton, New Zealand. This acquisition is an excellent complement to current business activities in New Zealand. It solidifies Virbac's number 5 ranking in the country.
It will also allow the Group to strengthen its position in the New Zealand dairy farming market and create prospects and new opportunities for expansion in this sector in other regions throughout the world.
In November 2012, the Group acquired a majority stake in Centrovet, the leader in the animal health market in Chile. This major operation is an enormous strategic opportunity that enables Virbac to become a key player in this booming segment of the veterinary market – products used for protection and treatment in aquaculture breeding.

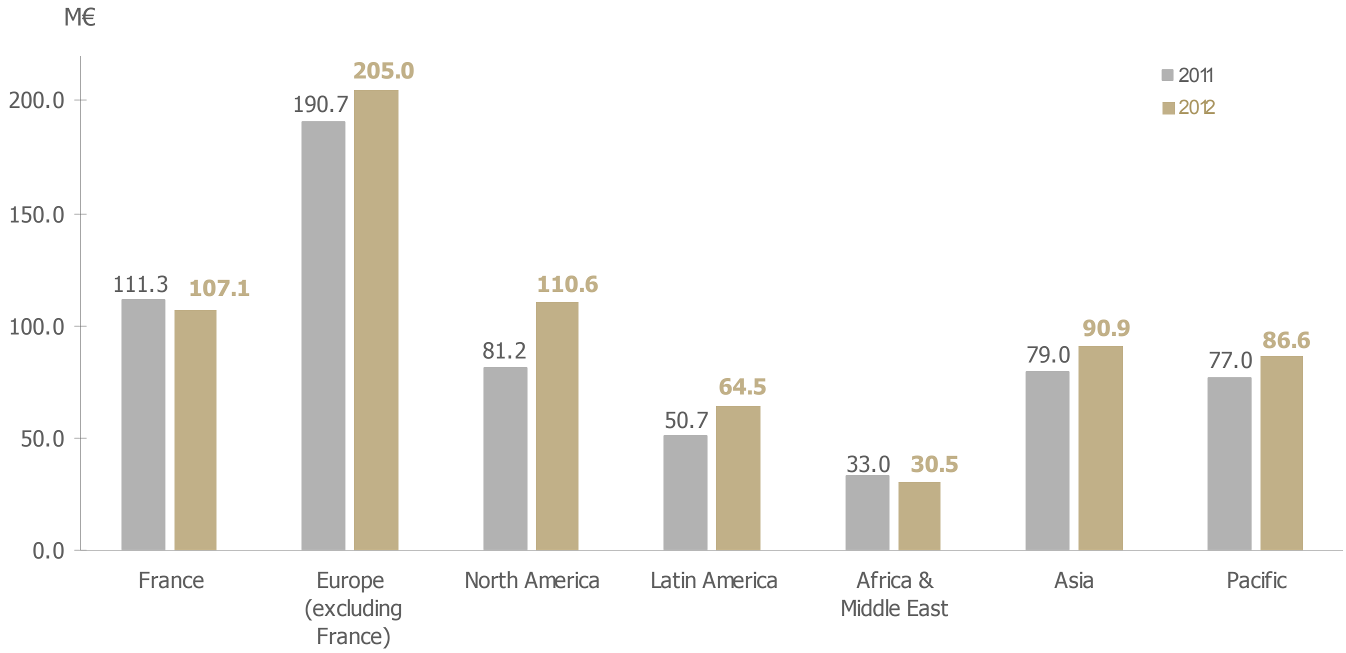
In December 2012, Virbac acquired the rights for manufacturing and marketing Multimin in Australia and New Zealand. This acquisition completes the one carried out in 2011 by Virbac South Africa for the same product.

Finally, in France, Virbac completed the construction at the end of 2012 of its new building dedicated to manufacturing injectable products.

Performance by geographic region

Throughout 2012, North America, Latin America, Asia, Pacific and Europe (excluding France) recorded positive growth at constant exchange rates and actual rates due to the favourable change in currencies. Only France and Africa & Middle East experienced a slight decline over 2011, -3.8% and -4.4%, respectively.

The major contributions by geographic area are as follows:



France

Performance in France recorded a slight downturn of 3.8%, which can be explained by the disposal of OTC business in the second quarter 2012.
Sales were down slightly over the previous year at constant scope.
The companion animal segment saw a slowdown due to backorders of several products, particularly in the vaccine range. This was partially offset by the growth in the food producing animal segment in which Virbac gained greater market share.

Europe (excluding France)

Sales in Europe (excluding France) surpassed €200 million in 2012, with growth of 7.5% at actual rates and 6.2% at constant exchange rates compared to the previous year.
This growth, though moderated in Northern Europe where markets are sluggish, was significantly more marked in Southern Europe, despite the local economic context and shrinking markets.

The major developments that have contributed to the performance in Europe are:

Spain

Virbac Spain saw solid growth in 2012 with sales increasing 32% over 2011. This excellent performance is attributed to the breakthrough into the market of CaniLeish following its January 2012 launch. The vaccine was the key driver of Spanish growth.

Italy

Virbac Italy saw renewed growth in 2012, ending the year with 15% growth, thanks to the significant contribution of CaniLeish sales following its April 2012 launch. Growth also stemmed from the positive performance of the anaesthesia range, diagnostic products for companion animals, and antibiotics for food producing animals.

United Kingdom

The subsidiary again saw solid growth of 5% at constant exchange rates and 13% at actual rates. The companion animal business continued to grow thanks to the sales dynamic for the dogs and cats segments, particularly driven by the Rilexine range.
The food producing animal business experienced renewed growth thanks to the industrial ranges and antibiotics for ruminants.

Greece
Growth in Greece, nearly 31% compared to 2011, was driven by sales in companion animals and boosted by the launch of CaniLeish and the consolidation of the Effipro range.

Scandinavia
The Virbac business in Scandinavia reported solid growth of 15% in 2012. This performance was driven by the companion animal segment, due to the high sales in the reproduction, anaesthesia and dermatology ranges.

Germany
Business in Germany saw a slight drop in 2012 because of the vaccines backorder, particularly for food producing animals, and competitive pressures on antibiotic prices for industrial breeding. This was partially offset by the contribution made by recently launched products like Suprelorin, Luminal and Endogard for companion animals, and Avicylat Mastinject and Eymeril for food producing animals.

North America
With €111 million in sales in 2012, Virbac United States became the largest Group subsidiary in terms of sales. Business grew close to 26% at constant exchange rates, but 36% at actual rates, boosted by the appreciation of the dollar against the euro.
Virbac United States continued its excellent performance in the companion animal market, with 29% growth in the ethical segment compared to 2011. This is due to the launch of new products like Rilexine, Easotic and Effitix, as well as products from classical ranges like Soloxine and Iverhart. Virbac United States also benefited from the termporary closure of a competitor's manufacturing site in the first quarter.

Latin America
Latin America saw strong growth in 2012, with business growing 27% over 2011, and 19% at constant rates and scope.

Brazil
Virbac Brazil had an excellent year again in 2012, with significant growth in sales for both the companion animal and food producing animal markets. This subsidiary's growth compared to 2011 rose more than 40% at constant exchange rates and 30% at actual rates, due to the depreciation of the Brazilian real. In food producing animals, Virbac Brazil reported record growth of more than 60%, due to the sales of vaccines produced by the joint venture Virbac-Santa Elena as well as the success of Premedox. In companion animals, Virbac Brazil also saw solid growth driven by the successful launch of Effipro and Allerderm Spot-On.

Mexico
At actual rates, the subsidiary recorded 8% growth, 6% at constant exchange rates.
In the companion animal segment, the dog vaccines, dermatology and internal parasiticide ranges continue to bolster growth that was carried over into 2012 by the breakthrough of the nutrition range launched the previous year. Although growth in food producing animals was lower, it still increased, due to key products like Suramox, Premedox, Zeramec and Flukill.

Chile
Centrovet sales were consolidated from December and amounted to €4.3 million.

Asia
Sales in this region grew 15% over 2011. Changes in currency were overall neutral for this group of subsidiaries, albeit with contrasts among countries.

India
Virbac India continued its double-digit growth in 2012, with figures close to 18% at constant exchange rates and 11% at actual rates. The food producing animal business, which accounts for 97% of India's sales, continued its robust growth, driven by mineral and nutritional supplements for cattle, such as Ostovet and Vimeral.

Greater China
The year 2012 was again an excellent year for this region, with growth of 21% at actual rates (14% at constant exchange rates). Growth was driven by the companion animal segment, thanks in particular to the successful launch in Taiwan of the Effipro range and exports to Southeast Asia.

Asia (excluding Greater China)
The strong dynamic of Asian subsidiaries has enabled the Group to further its growth in this region in 2012, 19% at constant exchange rates and nearly 21% at actual rates.
Virbac Japan, in particular, had a brilliant year in terms of growth, with growth in its sales volume of close to 17% at constant exchange rates (26% at actual rates), generated in part by the successful launch of Cortavance. This product heavily contributed to expanding the Virbac market share in the strategic dermatology segment.
Vietnam also recorded an excellent performance, with business growth of nearly 22% at constant exchange rates (29% at actual rates), stemming from sales in companion animals and food producing animals.
In Thailand, the industrial range, through its key products Alplucine and Suramox, as well as the aquaculture range, significantly boosted sales growth.
Finally, Korea also had a good year due to the launch of the Effipro range and high sales in the biology and dermatology segments.

Pacific

Virbac business in the region posted growth of 3% at constant exchange rates and 12.5% at actual rates, thanks to the strong appreciation of the Australian and New Zealand dollars throughout 2012.
At comparable exchange rates and scope, business fell slightly by 2.6% over 2011, which was a particularly prosperous year for the region.

Australia

Following the very robust growth posted in 2011, business fell in 2012 due to a slowdown in sales. This was linked, in part, to unfavourable weather conditions (drought in some areas), as well as stiffer competition in the parasiticide segment for food producing animals.
At constant exchange rates, Australian business recorded a slight drop of 2.6%. However, given the strong Australian dollar, the subsidiary closed the year 2012 with an increase of nearly 6%.

New Zealand

Virbac growth in 2012 for New Zealand stemmed from the acquisition of Stockguard mid-year. This generated additional revenue of €4.3 million.

Africa & Middle East

In 2012, Virbac business in Africa and the Middle East fell 4% at constant exchange rates and 8% at actual rates.
Virbac South Africa suffered from less favourable weather conditions than those in 2011, which was a year of very strong growth in the region.
Export sales to Africa and the Middle East, mainly composed of food producing animal products were stable in 2012.

Performance by segment

In 2012, Group sales rose 8.2% at constant scope and exchange rates, on the back of sustained growth of 10.4% in the companion animal segment and more moderate growth of 5.1% in the food producing animal segment (this was, however, still higher than the market average).

in € million	2012 sales at actual rates	Like-for-like growth by segment at constant scope and exchange rates				
		- 5% to 0%	0% to + 5%	+5% to +10%	+10% to +15%	> 15%
Parasiticides	122.4					22.2%
Immunology	74.5				11.5%	
Antibiotics/dermatology	68.1			9.0%		
Specialties	79.3			7.9%		
Equine	27.7	-3.2%				
Specialised petfood	25.3		1.5%			
Other	26.3	-2.9%				
Companion Animals	**423.6**				**10.4%**	
Bovine parasiticides	42.6		4.0%			
Bovine antibiotics	63.3			6.1%		
Other ruminants products	92.4		4.4%			
Pig/poultry antibiotics	38.7		3.7%			
Other pig/poultry products	16.1				11.0%	
Aquaculture	6.5				11.1%	
Food producing Animals	**259.5**			**5.1%**		
Other businesses	**12.1**	**-0.2%**				
Sales	**695.2**			**8.2%**		

Companion animals

As at 31 December 2012, this business represents 61.0% of total Group turnover and generated strong organic growth of 10.4% compared to last year.
The parasiticide segment saw excellent growth of 22.2%, driven largely by the robust sales of Iverhard in the United States (which benefited from the temporary closure of the production site of a competitor product) and the consolidation of the Effipro range that Virbac continued to successfully roll out abroad throughout the year.
The immunology range also continued its strong growth, due in part to the further launch of the CaniLeish vaccine in Spain and Greece, followed by Italy, as well as to the good performance of other dog vaccines.
In antibiotic therapy and dermatology, the successful launch of major products like Easotic and Rilexine tablets in the United States and Cortavance and Virdentamycin in Japan significantly boosted growth in this segment.
As in the previous year, the specialties also drove sales growth, particularly through the reproduction range in Europe and the endocrinology range in the United States.
Equine segments and other companion animal products, specifically electronic identification, were the only segments that were down compared to 2011 due to a slowdown in European sales.

Food producing animals

This business accounted for 37.3% of Group sales, up 5.1% at constant scope and exchange rates.
The ranges as a whole spurred the organic growth of the business, with notable growth in the bovine antibiotic segment, particularly due to the good performance of the intramammary range in Europe and key products like Shotapen, Multibio and Readycef in Asia.
As regards the highly competitive bovine parasiticide segment, Virbac continued its growth due to the Cydectin range in Australia and Virbamec and Zeramec in Latin America.
The large animal vaccines marketed in Australia and Latin America, as well as the mineral and nutritional supplements in India, were the main growth drivers for the other-products for ruminants segment.
Likewise, growth in the pigs and poultry other-products business stemmed mainly from mineral and vitamin supplements.
Finally, at constant scope and exchange rates, the aquaculture business again had a breakthrough, specifically in Thailand and India.

Other businesses

These businesses, which account for less than 2% of consolidated revenue, correspond to non-strategic ranges that cannot be treated as companion animals and food producing animals. These mainly include contract manufacturing performed for third parties in the United States or Australia, which was stable compared to 2011.

CHANGES IN GROUP SCOPE

In 2012, Virbac carried out two significant external growth operations.
On 2 July 2012, Virbac acquired, through its subsidiary Virbac New Zealand Ltd, all shares of Stockguard Animal Health Ltd and Stockguard Laboratories Ltd, based in New Zealand. The company was acquired for NZD 37.15 million, paid on the date the purchase is finalised. The acquisition contract included an earnout clause, of which the amounts will depend on the gross margin attained at the end of 12 months following the date of acquisition. Through this transaction, Virbac acquired all of Stockguard's businesses and assets, including production equipment, and has a buyback option, therefore, of land and buildings owned by another entity controlled by Stockguard shareholders.
Founded in 1987, Stockguard has built broad expertise in developing, manufacturing and marketing a range of products for the dairy cow and sheep breeding markets in New Zealand. It is a strong leader in the intramammary, injectable antibiotics, reproduction, vitamins and minerals segments. Its current portfolio of new products in development will complete the existing range and enable it to consolidate its market position. The Stockguard business generates annual sales of around €6.8 million and provides good profitability.

The operation constitutes a business combination within the meaning of the IFRS 3 revised and is reported as such in these consolidated financial statements. The price allocation is shown in note A1 of the consolidated financial statements.

On 23 November 2012, Virbac signed an agreement through which the Group acquired a majority stake (51%) of the Centrovet group, the leader in the animal health market in Chile. It has the possibility of acquiring all of this group's shares at the end of a five-year period. The contractual purchasing price for 51% of the shares of Holding Salud Animal S.A. (HSA), the Centrovet group holding company, is broken down as follows:

- an initial payment of US$61.4 million (€46.7 million) made on the date the acquisition contract was signed;
- an adjustment is planned while Centrovet's 2012 accounts are closed and audited;
- an additional amount will be paid in 2014, based on cumulative operating income earned for fiscal years 2012 and 2013;
- Virbac will transfer royalties to sellers once certain products currently under development hit the market.

Founded in 1979, Centrovet has become a key player in aquaculture, by building its unique know-how and expertise in developing and producing innovative products used in cold-water aquaculture, particularly in the area of vaccines for salmon and trout breeding. Chile is currently the one of the major producers in the world of salmon and trout. In addition to injectable vaccines, the company has developed and introduced original technologies to the market which allow for the oral administration of aquaculture vaccines. It is currently the only one in this market. It has a broad range of specialties and vaccines marketed in Chile and promotes a rich research and development program for projects with strong potential. Centrovet also has a presence in other segments of the Chilean veterinary market, such as breeding and companion animals, in which its products could benefit from the contribution of certain Virbac ranges.
The Centrovet group is based in Santiago and has around 300 employees. Its 2012 sales were €64.4 million. Its industrial installations produce injectable and oral vaccines, pharmaceutical specialties and nutritional additives. In the financial area, Centrovet is currently growing very quickly and is generating excellent profitability, driven by the ongoing penetration of its vaccine range and salmon production growth in Chile.
Besides the growth potential this represents in the Chilean market, the global position of Virbac is a real opportunity for internationally expanding the Centrovet ranges, particularly vaccines for the global aquaculture sector.
This acquisition enables Virbac to become a leader in aquaculture, a market which will play a growing role in producing proteins for human consumption, and to capitalise on external growth operations already carried out in Asia in recent years in this area (Biosolution, SBC).
The operation constitutes a business combination within the meaning of the IFRS 3 revised and is reported as such in these consolidated financial statements. The provisional price allocation is shown in note A1 of the consolidated financial statements.

On 25 April 2012, Virbac sold distribution activities in unethical channels (garden centres, pet shops) of health and nutrition products for companion animals. The brands and businesses of Francodex (in France) and Mastery (France and Europe) were also sold to an international French group, leader in OTC products for companion animals in supermarkets.
Additionally, Virbac terminated its OTC business in Holland at the end of the year, through an agreement to dispose of all shares of Emax and Bridgefarma (non ethical distribution channels).

In 2012, Virbac also strengthened its share in its subsidiaries Virbac Vietnam, Virbac Holland and Virbac Belgium by acquiring all the shares which had previously been held by local third party shareholders. With these operations, the Group now holds 100% of the capital in these subsidiaries.

Finally, on 17 February 2012, Virbac carried out a capital reduction by cancelling 256,352 shares purchased on the market. This operation is described in note A13 of the consolidated financial statements.

Scope as at 31 December 2012

The consolidated financial statements as at 31 December 2012 include the financial statements of the companies that Virbac controls indirectly or directly, in law and in fact. The table of subsidiaries and affiliates as at 31 December 2012 is presented in note A38 of the consolidated financial statements.

The changes executed in the scope during the fiscal year are the following:
- on 29 April 2012: transfer of all assets of the subsidiaries Soparlic and Francodex to Alfamed;
- on 17 May 2012: purchase of non-controlling minority interests of Virbac Vietnam;
- on 23 November 2012: acquisition through holdings in Virbac Chile and Virbac Patagonia of 51% of the shares of Holding Salud Animal, the Centrovet group holding company in Chile;
- on 31 December 2012: purchase of non-controlling minority interests of Virbac Holland and Virbac Belgium.

RESEARCH, DEVELOPMENT & LICENSING

Founded on technological advances and applied research, Virbac innovation operates on the understanding of current and future client needs. The close relationship between the research and development teams and the marketing teams within the same organisation fosters this technology/needs-based approach.

In 2012, given the Group's strategy on product innovation, Virbac focused its research and development, which has historically been by region, on more globally-focused "Products Innovation" segments.
These segments cover companion animals, ruminants, pigs, and aquaculture channels and include strategic marketing functions, regulatory resources and R&D for the Group. This will make it possible to expand the reach of projects already undertaken through regional efforts.
The year 2012 was one of transition towards this new organisation in which Virbac boosted RDL (Research, Development & Licensing) investments. The group allocated 7.4% of revenue, which is 22% more than in 2011, to human resources and R&D projects.

The Carros and US research and development structures center on and join resources and means through joint R&D projects for the companion animal market on a global scale. This cooperation, under way for several years, has also led to around 20 new projects that entered the portfolio in 2012. These were rigorously selected based on future economic value criteria, probability for success, and perceived innovation by the client.

In Asia this year, the partnership formed with SBC led to collaborative activities between Virbac innovation teams and SBC teams. The aim is to ambitiously develop pork and fish vaccines aimed at primarily for the Asian market. This cooperation bore fruits in 2012, with clinical tests being carried out on hot-water fish. The partnership with SBC is expected to lead to the registration of five new pork vaccines and two "hot water" vaccines for catfish in 2013.
In aquaculture, the acquisition of Centrovet at the end of the year also bolstered Virbac's position in this market and gave the Group access to a series of skills, know-how and additional technologies for projects under way, particularly in the area of cold water fish.

As regards the regulatory framework, in 2012, Virbac obtained several major marketing authorisations (MA), most notably in the Effipro range in Australia, Brazil, Korea, and several Eastern European countries, and in the Rilexine Appétente range in the United States, Japan and Colombia. Suprelorin F was also well received by the FDA (US Food and Drug Administration) and was launched in September 2012.
In addition to the new registrations obtained, the departments of Regulatory Affairs continue to shore up their structures in order to maintain and update current registrations to comply with regulatory changes in Europe and other regions throughout the world.
The regulatory departments in South Africa, Brazil and India 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.

Finally, a number of licensing projects were finalised in 2012. This brought new products into the European market for dogs and cats in the companion animal segment and cattle and pigs in the food producing animal segment.

PRODUCTION

France

In 2012, Virbac carried out major projects at its historic Carros site in France. It modernised its industrial facilities and integrated future capacity increases, new production processes, all in full compliance with the most recent regulations.

