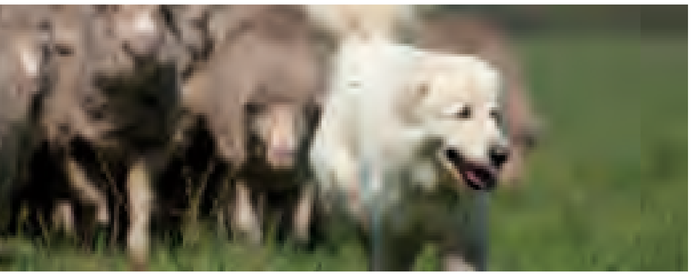
Annual report 2013

SUMMARY

A laboratory dedicated to animal health

Overview



Sustainable development

Financial report

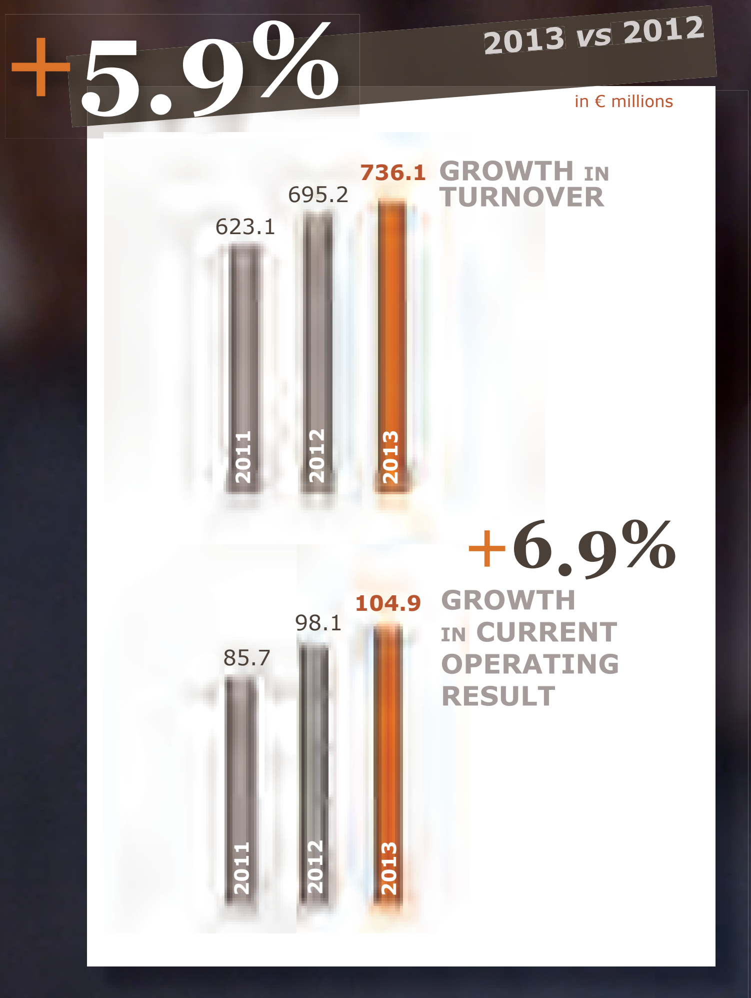
Overview

2013 A year *of contrasts* for Virbac

Interview with Éric Marée,
Chairman of the executive board

2013 was a year of contrasts, how was it for the animal health market?

Éric Marée: 2013 was an atypical year: relatively unfavourable economic and climatic conditions combined to cause clear downturns in market growth: economic stagnation in Europe and slowing of growth in emerging countries, a cold spring in the United States and in Europe which did nothing to encourage demand for antiparasitics, drought in Australia and a relative lack of monsoons in India on the other: few factors were propitious to growth in the world animal health market in 2013. As a result there was no growth in Europe, either on the companion animal or food producing side, nor in the companion animal sector in the United States and overall the world market grew only slightly as a consequence of reduced growth in the companion animal market and a slight erosion in the food producing animal market.



In an animal health market posting low growth, how has Virbac fared?

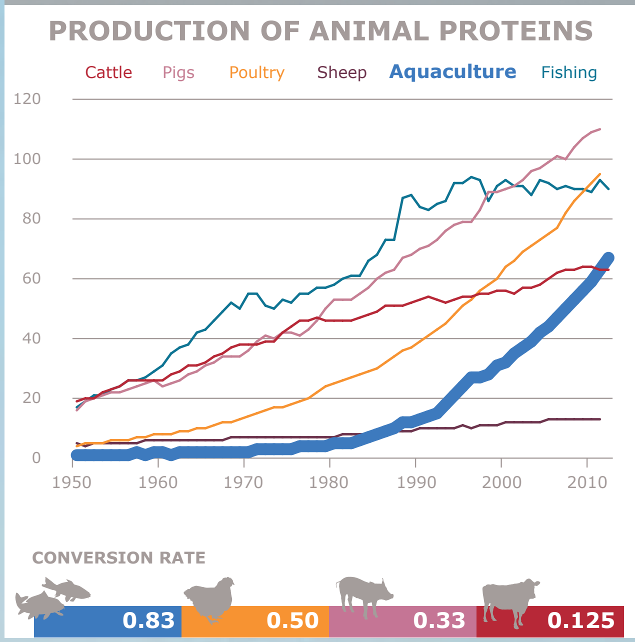
EM: unlike previous years, Virbac's overall market share did not increase in 2013. In Europe our performance did not outstrip the market, the lack of major new product launches being the main reason. It was even slightly affected in the companion animals sector by the expected downturn in the CaniLeish vaccine, launched in the major markets in 2012, due to the vaccination protocol – three injections in the first year and only one annual booster vaccination. In the United States our performance was impacted by the voluntary withdrawal of our leading product, the antiparasitic Iverhart Plus, at the end of the first quarter following a quality incident at our production site in Saint-Louis. Nonetheless we were able to preserve some of the strong increase in market share we posted in 2012. Elsewhere in the world we maintained our market shares or even improved them in a certain number of major countries, including Mexico, Brazil and India particularly.

In this context the contribution of the Chilean company Centrovet, that we consolidated in December following the acquisition of 51% of the capital in November 2012, was a decisive factor. The aquaculture business is by far the dominant business within Centrovet and is no. 2 in the world; it saw an excellent growth of 20% in 2013.

As a result of these contrasting fortunes, organic growth was 2.1%, whereas the Group's overall growth at constant exchange rates reached a high level (+10.5%).

Aquaculture: a strategic orientation

Virbac’s investment in the health of aquaculture farms reflects the Groups vision for the future. Over the last few decades the production of proteins from aquaculture has grown significantly and is now (with fishing) the prime source of animal protein worldwide. Boasting the best conversion rate of animal species used for food (increase in live weight per kg of food ingested), this business looks set to grow to meet the food requirements of a growing world population (9 billion by 2050).



Has the Group continued to perform well?

EM: overall the increase in operating profit from ordinary activities is satisfactory (+6.9%) and is quite a fair reflection of the in turnover despite a fresh increase of 0.5 point in Research & Development expenditure. It was severely handicapped, however, by the highly unfavourable movements in exchange rates since nearly all currencies, in particular in emerging countries, worsened against the euro. At constant exchange rates the overall operating result would have increased 15.5%.

This increase in operating result is not reflected in the net income – Group share, which was down 9.2% due to the twin impact of the Centrovet transaction: an increase in finance costs and a group share limited to 51% of the income.

The reduction in debt was relatively limited although the resources deployed for the acquisitions were more modest than in previous years. The year’s investment programme, driven by two major projects in France and Mexico, amounted to almost €55 million, while at the same time stock levels rose slightly, in part due to the adaptation to increasing pharmaceutical requirements.

After this contrasting year, what are the prospects for 2014?

EM: we anticipate a return in 2014 to market growth levels closer to those we have seen in the recent past, against a backdrop of a slightly more dynamic global economic climate. In Europe our growth should still be relatively modest due both to the general economic situation and factors specific to Virbac: the new wave of innovations we are preparing to launch should only have a relatively limited impact in 2014 since the commercialisation dates are more towards the end of the year. We envisage that growth

Geographical breakdown of **turnover**

will continue to be relatively modest in the United States, with the return of Iverhart Plus to the market only scheduled for the second half of the year. Our growth prospects, however, are much better in the Asia/Pacific and Latin America regions. This should translate in the results into organic growth of 4 to 6% and operating profitability maintained at the level of 2013 at constant exchange rates, taking account of the forecast progression to two-digit expenditure in Research & Development.

Highlights 2013

January. February. March

United States: Iverhart Plus withdrawn

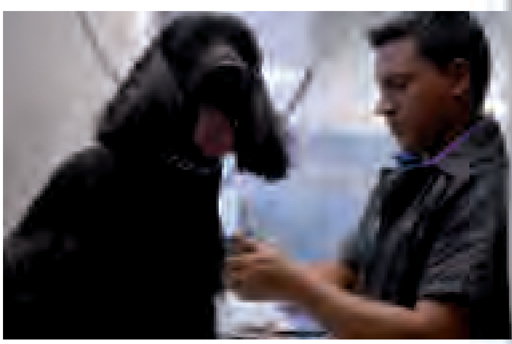
In March, as part of quality control procedures, in some batches of Iverhart Plus, Virbac detected a dosage of Ivermectine that was below marketing authorisation specifications before expiry.

Virbac recalled the batches concerned from the veterinary surgeons and, as a precautionary measure, withdrew voluntary all the batches of Iverhart Plus and third-party brands under which the product is marketed. Since then, a pharmaceutical optimisation plan has been launched which aims to ensure technical command of the equipment, staff training and the qualification and validation of new batches.

April. May. June

China: Cortavance launched successfully

Après l'obtention de la première AMM After obtaining the first companion animal marketing authorisation 15 years ago, Cortavance was launched in China in July and then in South Africa in September.



With Cortavance, Virbac China confirms its development in the companion animal market (with a growth of 50% compared to 2012), by becoming the leader of the dermatology range which generated 40% of growth.

July. August. September

Australia: a new R&D center opens

In June, Virbac Australia inaugurated the new Virbac Innovation in Vaccines and Industrial Development (VIVID) biological center in Penrith.

The opening of this center will enable continued production of existing product ranges and also the development of new vaccines for ruminants. It will also reinforce Virbac Australia's presence in this segment.

Latin America: Maxflor launched in Brazil in partnership with Mexico

In August, thanks to the partnership between the Brazilian and Mexican teams, Maxflor 30 ml was marketed in Brazil.

An overhaul of the marketing authorisation file on this product, developed by Mexican R&D and sold in some Latin American and Asian countries for many years, has made it possible to comply with Brazil's new regulations.

Australia: the acquisition of Birch reinforces the subsidiary's equine range

Mid-September, Virbac Australia acquired Birch from Axon Animal Health, a company specialising in the development and marketing of equine pharmaceuticals.

This acquisition allows Virbac Australia to expand its equine range and strengthen its position in this segment, thanks to a major product that treats gastric ulcers in horses.

Greece: Virbac helps eradicate rabies with Rabigen SAG2

In September, Virbac won the tender for the oral vaccination of foxes in Greece with the rabies bait Rabigen SAG2.
This vaccination campaign is intended to continue at least until 2015 and represents 1.5 million baits manufactured in Carros and distributed by air in the region of Salonika.

Uruguay: Santa Elena now 100% Virbac

Following its initial 30% stake acquisition in 2010, Virbac acquired the remaining capital of Santa Elena, a Uruguayan company specialised in biological products and nutrition for ruminants.
Santa Elena has become the Group's 30th subsidiary and aims to become a leading player in Latin America's bovine segment.

October. November. December

Group: VB8 receives GMP certification from Anses

In December, the new building intended for the production of sterile injectables in Carros obtained European GMP certification from the French agency for food, environmental, and occupational health and safety (Anses).

GMP certification and the validation of aseptic batches (Media Fill Test) is an important milestone in the operational launching of the new VB8 plant which produced the first commercial batch in February 2014.

Death of Pierre Pagès, member of the Virbac executive board

It is with immense sadness that Éric Marée, chairman of the executive board of Virbac along with all other members of the executive board must inform you of the death of Pierre Pagès, member of the executive board and head of Worldwide Operations, Thursday 6th February.
Close to Doctor Dick, Pierre Pagès was an unstoppable craftsman of the development of Virbac worldwide. The thirty subsidiaries and the one hundred countries in which Virbac operates today are largely the result of his fierce determination to plant the Virbac flag and prosper the business of the Group throughout the world.
Profoundly human, remarkable in his humility and simplicity, but also in his tenacity, his humorous streak was never far away. He leaves an immense void in the Virbac family.

Pierre Pagès was a veterinarian by training and a MBA graduated of the HEC business school. He started his career with Cyanamid before joining Reading Laboratories as product manager in 1980. He was then promoted to director of Marketing before taking responsibility for the worldwide business operations of Virbac in 1990. He joined the executive board in 1992, and became head of Worldwide Operations in 1996.

Virbac *worldwide*

30 subsidiares
outside France

Production sites
in **10** countries

4 350
employees
(including 70% outside France)

Present in over
100 countries

R&D centers
on **5** continents

8th veterinary
company worldwide

736 M€
turnover
Organic growth +2,1 % *vs* 2012

key figures 2013

Net sales

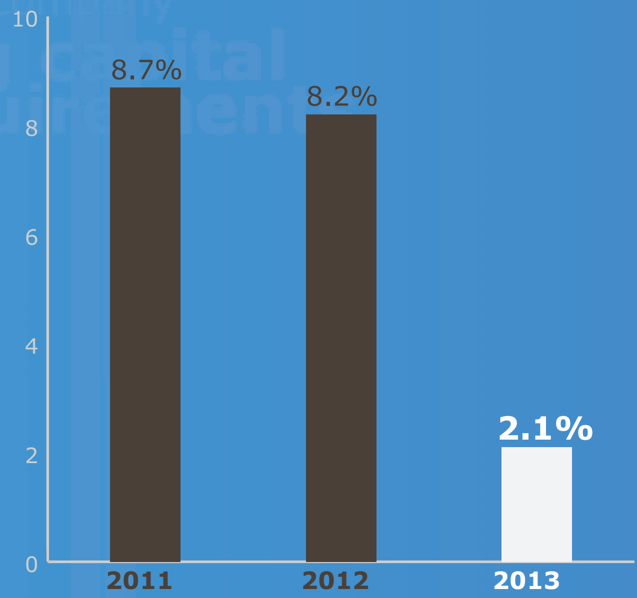
736.1 M€

2012
695.2 M€

2011
623.1 M€

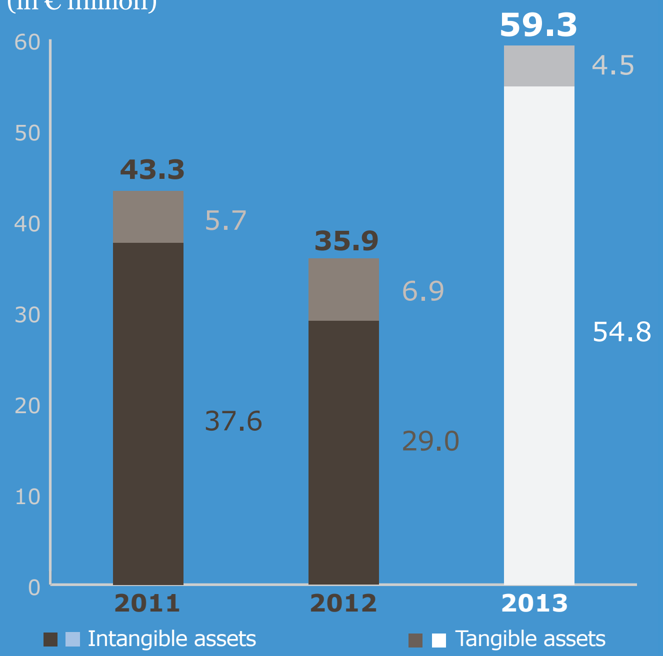
Organic growth

(like-to-like exchange rates and scope)



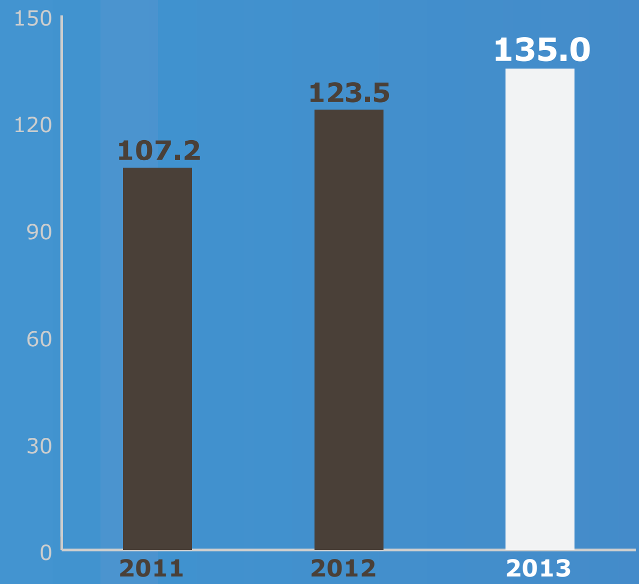
Investments

(in € million)

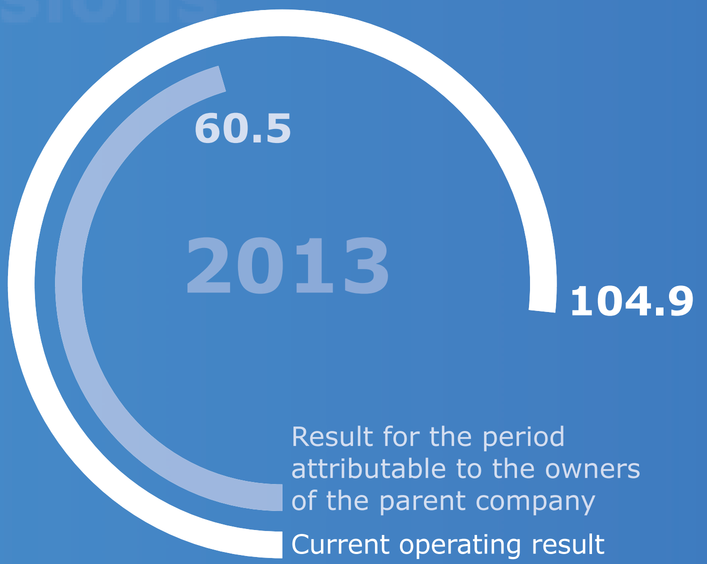


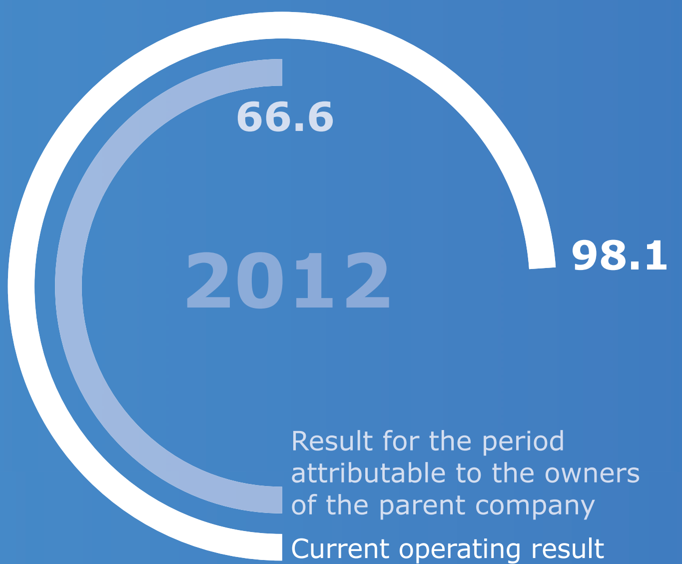
Operating cash flow

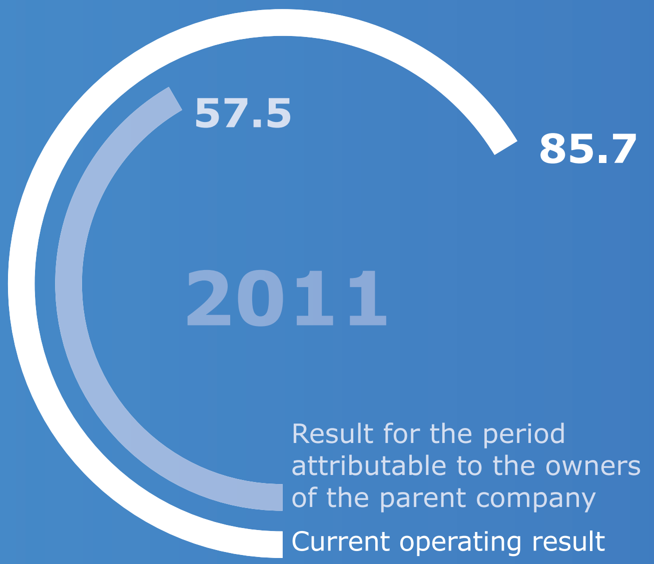
(in € million)