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 structural work for this new building really got under way in February 2012 and was finished in October 2012, on schedule. In the last quarter, Virbac's industrial teams were able to carry out the first tests on the industrial equipment prototypes at the manufacturer. The delivery and installation of the equipment is expected early 2013, so that the production of sterile injectables can begin end of third quarter 2013.
Additionally, the new high-frequency filling line for vaccines, which completes the production system for sterile forms, was put into service in the first quarter 2012. This equipment doubles production capacity. The total cost of this project will total €24.4 million.

The production and purification unit for the active ingredient for leishmaniasis used in the manufacturing of the CaniLeish vaccine has been modified to triple its production capacity. This modification was the subject of a request for changes to the MA dossier successfully obtained in early April 2012. Three new single-use bioreactors were installed and production was resumed at the end of the year once the sites and equipment were retrofitted.
The production sites for insecticides acquired new industrial equipment for the production of new pipettes for the

Effipro ranges, as well as to double the production capacity of insecticide tubes.

Virbac Nutrition, the specialised production unit in animal nutrition located in Vauvert (Gard), successfully rolled out the ERP Movex, already in place in several Group subsidiaries. Moreover, an energy savings system based on external heat recovery or cooling systems was put in place before summer 2012 throughout the entire production chain, which has led to significant savings.

Internationally

United States

The project for expanding the production capacity of the tablet unit (granulation, mixed materials and blister packs) continued throughout 2012. Aimed at increasing production capacity to support future growth of the local and international markets, this project will also, in time, reduce production times.
North American industrial operations also began a renovation project for the liquid forms unit, which will receive a new mixer capable of creating products with a very broad and varied range of viscosity.

Australia

The significant changes made to the organisation in 2011 were consolidated in 2012. This reorganisation, which aimed at centralising and streamlining the industrial activity at three sites (Milperra, Crookwell, Penrith), continued in 2012 with the expansion of the Development and Processes Department, whose scope will include pharmaceutical and biological businesses at the Crookwell and Penrith sites.

The production of sterile injectables and vaccines for ruminants continued to grow, which significantly reduced backorders.

As regards regulation, the inspections performed in 2011 by APVMA (Australian pesticides and veterinary medicines authority) of the Crookwell and Milperra sites were successfully concluded in 2012.

The Penrith site underwent three different regulatory inspections in 2012: those performed by the APVMA and the USDA (United States Department of Agriculture) within the framework of their periodic oversight, and which were successfully concluded in 2012, and the inspection performed by the TGA (Therapeutics Good Administration) with a view to obtaining a European license, which will be pursued throughout 2013.

Mexico

In 2012, the engineering studies for the new industrial site were completed and construction began at the end of the year.
Industrial teams also began the validation of formulations and production batches for future tanks which will equip the new site.
The transfer of production of the original Synthesis range (Colombia) purchased in 2011 was completed. Since April 2012, Virbac Mexico has provided part of the manufacturing and delivery of these products in Colombia.

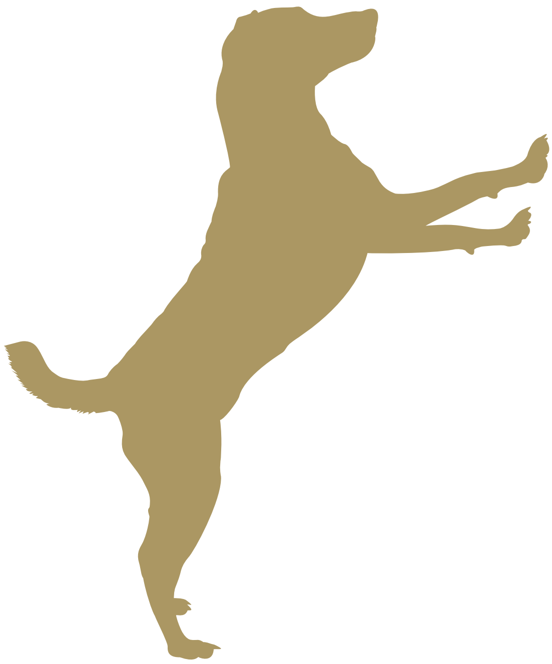
Vietnam

The construction of a new warehouse and new sites for R&D was completed in the first quarter 2012. As planned, the building entered into service in March 2012.

Following the recent tightening of local regulations, Virbac Vietnam undertook several projects in 2012 to obtain WHO GMP (World Health Organisation Good Manufacturing Practices) accreditation, which is recognised by local authorities as the standard in good practices in manufacturing.
This entailed an upgrade and reorganisation of flows from the powder, liquid, and tablet workshops, the outfitting of a new area for sampling, and a new sterile area for the laboratory.
The production of chewable strips again saw robust growth, while powder production was down following strong growth in 2011.

Brazil

In 2012, emphasis was placed on optimising tablet and pre-mixed production lines. An optimised production process for Endogard tablets was also put into place and will considerably reduce production time for this product.
A crosscutting discussion involving the Supply Chain, Sales, Marketing, and Regulatory Affairs departments ended with the launch of a new presentation on Premedox. This led to significant growth in the occupancy rate of this production line and created economies of scale.



CORPORATE QUALITY ASSURANCE

In 2011, Virbac created the Corporate Quality Assurance department, whose sole objective is pharmaceutical compliance in industrial and R&D activities.

In 2012, this activity received significant human and financial resources. These resources made it possible to implement and structure the tools and processes necessary to meet current and future challenges in the areas of quality and safety.

Against a rapidly changing regulatory backdrop, Virbac sought to expand its knowledge and understanding of the pharmaceutical constraints and obligations that the Group faces.
To this end, Corporate Quality Assurance launched in 2012 an internal training module to spread the pharmaceutical and quality cultures throughout all teams in France. This training will go global in 2013.

HUMAN RESOURCES

The Group has 4,085 employees in 31 countries, 43 subsidiaries or representative offices.

Strategy

The success of the company is directly linked to the commitment of its employees. This commitment stems from the role that they play when major decisions are taken at the company.

The human resources strategy is fully in line with the company's overall strategy and aims to "search for excellence" in people management. There are constant challenges in a quickly growing company that is transforming its operations to be increasingly more global, while still respecting our model of having a close customer/market relationship and avoiding the pitfalls of centralisation.
Seeking excellence in people management in such a dynamic environment requires growth and evolving organisational operations to go hand in hand with the good will of each person and finding opportunities for professional and career development.
Virbac has an extensive in-house manager development programme. This programme is constantly including new modules based on current challenges. It was developed at headquarters and then shared in English and Spanish with the other subsidiaries that implement the programme with the support of experts at headquarters.
This is how we keep a fluid relationship between corporate performance and the success of our personnel. The overall satisfaction of our employees in Group subsidiaries is also measured through an internal opinion poll. Participation exceeds 80%. In 2011, the overall score, which has significantly improved since 2005, remains quite high. It increased slightly at headquarters and decreased slightly in the areas that have the highest scores.

Since 2007, a strategic development programme is implemented worldwide: the Virbac Leadership programme for 160 managers, operational and functional. The company's intrinsic strengths like innovation, being customer-centred, or the ability to build strong and warm relationships are indeed bolstered through this programme. But the key skills addressed in the Leadership programme's modules to foster robust Group growth are: team building and cross-cutting and intercultural collaboration. This training also boosts team spirit and cohesion within the Group.

In 2012, the original development initiative carried out, the VSA (Virbac Selling Attitude), emerged from the partnership between sales activity decision makers and human resources with a view to improving effectiveness in this area. The purpose of this training module, which is dedicated to for sales managers worldwide, is to better equip managers for selecting and accompanying sellers who are successful with Virbac.

Recruitment and mobility

Virbac witnessed another dynamic year in 2012. In France, 219 employees, 37 trainees and 28 apprentices were hired.

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.
Aside from specific scientific profiles, Virbac regularly hires operators at the Carros industrial sites by constantly searching for new candidates.
The need to identify and attract new talent has necessitated the implementation of several recruitment communications operations, including: participating in several job fairs, strengthening partnerships with targeted schools, and expanding collaboration with recruitment agencies.

Training and development

In 2012, training and development were again a specific priority for Virbac's human resources strategy.

Training management has been constantly enhanced with the creation of a specific offer for Virbac training and a participatory and empowering process for defining needs. The trainings led by internal trainers have increased since 2008 and accounted for 69% of training provided in the company in 2012. In 2012, an ambitious training programme on pharmaceutical regulation was implemented for all employees at headquarters.

The strong policy initiative for individual entitlement to training (*Droit individuel à la formation or Dif*) also allowed nearly 20% of Virbac employees to obtain Dif training in 2012. In comparison, the French average is 6.5%.
Training participation involves all personnel categories and this year there were around 2,669 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 topic of recruitment was added in 2012.

The full course has been translated into English and Spanish and implemented in the rest of the Group four years ago. The Virbac Leadership programme 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 2012, this programme was provided to around 41 managers.
This constitutes the foundation of the Virbac culture, know-how and strategic expertise for the company's future growth in the framework of an increasing corporate globalisation.

Finally, in 2012, an original project led to a module for training trainers: the VSA. This training programme for sales managers aims to improve the effectiveness of our sales strengths, in order to equip them in the areas of skills and recruiting, as well as to recruit and develop the best sellers for Virbac.
This project came about in October 2012. The first group trained was sales and human resources teams from Europe. Training will continue in 2013 with sales and human resources teams from Latin America, the United States and subsidiaries in the Asia Pacific region.

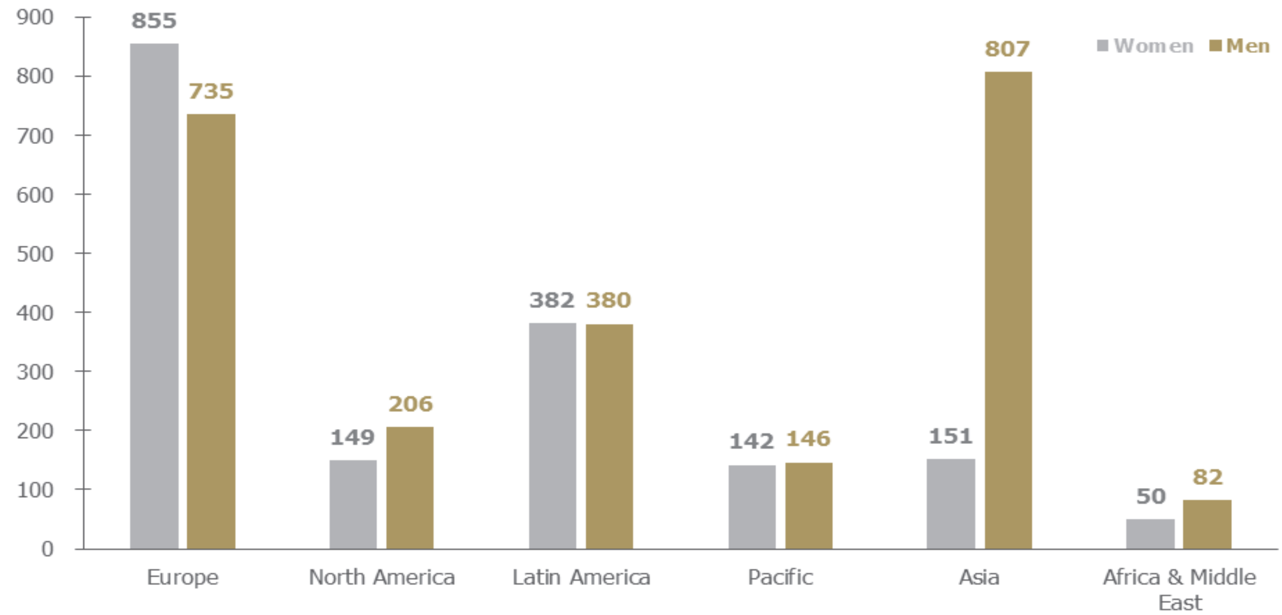
Compensation

In conjunction with the employee performance and development management process (Perf: Performance, evaluation, compensation and training), Virbac also continued actions with managers and employees.
The goal is to make managers accountable in taking salary-related decisions, to equip them with tailor-made tools, and train them in the compensation policies and best practices on salary review.
For employees, the goal is to become familiar with and understand the compensation policies, related processes and, in particular, the link between evaluations performed during the annual interview and the salary review.
The idea of job expertise, in which the technical skills and expected behaviour are detailed, as well as the notion of performance to be able to evaluate results are the elements used by the Perf tool. With this tool, managers can take good decisions on salaries, professional development, promotions or internal movements.

Group workforce

As at end of December 2012, Virbac had 4,085 employees: 2,356 men (58%) and 1,729 women (42%).

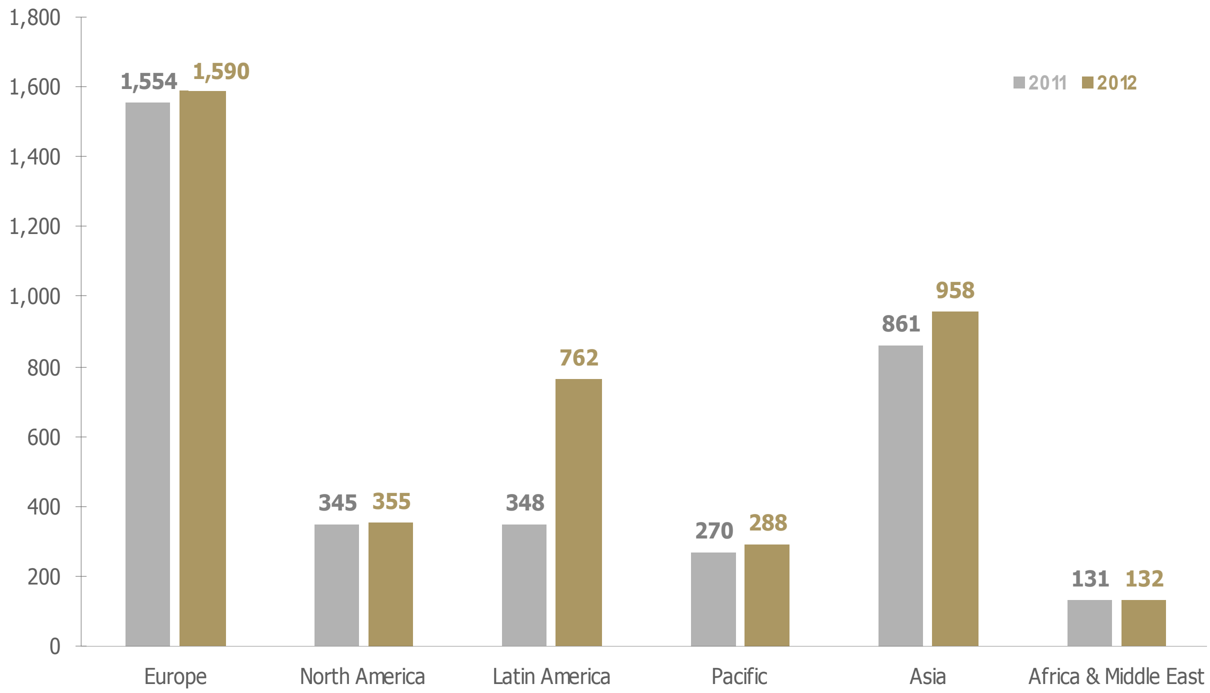
Breakdown of Group employees



39% of Group employees are in Europe, of which 1,232 are in France, or 30%.

The number of employees as at 31 December 2012 increased by 16% over 31 December 2011. The highest growth was in the Latin America region (119%) due to the integration of Centrovet employees in Chile (369 employees).

Changes to employee numbers by region



Changes to employee numbers by function

	2012		2011	
Production	1,465	36%	1,218	35%
Administration	500	12%	386	11%
Commercial & Marketing	1,728	42%	1,578	45%
Research & Development	392	10%	327	9%
Workforce	**4,085**	**100%**	**3,509**	**100%**

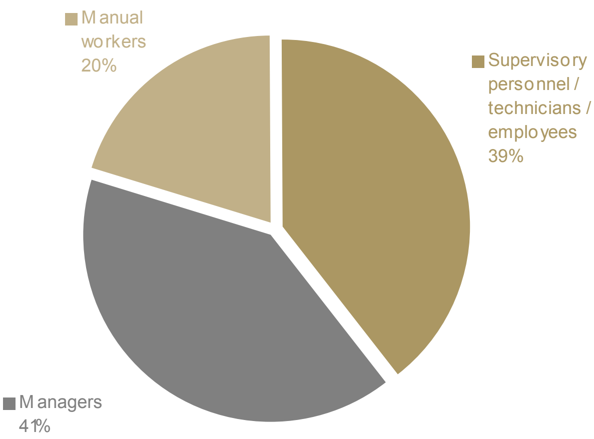
The significant growth in production employees (20%) is also tied to the integration of Centrovet employees (191 employees in production).

Virbac in France

Workforce

Virbac has 1,232 employees in France.
This figure includes the fixed-term contracts (CDD) and apprentices, who are not taken into account in the sustainable development section which is based on permanent employees.

With 57% women and 43% men, the workforce breaks down as follows in terms of socio-professional classification:



Changes to the workforce

In 2012, with 155 hirings and 122 vacancies, the balance of personnel hiring/vacancies was positive (+33 people) in France.

Compensation

In 2012, gross compensation amounted to €51,695,531 and payroll taxes to €21,006,266. The average annual gross salary of €44,563 is up 2.8% compared to 2011.

Other employee benefits

In 2012, the company allocated €484,692.

Training

Training expenses this year amounted to €2,012,570, accounting for 4.04% of payroll. As in 2011, training expenses in 2012 were 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 time reduction 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 in the same period as paid leave and RTT to facilitate management.

Workplace safety

This axis, which is a Group priority, saw substantial improvement in 2012, with close to 30% fewer occupational accidents that led to a total of 561 lost working days.
Specifically, in 2012, the main advances were the following:

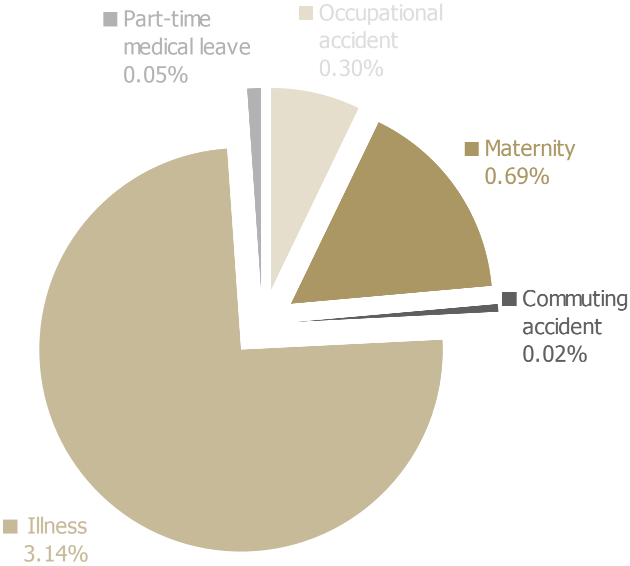
- as regards regulations on harsh working conditions, an action plan was developed in partnership with the CHSCT (Committee on hygiene, safety and working conditions) aimed at reducing by more than 50% cases defined as harsh working conditions over the coming three years;
- the Single Document was completely redrafted and updated with the support of an external consultant;
- the introductory process for new employees was also reviewed and tested at the end of the year.

With the arrival of a new security manager at the beginning of the year, there were several awareness campaigns carried out in all sectors and areas. A new 2015 HSE vision was introduced and approved by the management board, thereby lending a fresh impetus and greater visibility to this priority area.

A new two-day training module on stress management was launched in 2012 to improve prevention efforts by enhancing communication and assertiveness tools.
There were conference-debates held on the topic "Let's talk about stress". They were open to all employees and led by a joint working group. The managers were also provided training on handling difficult situations.

Absenteeism

Absenteeism within the company amounted to 4.2%, and broke down as follows:



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 CHSCT is made up of seven elected members at Carros and two at Magny en Vexin.
A CGT union representative is present in France.

Disabled workers

Virbac ESU sites employ the equivalent of 48 people with a legally recognised disability (the equivalent of 28.95 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 2012 corresponding to 29.16 missing units (€126,470).

Two workstations were outfitted with ergonomic chairs paid for by the company.

In 2012, Virbac sought to strengthen its partnership with the regional establishments and services for occupational aid (ESAT) by launching a call for tenders to eight ESAT in the region, specifically on the issue of green spaces and providing disabled employees with posts at company sites. More specific actions will be taken in 2013.

As regards its diversity approach and encouraging the recruitment and retention of persons with disabilities, Virbac has begun training and awareness activities for managers on non-discrimination and equal opportunities. To date, 108 managers have been trained. This process will continue throughout 2013.

Also in 2012, the Human Resources team, and in particular recruiters and Human Resources managers, also participated in a training session on recruiting, integrating, and providing development opportunities to persons with disabilities.

As a means to further its commitment to diversity and equal opportunities, particularly for the disabled, Virbac decided to negotiate in 2013 a corporate disabilities agreement with employee representatives.

Optional and compulsory profit-sharing and company savings plan

Optional profit-sharing agreement

The current 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, 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 Group consolidated net profit attributable to equity holders of the parent over consolidated revenue (same as previous agreement);
- a profitability ratio that looks at the Virbac group share consolidated operating profit over consolidated revenue.

The combination of these two ratios in order to calculate the profit-share has the twin goals 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, 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 (PEE) and/or to the collective 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, and Alfamed; another company savings plan also exists for the ESU comprised of Virbac Nutrition and Dog N'Cat International. The collective 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.

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.

In 2011, risk owners were appointed. Their role is to define, implement and oversee action plans for priority risks. One year later, in 2012, more than 120 action plans were initiated by the same managers to reduce Group exposure to major identified risks.
The specifics of the risk management system are detailed in the report of the chairwoman of the supervisory board on pages 92 to 98 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 situation or its results (or on its ability to achieve its objectives) and considers 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, maintaining its market share and ensuring its development, Virbac devotes significant resources to research and development.

In 2012, Virbac committed 7.4% 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 are not met and a project where large amounts were invested is abandoned, including at an advanced stage 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. In the same way as with 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, 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 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 first 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 second 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.

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 marketed batches, or 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 its 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 on this development and the impact it could have on the level of sales and margins.
To reduce its dependence on distributors and reduce 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 are of sufficient importance in a given market. Virbac then opts for the most appropriate solution, either acquiring its distributor or establishing a new company.

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, enabling it to participate in the ongoing consolidation in the sector.

Reputational risks

Virbac's success depends on its ability to maintain its reputation for quality, integrity and seriousness. Although the Group pays great attention to customer requirements and quality of its products, it cannot guarantee that it will be protected from damaging consequences on its reputation which may derive from a potential quality problem 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 that 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 for 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 core 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 instability. 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 temporary or permanent closure of a site for non-compliance with certain rules or following a major incident.
But industrial processes implemented by the Group are mainly low risk. Its exposure remains, therefore, limited.
However, Virbac grants particular attention to industrial risk prevention and environmental protection in line with its social and environmental policy. It is described in the sustainable development report on pages 25 to 36.
The responsibility for industrial risk management and environmental protection policy falls mainly to the heads of operational sites, which 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 related 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.

In addition, Virbac has a 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 requirements that all sites must meet regarding environmental matters including waste management, the volume and quality of water discharges, and safety and risk prevention rules.
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, albeit limited (see the sustainable development report on pages 25 to 36.
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 for people and the environment. In addition, HSE issues are taken into account during the due diligence for new site acquisitions.

Legal risks

Virbac attaches special importance to the 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 regulation 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 permanent, 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, with the assistance where necessary of 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 that the provisions recorded in the accounts in respect of these matters are 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 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 are provided by third parties.
In certain cases, the Group also uses finishers 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 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, 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 its 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 highly-integrated information systems. 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 backup 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 presented on pages 41 and 42 of the sustainable development report:

- defining a clear and precise safety organisation;
- establishing a prevention policy and continuous improvement 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 rate 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. Accordingly, it uses various instruments available on the market and generally employs foreign exchange forwards or options. 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. 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. 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 itself able to meet its future payments.
The policy of pooling excess cash and financing requirements in the all regions 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 to maintain a level of cash and cash equivalents that reflects its size and requirements.

Since July 2010, Virbac has had a variable rate 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 considers that it has low exposure to credit risk given the quality of its major counterparties (the investments are not 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, cover the whole Group. A Group-wide single transport insurance programme covers all goods transported across the globe under Virbac's responsibility. 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 2012, the Group paid €3.4 million in insurance premiums for this coverage, a 20% increase compared to 2011.

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

SUSTAINABLE DEVELOPMENT

The full sustainable development report on pages 12 to 51 sets out the Group’s values and guiding principles with regard to social, economic and environmental matters.

MANAGEMENT AND SUPERVISORY BODIES

Supervisory board

Marie-Hélène Dick, chairwoman of Virbac's supervisory board.
Expiry of current term of office: 2013.
Aged 48, 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 2012: €109,000.
Number of shares held at 31 December 2012: 1,635.

Jeanine Dick, vice-chairwoman of Virbac's supervisory board.
Expiry of current term of office: 2013.
Aged 76, 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).

Directors' fees received in respect of 2012: €12,000.
Number of shares held at 31 December 2012: 8,080.

Pierre Madelpuech, permanent representative of Asergi, a member of Virbac's supervisory board.
Expiry of current term of office: 2013.
Aged 52, 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 Developpement (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 ABCD (France);
- manager of Color'I (France);
- manager of Ulymaxcrea (France);
- manager of P2LM (France).

Directors' fees received in respect of 2012 by Asergi: €19,000.
Number of shares held at 31 December 2012 via Asergi: 10.

Xavier Yon, permanent representative and manager of XYC, a member of Virbac's supervisory board.
Expiry of current term of office: 2013.
Aged 72, 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 Michelson Diagnostic (United Kingdom);
- director of Elastagen (Australia);
- chairman of Goapharma (France);
- director of Panpharma (France);
- manager of XYC (France).

Directors' fees received in respect of 2012 by XYC: €19,000.
Number of shares held at 31 December 2012 via XYC: 518.

Philippe Capron, member of Virbac's supervisory board.
Expiry of current term of office: 2013.
Aged 54, a graduate of the HEC business school and the Institut d'Etudes 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);
- chairman of the board of directors and member of the governance and nomination committee of Activision Blizzard (United States);
- director of GVT (Brazil);

Directors' fees received in respect of 2012: €22,000.
Number of shares held at 31 December 2012: 410.

Olivier Bohuon, member of Virbac's supervisory board.
Expiry of current term of office: 2014.
Aged 52, doctor in pharmacy and MBA graduate of 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).

Directors' fees received in respect of 2012: €19,000.
Number of shares held at 31 December 2012: 45.

Executive board

Éric Marée, chairman of Virbac's executive board.
Aged 60, a graduate of the HEC business school and a holder of an MBA from Cornell University, Eric Marée joined Virbac in October 1999 and has been chairman of the executive board since December 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 61, 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);
- director of Virbac Asia Pacific Co. Ltd (Thailand);
- chairman of Laboratorios Virbac Mexico SA de CV (Mexico);
- chairman 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 Denmark A/S (Denmark);
- director of Peptech Animal Health Pty Ltd (Australia);
- director of Virbac Trading (Shanghai) Co Ltd (China);
- director of Inmobiliaria Virbac Mexico SA de CV (Mexico);

Christian Karst, member of Virbac's executive board.
Aged 54, 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);
- director of Holding Salud Animal SA (Chile);
- director of Centro Veterinario y Agricola Limitada (Chile);
- director of Bioanimal Corp. SA (Chile);
- director of Productos Quimicos Ehlinger S.A. (Chile).

Michel Garaudet, member of Virbac's executive board.
Aged 58, 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:

- director 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);
- permanent representative of Virbac, director of Virbac Chile Spa (Chile);
- permanent representative of Virbac, director of Virbac Patagonia Limitada (Chile); director of Holding Salud Animal SA (Chile);
- director of Centro Veterinario y Agricola Limitada (Chile);
- director of Bioanimal Corp. SA (Chile);
- director of Productos Quimicos Ehlinger S.A. (Chile).

Jean-Pierre Dick, member of Virbac's executive board.
Aged 47, 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 SARL+;
- joint manager of the Terre Du Large, a non-trading property investment company.

Appointment of a new member to the executive board

At its 21 December 2012 meeting, the supervisory board appointed Sébastien Huron as a new board member.
Aged 42 and veterinary by training, Sébastien Huron has been the European area director since September 2008, after having joined the Virbac group in 2006 as the chief operating officer of Spain and Portugal.
He began his international career in 1994 in Brazil at Roussel-Uclaf.
He held positions of increasing responsibilities in Latin America, then in the United States when Hoechst Roussel Vet was acquired by Intervet (today Merck Animal Health).

At his last post before joining Virbac, he was the manager of Intervet's companion animal division in the United States.
Other positions held:

- chairman of Virbac Nutrition (France);
- chairman of Alfamed (France);
- chairman of Bio Véto Test (France);
- director of Virbac Denmark A/S (Denmark).
- chairman of Virbac SRL (Italy);
- sole director of Virbac España SA (Spain);
- director of Virbac Limited (United Kingdom);
- chairman of Virbac Hellas SA (Greece);
- chairman of Animedica SA (Greece);
- chairman of Virbac Sp. z o.o. (Poland);
- chairman of Virbac de Portugal Laboratorios Lda (Portugal);
- director of Virbac Belgium SA (Belgium).

Compensation of members of the executive board in respect of 2012

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 2012

in €	Compensation due	Value of stock grants awarded for 2012 *	Total compensation
Éric Marée	554,088	135,148	**689,236**
Pierre Pagès	381,020	101,660	**482,680**
Christian Karst	344,316	98,072	**442,388**
Michel Garaudet	252,644	60,996	**313,640**
Jean-Pierre Dick	51,481	-	**51,481**

** based on the method used for the consolidated financial statements*

Gross value due in respect of 2011

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

** based on the method used for the consolidated financial statements*

The compensation paid in respect of 2012 corresponds to the fixed compensation paid in 2012, the compensation linked to terms of office for directors in Group companies paid in 2012, the variable compensation paid in 2013 in respect of 2012 and the benefits in kind granted in 2012 (company car).

Gross value due in respect of 2012

in €	Fixed compensation (including benefits in kind)	Compensation for director-ships in Group companies	Total compensation	Total compensation
Éric Marée	303,688	70,400	180,000	**554,088**
Pierre Pagès	206,120	66,900	108,000	**381,020**
Christian Karst	203,316	45,000	96,000	**344,316**
Michel Garaudet	184,544	13,100	55,000	**252,644**
Jean-Pierre Dick	35,981	-	15,500	**51,481**
Total	**933,649**	**195,400**	**454,500**	**1,583,549**

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 car).

Gross value due in respect of 2011

in €	Fixed compensation (including benefits in kind)	Compensation for director-ships in Group companies	Total 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	82,655	**321,429**
Michel Garaudet	180,958	12,100	42,130	**235,188**
Jean-Pierre Dick	36,000	-	14,476	**50,476**
Total	**925,559**	**170,000**	**362,166**	**1,457,725**

Calculation criteria for the variable portion

The variable compensation for the executive board is based on several common objectives:

- sales growth,
- growth in operating profit 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 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 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 the duties of the chairman of the executive board, Éric Marée, and executive board members Pierre Pagès and Christian Karst.

These commitments were adopted by the 18 June 2012 shareholders' meeting, in accordance with Afep-Medef recommendations. They meet the same terms and conditions 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 the Afep-Medef two-year compensation limit and subject to the achievement of demanding performance criteria: ratio of current operating income/sales over the twelve months prior to the departure of the senior manager equal to or greater than 7%.

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 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 2011, 2012 and 2013 fiscal years.

The procedures regarding retention period for managers are: 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:
- 2007 plan: 13,800;
- 2008 plan: 14,050;
- 2009 plan: 14,450;
- 2010 plan: 12,000;
- 2011 plan: 10,000;
- 2012 plan: 10,000.

Stock grant plans to executive board members are:

	Number of shares granted	Value of shares *	Vesting date	Date released **
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
Plan 2012 - 29/06/2012	1,130	€135,148	2015	2017
Shares granted to Éric Marée	**9,140**	**€707,543**		
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
Plan 2012 - 29/06/2012	850	€101,660	2015	2017
Shares granted to Pierre Pagès	**6,680**	**€519,331**		
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
Plan 2012 - 29/06/2012	820	€98,072	2015	2017
Shares granted to Christian Karst	**6,240**	**€487,962**		
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
Plan 2012 - 29/06/2012	510	€60,996	2015	2017
Shares granted to Michel Garaudet	**4,085**	**€316,538**		
Shares allocated to executive board members	**26,145**	**€2,031,373**		

** based on the method used for the consolidated financial statements*

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

Sébastien Huron was not a member of the executive board when the various plans were granted, so he was awarded 520 stock grants under the 2012 plan.

In 2012, the stock grants plan for 2009 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 2009 - 19/06/2009	1,800	1,800
Pierre Pagès	Plan 2009 - 19/06/2009	1,300	1,300
Christian Karst	Plan 2009 - 19/06/2009	1,200	1,200
Michel Garaudet	Plan 2009 - 19/06/2009	800	800
Total number of shares		**5,100**	**5,100**

Sébastien Huron was not a member of the executive board under the 2009 plan, so he was awarded 600 stock grants distributed in 2012.

The 18 June 2012 shareholders' meeting adopted a resolution to extend for a new three-year period the possibility of allocating company stock grants, in compliance with the provisions of article L225-197-1 and following, of the French commercial code.
This resolution allows for stock grants to be awarded 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 Commerce Code, both for Virbac and the companies that are either directly or indirectly associated with it according to article L225-197-1 of the French Commerce Code.

The total number of stock grants awarded may not represent over 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	120	€15,684
Pierre Pagès		
Christian Karst		
Michel Garaudet		
Purchases	**120**	**€15,684**
Éric Marée	3,702	€502,750
Pierre Pagès	0	€0
Christian Karst	300	€41,340
Michel Garaudet	900	€128,156
Sales	**4,902**	**€672,246**

As a member of the executive board, Sébastien Huron disposed of 555 shares at the end of 2012.

By members of the supervisory board and related parties

	Number of shares	Total amount of transactions
Investec (Dick family group)	10,000	€1,120,000
Pierre Madelpuech	-	-
Xavier Yon	143	€24,452
Philippe Capron	-	-
Olivier Bohuon	-	-
Purchases	**10,143**	**€1,144,452**
Investec (Dick family group)	-	-
Pierre Madelpuech	-	-
Xavier Yon	375	€49,036
Philippe Capron	-	-
Olivier Bohuon	-	-
Sales	**375**	**€49,036**

Share capital structure

As at 31 December 2012

	Shares	Voting rights	Capital	Voting rights
Dick family group	4,200,916	8,273,636	49.67%	65.50%
Company savings plan	75,800	151,600	0.90%	1.20%
Public	4,143,481	4,206,337	48.99%	33.30%
Treasury shares	37,803	-	0.45%	-
Total	**8,458,000**	**12,631,573**	**100%**	**100%**

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

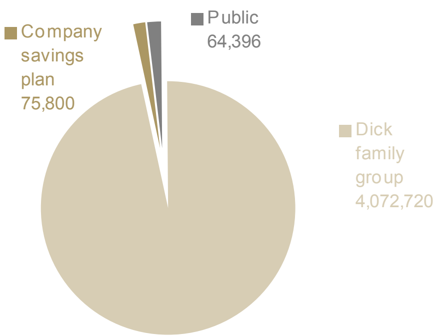
	Shares	Voting rights	Capital	Voting rights
Dick family group	4,200,916	8,273,636	49.67%	65.52%
Company savings plan	75,800	151,600	0.90%	1.20%
Public	4,137,447	4,201,843	48.92%	33.28%
Treasury shares	43,837	-	0.52%	-
Total	**8,458,000**	**12,627,079**	**100%**	**100%**

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%**	**100%**

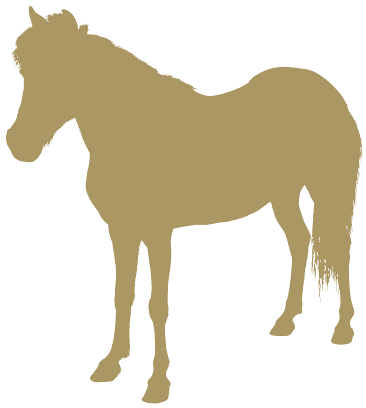
Information likely to have an impact in the event of a public offering

Pursuant to article L225-100-3 of the French commercial code, it should be noted that certain shares have special control rights.
The 37,803 treasury shares do not carry any voting rights,
The following shares carry double voting rights:



Thresholds crossed

Virbac was not informed of any thresholds crossed as provided by law or the articles of association of its capital or voting rights over the course of the fiscal year ended 31 December 2012.



Stock market data

in €	2008	2009	2010	2011	2012
Highest share price	68.85	75.85	130.00	133.00	149.85
Lowest share price	45.23	49.82	70.35	101.15	106.50
Average share price	56.58	60.11	92.49	118.86	129.06
Closing share price	57.94	72.73	130.00	119.90	149.85

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 interim results as required by law.

Relations with individual investors

The 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.

Since 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

Managers are heavily involved in communicating with the investors and analysts they meet over 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.

REVIEW OF THE 2012 FINANCIAL STATEMENTS

Consolidated financial statements

Operating performance

Turnover was €695.2 million, an increase of €72.1 million, or 11.6% at actual rates (8.9% at constant exchange rates) compared to 2011. The current operating result was up by 14.4% over last year due to improved margins on purchases, controlled increase of external expenses, and the effects of external growth.

The margins on purchases were up 12.2% at actual rates (9.4% at constant exchange rates). This increase is slightly higher than the sales figure driven mainly by the strong performance of the internal parasiticide (Iverhart) in the United States and the launch of CaniLeish in Spain, Greece and Italy.

Other current operating expenses net of income amounted to €381.6 million, up by €39.6 million, or 11.6% at actual rates.
This increase was due to:

- personnel costs resulting from jobs created in 2012, the full-year effect of jobs created in 2011, and the differences between 2011 and 2012 associated with acquisitions in New Zealand and Chile over the course of the year;
- external costs, primarily spending on R&D.

Other non-current income and expenses totalled €0.1 million in 2012, compared to €0.5 million in 2011.
The net financial result was -€2.7million, unchanged over 2011.

Income tax amounted to €28.1 million, up by 12.6% over 2011. The Group's effective tax rate was relatively unchanged: 31.8% in 2012 against 32.1% in 2011.

The result for the period attributable to the non-controlling interest was €0.6 million in 2012, compared to €1.0 million in 2011.

The Group share net profit was €66.6 million in 2012, compared to €57.7 million the previous year, or an increase of €9.1 million at actual rates (15.8%).

Consolidated financial position and financing

The Group's cash flow amounted to €92.5 million compared to €80.3 million in 2011, an increase of 15.3%. Net debt as at 31 December 2012 was €133.9 million.
Net debt at the end of 2012 was 1.45 times cash flow from operations and 38.7% of Group share equity.

The increase in intangible and tangible assets stemmed primarily from external growth operations in New Zealand and Chile, in addition to investments made by the parent company (new construction site for injectables at Carros).

Working capital requirements were up slightly over the previous fiscal year, totalling €78.5 million compared to €76.3 million in 2011. This rise was due to the volume of operating working capital requirements stemming from new companies acquired, which was offset in part by the liabilities entailed in the acquisitions in New Zealand and Chile.

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 €110 million at end-of-year 2012. The Group is fully complying with its contractual obligations.
As at 31 December 2012, the three loans subscribed in 2009 for a period of five years and a total of €30 million were used for up to €9 million.

Statutory financial statements

As at 31 December 2012, sales at the Virbac parent company amounted to €231.2 million, up €15.1 million, or 7%, compared to 2011.
The part of the sales made by Virbac with its subsidiaries accounts for 91% of its total sales. The remaining 9% involved direct sales by Virbac in countries in which the company does not have a subsidiary. In 2012, the ranges that most contributed to this growth were CaniLeish through its launch in Spain, Italy and Greece, and the Effipro range through the expanded marketing in Latin America, Asia, Pacific and the United States.

Operating profit for 2012 was €4.5 million, down €3.6 million (44.5%) compared to the previous year. This decrease was due to growth in costs, higher than sales growth and results from the significant efforts devoted to R&D, additional human resources given to this activity, and to pharmaceutical compliance.

The net financial result rose to €2.4 million (8.8%), driven mainly by increased dividends (+€2.3 million more than in 2011).

The exceptional items amounted to -€3.2 million and include depreciation primarily for a net allowance of €2.7 million, for depreciation of intangible and tangible assets of €1.4 million, as well as for the gain on the disposal of Francodex and Soparlic shares of €1.1 million.

The non-deductible expenses covered in article 39-4 of the French general tax code amounted to €193,344 in respect of the fiscal year ended 31 December 2012.
Net result after tax stood at €36.2 million against €35.9 million in 2011.

Table of net result over the previous five fiscal years (Virbac parent company)

in €	2008	2009	2010	2011	2012
Financial position at year end					
Share capital	10,892,940	10,892,940	10,892,940	10,892,940	10,572,500
Number of existing shares	8,714,352	8,714,352	8,714,352	8,714,352	8,458,000
Number of dividend-bearing shares	8,714,352	8,714,352	8,714,352	8,714,352	8,458,000
Overall results from operations					
Revenue before income tax	164,382,123	167,355,013	194,745,558	216,096,212	231,213,892
Earnings before tax, employee holdings, depreciations and provisions	27,809,367	34,470,897	37,935,964	45,398,411	48,019,531
Income tax payable	-5,982,459	-5,860,794	-4,288,960	-4,618,341	-6,623,939
Employee holdings	-	-	120,000	-	-
Allowances for depreciations and provisions	6,238,642	9,739,982	9,330,377	14,068,234	18,487,592
Earnings after tax, employee holdings, depreciations and provisions	27,553,183	30,591,708	32,774,547	35,948,518	36,155,878
Earnings distributed	10,457,222	11,502,945	13,071,528	14,801,500	16,070,200
Result from operations per share					
Earnings after tax, employee holdings, depreciations and provisions	3.88	4.63	4.83	5.74	6.46
Earnings after tax, employee holdings, depreciations and provisions	3.16	3.51	3.76	4.13	4.27
Dividend per share	1.20	1.32	1.50	1.75	1.90
Personnel					
Average number of employees	786	835	863	964	1,014
Total payroll	31,660,677	34,147,855	37,024,861	40,376,362	45,057,692
Total benefits (social security, other employee benefits, etc,)	15,514,723	16,742,600	20,556,102	20,847,241	23,156,256

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 payment periods of vendors from the Virbac parent company is shown below.