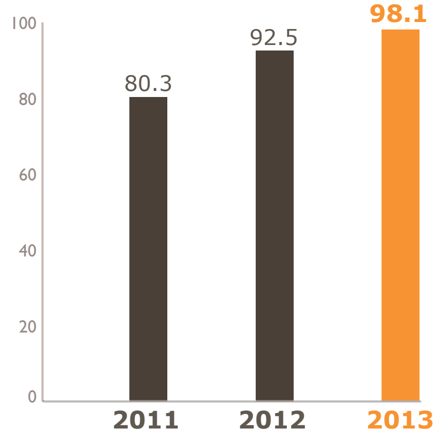
Results (in € million)





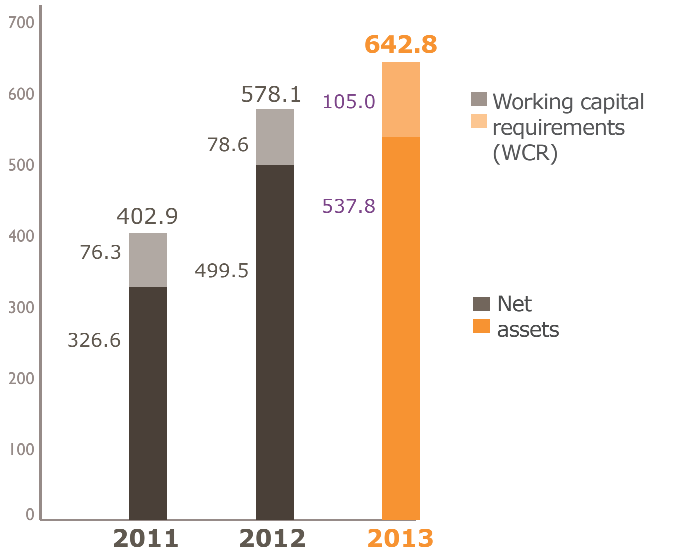


Cash flow
(in € million)

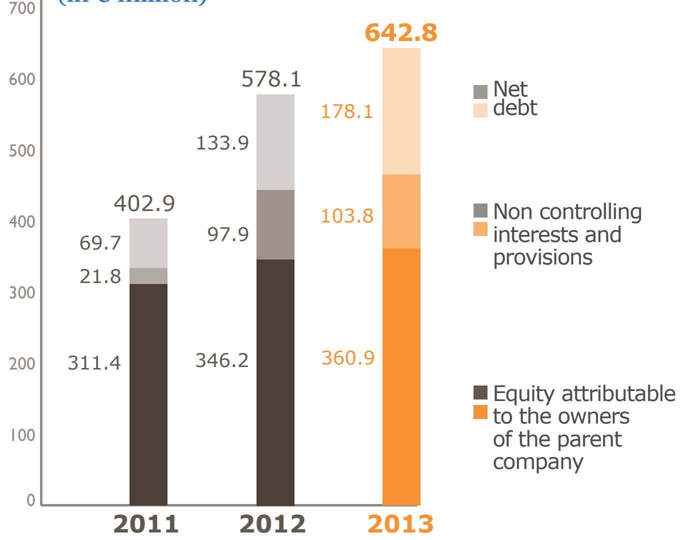


Financial structure
(in € million)

Capital employed



Financing
(in € million)



Corporate *governance*

Executive board

The executive board is responsible for the strategic and operational management of the company. It comprised six members during the financial year 2013 and has five members since the death of Pierre Pagès, chief operating officer, on February 6, 2014.

The executive board is assisted by a strategic committee which brings together area directors and heads of major corporate functions.

Éric Marée, chairman of the executive board
Pierre Pagès, chief operating officer
Christian Karst, executive vice-president corporate development
Michel Garaudet, chief financial officer
Sébastien Huron, area director Europe until the end of 2013 and head of Global Business Operations since that date
Jean-Pierre Dick, responsible for special projects and chairman of the Fondation d'Entreprise Virbac, a corporate foundation

Jeanine Dick , Marie-Hélène Dick, Grita Loebsack,
Pierre Madelpuech, Philippe Capron, Olivier Bohuon, Xavier Yon

Supervisory board

The supervisory board ensures the permanent control of the management of the executive board, the regular review of the accounts and of all major projects and investments.

The supervisory board comprises six members including three independent[1] members:
Marie-Hélène Dick, chairwoman;
Jeanine Dick, vice-chairwoman;
Olivier Bohuon, independent member;
Philippe Capron, independent member;
Pierre Madelpuech, representing the company Asergi;
Grita Loebsack, independent member.

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;
• select the statutory auditors.

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 the members of the executive board;
• staying informed of the Group's general human resources policy and more specifically the compensation policy for the Group's main executives;
• reviewing proposals and conditions relating to stock grants;
• drawing up proposals regarding the amount of directors' fees to be paid to the members of the supervisory board.

It is comprised of **Marie-Hélène Dick**, chairwoman, **Olivier Bohuon** and **Grita Loebsack**. Grita Loebsack was appointed in December 2013 in replacement of Xavier Yon (legal representative of the company XYC).

Non-voting advisor (*censeur*)

Xavier Yon, representing the company XYC.

Statutory auditors

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

[1] Independence is measured in accordance with the criteria set forth in the Afep-Medef Corporate Governance Code

2013: KEY DATES

February 4: the Vendée Globe finishes at Sables d'Olonne. Despite losing his boat's keel 2,643 miles before the finish, JP ended his world tour in 4th place.

March 19: launch of Virbac-Paprec 70 at Lorient.
After ten years sailing an Imoca 60, Jean-Pierre Dick the solo sailor moved to team sailing on a MOD70 trimaran.

May 29 and 30 in Nice: first sailing sessions with customers and visit of the multihull by 450 headquarters staff.

June 9 to 30: Route des Princes
During the in-shore regattas of the Spanish, Portuguese and English stopovers, Virbac customers sailed on board Virbac-Paprec 70. Alongside Jean-Pierre Dick was an excellent team, including Roland Jourdain and Vincent Riou.

July 2 at Roscoff: after the finish of the Route des Princes, Virbac customers were invited for on sailing sessions and accompanied the team on their return to Lorient.

July 11 to 18: more than a hundred customers visited Virbac-Paprec 70 home port and came onboard the multihull during 5 days of sailing.

November 3 at Le Havre
despite Virbac-Paprec capsizing and being unable to take part in the Transat Jacques Vabre, customers met Jean-Pierre Dick and Roland Jourdain before the race began (postponed until November 8).

A momentous year

Going from monohull to multihull, from solo sailing to team events: in 2013 Jean-Pierre Dick's project not only focussed on races and trials in France and abroad but also branched out into new areas.

The move to multihull

On February 4, Jean-Pierre Dick finished 10 years of adventure in an Imoca 60 and his 3rd Vendée Globe in style with an unforgettable arrival into Sables d'Olonne. After 86 days, 3 hours, 3 minutes and 40 seconds, having travelled the final 2,643 miles without a keel, he finished 4th, welcomed by more than 100,000 spectators.

Then - a change of course. Jean-Pierre Dick, solo sailor, entered a new chapter of his career, in a multihulled boat and sailing with a team. In March, Virbac-Paprec 70 was launched at Lorient. The boat a MOD70, 21 metres long and 17 metres wide, designed to sail with eight hands in a circuit of events including in-shore races and ocean races. The trimaran made its début at Nice, homeland of Virbac, with 450 headquarters staff to visit the boat

The new circuit was having difficulties establishing itself, but no matter: the MOD70s came together for the Route des Princes. Throughout June, Jean-Pierre sailed with a formidable team, including Roland Jourdain and Vincent Riou, on this multi-stage tour of Europe. Jean-Pierre Dick also planned to start the Transat Jacques Vabre on November 3 with Roland Jourdain. In the end this was not possible, due to the spectacular capsizing of the trimaran on October 10, but this didn't stop veterinary customers involved: despite the incident, they came to Le Havre to meet the two skippers and show their support.

High-speed sailing

Virbac-Paprec 70 sails at an average of 30 knots! A big advantage with sailing enthusiasts, including many of Virbac's customers. Whether at Nice, Roscoff, Lorient or, for the first time in the history of this project, during a race (in the Route des Princes), in total nearly 300 of them were drawn to the MOD70 in 2013.

Sustainable development 2013

COMPANY PROFILE

STRATEGY AND ANALYSIS

1.1 Statement from the most senior decision-maker on the importance of sustainable development for the organisation and its strategy

There are several reasons why it is natural for Virbac to continue its long-term development. 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 company strategy is built. As with many family businesses, the ability to envision the long term and act accordingly runs in the company's blood. Furthermore, being a listed company only serves to advance this vision: increasingly more shareholders favour companies whose strategies incorporate sustainable development goals which rather than impede, enhance economic performance. 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 customers, veterinarians and farmers, are becoming increasingly aware of their impact on the environment and human health. As such, Virbac is naturally lead towards guidings its activities accordingly.

The Group's fast growth reinforces both its local and its global nature at the same time, and leads to additional requirements. Virbac is also profoundly anchored within its native region, the Côte d'Azur, where it is 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. Additionally, Virbac is now a global company, with more than 60% of sales made outside Europe and 30 subsidiaries spread across every continent. The company must ensure that its development respects certain common guiding principles, regardless of where it is operating, particularly in social and environmental issues – all the while incorporating development targets.

Since 2012 the company's step towards sustainable development has been audited by one of the company's statutory auditors. This inspection is very solidly based in three domains.

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 welfare policy that favours employees at the lower end of the salary scale, and the confidence and interest shown in every employee thus represent some of Virbac's traditional values. The company is committed to preserving and fostering this legacy by complementing it with ambitious skills development policies.

In the environmental sphere, the company's operations guarantee high quality requirements (compliance, for example, with Best Manufacturing Practices and with Best Laboratory Practices). In

addition, several years ago the company launched lean manufacturing and continuous improvement projects designed to steadily cut waste and optimise resource use. The search for energy savings and respect for the environment are increasingly integrated on a systematic basis into the process by which key company decisions (on investment, transport, product design, etc.) are made.

In the financial sphere, the company's goal is to continue posting the steady and profitable growth it has seen almost annually since it was founded. This development is primarily based on solid organic growth, driven by innovation and the strength of Virbac's customer relationships. The company regularly boosts its development through targeted acquisitions, all the while ensuring a controlled level of net debts. 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 customers, 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 respond to a demand for nutrition which is constantly increasing in quality and quantity, for a growing global population which wants better food. Virbac also offers veterinarians and pet owners medication, vaccines and health products which make animals live longer and which improve their quality of life. This in turn contributes to an increased well-being of owners and stands for a particularly important benefit for those 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:

• 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 get authorisation from the health authorities to place its products on the market (market authorisation), the obligation to adhere to best practices for laboratory and production activities, just as the implentation of adequate quality control and quality assurance structures reduces:

• whether a product not being innovative enough to respond to the need of veterinarians for several reasons:
- insufficient R&D budget;
- too few quality projects that would facilitate obtaining new molecules, new pharmaceutical forms, or new vaccines;
- taking excessive risks being taken, particularly in countries which do not have enough regulations, enabling products to come onto the market which are not effective enough or could even be dangerous;
- excessive caution in well regulated countries that could lead to weak innovation, thereby harming the community.

• spreading environmental hazards or increasing health risks for employees, caused by insufficient control over certain medical compounds or materials used in the R&D or production process.

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 world region) is important for limiting the transport of end products. There are, however, opportunities for optimising the transport of end products, 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 end products, 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 improvements target enhancing the safety of workers in the workplace: reducing accidents in the workplace and improving protection against potentially hazardous materials, better ergonomics, and improved 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 18, 122 and 168 of the annual report.

2.2 Primary brands, products, and/or services
See pages 182 and 183 of the annual report.

2.3 Operational structure of the organisation, including main divisions, operating companies, subsidiaries, and joint ventures
See page 168 of the annual report.

2.4 Location of organisation's head-quarters
See page 122 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 5 and 9 of the annual report.

2.6 Nature of ownership and legal form
See pages 95 and 122 of the annual report.

2.7 Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries)
See pages 62 to 68 of the annual report.

2.8 Size of the reporting organisation
See pages 10-11, 42 and 73-74 of the annual report.

2.9 Significant changes during the reporting period regarding size, structure, or capital
See pages 68 and 95 of the annual report.

2.10 Awards received in the reporting period
No awards were received in 2013.

SCOPE OF REPORT

3.1 Reporting period (e.g. fiscal/ calendar year) for information provided
1 January 2013 – 31 December 2013.

3.2 Date of most recent previous report (if any)
This is Virbac's sixth annual sustainable development report and the second for which the completeness of its contents and selected environmental and social indicators have been 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 Who to contact regarding questions about the report or its contents
Arnaud Brisset - Corporate Communications manager - arnaud.brisset@virbac.com

3.5 Process for defining report content
An internal sustainable development work group, managed by the chairman of the executive board, has existed for six years. All departments of this company are represented within this task force: HR, Finance, Marketing, Risks, Security, Regulatory, Communication, etc. Through more than 20 individual and collective meetings per year, the contents of this report are set out and then produced based on two precise criteria: relevance of the themes to Group activities and adherence to the French Grenelle II law. Lastly, the final contents are discussed during an open debate arbitrated by the chairman of the executive board.
In terms of data collection, the work group has used an optimised production and recovery process since 2012, whereby indicators and the scope of reporting have been formalised within a dedicated framework used throughout the biggest subsidiaries of the Group. This optimisation also applies to the organisation and training of a network of local correspondents whose particular assignment revolves around the major issues in sustainable development: the environment, social and economic issues.

3.6 Scope of report (e.g. countries, divisions, subsidiaries, joint-ventures, suppliers)
For all social indicators the 2013 scope includes two new countries: Vietnam and Colombia. These have been added to the other main Group subsidiaries listed below: France, Mexico, United States, Australia, South Africa, India, Germany, Spain, Italy, United Kingdom, Brazil and Japan. These social indicators only cover permanent employees (those with permanent contract), except for information on frequency and severity rates which also apply to employees on fixed term contracts.
The scope includes most environmental information for all major production sites (France, Mexico, United

States, Australia, South Africa, Vietnam and Brazil), excluding Chile, New Zealand and Uruguay, which have all been included in the financial scope for the end of 2012 and 2013. Certain information has been collected in a narrower scope for age reporting reasons; the Group is working on enlarging this scope. All exclusions, if any, are specified in the report.

3.7 Statement of any specific limitations on the scope or boundary of the report

Environmental reporting covers the integrity of major production sites which represent the two-thirds of Group activities. Transport-related CO^2 emissions for this section have only been calculated for France. Moreover, the Grenelle II provision on ground use has not been covered, as it was found to be inapplicable with regard to Virbac Group's activities and establishments. Regarding the provisions for environmental hazards, Virbac is currently working together with an external service provider who is evaluating the French Group sites. This work was started following the publication of the French decree of 3 May 2012, regarding the compulsory provision of financial guarantees for safety procedures for some facilities classified for environmental protection. Finally, in order to adapt to the consequences of climate change, the Group has for the moment not made any analyses of the possible impacts of its activities.
The social report, previously defined, covers 78% of the total number of Group employees this year. The report does not cover the following themes:

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

In the coming years, Virbac shall work towards extending 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 affect comparability from period to period and/or between organisations

The environmental and social impact of the Chilean branch, held at 51%, and of the production sites in New Zealand and Uruguay have not been taken into account for the 2013 report; therefore there are no operations reported which may have a major impact on results or distort comparisons with previous years.

3.9 Measuring techniques for data and calculation bases used, including underlying assumptions and techniques to apply estimates while gathering indicators and other information in this 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)

A better formalised methodology based on a homogeneous definition of indicators and accompanied by local correspondents has been implemented since 2012. In some cases it may be difficult to compare 2012 figures (*e.g.* in personnel turnover). 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 2013, insofar as the new production sites in New Zealand and Uruguay and the branch in Chile held at 51% have not been taken into account, the changes in scope have been minor. A better formalised methodology based on a homogeneous definition of indicators and accompanied by local correspondents has been implemented since 2012. In some cases it may be difficult to compare 2012 figures; variations have been noted.

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

This document maintains the exact structure of the GRI framework. A detailed index is available on the website below: www.virbac.com/gri

3.13 Policy and current practice with regard to third party verification of the report

This report was audited by one of Virbac's statutory auditors – Deloitte. This audit, in conformity with the regulations, has two objectives: making sure of the report's inclusion of all information on sustainable development required by law and verifying the correctness of all public information in respect of these regulations. The scope of these checks was thus extended in comparison to 2012. Please see the statement on pages 58-59 of this document.

GOVERNANCE, COMMITMENT, AND DIALOGUE

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 12-13, 102 to 104 of the annual report.

4.2 Indicate whether the chair of the highest governance body is also an executive officer

See page 84 of the annual report.

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

See page 102 of the annual report.

4.4 Mechanisms for shareholders and employees to provide

recommendations or direction to the highest governance body

For employees, three selected staff members will be 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 Health, safety and working conditions committee (CHSCT). For shareholders, the annual general meeting and the www.virbac.com website are two channels of communication available for sending requests.

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

See pages 84 to 94 of the annual report.

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

See page 173 of the annual report: special report of the statutory auditors on the regulated conventions and commitments.