As at 31 December 2012

in €	Overdue	Due between			Total
		0 and 30 days	31 and 60 days	More than 60 days	
Trade payables	1,827,878	10,485,230	4,347,551	62,923	**16,723,582**

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**

In 2012, the amount of maturities over 60 days amounted to €62,923 on a total supplier debt reaching €16,273,582, or 0.4%. These payments correspond mainly to foreign suppliers whose settlement period was fixed at 60 days end of month on the tenth.

Allocation of earnings

The Virbac parent company earned €36,155,878,29.

It will be proposed at the shareholders' meeting to pay out a net dividend of €1.90 per share with a par value of €1.25. 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 €16,070,200;
- retained earnings €20,085,678,29;
- net result for the period €36,155,878,29.

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 26 June 2013.

Dividends over the past three fiscal years

It should be recalled that over the past three fiscal years the following dividends were paid out:

in €	Amounts for previous fiscal years		
	2009	2010	2011
Dividend per share	1.32	1.50	1.75
Actual distribution	11,447,597	13,018,970	14,748,377

Partners are informed that, in keeping with the provisions of article 117 *quater* of the French general tax code, individual persons with fiscal residence in France who earn distributed income will be subject to a flat-rate withholding tax of 21% (excluding social contribution deductions). These mechanisms are not applicable to legal entities.

Share buyback programme

The ordinary shareholders' meeting of 18 June 2012 authorised the Virbac parent company to buy back shares in accordance with articles L225-209 and following, 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 23 May 2012.

As at 31 December 2012, Virbac held 37,803 treasury shares acquired on the market for a total of €4,433,155, excluding fees, for an average price of €117.27 per share.
During the financial year, the company bought 57,303 treasury shares including 43,766 shares (at an average price of €127.56) as part of the market-making contract, 3,537 shares as part of the 2011 buyback programme (at an average price of €118.64), and 10,000 shares (at an average price of €136.88) as part of the allocation of stock grants. Virbac also sold 59,800 shares including 46,000 shares under a market-making agreement (at an average price of €128.08), and 13,800 shares (transferred free of charge) as part of stock grant plans, Expenses are no longer deducted from these transaction.
As at 31 December 2012, treasury shares account for 0.45% of Virbac's capital. They are earmarked for market-making and stock grants, in accordance with the ninth resolution of the shareholders' meeting of 18 June 2012.

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*);
- allocating of free stock grants;
- 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 €250. 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.

Proposed capital decreased by cancellation of shares

In accordance with the provisions of article L225-209 of the French commercial code, it will be proposed at the shareholders' meeting to authorise the executive board, for a period of twenty-six months, to reduce capital, one or more times within a 10% limit by cancelling all or part of the shares that the company holds or may hold as a result of purchases made pursuant to article L225-209 of the French commercial code, namely for the resolution given to the executive board authorising the purchase of corporate shares.

Employee holdings

Pursuant to article L225-102 of the French commercial code, as at 31 December 2012, employees of the company and related companies owned 75,800 Virbac shares, or 0.9% 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.
In accordance with the provisions of article L225-129-6 of the French commercial code was presented to the shareholders' meeting on 18 June 2012 and was not adopted.

Reappointment of the supervisory board members

The terms of Marie-Hélène Dick Madelpuech, Jeanine Dick, Philippe Capron, Asergi represented by Pierre Madelpuech, and XYC represented by Xavier Yon are set to expire at the end of the next shareholders' meeting.

Therefore, at the shareholders' meeting a reappointment for a period of three years will be requested for the following terms, ending at the close of the shareholders' meeting convened to approve the financial statements for the fiscal year ending 31 December 2015:

- reappointment of Marie-Hélène Dick Madelpuech's term, as a supervisory board member;
- reappointment of Jeanine Dick as a supervisory board member;
- reappointment of Philippe Capron as a supervisory board member;
- reappointment of Asergi, represented by Pierre Madelpuech, as a supervisory board member,
- reappointement of the XYC company, represented by Xavier Yon, as supervisory board member.

Creation of the position of the non-voting member and amendment of the articles of association

The supervisory board wanted to be able to call on the advice of persons with skills specifically in the pharmaceutical field. Consequently, the creation of the position of a non-voting member will be proposed at the shareholders' meeting. The purpose of this position will be to provide expertise to the supervisory board. The non-voting member will participate in the supervisory board meetings in an advisory capacity.

Subject to approval of this resolution, a proposal will be made to add to the articles of association a new article 17 *bis* regarding the position of the non-voting member.

Other amendments to the articles of association

A proposal will also be made to amend article 18 of the articles of association regarding regulated agreements in order to include the position of the non-voting member and to ensure its compliance with article L225-86 paragraph 1 of the French commercial code, which raised the voting rights from 5% to 10% for controlling shareholder agreements.

OUTLOOK FOR 2013

As in 2012, Virbac expects a slight growth in European markets, but a continuing satisfactory trend in the United States and in the rest of the world.
At the beginning of April, Virbac's United States subsidiary announced to its distributors that it had halted temporarily the commercialisation of its internal antiparasitic Iverhart Plus due to the fact that some batches recently produced, were or might be below specification in the potency level of one of the actives before the expiry date of the product. To compensate for this interruption of supply and to replace the recalled batches, Virbac United States is offering to its customers, for a six-month period, the product Iverhart Max at the price of Iverhart Plus.
This event, combined with weak activity in the first quarter, will make it more difficult to achieve the ambition announced with the publication of the 2012 results, of an organic growth of 5 to 7% and an increase of half a point in operating profitability. However, taking into account the acquisitions completed in 2012, the growth potential of recently launched products, and that of the emerging countries, the Group remains confident that it can generate global double digit growth of its revenues and operating result.

Provisional financial communications timetable

The provisional timetable for 2013 is as follows:

- 17 January 2013, after market close: 2012 annual sales published;
- 11 March 2013, after market close: 2012 annual results published;
- 16 April 2013, after market close: 2013 first quarter sales published;
- 17 June 2013: annual ordinary shareholders' meeting;
- 18 July 2013, after market close: 2013 second quarter sales published;
- 30 August 2013, after market close: 2013 first half-yearly results published;
- 17 October 2013, after market close: 2013 third quarter sales published;
- 16 January 2014, after market close: 2013 annual sales published.

FEES OF STATUTORY AUDITORS AND MEMBERS OF THEIR NETWORKS BORNE BY THE GROUP

in € thousands	Deloitte & Associés				Novances-David & Associés Nexia Network			
	2012		2011		2012		2011	
Issuer	127.0	14%	150.0	17%	65.5	78%	65.4	72%
Consolidated subsidiaries	717.9	82%	683.5	77%	18.1	22%	25.4	28%
Auditing, review of the individual and consolidated accounts	**844.9**	**94%**	**833.5**	**93%**	**83.6**	**100%**	**90.8**	**100%**
Issuer	-	-%	-	-%	-	-%	-	-%
Consolidated subsidiaries	27.6	3%	48.8	5%	-	-%	-	-%
Other audit services directly related to the auditing task of the statutory auditors	**27.6**	**3%**	**48.8**	**5%**	**-**	**-%**	**-**	**-%**
Audit services	**872.5**	**97%**	**882.3**	**99%**	**83.6**	**100%**	**90.8**	**100%**
Legal, fiscal, social services	6.5	1%	9.2	1%	-	-%	-	-%
Other	-	-%	-	-%	-	-%	-	-%
Other services provided by the networks to the consolidated subsidiaries	**6.5**	**1%**	**9.2**	**1%**	**-**	**-%**	**-**	**-%**
Total fees	**879.0**	**100%**	**891.5**	**100%**	**83.6**	**100%**	**90.8**	**100%**

STATUTORY AUDITORS' REPORT ON THE CAPITAL DECREASE BY CANCELLATION OF SHARES, PROPOSED TO THE SHAREHOLDERS' MEETING

Year ended December 31, 2012

To the Shareholders,

In our capacity as Statutory Auditors of your Company and in accordance with the procedures provided for in Article L225-209 of the French Commercial Code (Code de Commerce) on the decrease in share capital by the cancellation of shares purchased, we hereby report to you on our assessment of the reasons for and the terms and conditions of the proposed decrease in share capital.
Shareholders are requested to confer all necessary powers on the Board of Directors, during a period of 26 months, to cancel, up to a maximum of 10% of its share capital by 24 month period, the shares purchased by the Company pursuant to the authorization to purchase its own shares as part of the provisions of the aforementioned article.

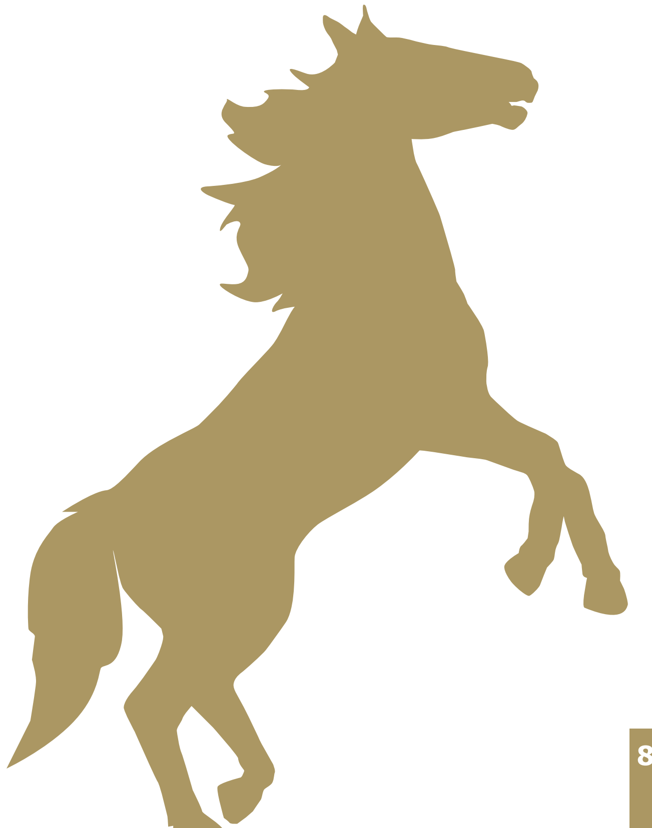
We performed the procedures that we considered necessary in accordance with the professional guidelines of the French National Institute of Statutory Auditors (Compagnie Nationale des Commissaires aux Comptes) applicable to this engagement. Our procedures consisted, in particular, in verifying the fairness of the reasons for and the terms and conditions of the proposed decrease in share capital, and ensuring that it does not interfere with the equal treatment of shareholders.

We have no comments on the reasons for and the terms and conditions of the proposed decrease in share capital.

Nice and Marseille, March 29, 2013
The Statutory Auditors

Novances-David & Associés
Christian Dechant

Deloitte & Associés
Hugues Desgranges



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 ORGANIZING THE WORK OF THE SUPERVISORY BOARD

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 8 March 2013 meeting 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, i.e. 50% independent members. 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 supervisory board member for a term of three years. The supervisory board is made up of two women and four men, i.e. 33% women. The chair is a woman.
83% of those in the supervisory board are serving managers and one retired person. Its six members are aged between 48 and 76 years old. The offices held by supervisory board members are listed on page 73 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 Philippe Capron who was at four of the five meetings. Supervisory board members also met informally several times during the year for work and discussion sessions. At the 2012 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. Depending on the content of the meetings, all or part of the members of the executive board were present, as well as the area directors or functional directors of the Group on an ad hoc basis.

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 met formally on 9 May 2012 to carry out an evaluation of its method of operation. Each member of the board had answered an evaluation questionnaire. This evaluation led to internal actions taking place.

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. It is in this context that the supervisory board appointed a new member of the executive board, Sébastien Huron in December 2012.

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 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: operating profit ratio from ordinary activities/sales over the twelve months prior to the departure of the senior manager 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 9 of the annual report. The compensation committee, chaired by the chairwoman of the supervisory board, met twice during 2012. 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 9 of the annual report. The audit committee, chaired by Philippe Capron, an independent member of the supervisory board, met three times during 2012 with the chairman of the executive board, the chief financial officer and the statutory auditors in attendance. During 2012, it examined the 2011 financial statements and the 2012 interim financial statements.
It checked the financial information and decided upon the accounting treatment for the year's major transactions, in particular the acquisition operations completed in New Zealand and Chile. 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 2013, the audit committee met to confirm the financial information related to the 2012 annual financial statements.

Executive board membership

The executive board has six 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 and is president of the *Fondation d'Entreprise Virbac*, a corporate foundation;
- At its meeting on 21 December 2012, the supervisory board appointed Sébastien Huron as a new member of the executive board. Sébastien Huron supervises the European area and will be responsible for Group projects in sales and marketing.

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 act 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 75 to 79 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 8 March 2013.

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 (French financial markets authority) 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;
- the integration of acquired companies is carried out in accordance with Group rules;
- 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 adopt 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 validated by the members of the Virbac executive board.

For companies which are not wholly owned, the rules of governance are defined and governed by shareholders’ agreements (SBC Virbac in Taiwan, Santa Elena in Uruguay and Centrovet in Chile).

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 stated 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. 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, rule 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 aimed 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 drug 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 parts 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 as individual 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 task: the compensation and the audit committees. The members of these committees are shown on page 9 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 8 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 and *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 shown on page 96 of the annual report.

The head of special projects ensures the communication and development of Virbac's corporate reputation through relevant sponsoring initiatives and media relations; Through public relations initiatives organised around the sports programme in which he plays a key role as skipper on the Virbac-Paprec boat, he continues to reinforce Virbac's image amongst veterinarian customers.
He is also president of the *Fondation d'Entreprise Virbac*, a corporate foundation, whose mission is to inform and educate the public, in particular children, about respect for animals and the responsibility towards their trusty companions as far as their health, their safety and their wellbeing are concerned. It fulfills its objectives through general public information campaigns, and by developing initiatives and partnerships with health professionals, veterinary practices, regional and local authorities and French and international institutions.

The director of the European area will be responsible for Group projects in sales and marketing.

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, function and major project.

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 (member of the executive board) with a dotted line to the executive board, the Risk Management director is responsible for defining and implementing risk management systems. He coordinates risk analysis, makes a contribution across the organisation and contributes in sharing best practices between Group entities and departments. His roles and responsibilities are shown in detail on pages 97 and 98 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 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 function 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 distributed a crisis management procedure the objective of which as far as possible is to anticipate 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 reference 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 in the chapter on "Risk Factors" on page 67 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. This mapping of the Group's significant risks will be updated in 2013;
  - 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.

The year 2012 was particularly marked by:

- greater power of risk owners, in particular in managing action plans, for which they are responsible. To this day, more than 120 action plans are identified for the Group's significant risks;
- improvement of the monitoring tool with the introduction of the first indicators to measure the progress and efficiency of the measures taken;
- continuation of the implementation of the risk management system on an international basis. In 2012 for example, the risk management system was rolled out at the Group's Australian and Philippines Filipin subsidiaries ;

- the creation of corporate training with the aim of strengthening the Group's risk management culture. The first few sessions were organised at the head office at the end of the year;
- all these actions were presented to the Group's supervisory board which was held on 18 June 2012.

Analysis of the risks related to external growth policy of the Group

Virbac has defined a rigorous process for mergers and acquisitions to cover the analysis of potential targets and the integration of acquired companies by:

- applying strict criteria of investment profitability;
- creating competent multidisciplinary teams, strengthened as appropriate by external councils, responsible for performing due diligence, enabling the strengths and weaknesses of the companies acquired and associated risks to be evaluated.

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 2013 aimed at extending this system, which is described on page 100 of the 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 81. Virbac's main shareholder, the Dick family group, holds 49.7% of shares and 65.5% of 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 95 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 95 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 95 and 96 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

The importance and increasing role of communication and the need to deliver comprehensive quality financial information have led the Virbac group to acquire the functions and skills required to present this information and to control risks to the corporate image.

Annual report and periodic financial information

The Financial Affairs department is responsible for preparing the annual report and periodic financial information, working closely with the Group Communications department, which involves in particular:

- defining and validating information in the annual document, half-year report and periodic financial announcements;
- supervising the work carried out by the annual report steering committee;
- distributing financial information;
- applying the stock market regulations regarding financial communication and managing relations with the AMF.

Press releases

The Group Communications department is responsible for media activities which could have an impact on the image, reputation and integrity of the Virbac brand name. To achieve this, it works very closely with the Financial Affairs department, in particular in activities and by distributing information which could have an impact on Virbac's share price.

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 directions 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 at the audit committee.

Outlook for 2013

The outlook for the coming year includes the following:

- updating of the Group's mapping of its major risks, which will enable any emerging risks to be analysed;
- follow-up of action plans already in place for existing risks;
- finalisation of indicators for all risks, enabling the progress and efficacy of the measures put in place;
- continued implementation of the risk management system on an international basis, starting with the Group's main subsidiaries;
- continuation of training on risk management for head office operating activities;
- continuation of the integration of businesses recently acquired in New Zealand and Chile.

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 December 31, 2012

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 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 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 December 31, 2012.

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

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 may 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, March 29, 2013
The statutory auditors

Novances - David & Associés	**Deloitte & Associés**
French original signed by	French original signed by
Christian DECHANT	Hugues DESGRANGE

2012 CONSOLIDATED FINANCIAL REPORT

CONSOLIDATED FINANCIAL STATEMENTS

Statement of financial position

in € thousands	Notes	2012	2011
Goodwill	**A1-A3**	122,594	91,487
Intangible assets	**A2-A3**	208,598	93,735
Tangible assets	**A4**	152,110	127,137
Other financial assets	**A5**	4,458	1,275
Share in companies accounted for by the equity method	**A6**	11,511	11,826
Deferred tax assets	**A7**	4,644	4,366
Non-current assets		**503,915**	**329,826**
Inventories and work in progress	**A8**	132,238	111,832
Trade receivables	**A9**	111,924	87,961
Other financial assets	**A5**	240	1,142
Other receivables	**A10**	39,632	34,048
Cash and cash equivalents	**A11**	39,749	23,826
Assets classified as held for sale	**A12**	-	-
Current assets		**323,783**	**258,809**
Assets		**827,698**	**588,635**
Share capital		10,573	10,893
Reserves attributable to the owners of the parent company		335,596	300,492
Equity attributable to the owners of the parent company	**A13**	**346,169**	**311,385**
Non-controlling interests		52,247	2,481
Equity		**398,416**	**313,866**
Deferred tax liabilities	**A7**	33,239	9,113
Provisions for employee benefits	**A14**	8,716	7,483
Other provisions	**A15**	3,027	2,148
Other financial liabilities	**A16**	146,543	73,417
Other payables	**A17**	1,528	1,829
Non-current liabilities		**193,053**	**93,990**
Other provisions	**A15**	718	612
Trade payables	**A18**	74,036	63,124
Other financial liabilities	**A16**	27,146	20,120
Other payables	**A17**	134,329	96,923
Current liabilities		**236,229**	**180,779**
Liabilities		**827,698**	**588,635**

Income statement

in € thousands	Notes	2012	2011	*Change*
Revenue from ordinary activities	**A19**	**695,155**	**623,059**	***11.6%***
Purchases consumed	**A20**	-215,498	-195,371	
External costs	**A21**	-158,741	-145,429	
Personnel costs		-185,611	-164,026	
Taxes and duties		-14,620	-13,642	
Depreciations and provisions	**A22**	-23,771	-19,702	
Other operating income and expenses	**A23**	1,166	860	
Operating profit from ordinary activities		**98,080**	**85,749**	***14.4%***
Other non-current income and expenses	**A24**	103	464	
Operating result		**98,183**	**86,213**	***13.9%***
Financial income and expenses	**A25**	-2,722	-2,713	
Profit before tax		**95,461**	**83,500**	***14.3%***
Income tax	**A26**	-28,107	-24,967	
Share from companies' result accounted for by the equity method		-152	22	
Result for the period		**67,202**	**58,555**	***14.8%***
attributable to the owners of the parent company		66,625	57,516	*15.8%*
attributable to the non-controlling interests		577	1,039	*-44.5%*
Profit attributable to the owners of the parent company, per share	**A27**	€7.91	€6.83	*15.8%*
Profit attributable to the owners of the parent company, diluted per share	**A27**	€7.91	€6.83	*15.8%*

Comprehensive income statement

in € thousands	2012	2011	*Change*
Result for the period	**67,202**	**58,555**	***14.8%***
Change in asset revaluation reserve	-	-	
Actuarial gains and losses	-916	-	
Conversion gains and losses	-5,440	-2,688	
Gains and losses from revaluation of financial assets available for sale	-	-	
Effective portion of gains and losses on hedging instruments	-1,120	-140	
Other elements of comprehensive income (before tax)	**-7,476**	**-2,828**	***164.4%***
Tax on other elements of comprehensive income	675	48	
Share of OCI from companies using the equity accounting method	-	-	
Comprehensive income	**60,401**	**55,775**	***8.3%***
attributable to the owners of the parent company	59,727	54,741	*9.1%*
attributable to the non-controlling interests	674	1,034	*-34.8%*

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 as 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 as at 31/12/2011	**10,893**	**6,534**	**235,526**	**916**	**57,516**	**311,385**	**2,481**	**313,866**
2011 allocation of net income	-	-	57,516	-	-57,516	**-**	-	**-**
Distribution of dividends	-	-	-14,748	-	-	**-14,748**	-1,302	**-16,050**
Treasury shares	-320	-	-229	-	-	**-549**	-	**-549**
Changes in scope	-	-	-9,646	-	-	**-9,646**	50,394	**40,748**
Other variations	-	-	-	-	-	**-**	-	**-**
Comprehensive income	-	-	-1,361	-5,537	66,625	**59,727**	674	**60,401**
Equity as at 31/12/2012	**10,573**	**6,534**	**267,058**	**-4,621**	**66,625**	**346,169**	**52,247**	**398,416**

Cash flow statement

in € thousands	2012	2011
Result for the period	**67,202**	**58,555**
Elimination of share from companies' profit accounted for by the equity method	152	-22
Elimination of depreciations and provisions	24,677	20,319
Elimination of deferred tax change	1,212	592
Elimination of gains and losses on disposals	-4,082	281
Other income and expenses with no cash impact	3,358	526
Cash flow	**92,519**	**80,251**
Effect of net change in inventories	-5,570	-11,687
Effect of net change in trade receivables	1,056	-2,625
Effect of net change in trade payables	8,185	-8,319
Effect of net change in other receivables and payables	-1,596	1,427
Effect of change in working capital requirements	**2,075**	**-21,204**
Net financial interests paid	2,439	2,734
Net cash flow generated by operating activities	**97,033**	**61,781**
Acquisitions of intangible assets	-6,922	-5,686
Acquisitions of tangible assets	-28,952	-37,635
Disposals of intangible and tangible assets	1,223	193
Change in financial assets	-2,349	-293
Change in debts relative to acquisitions	30,529	1,546
Acquisitions of subsidiaries or activities	-122,254	-35,913
Disposals of subsidiaries or activities	7,079	120
Dividends received	40	-
Net flow allocated to investing activities	**-121,606**	**-77,668**
Dividends paid to the owners of the parent company	-14,748	-13,019
Dividends paid to the non-controlling interests	-1,052	-705
Change in treasury shares	-1,480	-31,185
Increase/decrease of capital	-	-
Debt issuance	110,449	48,850
Repayments of debt	-52,007	-5,164
Net financial interests paid	-2,439	-2,734
Net cash from financing activities	**38,723**	**-3,957**
Change in cash position	**14,150**	**-19,844**

Statement of change in cash position

in € thousands	2012	2011
Cash and cash equivalents	23,826	39,998
Bank overdraft	-10,830	-5,430
Accrued interests not yet matured	-38	-20
Opening net cash position	**12,958**	**34,548**
Cash and cash equivalents	39,749	23,826
Bank overdraft	-9,590	-10,830
Accrued interests not yet matured	-28	-38
Closing net cash position	**30,131**	**12,958**
Impact of currency conversion adjustments	-1,162	-1,746
Impact of changes in scope	4,185	-
Net change in cash position	**14,150**	**-19,844**

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 2012 consolidated financial statements were approved by the executive board on 8 March 2013.
They will be submitted for approval to the shareholders' general meeting on 17 June 2013; 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 17 February 2012, Virbac reduced its capital by cancelling shares, following a buyback of its own shares on the market. This operation is described in note A13.

On 25 April 2012, Virbac sold its non-ethical distribution activities (garden centres, animal breeding centres, pet shops) of healthcare and nutrition products for companion animals. The brands and businesses of Francodex (in France) and Mastery (France and Europe) were sold to an international French group that is already established as a leader in mass market products for companion animals in supermarkets and hypermarkets. The impact of this transaction is detailed in note A24.

On 17 May 2012, Virbac bought out the non-controlling interests of its subsidiary Virbac Vietnam.
In accordance with IAS 27, non-controlling interests were reclassified to equity, resulting in a €1.5 million reduction.

On 2 July 2012, Virbac acquired via its subsidiary Virbac New Zealand Ltd, all shares in Stockguard Animal Health Ltd and Stockguard Laboratories Ltd in Hamilton, New Zealand.

Since being founded in 1987, Stockguard has built up strong expertise in the development, manufacturing and marketing of a range of products for the dairy cattle and sheep-rearing markets in New Zealand. It has solid leadership positions in intramammary, injectable antibiotics, reproduction, vitamins and minerals. The current portfolio of new products will fill out the existing range allowing it to strengthen its market position.
The transaction is a business combination 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 23 November 2012, Virbac signed a deal under which the Group acquires a majority stake in Centrovet group, market leader in animal health in Chile.
Set up in 1979, Centrovet has become a key player in aquaculture, building up unique know-how and expertise in the development and production of innovative products used in cold-water aquaculture, particularly in vaccines for salmon and trout farming, an industry in which Chile is one

of the world leaders. Aside from injectable vaccines, the company has developed and launched original technologies for delivering vaccines orally in aquaculture. It is as yet the only player in this new market. The transaction gives Virbac a leading position in the aquaculture market which is set to play an increasing role in the production of proteins for human consumption, while also capitalising on previous M&A in Asia over recent years in the same field (Bio Solution, SBC).
Centrovet is also active in other segments of the veterinary market in Chile, rearing and companion animals, where its product range could benefit from the contribution of some Virbac ranges.
Besides the potential growth of the Chilean market, Virbac's global presence offers a real opportunity to roll out Centrovet's ranges internationally, particularly its aquaculture vaccines.
The transaction is a business combination within the meaning of IFRS 3 revised and is reported as such in these consolidated financial statements. The provisional price allocation is shown in note A1.

On 21 December 2012, Virbac acquired the rights to produce and sell Multimin, an injectable food supplement for cattle and sheep, in Australia and New Zealand.
Virbac South Africa had already bought the local rights to the same product in 2011.
The operation constitutes an intangible asset acquisition within the meaning of IAS 38 and is reported as such in these consolidated financial statements. Its impact is explained in note A2.

On 31 December 2012, Virbac bought out non-controlling interests in the Virbac Nederland BV group and hence indirectly those in its subsidiary Virbac Belgium SA. It now wholly owns both subsidiaries. In accordance with IAS 27, non-controlling interests were reclassified to equity, resulting in a €8.1 million reduction. Under a long-term agreement Virbac is to supply products marketed under brand names owned by Emax and Bridgefarma.

On 31 December 2012, Virbac signed a deal selling its whole stake in Bridgefarma (non-ethical distribution channel) in the Netherlands. The transaction led to disposal of €1,605 thousands of goodwill (see note A1). The impact on consolidated income is shown in note A24.

At the Carros site, Virbac completed structural work on its new building for manufacturing sterile injectable products, in the fourth quarter of 2012.

Significant events after the closing date

There were no significant events after the closing date.

Scope of application

The financial consolidated statements as at 31 December 2012 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:

- universal transfer of Soparlic and Francodex assets and liabilities (TUP) to Alfamed;
- buyout of non-controlling interests in Virbac Vietnam;
- acquisition, via holding companies Virbac Chile and Virbac Patagonia, of 51% of the shares in Holding Salud Animal, the holding company for Centrovet group in Chile;
- buyout of non-controlling interests in Virbac Nederland BV and indirectly Virbac Belgium SA.

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 2012 financial year, the Group applied all standards and interpretations in force at the European level, applicable to periods beginning on or after 1 January 2012.
These standards and interpretations are as follows:

- amendment to IFRS 7, "information to be provided - transfers of financial assets", applicable to periods beginning on or after 1 July 2011.

Application of these new standards has not had a significant impact on the consolidated financial statements in the 2012 financial year.

On the reporting date of these consolidated financial statements, the following standards and interpretations had been adopted by the EU with an option for early application:

- amendment to IFRS 1, "serious hyperinflation and removal of fixed adoption dates for new adoptions", applicable to periods beginning on or after 1 January 2013;
- amendment to IAS 12, "recovery of underlying assets", applicable to periods beginning on or after 1 January 2013;
- amendment to IFRS 7, "information to be provided - offsetting financial assets and financial liabilities", 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 19, "employee benefits", 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;
- IFRIC 20, "stripping costs in the production phase of a surface mine", applicable to periods beginning on or after 1 January 2013;
- IFRS 10, "consolidated financial statements", applicable to periods beginning on or after 1 January 2014;
- IFRS 11, "joint arrangements", applicable to periods beginning on or after 1 January 2014;
- IFRS 12, "related party disclosures", applicable to periods beginning on or after 1 January 2014;
- amendment to IAS 27, "separate financial statements", applicable to periods beginning on or after 1 January 2014;

- amendment to IAS 28, "investments in associates and joint ventures", applicable to periods beginning on or after 1 January 2013;
- amendment to IAS 32, "offsetting of financial assets and financial liabilities", applicable to periods beginning on or after 1 January 2014.

The Group decided to apply IAS 19 revised early. The impact of applying this standard is explained in note A14.

On the end date of these consolidated financial statements, the following standards and interpretations were submitted by IASB (International accounting standards board) but still not adopted by the European Union with no option for early application:
- amendment to IFRS 1, "government loans", applicable to periods beginning on or after 1 January 2013;
- IFRS 9, "financial instruments", applicable to periods beginning on or after 1 January 2015;
- amendments to IFRS 10, 11, 12, "transition guidance", applicable to periods beginning on or after 1 January 2013;
- amendments to IFRS 10, 12 and IAS 27, "investment entities", applicable to periods beginning on or after 1 January 2014.

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 2012 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

IFRS 3 revised provides two possible methods for measuring goodwill: the partial goodwill method or the full goodwill method. The Group applied the partial goodwill method to all transactions in the financial year that were recognised in accordance with IFRS 3 revised.
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 after 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 with finite 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 be 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 after 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 tangible 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 personnel securities), other 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 are 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.

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 2012, 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. As a result of the Group deciding to apply IAS 19 revised early, actuarial differences are recognised immediately under other comprehensive income.

Taxes and duties

The Group has opted for a classification of 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).

Change of method

The Group decided to apply IAS 19 revised early. As a result, actuarial differences are now recognised immediately in other comprehensive income.

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 business combinations 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 2012, the net total of goodwill was €122,594 thousands and the value of intangible assets was €208,598 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. Actuarial differences are recognised immediately in other comprehensive income.
The total commitment relating to personnel benefits is €8,716 thousands as at 31 December 2012.

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 €3,745 thousands as at 31 December 2012.

A1. Goodwill

Change in goodwill by CGU

in € thousands	Gross value as at 31/12/2011	Impairment value as at 31/12/2011	Book value as at 31/12/2011	Increases	Sales	Impair-ment of value	Transfers	Conversion gains and losses	Book value as at 31/12/2012
Italy	1,585	-	**1,585**	-	-	-	-	-	**1,585**
Denmark	4,642	-	**4,642**	-	-	-	-	1	**4,643**
Leishmaniosis vaccine	5,421	-	**5,421**	-	-	-	-	-	**5,421**
Greece	1,358	-	**1,358**	-	-	-	-	-	**1,358**
Colombia	2,376	-	**2,376**	-	-	-	-	154	**2,530**
India	16,442	-	**16,442**	-	-	-	-	-825	**15,617**
United States	51,286	-3,169	**48,117**	-	-	-	-	-899	**47,218**
Australia	3,674	-392	**3,282**	-	-	-	-	-	**3,282**
Peptech	3,874	-	**3,874**	-	-	-	-	5	**3,879**
Stockguard	-	-	**-**	15,744	-	-	-	-295	**15,449**
Chile	-	-	**-**	18,884	-	-	-	-	**18,884**
Other CGUs	7,832	-3,442	**4,390**	-	-1,648	-	-	-14	**2,728**
Goodwill	**98,490**	**-7,003**	**91,487**	**34,628**	**-1,648**	**-**	**-**	**-1,873**	**122,594**

Disposals of goodwill derived mainly from the transactions in the Netherlands (sale of shares in Bridgefarma).

Business combinations

Acquisition of Stockguard Animal Health Ltd and Stockguard Laboratories Ltd, in New Zealand

On 2 July 2012, Virbac acquired via its subsidiary Virbac New Zealand Ltd, all the shares in the above-mentioned companies, based in Hamilton New Zealand.
Created in 1987, Stockguard has built up great expertise in the development, manufacturing and marketing of a range of products for the dairy cattle and sheep-rearing markets in New Zealand. It has solid leadership positions in intramammary, injectable antibiotics, reproduction, vitamins and minerals. The current portfolio of new products will fill out the range allowing it to strengthen its market position.

Virbac is already present in New Zealand through its subsidiary Virbac New Zealand Ltd. This acquisition is a good fit with the existing New Zealand operations and will consolidate Virbac as number 5 competitor in the country.
It will also reinforce the Group's strategic positioning in the major market of dairy cattle rearing in New Zealand and will open up new prospects and opportunities for expansion in the sector elsewhere in the world.

The totality of the shares were bought for 37,150 thousands New Zealand dollars, paid at closing date, on 2 July 2012. The acquisition agreement includes an earn-out clause, the amount of which will depend on the gross profit twelve months after the acquisition date.

Under the deal Virbac acquired all the businesses and assets of Stockguard, including its productive equipment, with an option to subsequently buy the land and buildings belonging to an entity controlled by the Stockguard shareholders.

The operation constitutes a business combination within the meaning of IFRS 3 revised and is reported as such in these consolidated financial statements.

Goodwill is calculated as follows:

in € thousands	Fair value in the consolidated accounts
Asset purchase price	22,208
Share purchase price supplement (share payables)	3,650
Estimated share purchase price	**25,858**
Fair value of net assets purchased	10,409
Goodwill	**15,449**

The difference between the total estimated acquisition and the price paid at the acquisition date has been recognised as a liability.
IAS 37 (paragraphs 45 to 47) states that where the time value of money is significant, the liability is the present value of future expected outflows that will be required to extinguish the obligation.

The assets acquired are detailed below:

in € thousands	Book value in the seller's accounts	Fair value in the consolidated accounts
Intangible assets	-	10,626
Tangible assets	1,471	1,330
Inventories and work-in-progress	1,961	2,530
Other operating receivables and payables	303	143
Deferred tax liability	-	-3,096
Borrowings	-1,124	-1,124
Net assets acquired	**2,611**	**10,409**

Revenue from the ordinary activities of the acquired companies between 1 January and 31 December 2012 was 10.6 million New Zealand dollars (€6.8 million).

Acquisition of Centrovet

On 23 November 2012, Virbac signed a deal under which the Group acquired a majority stake in Centrovet, the market leader in animal health in Chile.

Set up in 1979, Centrovet has become a key player in aquaculture, building up unique know-how and expertise in the development and production of innovative products used in cold-water aquaculture, particularly in vaccines for salmon and trout farming, an industry in which Chile is one of the world leaders. Aside from injectable vaccines, the company has developed and launched original technologies for delivering vaccines orally in aquaculture. It is as yet the only player in this new market.

The transaction gives Virbac a leading position in the aquaculture market which is set to play an increasing role in the production of proteins for human consumption, while also capitalising on previous M&A in Asia over recent years in the same field (Bio Solution, SBC).
Centrovet is also active in other segments of the veterinary market in Chile, rearing and companion animals, where its product range could benefit from the contribution of some Virbac ranges.

Besides the potential growth of the Chilean market, Virbac's global presence offers a real opportunity to roll out Centrovet's ranges internationally, particularly its aquaculture vaccines.

Under the agreement, Virbac bought 51% of the shares in Holding Salud Animal S.A. (HSA), the holding company for the Centrovet group, with an option on the remaining after five years. The contractual price of 51% of the shares in HSA is composed of the following items:
- an initial payment of US$61.4 million (€46.7 million) paid on the contract's signature date;
- it provides for an adjustment based on the 2012 audited company financial statements;
- an earn-out will be paid in 2014, based on cumulative operating profit in 2012 and 2013;
- Virbac, finally, will have to pay the sellers a royalty when certain products currently under development come to market.

The operation constitutes a business combination within the meaning of IFRS 3 revised and is reported as such in these consolidated financial statements. It was recognised using the partial goodwill method.

Provisional goodwill is calculated as follows:

in € thousands	Fair value in the consolidated accounts
Asset purchase price	46,667
Share purchase price supplement (share payables) (1)	26,679
Estimated share purchase price	**73,346**
Share of fair value of net assets acquired (51%)	54,462
Provisional goodwill	**18,884**

(1) The difference between the total estimated acquisition price and the price paid at the acquisition date is recognised as a liability. IAS 37 (paragraphs 45 to 47) states that where the time value of money is significant, the liability is the present value of future expected outflows that will be required to extinguish the obligation.

For some debt items relating the acquisition of 51% of HSA which are due for more than 12 months, the price recognised is the present value of the corresponding debts. This debt is included under "Other payables" in the statement of financial position.

The assets acquired are detailed below:

in € thousands	Book value in the seller's accounts	Provisional fair value in the consolidated financial statements (2)
Intangible assets	87	96,842
Tangible assets	10,869	13,437
Inventories and work-in-progress	14,674	17,898
Other operating receivables and payables	18,718	18,718
Cash and cash equivalents	4,185	4,185
Provisions	-	-819
Deferred tax liability	-	-20,349
Borrowings	-23,124	-23,124
Net assets acquired	**25,409**	**106,788**

(2) The acquisition took effect at the end of the year and therefore the associated work in progress may lead to a revaluation of the fair value of the net assets acquired during the first half of the year. IFRS 3 revised provides for a 12-month delay in allocation starting from the acquisition date to finalise the accounting treatment of a business combination that was not definitive at the end of the financial year in which it happened.

Revenue from the company's ordinary activities between 1 January and 31 December 2012 was 40,258 million Chilean pesos (€64.4 million).

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.

They are classified into two categories: intangible assets with finite useful lives and those 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.

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 as part of the Chile business combination total €96,842 thousands;
- the patents, brands and customer portfolio acquired in the New Zealand transaction are valued at €10,626 thousands;
- the acquisition of Multimin rights for Australia and New Zealand, recognised in accordance with IAS 38, totalled €10,174 thousands.

At 31 December 2012 the value of the brands on the balance sheet was €41,184 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;
- the product ranges acquired from Centrovet in 2012;
- the product ranges acquired from Stockguard in 2012.

No brands are classified 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.

in € thousands	Concessions, patents, licences and brands – Indefinite life	Concessions, patents, licences and brands – Finite life	Other intangible assets	Intangible assets in progress	Intangible assets
Gross value as at 31/12/2011	**54,596**	**59,214**	**34,995**	**2,896**	**151,701**
Acquisitions	-	11,967	3,103	1,957	**17,027**
Sales	-	-369	-3	-	**-372**
Changes in scope	70,666	35,759	-8	1,280	**107,697**
Transfers	-1,025	1,432	1,071	-902	**575**
Conversion gains and losses	-977	-570	-165	-95	**-1,808**
Gross value as at 31/12/2012	**123,260**	**107,433**	**38,991**	**5,136**	**274,820**
Depreciation as at 31/12/2011	**-6,613**	**-25,870**	**-25,483**	**-**	**-57,966**
Allowances	-771	-4,309	-3,511	-	**-8,591**
Reversals	194	-	-	-	**194**
Sales	-	247	3	-	**250**
Changes in scope	-	-33	7	-	**-26**
Transfers	471	-871	-	-	**-400**
Conversion gains and losses	3	188	125	-	**316**
Depreciation as at 31/12/2012	**-6,716**	**-30,648**	**-28,858**	**-**	**-66,222**
Net value as at 31/12/2011	**47,983**	**33,344**	**9,512**	**2,896**	**93,735**
Net value as at 31/12/2012	**116,544**	**76,784**	**10,133**	**5,136**	**208,598**

No non-current assets were generated internally.

A3. Impairment of assets

At the end of the 2012 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).

Each CGU's recoverable amount has been estimated as the present value of future cash flows net of tax, consistent with the 2013 budget and most recent medium-term forecasts. Unless there is an indication of a loss of value, assets acquired in the year are not tested for impairment at year-end.

Key assumptions used are shown in the table below.