4.7 Process for determining the composition, qualifications and expertise of the members of the supervisory board (or similar), including gender and other diversity indicators

The recruitment process for independent members of the supervisory board exclusively complies with the skills criteria specific to the job and industrial sector. Internally developed statements of mission or values,

4.8 Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation

Virbac values – innovation, customer-driven, entrepreneurship, empowerment, and team work – are widely encouraged throughout all its sites and incorporated into each important company event. They are explicitly and systematically explained during the presentation made by one of the Group managers for all new arrivals. This presentation, the "Virbac Way", illustrates how the company's values and strategic guiding principles are implemented in the various Group entities. The Group code of ethics and other codes of best practices are also presented to all new recruits 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 top priority was to map out major risks for the Group; this list was updated during the first semester of 2013 and presented to the supervisory board, which approved its contents. The risks identified are representative of the economic, environmental and social risks, among others, that the company faces. Risk owners are appointed to define, implement and oversee action plans on priority risks. The result of these activities is presented to the supervisory board annually together with the risk management objectives and guidelines for the next year.

In 2013 several activities were carried out in order to develop a risk culture within the Group. Three lines of business were centred on: deployment of managers to take part in training called "Risk Management: the Fundamentals" (around fifty managers were trained at company headquarters, from around ten departments), implementing a methodological framework for risk management in certain Group functions (the goal being to allow these functions to manage risks inherent to their activities autonomously), implementing two tools (the first for R&D Europe, enabling risk management for projects; the second for Corporate Sourcing in order to manage supplier risk).

Deployment of risk management mechanisms in subsidiaries

This mechanism consists of mapping out risks for the subsidiary, nominating risk owners, and implementing and following action plans for major subsidiary risks. It is used in the Indian and Mexican subsidiary. New subsidiary will be established in 2014.

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. Environmental, social and economic performance is closely monitored by the supervisory board. For further information, consult the report of the chairwoman of the supervisory board on pages 102 to 111 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 which it 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 professional associations and/or national/international advocacy organisations in which the company has positions in governance bodies, participates in projects or committees, provides substantive funding beyond routine membership dues, or views membership as strategic

Similar to all other large veterinary pharmaceutical laboratories, Virbac belongs to the primary professional organisations representing animal health: IFAH (International Federation for Animal Health) and all its subdivisions (AHI America, IFAH-Europe in Europe, SIMV in France, NOAH 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 work experience;
- 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, United States, etc., Conferences, specialised trade fairs, scientific conferences Permanent websites Market research Presence on social networks
Financial community Investors Analysts SRI Funds	Meetings between analysts and investors Annual shareholders' meeting Website including all regulated information Multiplatform financial bulletins
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 call for tender 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 work groups specific to the industry
Civil society Non-governmental organisations Journalists	Many ways to establish contact via the Group's website Transparency and accessibility with regard to the Group's official reports Local contributions to NGO initiatives
Scientific community Research partners Opinion leader Universities / veterinary colleges	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 newcomers Annual conferences Plenary meetings for managers and employees twice a year Opinion survey and world compilation every two years Recruitment websites, professional forums and corporate culture on the Internet Partnership 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 it reporting

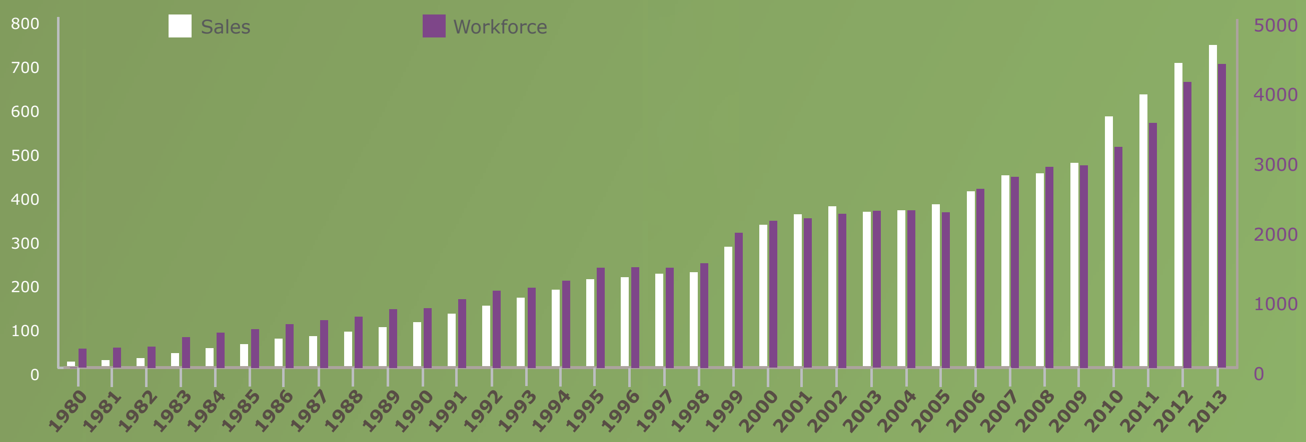
See "Strategy and analysis", points 1.1 and 1.2. Moreover, Virbac's approach is to encourage dialogue with stakeholders at a local level. The Group does not consolidate all actions taken by the various subsidiaries in this sphere, except those regarding social issues about which an internal opinion survey, 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 measure is appreciated: 88% of employees around the world participated voluntarily in the last edition of this survey in 2013.

PERFORMANCE INDICATORS

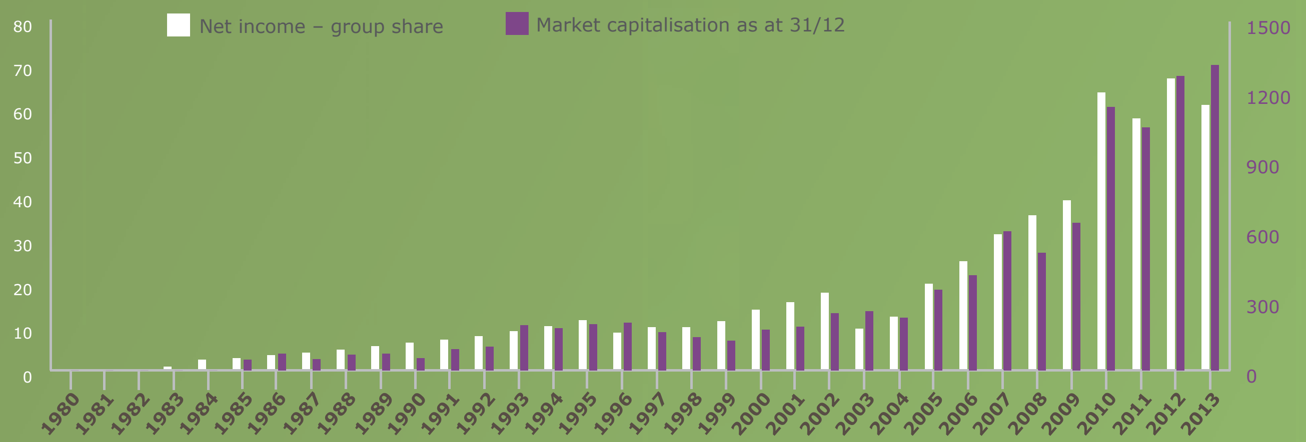
ECONOMY

Dedicated exclusively to animal health for over forty years, Virbac aims to continue its development in harmony with its environment and with the people who work for it. It also wants to ensure the continuity of the Group through sustainable and profitable growth. In 2013, Virbac's growth was more limited, following along with the cease in market growth in animal health products. This was due to a glum economic environment and unfavourable climate conditions. In this context, organic growth of Virbac reached +2.1% for the year and +6.8% on average for the past five years. In 2013, this growth resulted mainly from food-producing animal sector, which enjoyed a growth in aquaculture (vaccines and antibiotics for fish) and improvement in a number of markets, including India and Brazil, mainly within the product range for cattle. At the same time, the pet sector was affected by a limited number of new product launches this year, the expected decline of the CaniLeish vaccine, launched in 2012, on consumer markets in 2012 and the withdrawal of antiparasitic Iverhart Plus in the United States. As part of its strategy, Virbac supports its development through regular product launches, the strength of its large portfolio and its global presence, which covers all the major markets in both developed and emerging countries. This controlled-growth strategy is reflected in steadily growing revenues, net profit and workforce. Virbac also benefits from a shareholder family which favours constant and long-term progress over short-term goals. Subcontracted production activities (product licensing or production subcontracted to a third party) represent 22% of the Group's revenues. The suppliers in charge of manufacturing these products are managed according to the evaluation procedures described in the HR2 and HR6 indicators.

Change in turnover *(in € million)* **and Group staff**

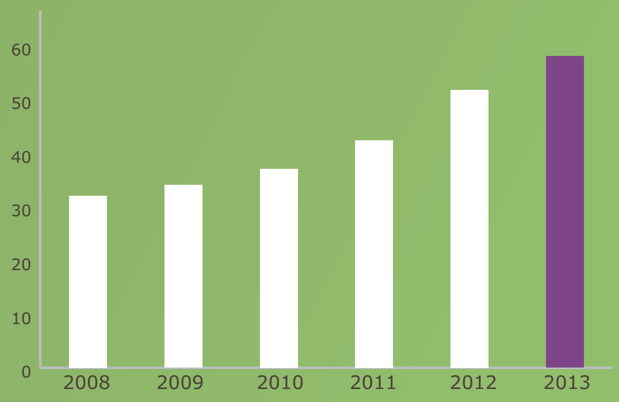


Change in net income and market capitalisation *(in € million)*

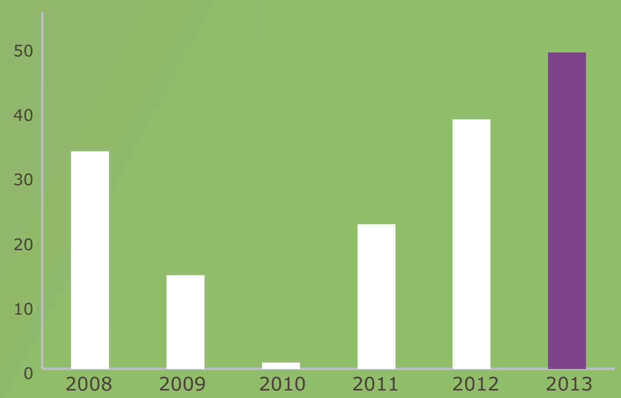


Virbac sustains a policy of investment and innovation, which ensures the continuity and independence of the company. Also, thanks to controlled debt, Virbac is able to pursue internal and external growth with full independence. The resources deployed focus on financing innovation that is geared towards satisfying customer needs. In 2013, the resources used to innovate continued to gain ground (+12%) compared with the previous year; they currently represent 7.9% of revenues (+1.1 pts compared with 2011). The Group continues to use its investing capacity at the same time, in order to accompany its development with targeted external growth (acquisition of new companies, products, active ingredients, etc.) and, recently, to finance an investment programme in large industrial projects in France and Mexico. These investments explain the growth in net debt in 2013 compared with 2012.

R&D Costs *(in € million)*



Net debt/Equity - Group share *(in %)*



ECONOMIC PERFORMANCE

EC1
Generated direct and distributed economic value, including products, operating costs, performance and employee remuneration, donations and other investments for communities, the reserve of retained earnings, payment of capital providers and other statements

For data regarding generated direct economic value, distributed economic value and undistributed economic value, refer to the annual report on pages 98 and 118 to 121.

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

The 2013 report does not cover this issue.

EC3
Coverage of the organisation's defined benefit plan obligations

See pages 127 and 144 to 148 of the annual report.

EC4
Significant financial assistance and subsidies received from the government

In 2013, Virbac received €8 million in subsidy, primarily in the form of research tax credit in France.

PRESENCE ON THE MARKET

EC5
Range of ratios of standard entry-level wages compared to local minimum wage at the main operating sites

For relative Group data on salaries and remuneration policy, see pages 109 and 119 of the annual report.

Focus France

In France, 100% of employees' remuneration is above the legal minimum wage. The base salary policy is +5% above the industry minimum (Union) for all personnel categories. Moreover, for experienced executives, the policy follows a competitive logic within the animal health market and falls into the median section of this market for people who are masters of their position.

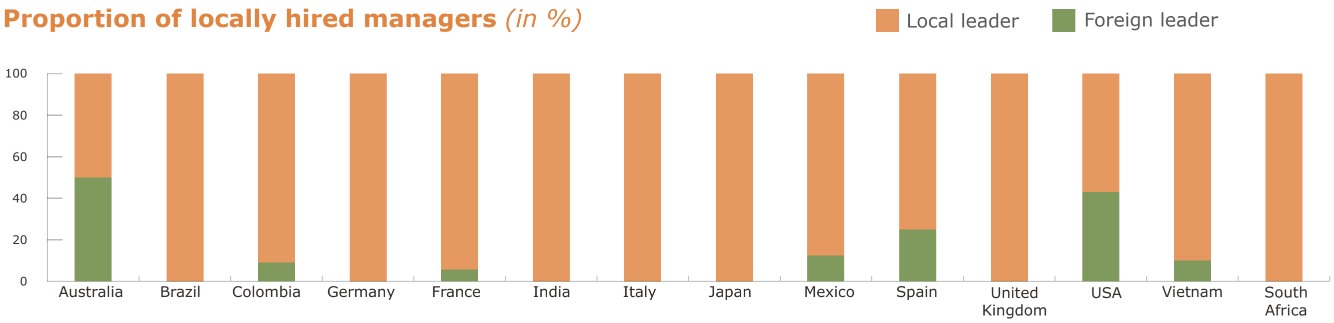
EC6
Policy, practices, and proportion of spending with locally-based suppliers at the main operating sites

Virbac works with regional suppliers as long as the conditions offered are competitive and fit Group requirements. In 2013, the share of purchases made with regional suppliers rose to over 30% of total purchases, and this figure is still growing.

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 France headquarters comprises 65 people, three of whom do not hold French citizenship. For high responsibility positions, Virbac employs local managers as much as possible, in order to be closer to clients and and to the culture of the market. At the same time the Group adheres to an international development and talent policy which enables the development of certain managers for international jobs. Seven of the fourteen office subsidiaries were managed exclusively locally in 2013. In other subsidiaries, the number of expatriates in management varied between one and three people, which accounts for between 10% and 50% of foreign nationalities in the management team. This approach stimulates cultural diversity throughout career development, not only within the different subsidiaries but also more and more at headquarters.

Proportion of locally hired managers *(in %)*



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: the grant given to the University of Nice foundation, the grant given to ASPF (Accueil - Savoir - Partage - Francophonie), and the financial contribution to the sustainable development sponsorship for local small and medium-sized enterprises.

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

The 2013 report does not cover this subject.

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, Brazil), excluding Chile, Uruguay and New Zealand, which were introduced to the financial scope at the end of 2012 and in 2013. Certain indicators, for maturity reasons in the report, focus on one country in particular; this will be mentioned in the report.

Environmental protection training initiatives and information campaigns aimed at employees

Virbac has carried out several activities in France since 2012 in order to engage its teams in environmental issues. These are made concrete by implementing a training procedure to enable workplaces to follow environmental and safety regulations, as well as by providing welcome sheets to new employees which explain the rules to be followed with regard to safety and the environment. Furthermore in 2013, an HSE component has been introduced to the two-and-a-half days in which new employees are welcomed.

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 end products (in line with customer requirements). Finally, while taking account of regulatory 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

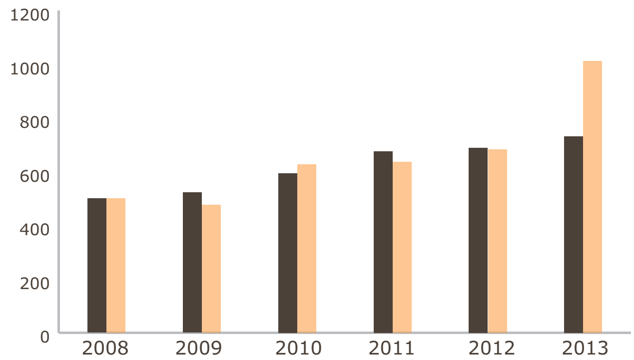
The total amount of packaging brought on the global market increased to 5,120 tonnes in 2013.

Focus France

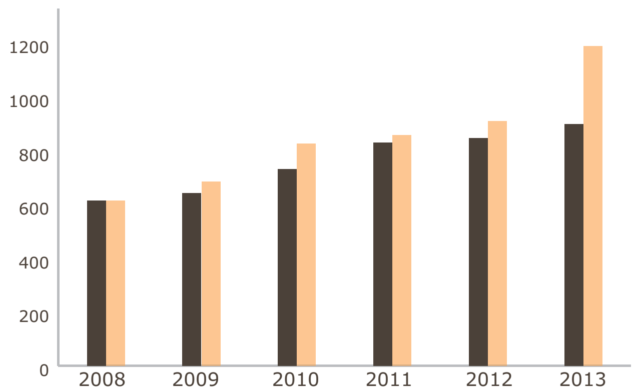
There is a focus on production sites in France which account for 2,905 tonnes, that is to say more than 50% of Group production. With pharmaceutical regulations becoming more and more stringent, especially concerning packaging safety, the tonnage for nearly all types of packaging is growing quicker than the activity itself. In France, for example, Effipro pipettes have started being packaged in outer packaging in 2013 in order to make these products safer for children and the elderly.

as a proportion of activity   used

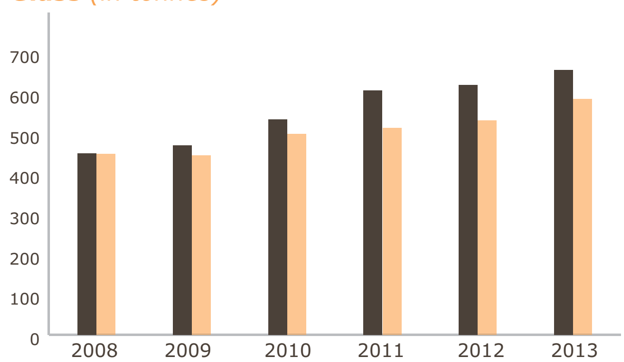
Plastic *(in tonnes)*



Cardboard/paper *(in tonnes)*



Glass *(in tonnes)*



EN2
Percentage of recycled material consumed

The pharmaceutical industry imposes strict regulations regarding the purity, quality and stability of primary packaging (which 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 basic weight. Tertiary packaging and thicker secondary packaging is made of recycled fibres. So for the French sites of Carros and Magny, 657 tonnes of tertiary packaging cardboard are 95% made up out of recycled fibres.

ENERGY

For several years now, Virbac has endeavoured to cut energy and natural resource use through replacing equipment (more efficient), insulating, optimising air conditioning and establishing consumption indicators as closely as possible to end users (better control of energy expenditure). The global reduction in consumption reached in the only site in Carros - France (which represents nearly 50% of all Group production), with production volume remaining the same, is nearly 8% for gas and 19% for electricity, taken over the past six years. Through an "eco citizen" approach, Virbac's Carros site together with seven other companies, is taking part in the Ecocity initiative launched by the ministry of Ecology and Sustainable Development in the French department of Alpes Maritimes. Upon request of the incumbent energy provider EDF, Virbac has committed itself to cut electricity consumption of several heating installations between 6 PM and 8 PM in wintertime, for an equivalent total of 500 kWh (for more information: www.nicegrid.fr).

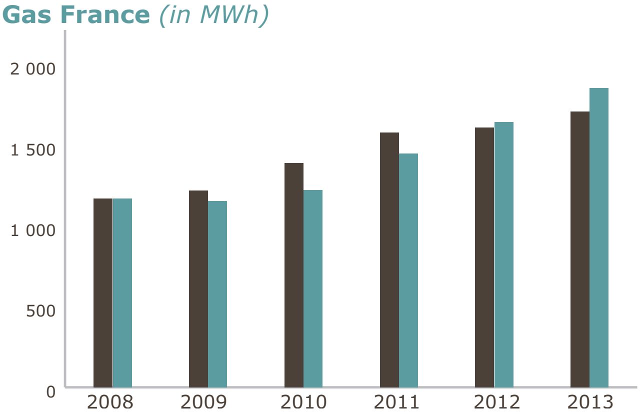
EN3
Direct energy consumption by primary energy source

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

The 26,699,841 kWh of gas consumed in 2013 over the total of the environmental scope has been distributed in the tables below. The facilities at the sites in Vauvert (France), South Africa, Mexico, Brazil and Vietnam do not use gas.

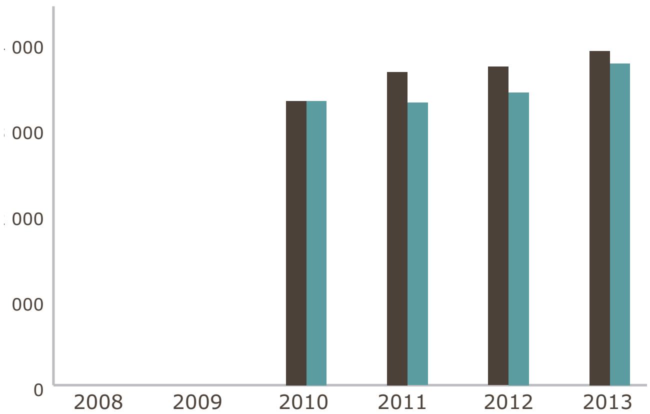
as a proportion of activity   used

Gas France *(in MWh)*



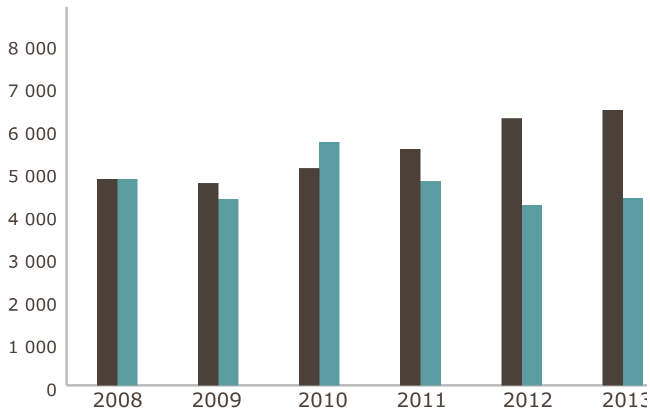
Since 2011, relative direct energy consumption in France integrates consumption at the sites of Magny and Wissous as well as that of Carros. The relative increase in energy consumption is related to the installation of a new production building dedicated to injections, although this site is not yet at nominal production capacity.

Gas Australia *(in MWh)*



Relative gas consumption has increased strongly due to an unfavourable product mix.

Gas United States *(in MWh)*



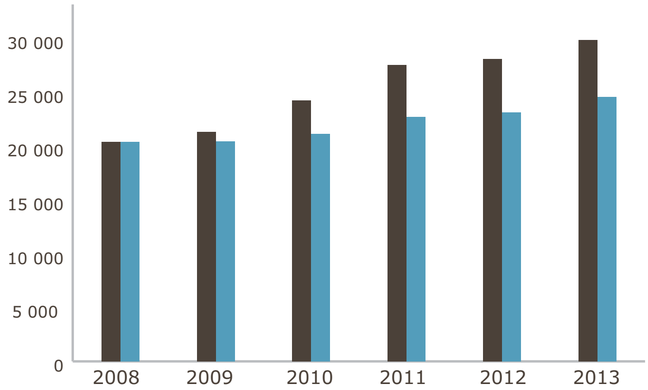
Despite the installation of a new boiler in 2008 and the significant savings made as from the following year, consumption at the USA sites remains very dependent upon weather conditions, especially winter weather conditions.

EN4
Indirect energy consumption by primary energy source

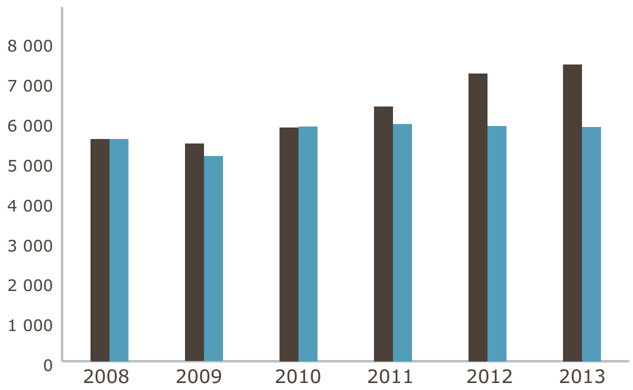
The 40,015,448 kWh of electricity consumed in 2013 over the entire environmental scope has been distributed in the following way.

as a proportion of activity   used

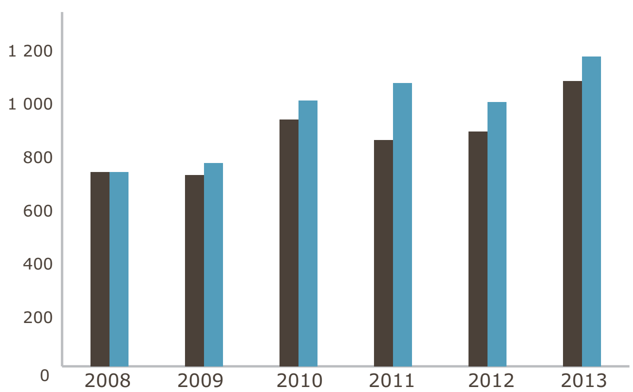
Electricity France *(in MWh)*



Electricity United States *(in MWh)*

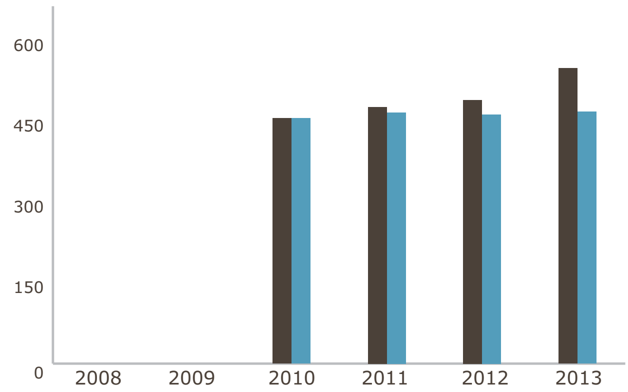


Electricity Mexico *(in MWh)*

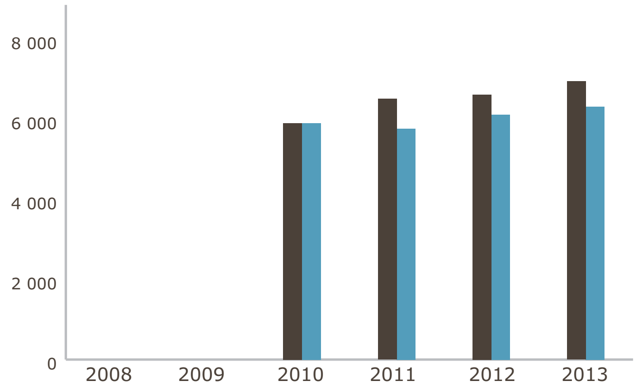


The relative increase in consumption in Mexico is directly linked to an increase in production with a view to transferring its activities to a new production site in 2014.

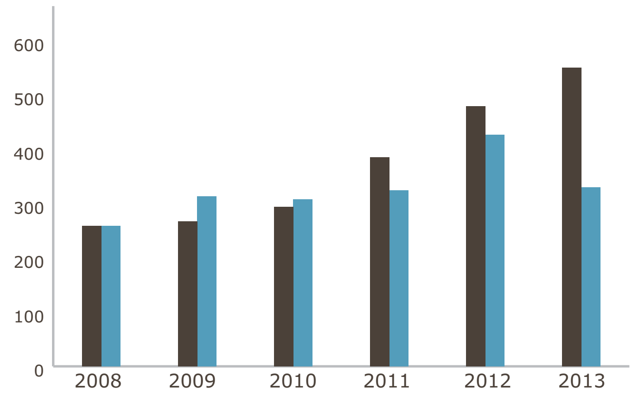
Electricity South Africa *(in MWh)*



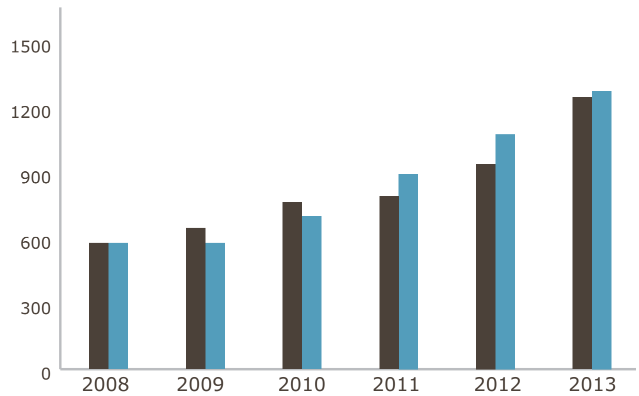
Electricity Australia *(in MWh)*



Electricity Brazil *(in MWh)*



Electricity Vietnam *(in MWh)*



EN5
Energy saved due to energy efficiency

The 2013 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. As far as possible, the company abstains from installing new power generators for its two new production units in Carros (CaniLeish vaccine and the site dedicated to injectables); at the Vauvert site in France, the new inventory building for primary materials and part of a group of inventory buildings for finished products have been fitted with LED-lighting.

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 on the American site, through the introduction of industrial lighting management, or in Mexico and South Africa with the installation of solar heating for the production of hot water. In the framework of the new CO² regulations for companies with more than 500 employees, Virbac in France has also signed an agreement with EDF and its partners to implement an Energy Saving Plan (ESP) over three years which, after a thorough inspection of the major sites in France, has brought up two major areas of potential profit: firstly through better temperature control and a better turnover rate at its air treatment installations; and secondly through a heat collection unit at the water treatment plant.

WATER

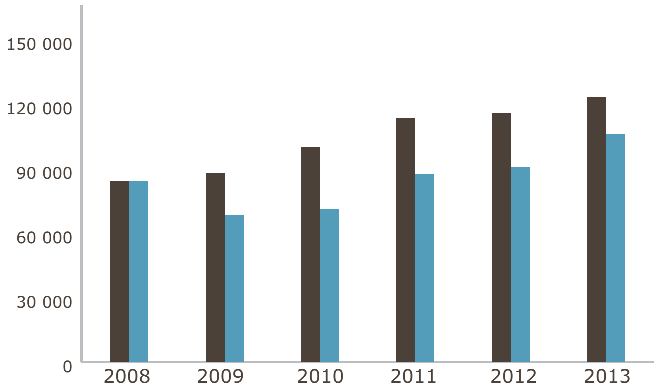
For several years, Virbac has striven to reduce water consumption, while keeping the same volume of activity, by recycling or installing production equipment with quality levels complying with the BAT; thus there has been an 18% reduction in water consumption at the Carros site over the last seven years (this site accounts for almost 50% of the Group's production).

EN8
Total water withdrawal by source

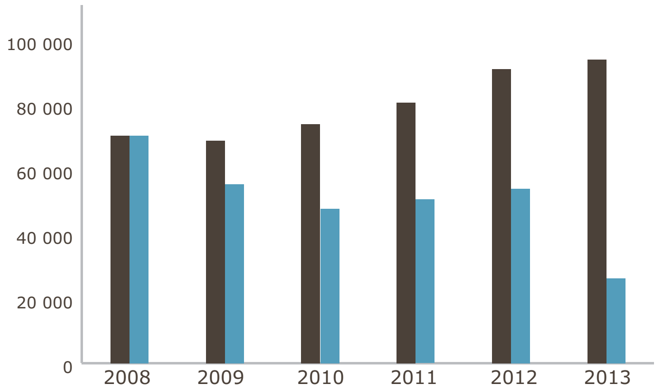
The 174,318 m³ of water consumed in 2013 over all of the environmental scope has been distributed as follows.

as a proportion of activity   used

Water France *(in m³)*

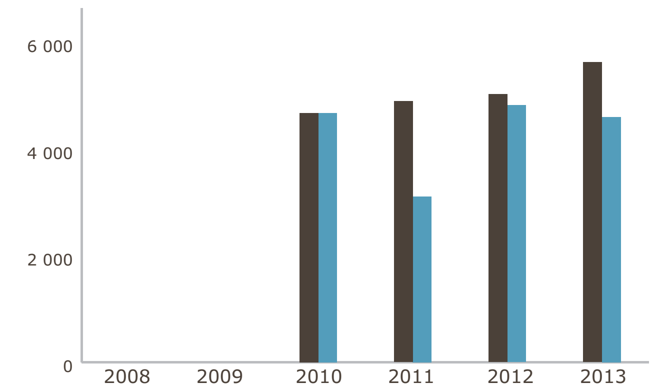


Water United States *(in m³)*

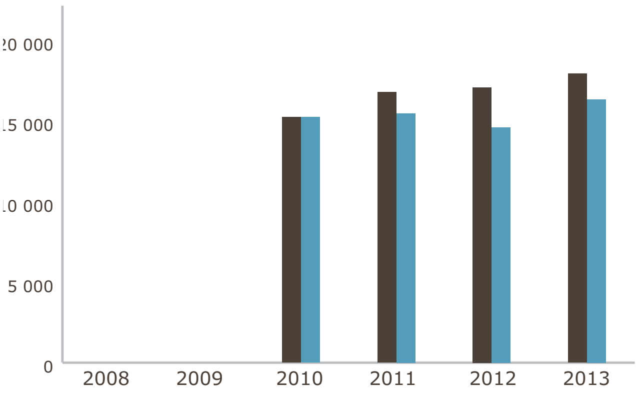


The decrease in production as well as a favourable product mix has had a very positive impact on water consumption.

Water South Africa *(in m³)*

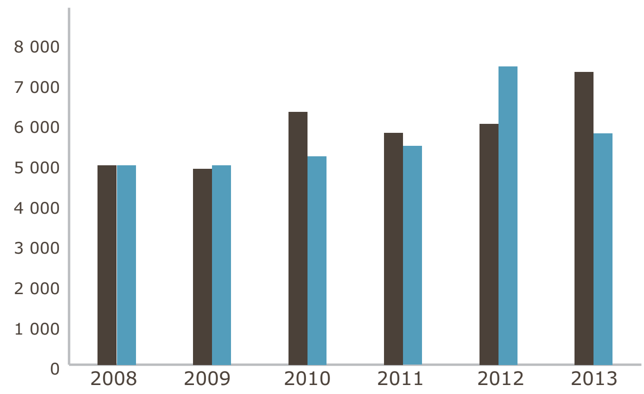


Water Australia *(en m³)*



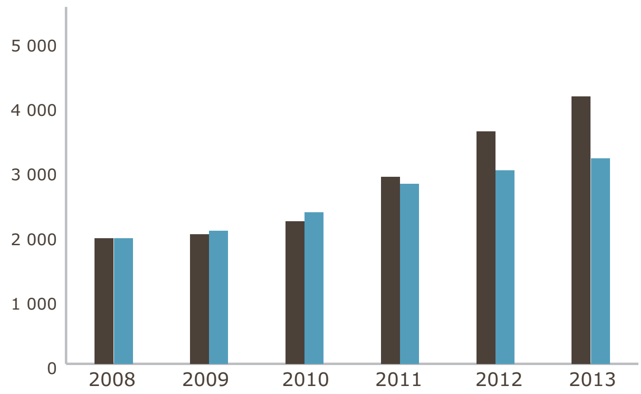
Relative water consumption has increased substantially due to an unfavourable production mix.

Water Mexico *(en m³)*

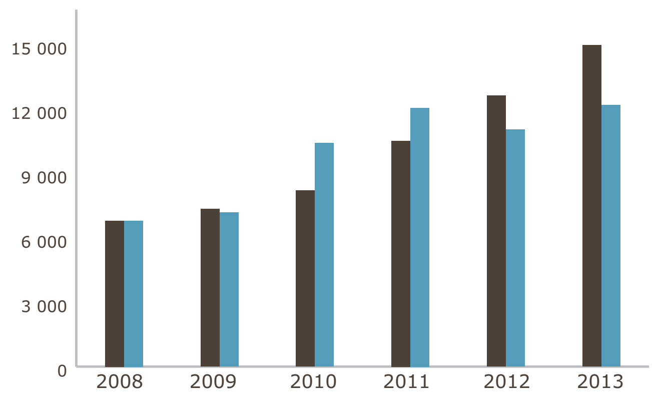


Return to a normal situation in 2013, following major overconsumption in 2012 due to delapidated water distribution on the Mexican site.

Water Brazil *(in m³)*



Water Vietnam *(in m³)*



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 the quantities of water used by its sites not to impact the sustainability of the sources used.

EN10
Percentage and total volume of water recycled and reused

The 2013 report does not cover this issue.

BIODIVERSITY

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

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 national EPA (Établissement public d'aménagement - local planning and development), is responsible for development planning of the Plaine du Var for sustainable development purposes (see www.ecovallee-plaineduvar.com). Likewise, the four hectares of the Penrith site in Australia adjoin a major waterway.

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 2013 report does not cover this issue.

EN13
Habitats protected or restored

The 2013 report does not cover this issue.

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

Aside from the campaign which was started in 2011 together with the Collège Franco-Mexicain to collect waste and clean up the most important forest in Mexico (the Bosque de la Primavera, which the Mexican government considers one of the most important areas of biodiversity that needs protection), Virbac Mexico has given its employees 600 shrubs to be replanted in order to minimise its carbon footprint. At the Penrith site in Australia, the riverbanks of the adjoining waterway, as well as the flora specific to this area, are restored regularly.

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 2013 report does not cover this issue.