As at 31 December 2012

in € thousands	Net book value as at 31/12/2012		Discount rate	Perpetual growth rate
	Goodwill	Intangible assets		
Italy	1,585	-	8.27%	2.00%
Denmark	4,643	-	8.27%	2.00%
Leishmaniosis vaccine	5,421	18,560	8.27%	2.00%
Greece	1,358	-	10.27%	2.00%
Colombia	2,530	4,809	10.27%	2.00%
India	15,617	12,415	10.27%	5.00%
United States	47,218	5,048	8.27%	2.00%
Australia	3,282	2,672	8.27%	2.00%
Peptech	3,879	2,286	8.27%	2.00%
CGU product range acquired from Schering-Plough in Europe	-	18,040	8.27%	2.00%
Leucogen	-	1,290	8.27%	N/A
Multimin (Africa)	-	5,044	10.27%	2.00%
Other CGUs	2,728	6,744	8.27% - 10.27%	0.00% - 2.00%
Total tested assets	**88,261**	**76,908**		
Multimin (Acquisition Pacifique)	-	10,174	N/A	N/A
Stockguard	15,449	9,371	N/A	N/A
Centrovet	18,884	96,875	N/A	N/A
Total untested assets	**34,333**	**116,420**		
Total value	**122,594**	**193,328**		

The net carrying amount of the CGU at 31 December 2012 includes goodwill, intangible assets as well as assets and liabilities that can be directly assigned to the CGU.
Following tests carried out in 2012, an intangible asset with indefinite life and a fixed-term marketing authorisation totalling €560 thousands, were written off completely.

As at 31 December 2011

in € thousands	Net book value as at 31/12/2011		Discount rate	Perpetual growth rate
	Goodwill	Intangible assets		
Italy	1,585	4	10.30%	2.00%
Denmark	4,642	-	10.30%	2.00%
Leishmaniosis vaccine	5,421	18,727	10.30%	2.00%
Greece	1,358	-	12.30%	2.00%
Colombia	2,376	4,616	12.30%	2.00%
India	16,442	13,110	12.30%	5.00%
United States	48,117	4,090	10.30%	2.00%
Australia	3,282	2,604	10.30%	2.00%
Peptech	3,874	2,611	10.30%	2.00%
CGU product range acquired from Schering-Plough in Europe	-	19,527	10.30%	2.00%
Leucogen	-	2,330	10.30%	N/A
Other CGUs	4,390	13,708	10.30% - 12.30%	0.00% - 2.00%
Total value of tested assets	**91,487**	**81,327**		

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 CGU as at 31/12/2012*	Key assumption discount rate +2,0 points	Key assumption growth rate	Depreciation
Italy	1,585	10.27%	2.00%	-
Denmark	4,643	10.27%	2.00%	-
Leishmaniosis vaccine	26,546	10.27%	2.00%	-
Greece	1,358	12.27%	2.00%	-
Colombia	7,339	12.27%	2.00%	-
India	30,384	12.27%	5.00%	-
United States	75,044	10.27%	2.00%	-
Australia	5,954	10.27%	2.00%	-
Peptech	6,165	10.27%	2.00%	-
CGU product range acquired from Schering-Plough in Europe	18,040	10.27%	2.00%	-
Leucogen	1,290	10.27%	N/A	-

in € thousands	Net book value of CGU as at 31/12/2012*	Key assumption discount rate	Key assumption growth rate -2.0 %	Depreciation
Italy	1,585	8.27%	0.00%	-
Denmark	4,643	8.27%	0.00%	-
Leishmaniosis vaccine	26,546	8.27%	0.00%	-
Greece	1,358	10.27%	0.00%	-
Colombia	7,339	10.27%	0.00%	-
India	30,384	10.27%	3.00%	-
United States	75,044	8.27%	0.00%	-
Australia	5,954	8.27%	0.00%	-
Peptech	6,165	8.27%	0.00%	-
CGU product range acquired from Schering-Plough in Europe	18,040	8.27%	0.00%	-
Leucogen	1,290	8.27%	N/A	-

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 CGU as at 31/12/2012 *	Discount rate, combined into a zero perpetual growth rate, from which impairment is established
Italy	1,585	90.0%
Denmark	4,643	67.5%
Leishmaniosis vaccine	26,546	20.7%
Greece	1,358	87.0%
Colombia	7,339	33.4%
India	30,384	28.2%
United States	75,044	30.1%
Australia	5,954	116.5%
Peptech	6,165	53.0%
CGU product range acquired from Schering-Plough in Europe	18,040	15.6%
Leucogen	1,290	112.3%

A4. Tangible assets

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

As at 31 December 2012, the gross value of goods acquired under leasings restated as tangible assets, in accordance with IAS 17, totalled €15,246 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 2012, capitalised borrowing costs amounted to €505 thousands, including €190 thousands in financial year 2012 at an effective interest rate of 2.21%.

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	Buildings	Technical facilities, materials and industrial equipment	Other tangible assets	Tangible assets in progress	Tangible assets
Gross value as at 31/12/2011	**12,607**	**111,147**	**87,558**	**19,397**	**15,410**	**246,119**
Acquisitions	137	3,849	8,701	1,797	14,059	**28,543**
Sales	-305	-908	-599	-722	-	**-2,534**
Changes in scope	5,417	4,456	7,193	1,697	788	**19,551**
Transfers	304	2,079	3,877	541	-7,074	**-274**
Conversion gains and losses	35	-468	-387	-113	-88	**-1,021**
Gross value as at 31/12/2012	**18,195**	**120,154**	**106,343**	**22,597**	**23,095**	**290,384**
Deprecition as at 31/12/2011	**-**	**-54,026**	**-53,459**	**-11,497**	**-**	**-118,982**
Allowances	-	-5,326	-7,703	-2,543	-	**-15,572**
Reversals	-	1	-	2	-	**3**
Sales	-	429	599	588	-	**1,616**
Changes in scope	-	-1,691	-2,459	-621	-	**-4,771**
Transfers	-	86	187	-1,242	-	**-969**
Conversion gains and losses	-	88	227	85	-	**400**
Impairment as at 31/12/2012	**-**	**-60,438**	**-62,608**	**-15,228**	**-**	**-138,274**
Net value as at 31/12/2011	**12,607**	**57,121**	**34,099**	**7,900**	**15,410**	**127,137**
Net value as at 31/12/2012	**18,195**	**59,716**	**43,735**	**7,370**	**23,095**	**152,110**

The increase in this item is mainly due to the acquisition of production sites in Chile (Centrovet) and New Zealand (Stockguard) and the building of a new production unit for sterile injectable products at the Carros site, France.

A5. Other financial assets

Change in other financial assets

in € thousands	2011	Increases	Decreases	Changes in scope	Transfers	Conversion gains and losses	2012
Loans and other financial receivables	**1,020**	1,427	-84	729	-	-4	**3,088**
Currency and interest rate derivatives	**1**	-1	-	-	-	-	**-**
Restricted cash	**249**	1,150	-	-	-	-34	**1,365**
Other	**5**	-	-	-	-	-	**5**
Other financial assets, non-current	**1,275**	**2,576**	**-84**	**729**	**0**	**-38**	**4,458**
Loans and other financial receivables	**-**	-	-	-	-	-	**-**
Currency and interest rate derivatives	**1,142**	-	-902	-	-	-	**240**
Restricted cash	**-**	-	-	-	-	-	**-**
Other	**-**	-	-	-	-	-	**-**
Other financial assets, current	**1,142**	**-**	**-902**	**0**	**0**	**0**	**240**
Other financial assets	**2,417**	**2,576**	**-986**	**729**	**0**	**-38**	**4,698**

Other financial assets classified according to their maturity

As at 31 December 2012

in € thousands	Payments			Total
	less than 1 year	from 1 to 5 years	more than 5 years	
Loans and other financial receivables	-	3,088		**3,088**
Currency and interest rate derivatives	240	-	-	**240**
Restricted cash	-	1,365	-	**1,365**
Other	-	-	5	**5**
Other financial assets	**240**	**4,453**	**5**	**4,698**

As at 31 December 2011

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

A6. Share in companies accounted for by the equity method

in € thousands	Company's individual accounts using equity method				Consolidated financial statements	
	Balance sheet total	Equity	Sales	Result	Share of equity	Share of result
German company	-	776	-	-	373	-
South African company	-	5	-	-	1	-
Santa Elena (Uruguay)	9,466	5,184	8,324	1,125	3,476	337
SBC Virbac Limited (Hong Kong)	9,467	5,538	1,265	-998	7,661	-489
Share in companies accounted for by the equity method					**11,511**	**-152**

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.

Variation in deferred taxes

in € thousands	2011	Variations	Changes in scope	Transfers	Conversion gains and losses	2012
Deferred tax assets	**14,080**	4,781	-	-22	-159	**18,680**
Deferred tax liabilities	**18,827**	5,608	23,503	-168	-495	**47,275**
Deferred tax offset	**-4,747**	**-827**	**-23,503**	**146**	**336**	**-28,595**

The variation in deferred taxes shown above excludes deferred taxes on the effective share of the profits and losses on hedging instruments totalling €385 thousands in 2012.

Deferred taxes broken down by type

As at 31 December 2012

in € thousands	Deferred tax assets
Internal margin on inventories	7,005
Retirement and end of career severance commitments	2,179
Tax loss carryforwards	-
Sales adjustments (IAS 18)	471
Inventory adjustments (IAS 2)	2,117
Other non-deductible provisions	3,170
Other charges with deferred deduction	1,863
Other income taxed in advance	1,875
Total by type	**18,680**
Impact of compensation by fiscal entity	-14,036
Deferred net tax assets	**4,644**

in € thousands	Deferred tax liabilities
Adjustments on intangible assets	35,563
Adjustments on tangible assets	4,272
Adjustments on fiscal provisions	5,942
Activation of expenses linked to acquisitions	896
Leases adjustments	602
Total by type	**47,275**
Impact of compensation by fiscal entity	-14,036
Deferred net tax liabilities	**33,239**

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
Tax loss carryforwards	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**

A8. Inventories and work in progress

in € thousands	Raw materials and supplies	Work in progress	Finished products and goods for resale	Inventories and work in progress
Gross value as at 31/12/2011	**37,721**	**8,592**	**72,716**	**119,029**
Variations	1,760	3,087	-501	**4,346**
Changes in scope	13,512	-	5,029	**18,541**
Transfers	-	-	-	**-**
Conversion gains and losses	-259	-83	-756	**-1,098**
Gross value as at 31/12/2012	**52,734**	**11,596**	**76,489**	**140,818**
Depreciation as at 31/12/2011	**-1,953**	**-624**	**-4,620**	**-7,197**
Allowances	-854	-732	-4,004	**-5,590**
Reversals	836	624	2,740	**4,200**
Changes in scope	-	-	-65	**-65**
Transfers	-12	-	12	**-**
Conversion gains and losses	48	-	24	**72**
Depreciation as at 31/12/2012	**-1,935**	**-732**	**-5,913**	**-8,580**
Net value as at 31/12/2011	**35,768**	**7,968**	**68,096**	**111,832**
Net value as at 31/12/2012	**50,799**	**10,864**	**70,575**	**132,238**

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 31/12/2011	**91,212**
Variations	**-1,634**
Changes in scope	**26,261**
Transfers	**-40**
Conversion gains and losses	**-527**
Gross value as at 31/12/2012	**115,272**
Depreciation as at 31/12/2011	**-3,251**
Allowances	**-288**
Reversals	**866**
Changes in scope	**-707**
Transfers	**32**
Conversion gains and losses	**-**
Depreciation as at 31/12/2012	**-3,348**
Net value as at 31/12/2011	**87,961**
Net value as at 31/12/2012	**111,924**

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

A10. Other receivables

in € thousands	2011	Variations	Changes in scope	Transfers	Conversion gains and losses	2012
Income tax receivables	**7,185**	-5,021	-	5,354	-86	**7,432**
Social receivables	**669**	136	20	-	-6	**819**
Other receivables to the State	**11,989**	2,155	18	-	23	**14,185**
Advances and prepayments on orders	**2,034**	-718	785	-	-56	**2,045**
Depreciation on various other receivables	**-2**	1	1	-	-	**-**
Prepaid expenses	**4,193**	340	-	-	-11	**4,522**
Other various receivables	**7,980**	7,380	672	-5,346	-57	**10,629**
Other receivables	**34,048**	**4,272**	**1,496**	**8**	**-192**	**39,632**

A11. Cash and cash equivalents

in € thousands	2011	Variations	Changes in scope	Transfers	Conversion gains and losses	2012
Available funds	**17,340**	5,255	338	-	-681	**22,252**
Marketable securities	**6,486**	7,784	3,847	-	-620	**17,497**
Cash and cash equivalents	**23,826**	**13,039**	**4,185**	**-**	**-1,301**	**39,749**
Bank overdraft	**-10,830**	1,101	-	-	139	**-9,590**
Accrued interests not yet matured	**-38**	10	-	-	-	**-28**
Overdraft	**-10,868**	**1,111**	**-**	**-**	**139**	**-9,618**
Net cash position	**12,958**	**14,150**	**4,185**	**-**	**-1,162**	**30,131**

A12. Assets classified as held for sale

During the 2012 financial year and as in 2011, no asset was classified as held for sale.

A13. Equity

in € thousands	2012	2011
Capital	10,573	10,893
Premiums linked to capital	6,534	6,534
Legal reserve	1,089	1,089
Other reserves and retained earnings	187,627	196,449
Consolidation reserves	78,931	37,988
Conversion reserves	-4,621	916
Actuarial gains and losses	-588	-
Result for the period	66,625	57,516
Equity attributable to the owners of the parent company	**346,169**	**311,385**
Other reserves and retained earnings	51,796	1,673
Conversion reserves	-126	-231
Result for the period	577	1,039
Non-controlling interests	**52,247**	**2,481**
Equity	**398,416**	**313,866**

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;
- 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.

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.

Cancellation of treasury shares acquired under the buyback programme 2012

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.

Share buyback programme 2013

The ordinary shareholders' meeting of 18 June 2012 authorised the Virbac parent company to buy back shares in accordance with articles L. 225-209 *et seq*. of the French commercial code and in line with the terms of the buyback plan set out in the prospectus published by the professional distributor and on the company's website on 23 May 2012, in accordance with the provisions of the transparency directive that came into force on 20 January 2007.
As at 31 December 2012, Virbac held 37,803 treasury shares acquired on the market for a total of €4,433,155, excluding fees, for an average price of €117.27 per share.

During the financial year, the company bought 57,303 treasury shares including 43,766 shares (at an average price of €127.56) as part of the market-making contract, 3,537 shares (at an average price of €118.64) as part of the 2011 buyback programme, and 10,000 shares (at an average price of €136.88) as part of performance share plans. Virbac also sold 59,800 shares including 46,000 shares under a market-making agreement (at an average price of €128.08), and 13,800 shares (transferred free of charge) as part of performance share plans. Expenses are no longer deducted from these transactions.
As at 31 December 2012, treasury shares account for 0.45% of Virbac's capital. They are earmarked for market-making and performance shares in accordance with the ninth resolution of the shareholders' meeting of 18 June 2012.

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:

- 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*);
- allow allocations of free performance shares;
- reduce 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 €250. 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.

Proposed capital decrease by cancellation of shares
In accordance with the provisions of article L. 225-209 of the French commercial code, it will be proposed at the shareholders' meeting to authorise the executive board for a period of twenty-six months, to reduce capital, in one or more times within a 10% limit by cancelling all or part of the shares that the company holds or may hold as a result of purchases made pursuant to article L. 225-209 of the French commercial code, notably in respect of the resolution authorising the executive board to purchase corporate shares.

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.

The Group decided to apply IAS 19 revised early as from 1 January 2012.

The application of IAS 19 revised implies a restatement of actuarial differences and scheme modifications generated since the first-time application of IFRS by the Group.

Retrospective application of IAS 19 revised to 2011 has no significant impact compared to the charge recognised at 31 December 2011. The impact of the transition to IAS 19 revised on financial year 2011 totals €117 thousands. As this is immaterial, the Group has not restated the 2011 financial statements to reflect the change.

Change in provisions by country

in € thousands	2011	Allowances	Reversals	Transfers	Equity	Conversion gains and losses	2012
France	**3,859**	478	-304	-	458	-	**4,491**
Netherlands	**111**	-	-24	-	-	-	**87**
Italy	**443**	95	-53	-	24	-	**509**
Germany	**74**	-	-7	-	-	-	**67**
Greece	**170**	9	-125	-	-	-	**54**
Mexico	**50**	35	-5	-	-	2	**82**
Korea	**3**	76	-81	-	-	-	**-2**
Taiwan	**170**	46	-11	-	-	3	**208**
Retirement and severance pay allowances	**4,880**	**738**	**-609**	**-**	**482**	**5**	**5,496**
France	**157**	104	-	-	377	-	**638**
Japan	**1,105**	342	-326	-	49	-138	**1,032**
Defined benefit retirement plans	**1,262**	**446**	**-326**	**-**	**426**	**-138**	**1,670**
South Africa	**1,021**	221	-31	-	-	-74	**1,137**
Medical cover	**1,021**	**221**	**-31**	**-**	**-**	**-74**	**1,137**
India	**320**	213	-104	-	8	-24	**413**
Allowances for absence	**320**	**213**	**-104**	**-**	**8**	**-24**	**413**
Provisions for employee benefits	**7,483**	**1,618**	**-1,070**	**-**	**916**	**-231**	**8,716**

Main commitments

The main employee benefits schemes are in France, Japan, South Africa and India. At 31 December 2012, they contributed, respectively, 59%, 12%, 13% and 5% to total actuarial liabilities related to employee benefit schemes.

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 right vest are as follows:

- managerial personnel: 12% per year of service;
- non-managerial personnel: 10% per year of service.

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 an insurance company.

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.

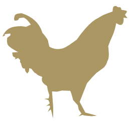
Because the scheme is not restricted only to Virbac South Africa employees, it has been valued based on contributions paid by Virbac South Africa, restated to reflect the inflation rate for medical costs.

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.



Calculation parameters of the main personnel benefits schemes in the Group

Assumptions as at 31 December 2012

	Discount rate	Future salary growth
France	3.00%	2.50% - 1.50%
South Africa	8.00%	N/A
Japan	1.50%	3.00%
India	8.35%	7.00%

Assumptions as at 31 December 2011

	Discount rate	Future salary growth
France	4.20%	2.50% - 1.50%
South Africa	8.75%	N/A
Japan	2.00%	3.00%
India	8.70%	7.00%

Discount rates are based on high quality corporate bond yields with a maturity similar to that of the obligation concerned.

In accordance with IAS 19 revised, the expected return on assets is set equal to the discount rate.

A 0.5 point increase or decrease in the discount rate would entail, respectively, a reduction in the provision for employee benefits of around €650 thousands or an increase of approximately €600 thousands recognised with a balancing entry in other comprehensive income.

Also, a 0.5 point increase or decrease in the future growth rate of salaries would entail, respectively, a increase in the provision for employee benefits of around €410 thousands or an reduction of approximately €380 thousands recognised with a balancing entry in other comprehensive income.

Allowance for the year

in € thousands	2012 allowance
Cost of services rendered	1,026
Financial cost	451
Expected return on assets	-119
Change of scheme	131
Immediate recognition of actuarial (gains)/losses in the year	127
Administrative costs recognised in expenses	-
Net cost/(net gain) recognised in income	**1,618**

Employer contributions (including benefits paid directly by the employer) in 2012 totalled €1,070 thousands and are estimated at €222 thousands for 2013.

Movements of amounts recognised in the statement of financial position

The tables below reconcile the movements in the amounts recognised in the statement of financial position (actuarial debt, hedging assets, provision for employee benefits).

in € thousands	Actuarial liability
Present value as at 1 January 2012	**11,805**
Benefits paid	-955
Cost of services rendered	1,477
Termination/end of contract	-
Actuarial (gains)/losses due to demographic assumptions	-
Actuarial (gains)/losses due to financial assumptions	1,028
Actuarial experience (gains)/losses	68
Change of scheme	131
Conversion gains and losses	-253
Present value as at 31 December 2012	**13,303**

Actuarial liabilities are pre-financed in France, India and South Korea through hedging assets (insurance policies) covering annual financial interest.

in € thousands	Hedging assets
Fair value as at 1 January 2012	**4,322**
Contributions paid	1,070
Benefits paid	-955
Expected return on assets	119
Actuarial gains/(losses)	54
Tax on premiums paid	-
Conversion gains and losses	-22
Fair value as at 31 December 2012	**4,587**

in € thousands	Employee benefits
Fair value of hedging assets	4,587
Present value of actuarial liability	-13,303
Net position	**-8,716**
Change of scheme not yet recognised	-
(Assets)/Liabilities recognised in provisions as at 31 December 2012	**-8,716**

in € thousands	Employee benefits
Provision to liabilities as at 1 January 2012	**7,483**
Charge/(gain) recognised in income - allowance	1,618
Recognised in equity	916
Employer contributions/Benefits paid - reversal	-1,070
Other events	-
Conversion gains and losses	-231
Provision to liabilities as at 31 December 2012	**8,716**

A15. Other provisions

The other provisions mainly concern disputes and commercial risks in France of €958 thousands and severance of commercial agents in Italy totalling €543 thousands.

Following tax inspections carried out on the Brazilian and Philippine companies in 2011, provisions of €98 thousands and €111 thousands were taken.

in € thousands	2011	Allowances	Reversals	Changes in scope	Transfers	Conversion gains and losses	2012
Trade disputes and industrial tribunals	**885**	740	-333	-	-	-	**1,292**
Fiscal disputes	**-**	-	-	-	-	-	**-**
Various risks and charges	**1,263**	1,099	-1,448	818	8	-5	**1,735**
Other non-current provisions	**2,148**	**1,839**	**-1,781**	**818**	**8**	**-5**	**3,027**
Trade disputes and industrial tribunals	**299**	-	-129	-	-	-20	**150**
Fiscal disputes	**313**	214	-85	32	-	-11	**463**
Various risks and charges	**-**	106	-	-	-	-1	**105**
Other current provisions	**612**	**320**	**-214**	**32**	**-**	**-32**	**718**
Other provisions	**2,760**	**2,159**	**-1,995**	**850**	**8**	**-37**	**3,745**

Reversed provisions were used for the purpose for which they were intended.