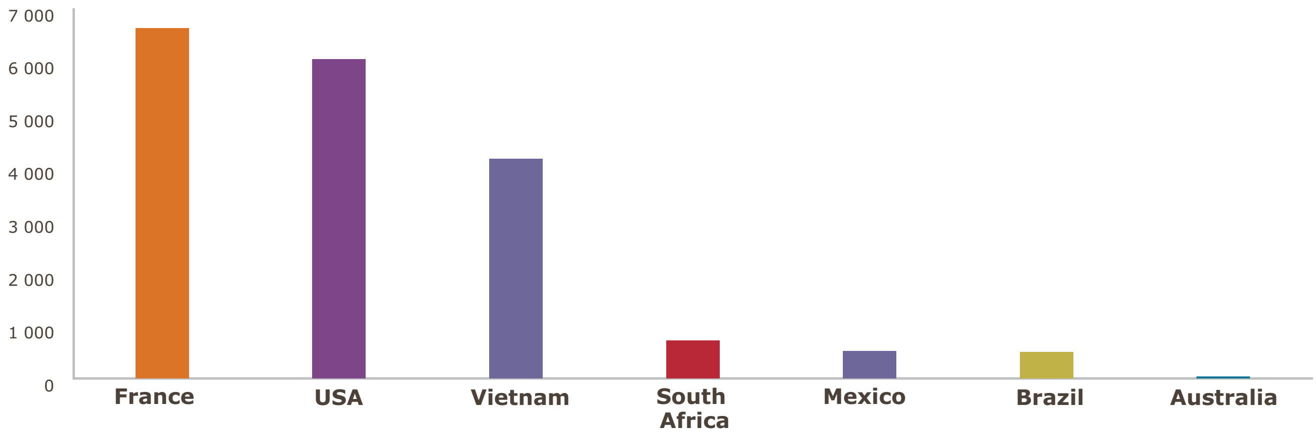
EMISSIONS, EFFLUENTS AND WASTE

Taking into account the nature of its pharmaceutical industrial activity (especially inhibiting technologies), Virbac does not generate any visual, noise or odour pollution. Although Virbac is a non-polluting business, it invests increasingly in respect for the environment: integrating Industrial Project management within HSE management, greatly strengthened and supported towards Risk Management leadership. In addition, Group principles on the environment are adapted by subsidiaries to meet different local regulatory requirements.

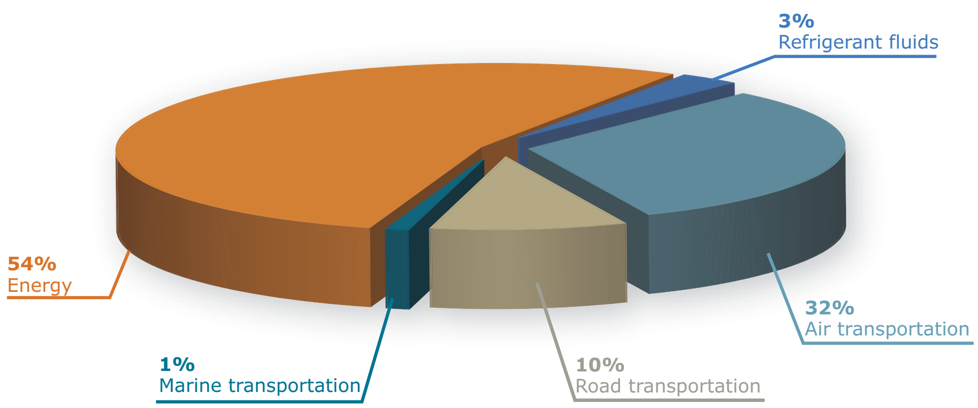
EN16
Total direct and indirect greenhouse gas emissions by weight (CO_2 toxic equivalent)

Emissions connected to direct and indirect energy for all the industrial sites globally thus include greenhouse gas emissions in connection with refrigerant fluids, which accounted for 18,580 tonnes in 2013.

World: CO_2 *emissions* *(in tonnes)*



France (without Virbac Nutrition): CO_2 *emissions* *(in %)*



Focus France: carbon footprint 2013, including certain Scope 3 emissions sources

Taking into account the transport of finished products leaving sites in Carros, Magny and Wissous (France) and having integrated the impact of refrigerant fluids of all the cooling units of these sites, Virbac in France generated 10,257 CO_2 equivalent tonnes in 2013. This tonnage, of which 50% is accounted for by direct and indirect energy consumption, remained stable in comparison with 2012. In adherence to the CO_2 regulations for companies with more than 500 employees, Virbac in France made its report in respect of 2011 at the end of 2012 (available on www.virbac.com) and is taking part in a greenhouse gas reduction plan for energy consumption (gas and electricity) over the next three years.

EN17
Other relevant indirect greenhouse gas emissions by weight (CO_2 toxic equivalent)

Virbac does not generate any other CO_2 emissions other than those mentioned under EN16.

EN18
Initiatives to reduce greenhouse gas emissions and reductions achieved

In the framework of transporting finished products while assuring end user satisfaction, Virbac has implemented groupage for several national and international destinations in France and the United States; this way it also reduces CO_2 emissions from 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 intersite connections and the company restaurant and transported nearly 2,500 people per month in 2013, which is nearly 30% more than in 2012. In the framework of inter-company travel plan (PDIE), Virbac actively participated in introducing an "express shuttle" in 2012, which stops in different parts of Nice and the industrial zone of Carros; in 2013, it participated in introducing two new shuttle lines between the west of the département and the industrial zone of Carros. 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 possible refrigerant fluid leakages at the Group's various sites. Since 2013, these emissions have been followed completely around Group perimeters.

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 indicator, measured since 2013, demonstrated that 67 tons of COD were emitted by the industrial sites.

EN22
Total weight of waste by type and disposal method

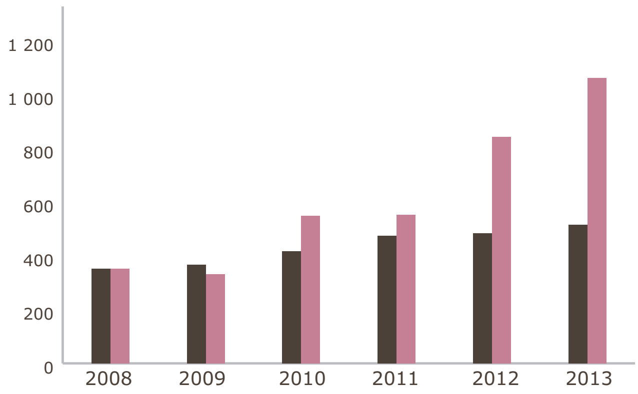
Virbac generates two different types of waste: non-hazardous industrial waste and special industrial waste. They are managed by the sectors dedicated to waste collection and sorting (at the Carros sites, global recycling growth surpassed 67% in 2011 and rose to 69.5% in 2013) in order to recycle or develop it optimally according to type.

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

Virbac has contributed to implementing a collection system of non-hazardous waste (aluminium, iron, glass, cardboard, plastic, paper, etc.) in the industrial zone at Carros since 2003, through "Carros Indus'tri". 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.).

The 2,164 tonnes of non-hazardous waste generated in 2013 on the environmental perimeter are distributed in the tables below. 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.

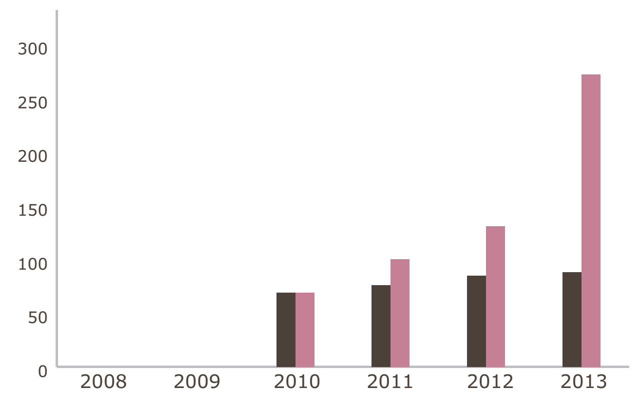
Non-hazardous waste France *(in tonnes)*



Since 2012, the amount of non-hazardous waste generated in France has increased. There are a number of factors to explain this increase: the Magny and Vauvert sites were integrated in 2012, Wissous in 2013, use of disposable materials in order to conform to pharmaceutical standards and elimination of materials following different projects especially in 2013, with construction of a new injectable production building and the tests which took place as a result of that

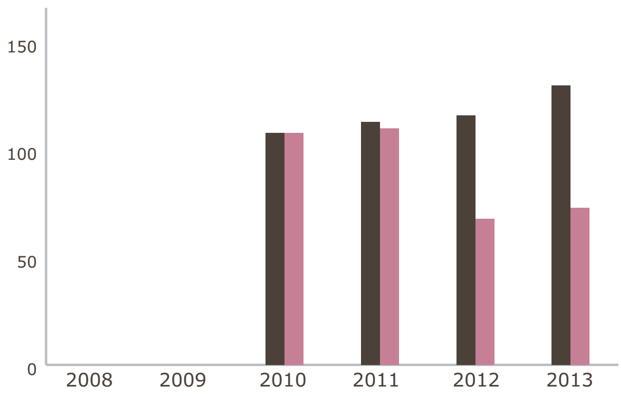
as a proportion of activity   used

Non-hazardous waste United States *(in tonnes)*



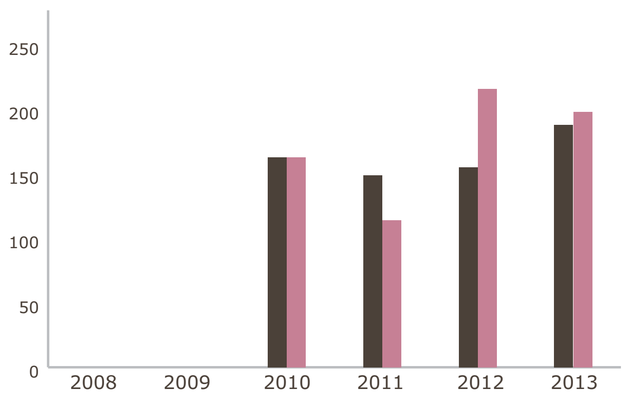
The very strong increase in value in 2013 stems from a growth in perimeter and also a reliability of data which better counts the tonnage of containers of waste produced.

Non-hazardous waste South Africa *(in tonnes)*



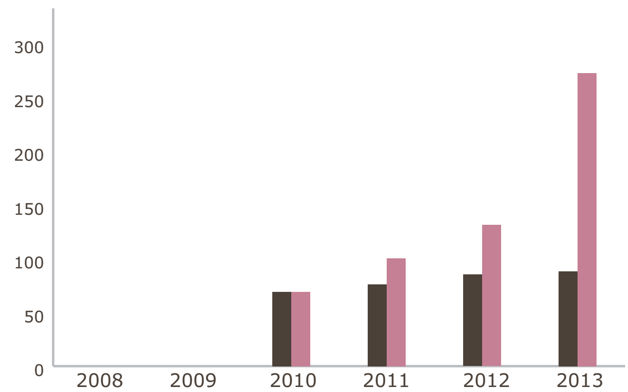
Fluctuations between 2012 and 2013 are due to extensive work to improve data reliability.

Non-hazardous waste Mexico *(in tonnes)*



Fluctuations between 2012 and 2013 are due to extensive work to improve data reliability and better control of non-hazardous waste following optimization in sorting.

Non-hazardous waste Australia *(in tonnes)*



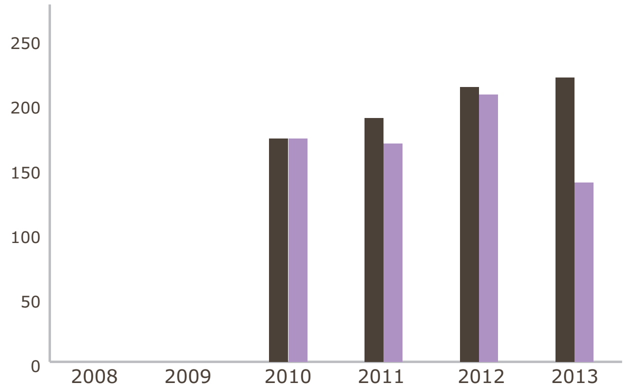
Fluctuations between 2012 and 2013 are due to extensive work to improve data reliability.

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 give 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 and even more selective channels, making it possible to reduce the portion of waste not yet covered by recycling.

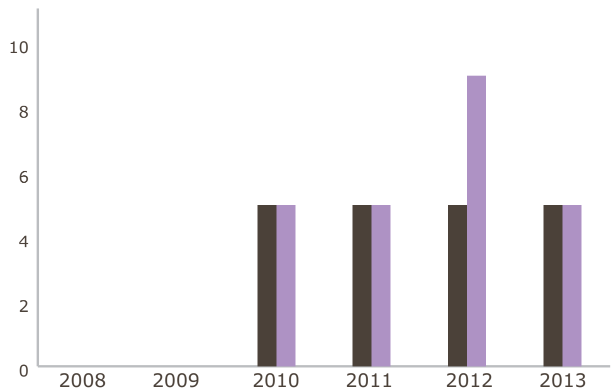
The 2,604 tonnes of special industrial waste generated in 2013 in the environmental perimeter in its totality are distributed in the following way.

■ as a proportion of activity ■ used

Industrial waste United States *(in tonnes)*



Industrial waste South Africa *(in tonnes)*



The low annual volumes of this site were affected significantly by destruction from horses over two years.

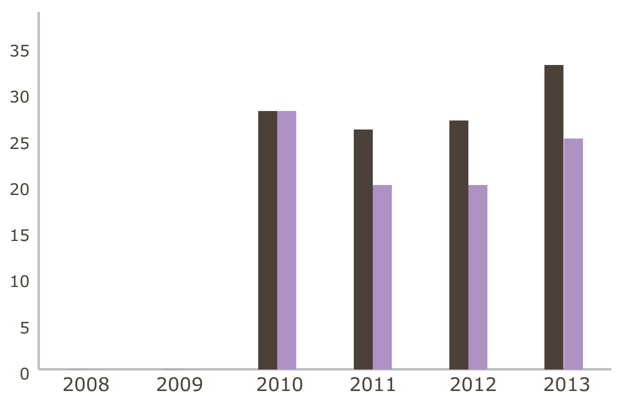
Industrial waste France *(in tonnes)*

In addition to Magny and Vauvert sites considered in the reporting since 2012, Wissous was integrated in the scope in 2013. This explains a large part of the increase in hazardous waste generated. Other main causes are: clearance and destruction of finished products or non-compliant raw materials, generalising the destruction of first rinsing water in terms of waste, and an increase in test batches to adhere to pharmaceutical standards (batches destroyed afterwards).

Industrial waste Australia *(in tonnes)*

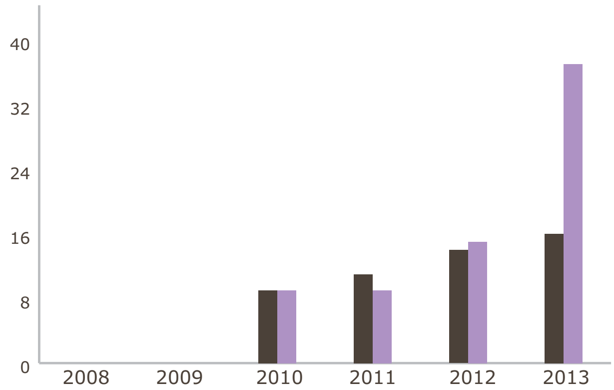
The increase in industrial waste, faster than the level of production, is mostly linked to an unfavourable product mix and a substantial quantity of destroyed test batches.

Industrial waste Mexico *(in tonnes)*



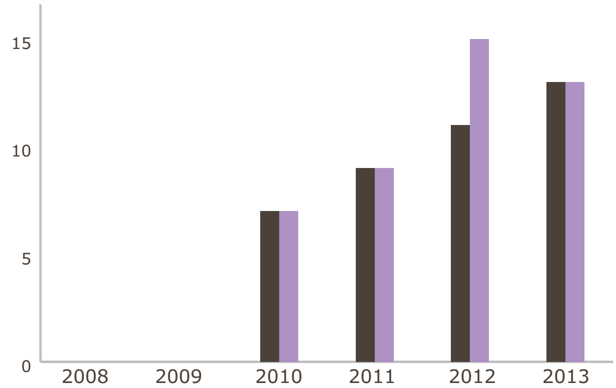
Even if the relative increase in industrial waste is under control, it still comes as a result of mass destruction of raw materials and non-marketable finished products.

Industrial waste Brazil *(in tonnes)*



Selective destruction of products occurred at the beginning of 2013.

Industrial waste Vietnam *(in tonnes)*



The low annual volumes of this site were affected significantly by destruction from horses over two years.

EN23
Total number and volume of significant spills

There were no significant spills at any of the Group's sites in 2013.

EN24
Mass of waste transported, imported, exported or treated and found dangerous under the provision of the Bâle Convention, Appendices I, II, III and VIII; percentage of waste exported globally

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 2013 report does not cover this issue.

PRODUCTS AND SERVICES

EN26
Initiatives to mitigate the environmental impact 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 (product no. 1 in the companion animal portfolio for Virbac in Europe) the cardboard holders in the display racks and cases have all been removed in France.

e-commerce
Since 2012, Virbac has been developing touchpads in order to replace the paper appointment cards for veterinary appointments; this way it has reduced printing. In 2013, after France and Italy, this initiative has been adopted by the Czech Republic, Poland and Hungary. Electronic orders are also being developed and are envisaged to replace paper orders. After France in 2012, Virbac has been working on growing this initiative in the United Kingdom and the Netherlands.

Green IT
The Group's IT team actively pursues a policy of communication systems implementation that reduces the environmental impact:
• collaborative tools helping to reduce unnecessary travel (video conferencing 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).

Between 2012 and 2013, Virbac encouraged its teams to use video conferencing (the numbers using this system for meetings have since doubled). This policy has contributed to reducing the number of long-distance flights for Group employees (-25%).

EN27
Percentage of products sold and their packaging materials that are recycled 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 2013.

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: EMPLOYMENT, SOCIAL RELATIONS AND DECENT WORK

Assess and improve well-being at work

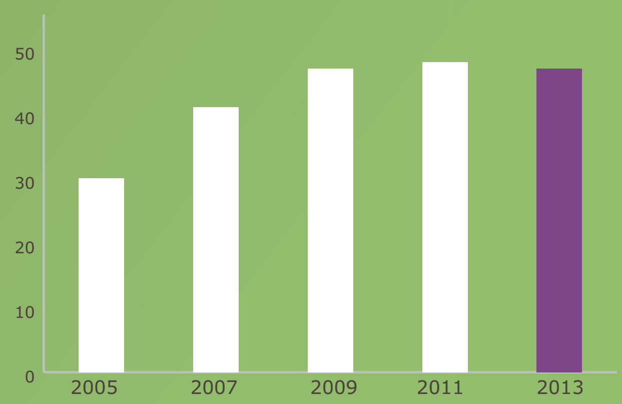
Every two years Virbac conducts an internal opinion survey for all Group employees. In 2013, an electronic survey was held in France and in English-speaking countries. The participation rate in these increased, surpassing 88% *vs.* 84% in 2011. The results at Group level as well as at headquarters remained high and at the same level as in 2011: the average score of headquarters was 28 (compared with 15 in 2005) and Group score was at 47 (compared with 30 in 2005).Regarding the headquarters, the overall satisfaction score (percentage of positive opinions) increased from 84% in 2011 to 88% in 2013.

In 2013, the Group results were analysed and compared with the survey partner's reference database. It concluded that Virbac surpasses the benchmark score when it comes to employee commitment, partner pride, belief in the future as well as that employees want to pursue their careers within the Group. Issues related to human resource management, such as assessment interviews, training and remuneration, have also surpassed the benchmark scores. The large investments made in Group human resource management over several years have borne their fruits. The issues which saw the largest increase in 2013 are diversity, both within the company as well as in hiring policy, the environment and attentiveness to employees. Progress must still be made in organisational operations as regards meetings and collaboration.