A16. Other financial liabilities

Change in other financial liabilities

in € thousands	2011	Increase	Decrease	Changes in scope	Transfers	Conversion gains and losses	2012
Loans	**71,178**	106,399	-43,503	22,440	-11,258	-610	**144,646**
Bank overdrafts	**-**	-	-	-	-	-	**-**
Accrued interests not yet matured	**-**	-	-	-	-	-	**-**
Debt relating to leasing contracts	**1,965**	-	-353	789	-1,561	-	**840**
Employee profit sharing	**6**	10	-	-	-	-	**16**
Currency and interest rate derivatives	**241**	800	-	-	-	-	**1,041**
Other	**27**	-	-27	-		-	**-**
Other non-current financial liabilities	**73,417**	**107,209**	**-43,883**	**23,229**	**-12,819**	**-610**	**146,543**
Loans	**6,835**	3,481	-6,667	1,041	11,258	46	**15,994**
Bank overdrafts	**10,830**	-1,101	-	-	-	-139	**9,590**
Accrued interests not yet matured	**38**	-	-10	-	-	-	**28**
Debt relating to leasing contracts	**975**	-	-876	-	480	-9	**570**
Employee profit sharing	**568**	567	-588	-	-	-1	**546**
Currency and interest rate derivatives	**874**	-	-456	-	-	-	**418**
Other	**-**	-	-	-	-	-	**-**
Other current financial liabilities	**20,120**	**2,947**	**-8,597**	**1,041**	**11,738**	**-103**	**27,146**
Other financial liabilities	**93,537**	**110,156**	**-52,480**	**24,270**	**-1,081**	**-713**	**173,689**

The increase in other financial liabilities corresponds mainly to drawdowns of €110 million at 31 December 2012 from a total credit line of €220 million.

Other financial liabilities classified according to their maturity

As at 31 December 2012

in € thousands	Payments			Total
	less than 1 year	from 1 to 5 years	more than 5 years	
Loans	15,994	144,646	-	**160,640**
Bank overdrafts	9,590	-	-	**9,590**
Accrued interests not yet matured	28	-	-	**28**
Debt relating to leasing contracts	570	840	-	**1,410**
Employee profit sharing	546	16	-	**562**
Currency and interest rate derivatives	418	1,041	-	**1,459**
Other	-	-	-	**-**
Other financial liabilities	**27,146**	**146,543**	**-**	**173,689**

As at 31 December 2011

in € thousands	Payments less than 1 year	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**
Currency and interest rate derivatives	874	241	-	**1,115**
Other	-	27	-	**27**
Other financial liabilities	**20,120**	**73,417**	**-**	**93,537**

A17. Other payables

in € thousands	2011	Variations	Changes in scope	Transfers	Conversion gains and losses	2012
Income tax payables	**-**	-	-	-	-	**-**
Social payables	**-**	-	-	-	-	**-**
Other fiscal payables	**-**	-	-	-	-	**-**
Advances and prepayments on orders	**-**	-	-	-	-	**-**
Prepaid income	**1,829**	-273	-	-	-28	**1,528**
Various other payables	**-**	-	-	-	-	**-**
Other non-current payables	**1,829**	**-273**	**-**	**-**	**-28**	**1,528**
Income tax payables	**7,389**	-4,062	3,463	7	-34	**6,763**
Social payables	**30,756**	3,559	635	-	-116	**34,834**
Other fiscal payables	**8,425**	557	8	-	-25	**8,965**
Advances and prepayments on orders	**229**	-20	308	-	-15	**502**
Prepaid income	**588**	329	237	-	-4	**1,150**
Various other payables	**49,536**	29,047	3,782	201	-451	**82,115**
Other current payables	**96,923**	**29,410**	**8,433**	**208**	**-645**	**134,329**
Other payables	**98,752**	**29,137**	**8,433**	**208**	**-673**	**135,857**

The increase mainly relates to share payables from the acquisition of 51% of Centrovet. At 31 December 2012, "Various other payables" consists chiefly of share payables from the Stockguard and Centrovet acquisitions totalling €30,329 thousands, and discounts at year-end totalling €36,756 thousands.

A18. Trade payables

in € thousands	2011	Variations	Changes in scope	Transfers	Conversion gains and losses	2012
Current trade payables	**62,471**	10,020	3,617	-1,852	-392	**73,864**
Payables of intangible assets	**121**	-68	-	-	-4	**49**
Payables of tangible assets	**532**	-408	-	-	-1	**123**
Trade payables	**63,124**	**9,544**	**3,617**	**-1,852**	**-397**	**74,036**

Aside from changes in scope, the increase in this item is mainly due to growth in business.

A19. Revenue from ordinary activities

in € thousands	2012	2011	Change
Sales of finished goods and merchandise	766,585	686,564	*11.7%*
Services	61	57	*7.0%*
Additional income from activity	2,679	802	*234.0%*
Royalties paid	143	133	*7.5%*
Gross sales	**769,468**	**687,556**	***11.9%***
Discounts, rebates and refunds on sales	-59,841	-52,833	*13.3%*
Expenses deducted from sales	-10,595	-8,011	*32.3%*
Financial discounts	-3,445	-3,162	*9.0%*
Provision for returns	-432	-491	*-12.0%*
Expenses deducted from sales	**-74,313**	**-64,497**	***15.2%***
Revenue from ordinary activities	**695,155**	**623,059**	***11.6%***

A20. Purchases consumed

in € thousands	2012	2011	Change
Inventoried purchases	-196,494	-186,574	*5.3%*
Non-inventoried purchases	-20,523	-20,337	*0.9%*
Supplementary charges on purchases	-1,698	-1,979	*-14.2%*
Discounts, rebates and refunds obtained	261	316	*-17.4%*
Purchases	**-218,454**	**-208,574**	***4.7%***
Change in gross inventories	4,346	12,857	*-66.2%*
Allowances for depreciation of inventories	-5,590	-3,893	*43.6%*
Reversals of depreciation of inventories	4,200	4,239	*-0.9%*
Net variation in inventories	**2,956**	**13,203**	***-77.6%***
Purchases consumed	**-215,498**	**-195,371**	***10.3%***

A21. External costs

Within this item, the research and development costs recorded during the 2012 financial year totalled €13,878 thousands, compared with €8,893 thousands during the 2011 financial year.

Operating lease agreements

	Rents for the period	Minimum future lease payments as per contracts			
in € thousands		less than 1 year	from 1 to 3 years	from 3 to 5 years	more than 5 years
Land	-287	-287	-305	-295	-366
Buildings	-3,111	-4,188	-6,160	-4,591	-2,840
Industrial equipment	-1,069	-879	-1,498	-24	-24
IT equipment	-1,536	-1,506	-721	-	-
Office equipment and furniture	-709	-764	-766	-51	-8
Transport equipment	-3,247	-1,178	-867	-28	-
Lease payments	**-9,959**	**-8,802**	**-10,317**	**-4,989**	**-3,238**

A22. Depreciations and provisions

in € thousands	2012	2011	*Change*
Allowances for depreciation of intangible assets	-8,591	-7,080	*21.3%*
Allowances for depreciation of tangible] assets	-15,572	-12,678	*22.8%*
Reversals of depreciation of intangible assets	194	47	*312.8%*
Reversals of depreciation of tangible assets	3	198	*-98.5%*
Depreciations	**-23,966**	**-19,513**	***22.8%***
Allowances of provisions for risks and charges	-1,801	-2,018	*-10.8%*
Reversals of provisions for risks and charges	1,996	1,829	*9.1%*
Provisions	**195**	**-189**	***-203.2%***
Depreciations and provisions	**-23,771**	**-19,702**	***20.7%***

The difference between the provision for risks and charges shown above and that given in note A15 is due to the reclassification to other non-current income and expense of the portion related to the sale of the non-ethical distribution channel in France.

A23. Other operating income and expenses

in € thousands	2012	2011	Change
Royalties paid	-3,648	-2,538	*43.7%*
Grants received (for research tax credit)	7,336	5,769	*27.2%*
Allowances for deprecation of receivables	-288	-539	*-46.6%*
Reversals of depreciation of receivables	867	455	*90.5%*
Bad debts	-240	-169	*42.0%*
Net book value on disposed assets	-918	-553	*66.0%*
Income from disposals of assets	1,223	193	*533.7%*
Other operating income and expenses	-3,166	-1,758	*80.1%*
Other current income and expenses	**1,166**	**860**	***35.6%***

The amount of research tax credit posted for the financial year ended 31 December 2012 was €6,883 thousands.

The difference between the net carrying amount of assets sold given in this table and that in notes A2 and A4 is due to the reclassification to other non-current income and expenses of the carrying amount related to the sale of the non-ethical distribution channel in France.

A24. Other non-current income and expenses

As at 31 December 2012, this item included the following elements:

in € thousands	2012
Profit/loss on disposal of OTC distribution business in France	2,276
Costs of disposal of OTC distribution business in France	-1,050
Profit/loss on disposal of OTC distribution business in Benelux	1,490
Revaluation of inventories acquired in New Zealand (purchase accounting method)	-1,177
Revaluation of inventories acquired in Chile (purchase accounting method)	-1,436
Other non-current income and expenses	**103**

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

in € thousands	2011
Income linked to non payment of the Peptech earn-out	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**

A25. Financial income and expenses

in € thousands	2012	2011	Change
Gross cost of financial debt	-3,427	-3,324	*3.1%*
Income from cash and cash equivalents	988	590	*67.5%*
Net cost of financial debt	**-2,439**	**-2,734**	***-10.8%***
Foreign exchange losses	-5,575	-2,543	*119.2%*
Foreign exchange gains	5,241	2,682	*95.4%*
Changes in foreign currency derivatives and interest rate	-126	-176	*-28.4%*
Other financial charges	-239	-197	*21.3%*
Other financial income	416	255	*63.1%*
Other financial income and expenses	**-283**	**21**	***-1447.6%***
Financial income and expenses	**-2,722**	**-2,713**	***0.3%***

A26. Income tax

in € thousands	2012 Base	2012 Tax	2011 Base	2011 Tax
Profit before tax	**95,461**		**83,500**	
Adjustment for tax credits	-6,943		-5,718	
Adjustment of non-recurring items (including tax)	-		-	
Profit before tax, after adjustments	**88,518**		**77,782**	
Current tax for French companies		-2,438		-4,551
Current tax for foreign companies		-24,457		-19,824
Current tax		**-26,895**		**-24,375**
Deferred tax for French companies		-551		639
Deferred tax for foreign companies		-661		-1,231
Deferred tax		**-1,212**		**-592**
Tax accounted for		**-28,107**		**-24,967**
Effective tax rate		*31.75%*		*32.10%*
Theoretical tax rate		*34.43%*		*34.43%*
Theoretical tax		**-30,477**		**-26,780**
Difference between theoretical tax and recorded tax		**-2,370**		**-1,813**

The difference between theoretical tax and recorded tax as of 31 December 2012 is explained essentially by the differential tax rates abroad at €1,465 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 €375 thousands.

A27. Result per share

	2012	2011
Profit attributable to the owners of the parent company	**66,625,639 €**	**57,515,808 €**
Total number of shares	8,458,000	8,714,352
Impact of dilutive instruments	-	-
Number of treasury shares	37,803	296,652
Outstanding shares	8,420,197	8,417,700
Profit attributable to the owners of the parent company, per share	**7.91 €**	**6.83 €**
Profit attributable to the owners of the parent company, diluted per share	**7.91 €**	**6.83 €**

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 2012

in € thousands	France	Europe (excluding France)	Latin America	North America	Asia	Pacific	Africa & Middle East	Total
Revenue from ordinary activities	131,672	190,179	62,502	110,042	88,215	88,065	24,480	**695,155**
Operating income	16,496	18,454	5,465	29,896	10,394	13,281	4,197	**98,183**
Profit attributable to the owners of the parent company	12,272	12,870	3,338	19,081	7,056	9,095	2,913	**66,625**
Non-controlling interests	3	651	-77	-	-	-	-	**577**
Consolidated profit	**12,275**	**13,521**	**3,261**	**19,081**	**7,056**	**9,095**	**2,913**	**67,202**

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	75,596	78,911	26,677	**623,059**
Operating income	16,415	19,338	6,575	19,152	9,474	10,843	4,416	**86,213**
Profit attributable to the owners of the parent company	10,767	12,914	4,610	12,183	6,438	7,567	3,037	**57,516**
Non-controlling interests	3	826	-	-	210	-	-	**1,039**
Consolidated profit	**10,770**	**13,740**	**4,610**	**12,183**	**6,648**	**7,567**	**3,037**	**58,555**

A29. Financial assets and liabilities

Financial assets

The various categories of financial assets are as follows:

As at 31 December 2012

in € thousands	Assets available for sale	Loans and receivables	Financial assets at fair value through income	Financial assets at fair value through equity	Total
Non-current derivative financial instruments	-	-	-	-	**-**
Other non-current financial assets	-	4,458	-	-	**4,458**
Trade receivables	-	111,924	-	-	**111,924**
Other receivables*	-	27,678	-	-	**27,678**
Current derivative financial instruments	-	-	240	-	**240**
Other current financial assets	-	-	-	-	**-**
Cash and cash equivalents	-	22,252	17,497	-	**39,749**
Financial assets	**-**	**166,312**	**17,737**	**-**	**184,049**

*excluding prepaid expenses and income tax receivables.

As at 31 December 2011

in € thousands	Assets available for sale	Loans and receivables	Financial assets at fair value through income	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.

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 2012, 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 listed. 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 2012

in € thousands	Loans and debts	Financial liabilities at fair value through income	Financial liablities at fair value through equity	Total
Non-current derivative financial instruments	-	-	1,041	1,041
Other non-current financial liabilities	145,502	-	-	145,502
Trade payables	74,036	-	-	74,036
Other payables*	126,416	-	-	126,416
Current derivative financial instruments	-	418	-	418
Bank overdrafts and accrued interests not yet matured	9,590	28	-	9,618
Other current financial liabilities	17,110	-	-	17,110
Financial liabilities	**372,654**	**446**	**1,041**	**374,141**

*excluding prepaid income and income tax debt.

As at 31 December 2011

in € thousands	Loans and debts	Financial liabilities at fair value through income	Financial liablities 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.

At 31 December 2012, the gross cost of financial debt amounted to €3,427 thousands. As at 31 December 2011, it was €3,324 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 2013.

Credit risk

As at 31 December 2012, the Group's maximum exposure to credit risk is €111,924 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 2012

in € thousands	Receivables due	Receivables overdue for				Impaired	Total
		< 3 months	3-6 months	6-12 months	> 12 months		
France	22,384	15	-	-	-	209	**22,608**
Europe (excluding France)	23,471	337	364	-	-	1,869	**26,041**
Latin America	32,292	1,152	-	-	-	1,043	**34,487**
North America	7,577	-	-	-	-	1	**7,578**
Asia	8,173	22	-	-	-	213	**8,408**
Pacific	13,297	165	-	-	-	7	**13,469**
Africa & Middle East	2,675	-	-	-	-	6	**2,681**
Trade receivables	**109,869**	**1,691**	**364**	**-**	**-**	**3,348**	**115,272**

As at 31 December 2011

in € thousands	Receivables due	Receivables overdue for				Impaired	Total
		< 3 months	3-6 months	6-12 months	> 12 months		
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**

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

The policy of pooling excess cash and financing requirements in all regions means that the Group's net positions can be reduced and that the management of its deposits and financings are 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 reflect 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 2012, a total of €110 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 2012.

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, in the Pacific area and Latin America.
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	2012	2011
Fair value hedges	-	-
Cash flow hedges	-	68
Net investment hedges	-	-
Derivatives not qualifying for hedges	-178	200
Derivative financial exchange instruments	**-178**	**268**

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 local loan in Australia to finance the acquisition in 2010 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	2012		2011	
	Average real interest rate	Book value	Average real interest rate	Book value
India	-	-	9.100%	1,146
Brazil	9.380%	2,319	-	-
New Zealand	4.770%	1,960	-	-
Chile	2.395%	17,904	-	-
Other	-	1,612	-	1,815
Fixed rate debt		**23,795**		**2,961**
France	0.834%	20,000	-	-
France	0.761%	31,000	2.430%	10,000
France	0.763%	11,000	2.438%	10,000
France	0.841%	48,000	1.855%	25,000
France	0.925%	5,000	2.104%	7,500
France	1.580%	4,000	2.177%	6,000
Colombia	9.940%	6,011	8.570%	5,548
Australia	4.500%	11,834	5.758%	11,004
Variable rate debt		**136,845**		**75,052**
Bank overdrafts		9,590		10,830
Loans and bank overdrafts*		**170,230**		**88,843**

*excluding debt relating to leasing contracts.

Interest rate derivatives are shown below, at market value:

in € thousands	2012	2011
Fair value hedges	-	-
Cash flow hedges	1,041	241
Net investment hedges	-	-
Derivatives not qualifying for hedges	-	-
Derivative financial rate instruments	**1,041**	**241**

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 2012 the swap rate qualifies as a hedge.

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 2012, the unrealised exchange gains and losses in equity for the period showed a €735 thousands loss. The ineffective share recorded as income for this cash flow hedging was a €23 thousands gain.

in € thousands	Nominal		Positive fair value		Negative fair value	
	2012	2011	2012	2011	2012	2011
Forward exchange contract (sale)	10,083	26,481	242	90	13	854
Forward exchange contract (purchase)	19,281	17,626	0	1,095	408	24
OTC options exchange	1,009	2,917	4	-	3	39
Cross currency swap	36,161	-	-	-	476	-
Exchange instruments	**66,534**	**47,024**	**246**	**1,185**	**900**	**917**
Swap rate	73,000	39,500	-	-	565	241
Interest rate options	-	-	-	-	-	-
Interest rate instruments	**73,000**	**39,500**	**-**	**-**	**565**	**241**
Derivative financial instruments	**139,534**	**86,524**	**246**	**1,185**	**1,465**	**1,158**

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

	2011	Increase	Decrease	2012
Number of authorised shares	**8,714,352**	-	-256,352	**8,458,000**
Number of shares issued and fully paid	**8,714,352**	-	-256,352	**8,458,000**
Number of shares issued and not fully paid	**-**	-	-	**-**
Outstanding shares	**8,417,700**	16,034	-13,537	**8,420,197**
Treasury shares	**296,652**	13,537	-272,386	**37,803**
Nominal value of shares	**1.25 €**	-	-	**1.25 €**
Virbac share capital	**10,892,940 €**	**-**	**-320,440 €**	**10,572,500 €**

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 2010 plan, €948,120 corresponding to 12,000 shares at €79.01. This amount has been spread out over the vesting period of 31 months. The impact on the income statement as at 31 December 2012 is €367,014 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 statement as at 31 December 2012 is €464,000 representing 12/30th of the total expenses;
- for the 2012 plan, €1,196,000 corresponding to 10,000 shares at €119.60. This amount has been spread over a vesting period of 30 months. The impact on the income account as at 31 December 2012 is €239,200, representing 6/30th of the total expenses.

A33. Dividends

In 2012, the company paid out a dividend of €1.75 per share in respect of the 2011 financial year.
For the 2012 financial year, it will be suggested to the shareholders' general meeting that a net dividend of €1.90 per nominal share of €1.25 is allocated.

A34. Workforce

Evolution of workforce by geographic zone

	2012	2011	Change
France	1,232	1,199	*2.8%*
Europe (excluding France)	358	355	*0.8%*
Latin America	762	348	*119.0%*
North America	355	345	*2.9%*
Asia	958	861	*11.3%*
Pacific	288	270	*6.7%*
Africa & Middle East	132	131	*0.8%*
Workforce	**4,085**	**3,509**	***16.4%***

Distribution of workforce by function

	2012		2011	
Production	1,465	*35.9%*	1,218	*34.7%*
Administration	500	*12.2%*	386	*11.0%*
Commercial	1,728	*42.3%*	1,578	*45.0%*
Research & Development	392	*9.6%*	327	*9.3%*
Workforce	**4,085**	***100.0%***	**3,509**	***100.0%***

The increase in Group workforce is mainly due to the addition of the teams from Centrovet in Chile, which has a headcount of 369 including 191 in production.

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

	Total as at 01/01/2012	Usage	Elimination	Acquisition	Availability as at 31/12/2012
DIF hours	**86,980**	-3,408	-5,516	12,679	**90,735**

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

A36. Information on related parties

Compensation of supervisory board members

	2012		2011	
	Compensation	Directors' fees	Compensation	Directors' fees
Marie-Hélène Dick	90,000 €	19,000 €	90,000 €	19,000 €
Jeanine Dick	-	12,000 €	-	12,000 €
Pierre Madelpuech	-	19,000 €	-	19,000 €
Xavier Yon	-	19,000 €	-	19,000 €
Philippe Capron	-	22,000 €	-	22,000 €
Olivier Bohuon	-	19,000 €	-	-
Total	**90,000 €**	**110,000 €**	**90,000 €**	**91,000 €**

Gross compensation of executive board members

As at 31 December 2012

	Fixed compensation (including benefits in kind)	Compensation linked to terms of office for administrators in Group companies	Variable compensation	Total compensation
Éric Marée	303,688 €	70,400 €	180,000 €	**554,088 €**
Pierre Pagès	206,120 €	66,900 €	108,000 €	**381,020 €**
Christian Karst	203,316 €	45,000 €	96,000 €	**344,316 €**
Michel Garaudet	184,544 €	13,100 €	55,000 €	**252,644 €**
Jean-Pierre Dick	35,981 €	-	15,500 €	**51,481 €**
Total	**933,649 €**	**195,400 €**	**454,500 €**	**1,583,549 €**

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 €**

The compensation paid in respect of 2012 corresponds to the fixed compensation paid in 2012, the compensation linked to terms of office for administrators in Group companies paid in 2012, the variable compensation paid in 2013 in respect of 2012 and the benefits in kind granted in 2012 (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 change in provision for defined-contribution pension schemes was €481 thousands in 2012, of which €104 thousands was recognised in income and €377 thousands in other comprehensive income.

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, Éric Marée, and various executive board members, Pierre Pagès and Christian Karst.

These commitments were approved by the shareholders' meeting of 18 June 2012 and, in accordance with the Afep-Medef recommendations, follow 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%.

Stock grant plans

Since 2006, the Virbac executive board, in accordance with authorisation from the shareholders' meeting, has allocated 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 2011, 2012 and 2013 fiscal years.

The stock grants awarded under the 2010, 2011 and 2012 plans respectively amount to 12,000 shares, 10,000 shares and 10,000 shares.

The stock grants awarded to executive board members in 2010, 2011 and 2012 were as follows:

	Number of shares 2010 plan	Number of shares 2011 plan	Number of shares 2012 plan
Éric Marée	1,460	1,150	1,130
Pierre Pagès	1,080	850	850
Christian Karst	1,000	820	820
Michel Garaudet	665	510	510
Total	**4,205**	**3,330**	**3,310**

Sébastien Huron, who was not a member of the executive board at the time the different plans were allocated, received 520 performance shares under the 2012 plan.

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 €1 million was accounted for in expenses in the 2012 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	2012	2011
Virbac Vietnam Co. Ltd	Sanofi-Navetco	undetermined	-	76
PP Manufacturing Corporation	NDNE 9/90 Corporate Center LLC	30/09/2020	3,120	3,547
Guarantees given			**3,120**	**3,623**

A38. Scope of consolidation

Company name	Locality	Country	2012 Control	2012 Consolidation	2011 Control	2011 Consolidation
France						
Virbac (parent company)	Carros	France	100.00%	Full	100.00%	Full
Interlab	Carros	France	100.00%	Full	100.00%	Full
Virbac France	Carros	France	100.00%	Full	100.00%	Full
Soparlic **	Carros	France	- %	Full	100.00%	Full
Virbac Distribution	Wissous	France	100.00%	Full	100.00%	Full
Virbac Nutrition	Vauvert	France	100.00%	Full	100.00%	Full
Dog N'Cat International	Vauvert	France	100.00%	Full	100.00%	Full
Bio Véto Test	La Seyne sur Mer	France	100.00%	Full	100.00%	Full
Francodex Santé Animale **	Carros	France	- %	Full	99.60%	Full
Alfamed	Carros	France	99.70%	Full	99.70%	Full
Europe (excluding France)						
Virbac Belgium SA	Wavre	Belgium	100.00%	Full	75.27%	Full
Virbac Nederland BV *	Barneveld	Netherlands	100.00%	Full	75.28%	Full
Virbac (Switzerland) AG	Glattbrugg	Switzerland	100.00%	Full	100.00%	Full
Virbac Ltd	Bury St. Edmunds	United Kingdom	100.00%	Full	100.00%	Full
Virbac SRL	Milan	Italy	100.00%	Full	100.00%	Full
Virbac Danmark A/S	Kolding	Denmark	100.00%	Full	100.00%	Full
Virbac Pharma Handelsgesellshaft mbH	Bad Oldesloe	Germany	100.00%	Full	100.00%	Full
Virbac Tierarzneimittel GmbH	Bad Oldesloe	Germany	100.00%	Full	100.00%	Full
Virbac SP zoo	Warsaw	Poland	100.00%	Full	100.00%	Full
Virbac Hellas SA	Agios Stefanos	Greece	100.00%	Full	100.00%	Full
Animedica SA	Agios Stefanos	Greece	100.00%	Full	100.00%	Full
Virbac España SA	Barcelone	Spain	100.00%	Full	100.00%	Full
Virbac Österreich GmbH	Vienna	Austria	100.00%	Full	100.00%	Full
Virbac de Portugal Laboratorios Lda	Almerim	Portugal	100.00%	Full	100.00%	Full
Vetz GmbH	Hanover	Germany	23.99%	Equity method	23.99%	Equity method
North America						
Virbac Corporation *	Fort Worth	United States	100.00%	Full	100.00%	Full
PP Manufacturing Corporation	Framingham	United States	100.00%	Full	100.00%	Full

*** Pre-consolidated levels**

**** Universal transfer of assets and liabilities to Alfamed in 2012**

Company name	Locality	Country	2012		2011	
			Control	Consolidation	Control	Consolidation
Latin America						
Virbac do Brasil Industria e Comercio Ltda	São Paulo	Brazil	100.00%	Full	100.00%	Full
Virbac Mexico SA de CV	Guadalajara	Mexico	100.00%	Full	100.00%	Full
Laboratorios Virbac Mexico SA de CV	Guadalajara	Mexico	100.00%	Full	100.00%	Full
Inmobiliara Virbac Mexico SA de CV	Guadalajara	Mexico	100.00%	Full	- %	-
Virbac Colombia Ltda	Bogota	Colombia	100.00%	Full	100.00%	Full
Laboratorios Virbac Costa Rica SA	San José	Costa Rica	100.00%	Full	100.00%	Full
Virbac Chile SpA	Santiago	Chile	100.00%	Full	- %	-
Virbac Patagonia Ltda	Santiago	Chile	100.00%	Full	- %	-
Holding Salud Animal SA	Santiago	Chile	51.00%	Full	- %	-
Centro Veterinario y Agricola Limitada	Santiago	Chile	51.00%	Full	- %	-
Farquimica SpA	Santiago	Chile	51.00%	Full	- %	-
Santa Elena SA	Montevideo	Uruguay	30.00%	Equity method	30.00%	Equity method
Asia						
Virbac Trading (Shanghai) Co. Ltd	Shanghai	China	100.00%	Full	100.00%	Full
Virbac H.K. Trading Limited	Hong Kong	Hong Kong	100.00%	Full	100.00%	Full
Virbac Korea Co. Ltd	Seoul	South Korea	100.00%	Full	100.00%	Full
Virbac (Thailand) Co. Ltd	Bangkok	Thailand	100.00%	Full	100.00%	Full
Virbac Taiwan Co. Ltd	Taipei	Taiwan	100.00%	Full	100.00%	Full
Virbac Philippines Inc.	Pasig City	Philippines	100.00%	Full	100.00%	Full
Virbac Japan Co. Ltd	Osaka	Japan	100.00%	Full	100.00%	Full
Virbac Asia Pacific Co. Ltd	Bangkok	Thaïland	100.00%	Full	100.00%	Full
Virbac Vietnam Co. Ltd	Ho Chi Minh Ville	Vietnam	100.00%	Full	75.00%	Full
Virbac Animal Health India Private Limited	Mumbai	India	100.00%	Full	100.00%	Full
SBC Virbac Limited *	Hong Kong	Hong Kong	49.00%	Equity method	49.00%	Equity method
Pacific						
Virbac (Australia) Pty Ltd *	Milperra	Australia	100.00%	Full	100.00%	Full
Virbac New Zealand Limited *	Auckland	New Zealand	100.00%	Full	100.00%	Full
Africa & Middle East						
Virbac RSA (Proprietary) Ltd *	Centurion	South Africa	100.00%	Full	100.00%	Full

*** Pre-consolidated levels**

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2012

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 2012, 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 and of the results of its operations for the year then ended in accordance with the IFRS as adopted by the European Union.

Without qualifying the conclusion expressed above, we draw your attention to note A14 to the consolidated financial statements, which explains in detail the changes to accounting methods resulting from early application of IAS 19 revised.

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 €122,6 million and €208,6 million, respectively, as of 31 December 2012, 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, 29 March 2013
The statutory auditors

Novances-David & Associés
Christian Dechant

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, 14 March 2013

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 2012 to the supervisory board, which duly acquainted itself therewith.

The Group's consolidated turnover of €695.2 million increased by 11.6% over 2011, 8.9% at constant exchange rates and 8.2% at constant rates and scope.

The current operating income of €98.1 million rose by 14.4% over 2011. The latter includes the contribution of recent acquisitions in New Zealand and Chile up to €2.7 million, in line with objectives. The Group share net profit reached €66.6 million, 15.8% growth over 2011.

Group net debt as at 31 December increased moderately to €133.9 million, or 38.7% of Group share equity.

The value of shares at closing was €149.85 at the end of 2012, which represents a notable increase of 25% compared with 1 January 2012.

A dividend of €1.90 per share to be distributed will be proposed at the shareholders' meeting, an 8.6% increase in distributed income per share over 2011.

At its 21 December 2012 meeting, the supervisory board appointed Sébastien Huron as a new executive board member. Sébastien Huron remains the European area director.

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. The audit and compensation committees met three and two times respectively in 2012.

The terms of office of all the members of the supervisory board, with the exception of Olivier Bohuon, are set to end at the next general assembly. The shareholders' meeting will reappoint or appoint the members of the supervisory board for a period of three years.

The supervisory board would like to thank the members of the executive board, the management teams and all Virbac's employees worldwide for their continued hard work and to thank shareholders for their loyalty to the Group.

RESOLUTIONS SUBMITTED TO THE ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING OF 17 JUNE 2013

WITHIN THE COMPETENCE OF THE ORDINARY SHAREHOLDERS' MEETING

First resolution: approval of the 2012 company 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 2012 showing a net result of €36,155,878.29, 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 €193,344. 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 2012 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 2012, 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 €66,625,639.

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 2012
Net result for the year	36,155,878.29
Retained earnings carried forward	115,143,588.92
Distributable result	**151,299,467.21**
Distribution of dividends	16,070,200.00
Balance carried forward	20,085,678.29

The dividend distributed to each share with a nominal value of €1.25 is €1.90. The dividend to be distributed will be detached from the share on 21 June 2013 and will be payable on 26 June 2013.

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 fiscal residents in France, the dividend is eligible for a 40% reduction (article 158-3-2 of the French general tax code).

Shareholders are informed that, in keeping with the provisions of article 117 *quater* of the French general tax code, individual persons with fiscal residence in France who earn distributed income will be subject to a flat-rate withholding tax of 21%.

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	Overall distribution
2009	1.32	11,447,597
2010	1.50	13,018,970
2011	1.75	14,748,377

Fourth resolution: regulated agreements and commitments pursuant to article L225-86 of the French Commercial Code

The shareholders' meeting, in accordance with *quorum* and majority requirements for ordinary shareholders' meetings, having acquainted itself with the special report of the statutory auditors on the agreements and commitments subject to the provisions of article L225-38 of the French Commercial Code, takes note that no agreement or commitment of this nature was concluded during the fiscal year ending 31 December 2012.

Fifth resolution: reappointment of Marie-Hélène Dick Madelpuech as a member of the supervisory board

The shareholders' meeting, in accordance with *quorum* and majority requirements for ordinary shareholders' meetings, reappoints Marie-Hélène Dick Madelpuech to a new three-year term as a member of the supervisory board.
Marie-Hélène Dick Madelpuech's term as member of the supervisory board will end at the close of the shareholders' meeting convened to approve the financial statements of the fiscal year ending 31 December 2015.

Sixth resolution: reappointment of Jeanine Dick as a member of the supervisory board

The shareholders' meeting, in accordance with *quorum* and majority requirements for ordinary shareholders' meetings, reappoints Jeanine Dick to a new three-year term as a member of the supervisory board.
Jeanine Dick's term as member of the supervisory board will end at the close of the shareholders' meeting convened to approve the financial statements of the fiscal year ending 31 December 2015.

Seventh resolution: reappointment of Philippe Capron as a member of the supervisory board

The shareholders' meeting, in accordance with *quorum* and majority requirements for ordinary shareholders' meetings, reappoints Philippe Capron to a new three-year term as a member of the supervisory board.
Philippe Capron's term as member of the supervisory board will end at the close of the shareholders' meeting convened to approve the financial statements of the fiscal year ending 31 December 2015.

Eighth resolution: reappointment of Asergi company as a member of the supervisory board

The shareholders' meeting, in accordance with *quorum* and majority requirements for ordinary shareholders' meetings, reappoints the Asergi company, represented by Pierre Madelpuech, to a new three-year term as a member of the supervisory board.
The Asergi company's term as member of the supervisory board will end at the close of the shareholders' meeting convened to approve the financial statements of the fiscal year ending 31 December 2015.

Ninth resolution: reappointment of XYC company as a member of the supervisory board

The shareholders' meeting, in accordance with *quorum* and majority requirements for ordinary shareholders' meetings, reappoints the XYC company, represented by Xavier Yon, to a new three-year term as a member of the supervisory board.
The XYC company's term as member of the supervisory board will end at the close of the shareholders' meeting convened to approve the financial statements of the fiscal year ending 31 December 2015.

Tenth resolution: approval of the total amount of attendance fees allocated to members of the supervisory board

The shareholders' meeting, in accordance with *quorum* and majority requirements for ordinary shareholders' meetings, elects to grant a sum of €140,000 as attendance fees for the current fiscal year which will be shared among the members of the supervisory board.

Eleventh 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 sub-delegation, in accordance with the provisions of articles L225-209 and *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-I97-I and *seq.* of the French Commercial Code.
- reduce the company's capital stock by cancelling all or part of the shares purchased subject to adoption of the twelfth resolution by the shareholders' meeting.

The maximum unit purchase price may not exceed €250.
The maximum transaction amount, taking into account the 37,965 shares already held as at 28 February 2013, is thus set at €201,958,750.
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 18 June 2012 in the ninth 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

Twelfth resolution: authorisation of the executive board to reduce the share capital by cancellation of treasury shares held by the company

The shareholders’ meeting, in accordance with *quorum* and majority requirements for extraordinary shareholders’ meetings, having acquainted itself with the report of the executive board and the special report of the statutory auditors:

- authorises the executive board to cancel, once or several times, all or part of the shares which the company holds or may hold following the buy backs carried out in accordance with article L225-209 of the French Commercial Code, with a maximum of 10% of the total number of shares per period foreseen by law, by attributing the difference between the purchase value of the cancelled shares and their nominal value to the available premiums and reserves, including in part to the legal reserve to a maximum of 10% of the cancelled capital;
- authorises the executive board to record the completion of the capital reduction(s), amend the articles of association as a result and to carry out all necessary formalities;
- authorises the executive board to delegate all necessary powers for implementing its decisions, all in accordance with the legal provisions in force for the use of this authorisation;
- fixes the period of validity of this authorisation at 26 months from the date of this shareholders' meeting.

Thirteenth resolution: creating the non-voting director position and integrating it into the new article 17 *bis* of the articles of association

The shareholders' meeting, in accordance with *quorum* and majority requirements for extraordinary shareholders' meetings, after having heard the report from the executive board, decided to create the position of non-voting director and to then include it in the new article 17 *bis* of the articles of association.

Article 17 *bis*
The ordinary shareholders' meeting may appoint an individual person or legal entity, shareholder or not, as a non-voting director.
The supervisory board may also appoint an individual person or legal entity, shareholder or not, as a non-voting director. This appointment is subject to the approval of the next ordinary shareholders' meeting.
If the non-voting director is a legal entity, it must at the time of appointment designate an individual person as its permanent representative. Should no permanent representative be appointed, the non-voting legal entity shall be represented by its legal representative.
The non-voting director is appointed to a term of one year, ending at the close of the general shareholders' meeting convened to approve the financial statements of the previous fiscal year and held in the year during which the term of said office expires. The non-voting director may be re-elected indefinitely.
The position may be revoked at any time by decision of the shareholders' meeting.
In the event of vacancy of the non-voting position due to death, resignation, dismissal or any other reason, the supervisory board may make a temporary appointment. This appointment is subject to the approval of the next ordinary shareholders' meeting. The appointed replacement non-voting director may only serve the remaining term of the predecessor.
The non-voting director serves at the will of the supervisory board and its chair to advise on matters referred to it. Said member shall make any observations deemed necessary at supervisory board meetings. He shall ensure, in particular, the application of the articles of association.
He shall have access to the same information as the members of the supervisory board and is held to the same confidentiality requirements as the supervisory board.
The non-voting director will not be a corporate officer. He will have no decision-making power. He will have a voice but not a vote during supervisory board meetings to which he is invited to attend.
The agreements that he approves with the company are subject to the same conditions as the agreements approved with other members of the supervisory board.
The supervisory board may compensate the non-voting director out of the funds allotted to the members by the shareholders' meeting.

Fourteenth resolution: amendment of article 18 of the articles of association regarding regulated agreements due to the inclusion of the non-voting director and harmonisation with article L225-86-1 of the French Commercial Code

The shareholders' meeting, in accordance with *quorum* and majority requirements for extraordinary shareholder's meetings, after having heard the report from the executive board, decided to amend article 18 regarding the regulated agreements in order to insert the non-voting director and to ensure its compliance with article L225-86-1 of the French Commercial Code, which raised the voting rights threshold from 5% to 10% for controlling shareholder agreements.

Article 18
Agreements subject to authorisation:
Under article L233-3, the supervisory board must give prior authorisation for any controlling company for any agreement drawn up either directly or through a third party between the company and one of the members of the executive or supervisory boards, the non-voting director, one of shareholders with voting rights exceeding 10%, or in the case of a corporate shareholder.
The same rule applies to agreements in which one of the persons referred to in the previous paragraph has an indirect interest.
Agreements between the company and another company, where one of executive or supervisory board members is an owner, partner, manager, director, member of the supervisory board or, in general, manager of the other company, are also subject to prior authorisation.
Agreements not subject to authorisation:
These provisions are not applicable to agreements pertaining to ordinary operations concluded under normal conditions.

Authorisation procedure:
The member of the executive or supervisory board or the non-voting director in question must inform the supervisory board as soon as he is aware of an agreement to which these provisions are applicable. If he is a member of the supervisory board, he may not participate in the vote of approval.
The rest of the article will remain unchanged.

Fifteenth resolution: powers to carry out formalities

The shareholders' meeting, in accordance with *quorum* and majority requirements for extraordinary 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.

PRODUCT NAMES

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 the countries where Virbac is present..

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

Alplucine
oral antibiotic prescribed for treating and preventing the respiratory diseases in poultry and swine

Avicylat
oral anti-inflammatory for turkeys and chickens

CaniLeish
vaccine against canine leishmaniosis

Cortavance
hydrocortisone aceponate-based corticoid cutaneous spray for symptomatic treatment of inflammatory dermatoses in dogs

Cydectin
moxidectin-based range of parasiticides for food producing animals

EasOtic
auricular suspension for the treatment of *otitis externa* in dogs, delivered with a 360° non-traumatic nozzle 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

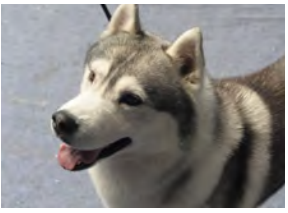
Eymeril
oral anticoccidial prescribed for treating the intestinal coccidiosis in chickens and turkeys

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

Iverhart
range of chewable tablets for use in dogs to prevent canine heartworm disease and for the treatment and control of roundworms and hookworms, as well as tapeworms for Iverhart Max)

Leucogen
recombinant subunit vaccine against feline leukaemia developed by genetic engineering






Luminal
phenobarbital-based tablet for treating epilepsy in dogs

Mastinject
injectable antibiotic prescribed for treating mastitis and respiratory diseases in cattle

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

Multimin
trace element injectable supplement for food producing animals

Ostovet
food supplement for cattle

Premedox
doxycycline-based antibiotic prescribed for the treatment of respiratory infections in swine and poultry

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

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

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

Soloxine
levothyroxine-base tablet prescribed for the treatment of hypothyroidism in dogs

Suprelorin
Slow release subcutaneous deslorelin-based implant for the induction of temporary infertility in male dogs

Suprelorin F
Slow release subcutaneous deslorelin-based implant indicated for the management of adrenal gland cortical disease in the male and female domestic ferret

Suramox
coated amoxicillin-based antibiotic prescribed for the treatment of respiratory infections in food producing animals

Vimeral
food supplement for cattle in liquid form

Virbamec
ivermectin-based parasiticide for food producing animals

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

Zeramec
patented injectable combination of zeranol and an endectocide for cattle

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Denmark export business Iran - Libya - Turkey

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* Virbac customer service, 6 euro cents per minute

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