French opinion survey psychosocial risk supplement – 2013 edition

Since 2011, an additional measure on psychosocial risk has been included in the French opinion survey and the 2013 results showed a lower percentage of employees who declared themselves "stressed". In fact, in 2011, 60% of employees said they were stressed (45% could handle their stress and 15% could not). In 2013, this percentage changed, with 48% of people saying they were stressed (34% of people could manage their stress and 14% could not). This progress has been made due to a range of measures: a long-term hiring strategy in order to deal with the workload, bolstering the "psychosocial risks" action plan which is shared between the management and staff representatives (training and support for managers in their role in determining priorities, the development of the stress management training, which is now two days long so that useful stress management skills can be taught, and so on). The participants examine their own performance under stress using concrete examples, in order to be able to respond at any moment, to build their assertiveness and to help them manage situations involving criticism or disagreement. In total, 50 people underwent the training in 2013. The general awareness campaign through talks entitled "Let's talk about stress" was also carried out. All the members of the joint working group "Better well-being at work" (external social worker, company doctor, nurses, HR director, secretary of the health and safety committee, chair of the health and safety committee and other staff representatives) worked together to identify stressful situations and to find solutions, as well as promoting prevention through the action plan detailed above.

Group opinion survey score

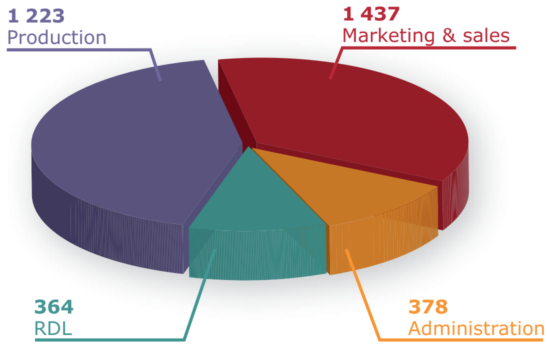


EMPLOYMENT

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

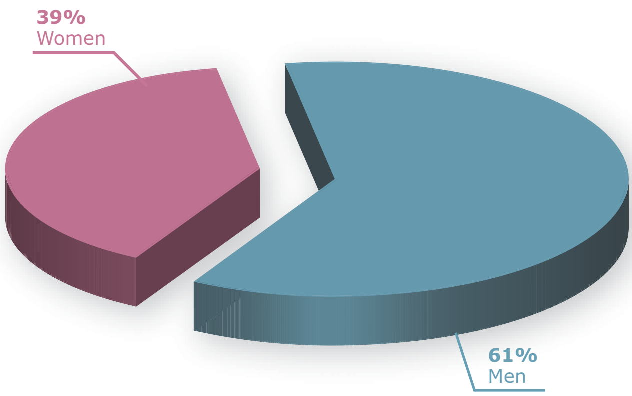
The scope of the company in 2013 is different to the scope of the company in 2012: Columbia and Vietnam have joined the social area of sustainable development reporting. In total, with regard to the comparable scope of the company between 2012 and 2013 (without Columbia and Vietnam), the number of employees is 3,171 and so there are now 97 more employees, which is a rise of 3.2%. The scope of the company in 2013 includes the 14 biggest subsidiaries by number of employees and 100% owned by Virbac, the total number of employees is 3,402 people, which is 78% of the total number of employees in the Group (only those on permanent contracts are included in these figures).

Total workforce by employment type



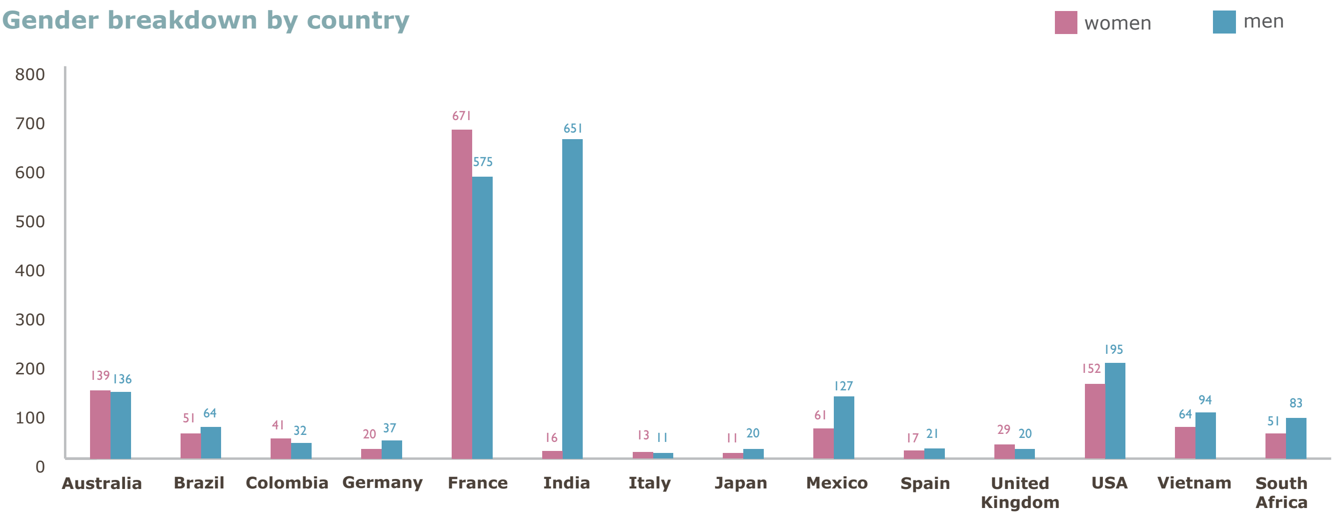
All sectors are represented: 42% (vs 43% in 2012) of employees are employed in marketing and sales, 36% in industrial roles, 11% in R&D (versus 10% in 2012) and 11% in all other administrative and support functions. It should be noted that there has been a relative reduction of 1% in sales and marketing and a relative rise in research and development which rose from 10 to 11% of the total number of employees (this is the result of a proactive hiring programme in this area).

Gender breakdown *(in %)*



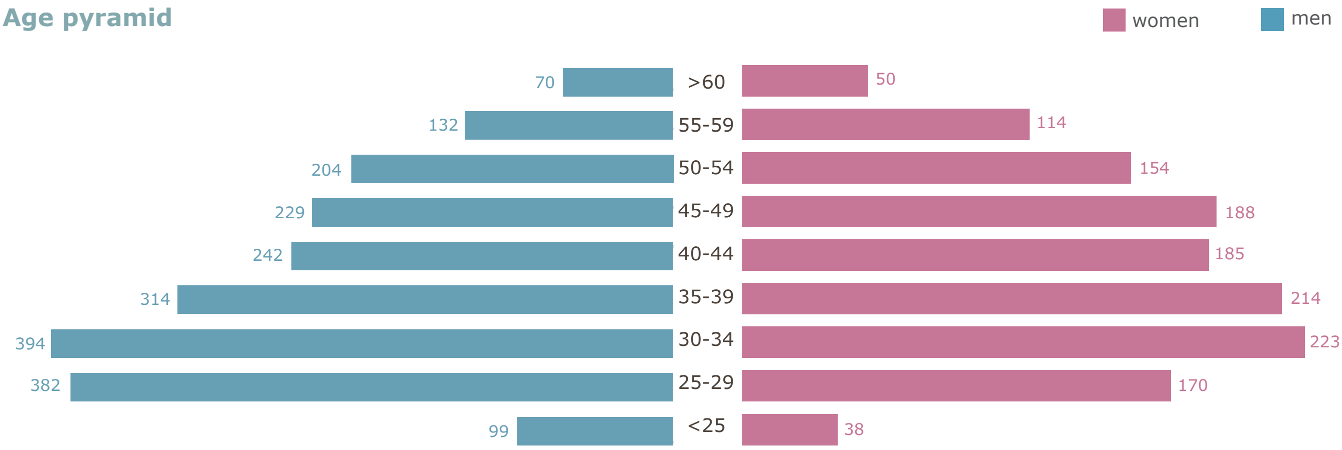
As regards the breakdown of employees by gender, there are still significant differences depending on the country. Overall, 61% are men and 39% are women. The Indian workforce has an important impact on this overall figure (see details per country).

Gender breakdown by country



India is a unique case. That the overwhelming majority of employees is male can be explained by the fact that the sales team comprises 93% of the workforce in this branch. Due to local culture, harsh conditions and safety (farm visits on two wheels), this type of position is more suited to men.

Age pyramid



Equality between generations varies according to region: in Europe, Australia, South Africa and the United States seniors are well represented, while in high-growth regions such as Latin America and Asia there are more younger people. Especially in India - which stands out because of its gender distribution with a majority of males - the younger generations of between 25-35 years are strongly represented.

In general, Virbac wishes to keep seniors in employment while also boosting recruitment among younger people, especially in France. In order to take part in the effort to professionalise younger people, a new intergenerational agreement will be signed in France. This agreement aims to reinforce the integration and training of younger people while also keeping seniors at work, through specific arrangements to facilitate the transition into retirement.

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

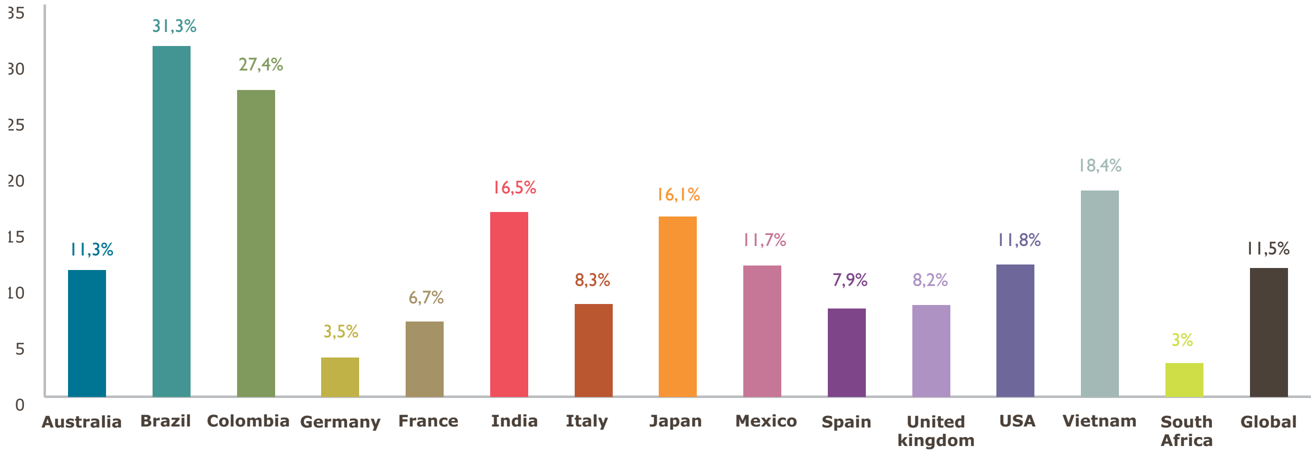
The turnover of the total considered scope is 11.5% (vs 8.7% in 2012). This percentage is not strictly comparable since the two new countries (Vietnam with 18.4% and Colombia with 27.4%) have turnover rates higher than this average. Vietnam has been through unprecedented economic difficulties which caused sales to plummet and drove the resignation of salespeople who were looking to secure fixed incomes. In Colombia, the new commercial strategy has led to a redistribution of the sectors and the reallocating of the product portfolio. This reorganisation of the sales force has led the Group to part with employees who are not geographically mobile.

As regards the other countries within the company scope: four countries have reduced turnovers: Germany, Mexico, the United States and South Africa; four countries have slightly to moderately increased turnovers: France, India, Japan and the United Kingdom and one country has a turnover which has increased substantially, Brazil with 31% (connected to changes in production and finance organisation, but also to staff dismissals due to performance problems). Finally, Italy and Spain, which obtained a highly unusual rate of 0% in 2012, have come back in 2013 with average values, 8.3% and 7.9% respectively.

Despite these contrasting turnover developments, loyalty to the company is strong, and therefore important. Overall, the turnover of staff is medium to low for all countries excluding the exceptional cases listed above. 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. It should be noted that that dismissals only constitute 2.6% of total employees for subsidiaries in the scope of the company.

At the headquarters in France, 20% of the turnover was due to retirements, which lowers the real rate of those leaving the company (through either dismissal or resignation) to 5.4%.

Employee turnover (in %)



Recruitments

In 2013, Virbac remained highly active in the domestic and international employment markets in order to meet its recruitment needs. 437 people were recruited in the fourteen countries in the company scope, which is the equivalent of 13% of the staff. In total, for the comparable scope of the company between 2012 and 2013 (excluding Colombia and Vietnam), the net growth of the scope is 97 people, which equates to a 3.2% growth in staff.

Five countries stand out with regard to recruitment: France (126), India (102), the United States (50), Mexico (38) and Brazil (33). Virbac, as an employer, is drawn to candidates who seek to join a global company which has a small company feel and consistently posts strong growth. Virbac presents a serious career opportunity for animal health professionals and offers applicants, with various job profiles, real professional development.

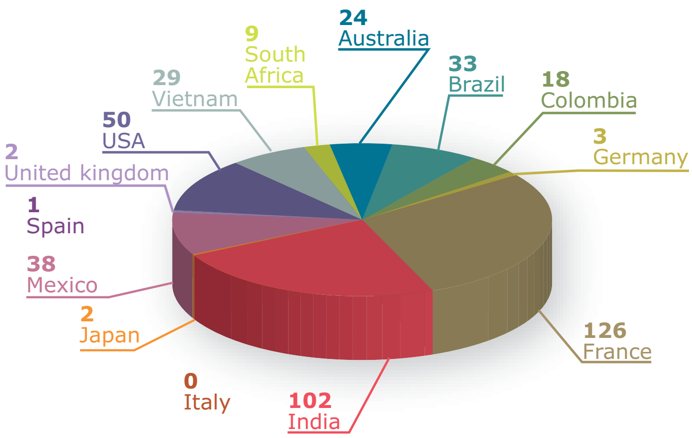
The profile types recruited in France and in subsidiaries with industrial activity are mostly scientists and pharmaceutical experts within the industrial or quality sectors, while the profile types recruited in commercial subsidiaries of the Group are mostly sales professionals and animal health marketing experts for roles in marketing.

The Group has formalised an employer message which will be internally and externally deployed in 2014. The issues that the Group faces require that it is even more successful in this dimension in order to arouse the interest of potential candidates with certain expert skills who do not systematically apply for Virbac jobs.

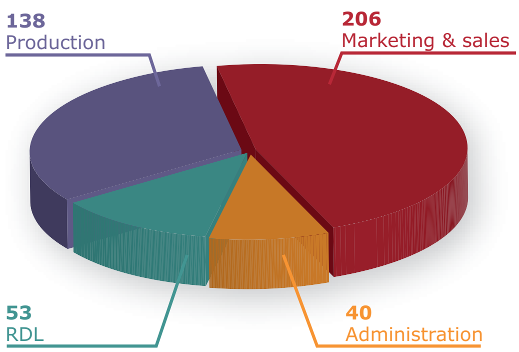
Focus France: maintaining and developing employment

As a result of its lasting economic performance, Virbac has significantly developed its employment in France for several years. There were 1,246 members of staff on permanent contracts as of 31st December 2013, 46 more than in 2012.

Recruitment per country



Recruitment per sector



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

The 2013 report does not cover this issue.

MANAGEMENT/ EMPLOYEE RELATIONS

LA4
Percentage of employees covered by collective bargaining agreements

Each Virbac subsidiary applies the social regulations in force in its country as concerns collective bargaining on wages. 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	100%
France	57%
Germany	0%
India	73%
Italy	0%
Japan	0%
Mexico	10%
South Africa	100%
Spain	100%
United States/Canada	24%
United Kingdom	0%
Colombia	100%
Vietnam	10%

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

The 2013 report does not cover this issue.

OCCUPATIONAL HEALTH AND SAFETY

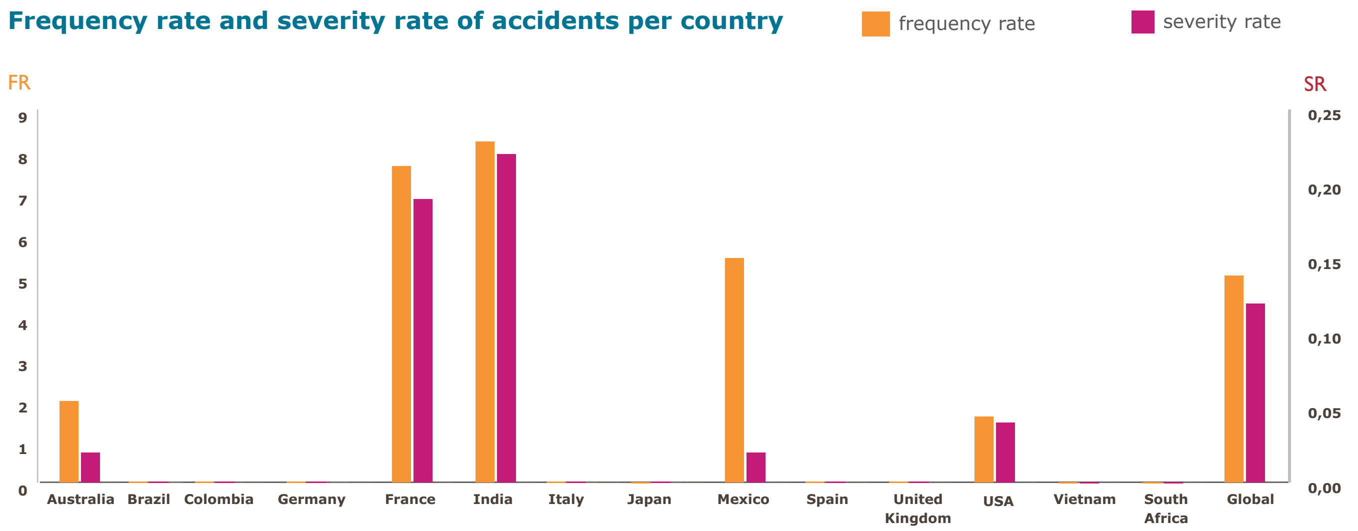
LA6
Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programmes

The 2013 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 2013, Virbac had no work-related fatalities in the whole scope of the company.

Frequency rate and severity rate of accidents per country



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. Likewise, severity rate is based on French regulations and is defined as the number of days of absence (excluding the first day) divided by the number of hours worked (excluding all other absences) per thousand. The accidents and hours worked are only applicable to those who have an employment contract with Virbac and therefore do not include temporary staff.

Focus France: workplace safety

This area, which is a priority for the Group, continued to improve in 2013 with a 28% decrease in accidents with lost time. The number of days lost has practically been divided by three during the same period.

The main developments in 2013 are the following:

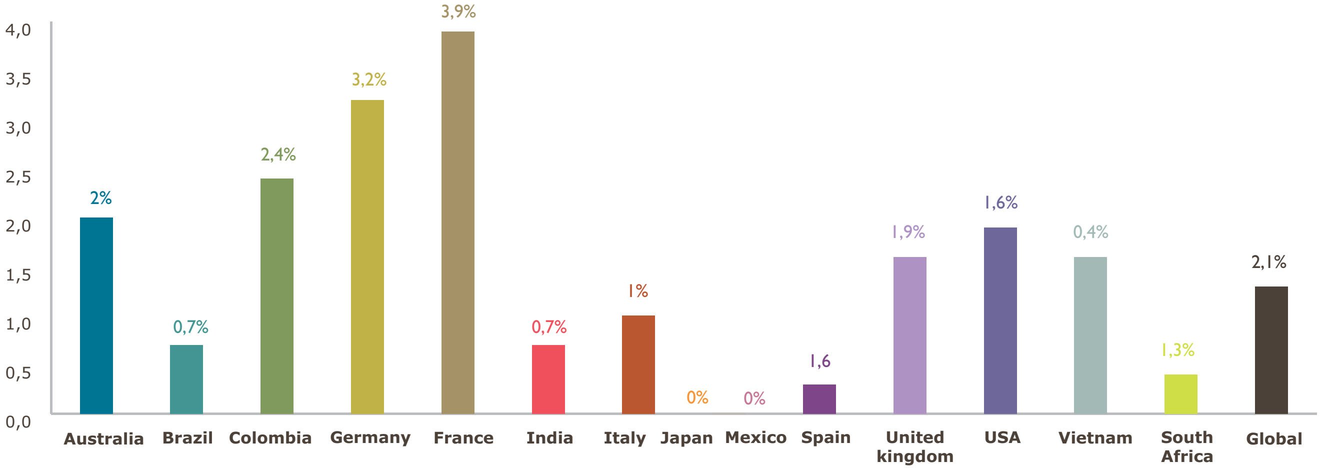
• within the context of the regulations on stress at work, an action plan has been put together with the CHSCT (health, safety and work conditions committee) with the aim to reduce aspects defined as stressful by more than 50% over the next three years, although the "load bearing" part of this action plan has already been handled for the year 2013;

• extension of the ergonomics programme into new production sectors and setting up a new PRAP programme (risks prevention) in a production sector;

• the reception process for new entrants has been revised, with one part of a three-part process being set up for external personnel and another part being set up with a new safety module in the training of all the newcomers in Virbac;

• with the strengthening of the safety team in the middle of the year, the programme has been extended to other sectors such as R&D, Virbac France (commercial activity). Finally, the "HSE 2015 vision" was presented and validated by the management committee giving a new boost and greater visibility to this priority area.

Absenteeism per country and globally *(in %)*



In 2013, absentee rates in office branches were defined differently from 2012. In principal, only absence due to illness is reported; absence due to work accidents are no longer counted. In 2013, the on-site rate was 2.05%. This includes the sites in Vietnam and Colombia.
The rate of absence related to work accidents is included in the severity rate set out above. It is almost impossible to compare rates internationally because the social systems and age pyramids vary greatly from one country to another. It can, however, be concluded that the average rate is rather low, and corresponds with the level of commitment and solidarity of employees (cf. introduction chapter Social). Strictly quantitatively speaking, the highest rate of absence is in France, at 3.9%, and the lowest rate is in Japan, with 0%. This is the same as in 2012. In 2013, absence related to illness was not calculated.

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

Focus South Africa
In 2013, Virbac followed its 2012 initiative: a new information and education day was organised on the subject of HIV. This day was offered to all employees and their families. This event also offered screening tests as well as healthcare advice provided directly by specialised local doctors.

LA9
Health and safety topics covered in formal agreements with trade unions
The 2013 report does not cover this issue.

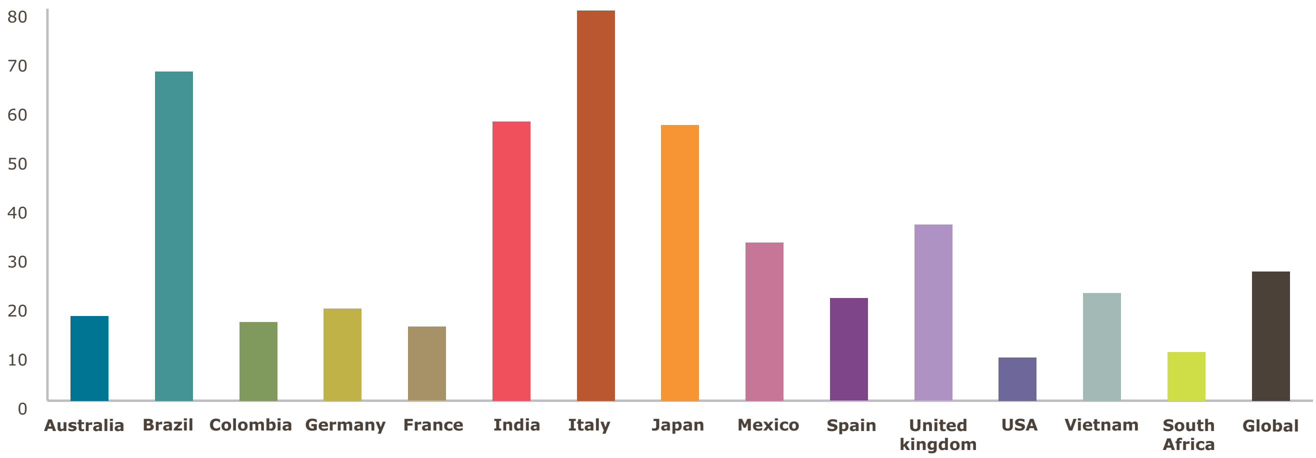
TRAINING AND EDUCATION

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

Within the scope of the company, training investment was high in 2013, with an average of 26.4 hours per employee and per year (compared to 18.6 hours in 2012). Professional training (industrial, HSE, marketing and sales) has been rising strongly and largely explains this increase, particularly within the category of production operators. At the same time, the development of cross-disciplinary skills such as behavioural or managerial skills remains one of the main HR investment areas, targeting the efficiency, personal and professional development of employees.

Average hours of training per year	Women	Men	Total
Leaders	24.1	21.5	**22.3**
Managers	22.1	20.2	**21.1**
Technicians/assistants	16.3	20.0	**17.9**
Employees	17.8	49.5	**41.7**
Total	19.3	31.0	**26.4**

Hours of training per year



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 enables managers to better assist their employees throughout their professional development. These management workshops accounted for 45% of training given in France in 2013. Training is designed above all to strengthen management understanding of employees, guaranteeing the well-being and personal development of staff.

This managerial programme is available in English and in Spanish, and is subject to regular revision by the international HR team. The efficiency of these training programmes depends on the HR business partner for each country working with the managers to set up good practices throughout the major stages of the performance management.

LA12
Percentage of employees receiving periodic assessment and career development interviews, by type

100% of Group employees received at least an annual interview for their performance evaluation to discuss skills and training needs and to define the goals for the coming year in terms of results and development. Some subsidiaries have also added a mid-year interview to make contact during the year. In France, this is an in-depth development interview, and is different to the evaluation, enabling employees to take stock of their professional journey as well as potential changes in priorities to prevent work overloading. In 2013 in France, internal mobility grew significantly (23% of posts were filled internally, compared to 15% in 2012). This result may partially be attributed to the greater visibility of the opportunities connected to team developments, but also to the strengthening of career development interviews which are held at the middle and at the end of the year.

DIVERSITY AND EQUAL OPPORTUNITY

Over the last few years, Virbac has begun several initiatives on this subject in France. A diversity audit was conducted in 2011 in order to strengthen policies in this area. An older employees agreement was deployed between 2010 and 2012, guaranteeing the employment of at least 100 individuals over the age of 55, with 121 people in 2013 (124 people in 2012). A gender equality agreement was signed in 2012 which regulates the salary increases for women returning from maternity leave, aims to control salary discrepancies between men and women, and lastly, brings improvement to paternity leave and to respect for personal/professional time balance for employees with family responsibilities.
Finally, in 2013, the seniors agreement was replaced by an intergenerational agreement which aims to strengthen both the hiring and integration policy for under 26s and the policies concerning older employees. Among the new additions to this agreement are the strengthening of training and integration for young employees with an integration interview shared with the manager and a consultant and, for older employees, the chance to reduce working hours to 80% for the 60+ working in a demanding post paid at 90%, as well as progressive retirement, with the guarantee of social security based on a full-time rate for people who have reached the legal age for retirement and 150 quarters.

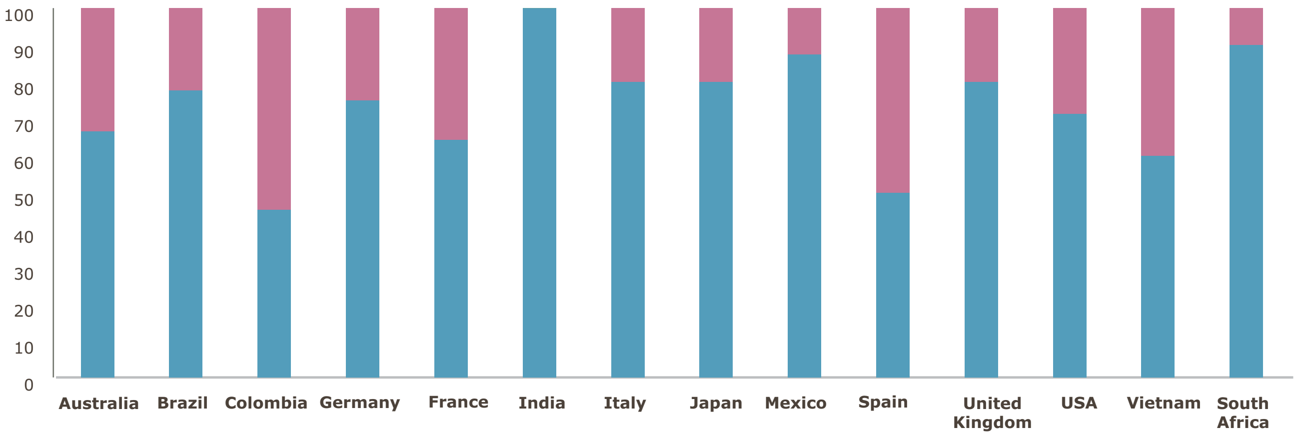
The situation concerning the employment of people with disabilities has not been high on the Group's agenda and the decision has been taken to sign a company-wide agreement on this matter in 2013. Given the numerous issues with the social partners, it has been decided that an analysis on disability will be run with a specialised partner. The conclusions will provide the basis for the signature of a disability agreement in 2014.

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

In 2013, Virbac received a prize from the Ministry for Women's rights for being 4th place in its record of companies with the largest number of women in senior management roles. Indeed, 50% of the members of the supervisory board and 40% of the executive committee are women. The Group has a recruitment policy which is firmly based on skills.

Result: 50% or more of the leaders in Spain and Colombia are women and between 30% and 40% in Vietnam, France and Australia are women. In the other countries, the rate varies between 10% and 30%. India is the only country which has a strictly male management team.

Proportion of senior management based on gender *(in %)*

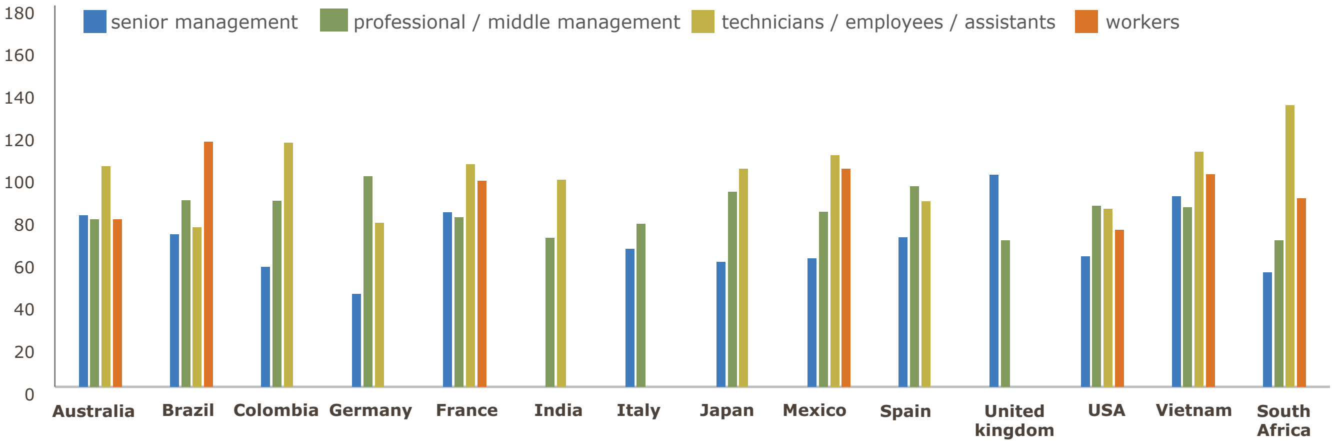


LA14
Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation

Within the Group, production operators have a comparative men/women ratio of between 74% (United States) and 116% (Brazil), the technicians and assistants between 75% (Brazil) and 133% (South Africa). For managers and professional management teams, three countries display a very wide disparity with a ratio around 70%, while other countries fall between 77% and 99%, which is a remarkable development in comparison to 2012. In the leaders category, women represent 30% of the staff. This category also displays the greatest disparities, with a ratio between 44% and 100% (four countries between 40% and 60%, five countries between 60% and 80%, four countries between 80% and 100%, with India only having men as leaders).

As in 2012, the company wishes to continue with its recruitment and promotion policy being based strictly on skills, but where skills are equal, it will look to increase the representation of women in positions of responsibility as much as possible in order to create a greater diversity in points of view.

Comparison of salaries based on gender by category (%)



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 2013 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 (83% of the value of purchases, an increase of 10 points compared to 2012) of raw materials and for each invitation to tender, Virbac issues a questionnaire evaluating their respect for the environment and human rights (pollution, child labour, discrimination, corruption, sanitary conditions and so on). In 2013, this evaluation process performed by Virbac did not identify any risks on the issue of respect for human rights among the suppliers evaluated. Should Virbac identify a supplier failing to meet the criteria, the Group could require it to come into compliance under risk of termination of the contract.

HR3
Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained

The 2013 report does not cover this issue.

NON-DISCRIMINATION

HR4
Total number of incidents of discrimination and actions taken

A procedure concerning discrimination when hiring dating from 2009 is still in practice in the United States on the production site in St. Louis.

FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

HR5
Operations and significant suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of child labour

No incident of this type was identified in the Group in 2013.

CHILD LABOUR

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

No child works for the Virbac group. The ethical evaluation questionnaire issued by Virbac commits its main suppliers to respect legislation on child labour. In 2013, no suppliers who completed the questionnaire admitted to disregarding this criterion. If Virbac identified a supplier which failed to meet this criterion, the Group would terminate the business relationship.

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

Forced labour does not exist in the Virbac group. The ethical evaluation questionnaire issued by Virbac commits its main suppliers to respect legislation on forced labour. In 2013, no suppliers who completed the questionnaire admitted to disregarding this criterion. If Virbac identified a supplier which failed to meet this criterion, the Group would terminate the business relationship.

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 2013 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 2013.

SOCIAL : CIVIL SOCIETY

LOCAL COMMUNITIES

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

Virbac United States supports New Horizon Service Dogs (a non-profit organisation) which breeds and trains dogs for persons with reduced mobility or in a wheel chair. In 2013, Virbac United States donated US$ 10,000 and Virbac products to support the health and well-being of the dogs in the training programme. The US subsidiary also supports the not-for-profit association Canine Companions for Independence which improves the lives of handicapped persons by supplying them with highly qualified assistance dogs. Virbac United States donated products (at a value of US$ 58,685) to support the health and well-being of the dogs participating in the programme.

In 2013, the South African subsidiary offered hiring as well as training opportunities to unemployed persons in rural areas. This programme aims to make these rural communities aware of the necessities of animal health, the proper use of veterinary medicine and preventative care for their animals. Through this step, Virbac South Africa offers social development possibilities to both individuals recruited and members of the community.

In 2013, the Virbac India subsidiary trained nearly 60,000 livestock farmers to improve their knowledge on the main pathologies affecting cattle. On the programme: development of technical support and specific training policies. Through this educational step, particularly on the proper use of veterinary medicine, Virbac is helping these farms to improve their milk production performances.

CORRUPTION

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

The mapping of the Group's major risks was updated in 2013 and, on this occasion, the risk of corruption, and more generally of fraud, was analysed. The result of this analysis showed a relatively weak level of fraud risk within the Group. At the same time, Virbac pursued the deployment of the risk management exercise in two new subsidiaries: India and Mexico. The risk of fraud was the subject of an analysis and an evaluation in each of these subsidiaries. Finally, a corruption prevention plan was established in 2013 and will be deployed in the Group over the course of 2014.

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

The code of ethics, within which the Group values are clearly defined, is issued to all employees and notably to new entrants. These values clearly prohibit corruption practices. The corruption prevention plan which will be deployed in 2014 covers training the Group's employees.

SO4
Actions taken in response to corruption incidents

No incident of corruption was identified in the Group in 2013.

PUBLIC POLICIES

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

The Group did not engage in this activity in 2013.

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 2013.

ANTI-COMPETITIVE BEHAVIOUR

SO7
Total number of legal proceedings for anti-competitive behaviour, breaches of anti-trust laws and monopolistic practices; results of these proceedings

No proceedings of this nature were initiated against a Group company in 2013.

COMPLIANCE

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

In 2013, the Group did not receive any significant fines.

SOCIAL : PRODUCT RESPONSABILITY

HEALTH AND SAFETY OF CUSTOMERS

Virbac is committed to developing, producing and distributing products and services which aim to improve animals' quality of life and guarantee their health while ensuring comfort and safety for those that administer these products: vets, farmers, animal owners and so on...

To do this, Virbac meets the highest applicable quality-safety-efficiency standards. At the development stage, Good laboratory practices are systematically followed, for example, via the traceability of data. Good Manufacturing Practices are applied during the production stage, particularly through the certification of all of the Virbac factories. Lastly, for the supply of medicines, Virbac deploys Good Distribution Practices, such as respecting the cold chain when the nature of the products requires it.

Evaluation of product safety during use is performed whenever necessary, particularly through the development or selection of specific packaging. Concerning product labelling, Virbac intends to clearly explain all the information which is useful for the proper administration of the product and for understanding its properties and contra-indications. The Group also has a leading role in the development of schemas and pictograms which enable the understanding of information fundamental to the health and safety of consumers to be optimised.

For species intended for consumption, Virbac ensures during the development stages of the product that its products respect the pharmaceutical norms concerning residual traces of medicine in foodstuffs: meat, milk, eggs... Furthermore, these rules of use are systematically brought to the attention of users via the product packaging parts and the associated communication materials.

Throughout the life cycle of the products, including during their development, Virbac assesses the expectations of customers and their level of satisfaction in order to permanently adjust its product characteristics. In terms of marketing, all Virbac promotional communications respect the scientific and technical claims demonstrated during the development stage of the product.

Lastly, the Virbac quality system enables the company to efficiently detect, trace and treat all quality incidents inherent in its pharmaceutical activity.

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

In compliance with all national regulations, Virbac systematically monitors the quality of its products at all stages of the production process:
- before marketing (during the development phase and until the products are introduced to the market);
- after market launch (through continual research into stability, advice and guidance for users and pharmacovigilance).

Products subject to pharmaceutical registration

EVALUATION BEFORE MARKET AVAILABILITY	
Predevelopment: safety check	100%
Development: quality check	
Development: stability check	
Development: animal safety check	
Development: human safety check	
Development: environmental safety check	

Development: effectiveness check	100%
Production: checking all components and raw materials in every stage of production	
EVALUATION AFTER MARKET AVAILABILTY	
Stability check (continual research)	100%
Advice and guidance for users	
Pharmacovigilance	

Products not subject to pharmaceutical registration

EVALUATION BEFORE MARKET AVAILABILITY	
Predevelopment: safety check	100%
Development: quality check	
Development: stability check	
Development: animal safety check	
Development: human safety check (done locally for all products, coming into contact with human skin)	
Development: environmental safety check (when test batches have been produced)	
Development: effectiveness check and/or perceived benefits	
Production: checking all components and raw materials in every stage of production	
EVALUATION AFTER MARKET AVAILABILTY	
Advice and guidance for users	100%
Pharmacovigilance	

Nutritional products not subject to pharmaceutical registration

EVALUATION BEFORE MARKET AVAILABILITY	
Predevelopment: nutritional recommendations check	100%
Predevelopment: raw materials check	
Development: animal safety check	
Development: digestibility and palatability check	
Development: stability check	
Development: effectiveness and perceived benefits check	
Development: validation en conditions réelles d'utilisation	
Monitoring and Compliance of raw materials and products	
Monitoring of production process	
Monitoring digestibility and palatability	50%
EVALUATION AFTER MARKET AVAILABILTY	
Stability check	10%
Advice and guidance for users	100%
Pharmacovigilance	

Pharmacovigilance
Like all other pharmaceutical laboratories, Virbac is legally obliged to monitor the evolution of the veterinary medicines it places on the market in terms of their safety and efficacy. This obligation is known as pharmacovigilance. Its purpose is to create an organisation which keeps a list of adverse reactions (whether serious or not) reported by vets or other health professionals, or even by users of such medicines (pet owners, for example). This organisation, placed under the responsibility of a person who is qualified in (veterinary) pharmacovigilance and a qualified temporary person, must collect all the cases originating from all countries in the world, analyse them, decide if the adverse reactions are attributable to the use of the related medicine or not, and finally, officially declare these cases to the supervisory authorities. All cases from a specific period for a specific medicine are periodically compiled in a report which

is then sent to the same authorities. Compiling all the adverse effects attributable to a medicine allows all the precautions for use to be added to the package leaflets over time and therefore make their use safer. Given the increasing globalisation of medicines, the Virbac group has been organised to collect cases of adverse effects on a global scale, setting up a reporting system in all its subsidiaries. It is the Virbac group's ambition to have impeccable pharmacovigilance; that is to say, to collect all cases of adverse effects attributable to medicines that it places on the market, fulfil all its obligations within the time frames prescribed by the administration, and use this Pharmacovigilance tool to develop knowledge of its products.

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

The Corporate Quality Assurance department was set up in 2011 and it now enables Virbac to have comprehensive reporting on this indicator. Out of a total of 8,328 products marketed in the world in 2013, Virbac was directly alerted by national authorities of 35 cases of non-conformity observed on their soil. 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 to Virbac staff and carriers of "raw material" and "finished products" safety data sheets;

• organisation of transportation in line with strict European regulations governing the transportation of hazardous products:
- provision of safety data sheets for finished products in French and in English;
- packaging of hazardous products in packaging that meets current standards.
• 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 of products referred to as feed (European directive 767). Each claim is supported by appropriate clinical studies. For example, for the core product from its range of external parasiticides for pets, 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

Out of a total of 8,328 product references placed on the market around the world in 2012, Virbac was informed by the national authorities of five packaging non-conformities which have had no consequence on the distribution of products.

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

Market research is always systematically 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 stage, two of the criteria validated are the taste of products administered orally (tablets, 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 to both medicines requiring pre-marketing authorisation and also to food, supplementary and dietetic food for animal for which Virbac complies with the new European regulation 767/2009. Furthermore, Virbac does not directly promote products requiring prescription (and not dispensatory) 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

Out of a total of 8,328 product references placed on the market around the world in 2013, none of the communications from the Virbac group created a non-conformity incident as concerns the regulations and codes regarding promotional marketing.

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 2013.

COMPLIANCE

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

No fine of this type was recorded in the Group in 2013.

REPORT OF ONE OF THE STATUTORY AUDITORS, DESIGNATED INDEPENDENT THIRD-PARTY ENTITY, ON THE REVIEW OF ENVIRONMENTAL, SOCIAL AND SOCIETAL INFORMATION PUBLISHED IN THE GROUP MANAGEMENT REPORT INCLUDED IN THE 2013 ANNUAL REPORT

Year ended December 31, 2013

For the attention of the Shareholders,

In our capacity as one of the Statutory Auditors of Deloitte, and designated as independent third-party entity, whose request for accreditation was deemed admissible by the French National Accreditation Body (COFRAC), we hereby present you with our report on the social, environmental and societal information presented in the management report, included in the annual report prepared for the year ended December 31, 2013 (hereinafter the "CSR Information"), pursuant to Article L.225-102-1 of the French Commercial Code (Code de commerce).

Responsibility of the company

The Board of Directors of Virbac is responsible for preparing a management report including the CSR Information provided by Article R. 225-105-1 of the French Commercial Code, prepared in accordance with the reporting criteria used by Virbac (the "Reporting Criteria"), which are summarized under chapter "Sustainable Development" throughout the annual report and which are available on request from the EHS and Human Resources division.

Independence and quality control

Our independence is defined by regulatory texts, the profession's Code of Ethics as well as by the provisions set forth in Article L. 822-11 of the French Commercial Code. Furthermore, we have set up a quality control system that includes the documented policies and procedures designed to ensure compliance with rules of ethics, professional standards and the applicable legal texts and regulations.

Responsibility of the Statutory Auditors

Based on our work, our responsibility is:

- to attest that the required CSR Information is presented in the management report or, in the event of omission, is explained pursuant to the third paragraph of Article R. 225-105 of the French Commercial Code (Attestation of completeness of the CSR information);

- to express limited assurance on the fact that, taken as a whole, the CSR Information is presented fairly, in all material aspects, in accordance with the adopted Reporting Criteria (Formed conclusion on the fair presentation of the CSR Information).

Our work was carried out by a team of 5 people between November 2013 and March 2014, i.e. a period of around four weeks. To assist us in conducting our work, we referred to our corporate responsibility experts.

We conducted the following procedures in accordance with professional standards applicable in France, with the order of May 13, 2013 determining the methodology according to which the independent third party entity conducts its assignment and, with regard to the formed conclusion on the fair presentation of the Information, with the ISAE (International Standard on Assurance Engagements) 3000 .

1. Attestation of completeness of the CSR Information

Based on interviews with management, we familiarized ourselves with the Group's sustainable development strategy, with regard to the social and environmental impacts of the company's business and its societal commitments and, where appropriate, any resulting actions or programs.

We have compared the CSR Information presented in the management report with the list set forth in Article R. 225-105-1 of the French Commercial Code.

In the event of omission of certain consolidated information, we have verified that explanations were provided in accordance with the third paragraph of the Article R. 225-105 of the French Commercial Code.

We have verified that the CSR Information covered the consolidated scope, i.e., the company and its subsidiaries within the meaning of Article L. 233-1 of the French Commercial Code and the companies that it controls within the meaning of Article L. 233-3 of the French Commercial Code, subject to the limits set forth at paragraph "Report parameters" of chapter "Sustainable Development" of the of the annual report.
Based on our work and considering the aforementioned limits, we attest that the required CSR Information is presented in the management report.

2. Formed conclusion on the fair presentation of the CSR Information

Nature and scope of procedures
We held around 15 interviews with the people responsible for preparing the CSR Information in the departments in charge of the CSR Information collection process and, when appropriate, those responsible for internal control and risk management procedures, in order to :
- assess the appropriateness of the Reporting Criteria with respect to its relevance completeness, reliability, neutrality and clarity, taking into consideration, when relevant, the sector's best practices;
- verify the set-up of a process to collect, compile, process, and check the CSR Information with regard to its completeness and consistency.
- familiarize ourselves with the internal control and risk management procedures relating to the compilation of the CSR Information.

We determined the nature and scope of the tests and controls according to the nature and significance of the CSR Information with regard to the company's characteristics, the social and environmental challenges of its activities, its sustainable development strategies and the sector's best practices.
Concerning the CSR information that we have considered to be most important :
- for the consolidating entity, we consulted the documentary sources and held interviews to corroborate the qualitative information (organization, policies, actions), we implemented analytical procedures on the quantitative information and verified, using sampling techniques, the calculations and the data consolidation, and we verified their consistency with the other information presented in the management report;
- for a representative sample of entities and sites that we have selected according to their activity, their contribution to the consolidated indicators, their location and a risk analysis, we held interviews to verify the correct application of the procedures and implemented substantive tests on a sampling basis, consisting in verifying the calculations performed and reconciling the data with supporting evidence. The selected sample represented on average 45% of the Group headcount and between 31% and 91% of the environmental quantitative information.

Regarding the other consolidated CSR information, we have assessed its consistency in relation to our knowledge of the Group.
Finally, we have assessed the relevance of the explanations relating to, where necessary, the total or partial omission of certain information.
We believe that the sampling methods and sizes of the samples we have used in exercising our professional judgment enable us to express limited assurance; a higher level of assurance would have required more in-depth verifications. Due to the use of sampling techniques and the other limits inherent to the operations of any information and internal control system, the risk that a material anomaly be identified in the CSR Informations cannot be totally eliminated.

Conclusion
Based on our work, we did not identify any material anomaly likely to call into question the fact that the CSR Information has been presented fairly, in all material aspects, in accordance with the Reporting Criteria.

Marseille, March 24, 2014
One of the Statutory Auditors Deloitte & Associés

Hugues Desgranges

[1]ISAE 3000 – *Assurance engagements other than audits or reviews of historical information*
[2]Quantitative social information: total workforce, gender breakdown, split by country, age pyramid, employee turnover, share of dismissals, recruitments per country , frequency and severity rate of occupational accidents, absenteeism per country and globally, average hours of training per year, proportion of senior management based on gender.
Qualitative social information: paragraph "diversity and equal opportunity"
Quantitative EHS information: material used by weight, direct energy consumption by primary energy source (gas), indirect energy consumption by primary energy source (electricity), total water withdrawal by source, total direct and indirect greenhouse gas emissions by weight (in tons), total discharge of COD, weight of non-hazardous and industrial waste.
Qualitative societal information: paragraphs "Investments and purchasing practices: Percentage of significant suppliers, contractors and other business partners that have undergone human rights screening; action taken", "Corruption : Percentage and total number of business units analysed for risks related to corruption and Percentage of employees trained in the organisation's anti-corruption policies and procedures" and paragraph "Customer health & safety"
[3]Virbac US in Fort Worth & St Louis, Virbac SA in Carros.

Financial report 2013

Management report

In 2013, the consolidated sales of the Group amounted to €736.1 million increasing by 5.9% at actual rates, 10.5% at constant rates and 2.1% at constant exchange rates and scope.

The low level of organic growth is strongly linked to market trends in a gloomy financial environment and unfavourable climatic conditions, but also a slowdown in Virbac itself with limited new product launches in 2013 and a reduction in CaniLeish sales in Europe linked to the vaccination protocol. The very negative change in exchange rates versus 2013 has also had a major impact on sales. The contribution from recent acquisitions of Centrovet in Chile, Stockguard in New Zealand and Santa Elena in Uruguay, henceforth 100% controlled by Virbac, has been significant and in line with expectations.

Sales in companion animal segment at constant exchange rates and scope remained stable (+0.1%) despite the decrease in CaniLeish sales and the low market trends in Europe on the one hand, and the Iverhart Plus situation in the U.S. on the other hand.
The food producing animal segment has grown 5.1%, with strong development in emerging countries; this evolution is nonetheless partially offset by the negative trends observed in Europe and a difficult year in Australia.

From a regional perspective, growth has been mostly driven by emerging markets (Latin America, Asia, India, South Africa). The activity remained stable in Europe with mixed results across the area : growth in the United Kingdom, in Scandinavia and in Eastern Europe, offset by a slight decline in France and in Northern Europe and a decline in Southern Europe. In the United States sales are in decline, resulting from the withdrawal of Iverhart Plus, while the other specialities (dermatology, endocrinology, dental range) generated a strong performance.

2013 HIGHLIGHTS

Virbac took advantage of the assessment period provided by IFRS 3 to finalise the accounting, in its consolidated financial statements, of the acquisition on November 23, 2012 of 51% of the shares in Holding Salud Animal (HSA), the holding company of the Centrovet group. This was primarily reflected by a revision of the provisional acquisition price, which had been valued at US$96.6 million, the final price being US$119.8 million (€87.7 million). Taking into account the adjustment of net assets acquired, definitive goodwill totaled US$45.5 million (€32.6 million), compared with a provisional amount of US$24.9 million in the consolidated financial statements at December 31, 2012. The impact of this operation in the console-dated financial statements is presented in note A1.

In March 2013, under control procedures, Virbac detected stability problems in some batches of Iverhart Plus (internal antiparasiticide), its American subsidiary's leading product. Virbac voluntarily recalled these batches from distributors and product sales was temporarily suspended. Virbac United States quickly proposed its product Iverhart Max as a replacement, which provides dogs with broader protection, offered at the same price as Iverhart Plus. The direct costs incurred by Virbac in 2013 for this operation totalled $8.3 million.
A pharmaceutical optimisation plan consisting of technical research on equipment, staff training and qualification, and validation of new batches was launched. The Group expects to reintroduce Iverhart Plus in the market in the second semester of 2014.

In July 2013, Virbac China, after having obtained its first marketing authorisation for a companion animal product fifteen years ago, launched Cortavance and thus con-firmed its development in this market becoming leader in the dermatological range. This launch was followed by that of South Africa in September 2013.

In August 2013, further to the partnership between the Virbac Brazil and Virbac Mexico teams to adapt the registration file to the Brazilian regulation require-ments, Brazil launched Maxflor, an injectable solution for respiratory treatment of cattle and sheep which had already been sold for many years in some Latin American and Asian countries.

In September 2013, Virbac won the tender for oral vaccination of foxes in Greece with the rabies baits Rabigen SAG2. This vaccination campaign, foreseen to continue until 2015 minimum, represents 1.5 million baits manufactured in Carros and distributed by air in the Thessalonian region. In 2013, this generated an additional €1 million sales.

On September 12, 2013, Virbac acquired for $18.3 million (€16.4 million), an additional 69.175%

stake in the capital of the Uruguayan laboratory Santa Elena based in Montevideo, thus taking exclusive control of the company in which it already had a 30% stake since January 5, 2010.
Santa Elena is specialised in vaccines for food producing animals. This company, set up in Uruguay for more than fifty years, has a high level of expertise in developing and manufacturing vaccines, primarily bovine, which it markets in Uruguay and in Latin America.
Acquiring the entire capital shares of Santa Elena should enable to accelerate expansion in several international markets in the food producing animal market segment, thanks to the solid commercial platform which Virbac has together with the expertise of Santa Elena in the biological domain.
Santa Elena contributed €2.8 million to the Group's consolidated financial statement in 2013. This transaction constitutes a business combination within IFRS 3 in the consolidated financial statement.

On September 19, 2013, Virbac Australia acquired the company Birch for 5.2 million Australian dollars (that is €3,4 million), from Axon Animal Health, a company dedicated to the development and the marketing of equine pharmaceutical products. This acquisition enables Virbac Australia to complete its equine range and strengthen its position on this segment thanks to a major product for treating horses' gastric ulcers. This operation constitutes an intangible asset acquisition within the meaning of IAS 38 and is reported as such in these consolidated financial statements

In October 2013, Deltanil a pour-on antiparasiticide for cattle and sheep developed by the Virbac Research & Development in food producing animals, was launched in France. This product was designed to resolve livestock farmers' problems in terms of productivity and treatment security and is based on promising packaging innovations.

In 2013, the total capital investment amounted to €54.8 million and accounts primarily for the following projects:

- in December 2013, the new building for the production of sterile injectables in Carros obtained GMP certification (Good manufacturing practices) from the French Food, Environment and Labour Safety Agency (Anses). This stage is an important turning point in the operational implementation of this new factory which began production of the first validation batches in January 2014;
- in December 2013, a new unit was created near the production site in Chile. It incorporates storage warehouses for products before shipping, offices for sales, admin and management functions as well as new research and development laboratories. At the current site, an industrial project has been started. It will enable to define the technical solution for the new production unit of injectable and oral vaccines;
- in 2013, the building of offices, production areas and storage at the new Mexican site was finalised. The transfer of different storage activities took place between December 2013 and February 2014 and the other activities should be transferred throughout 2014 and finalised at the beginning of 2015.

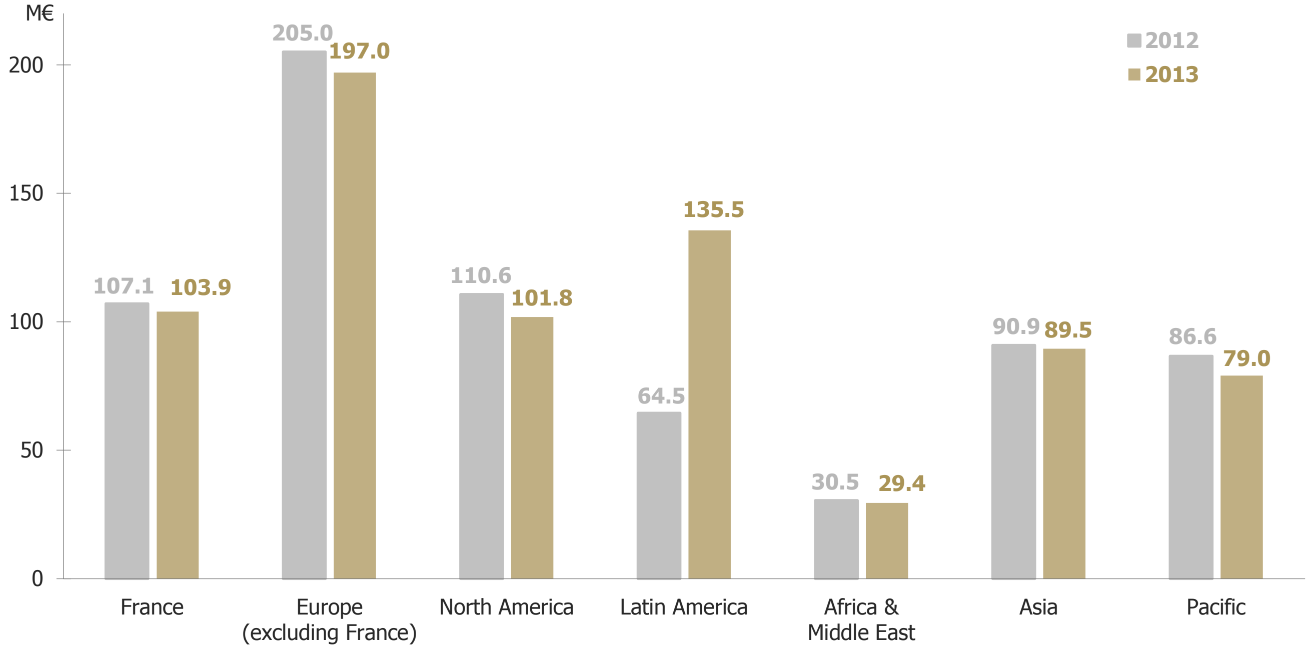
In 2013, sales of CaniLeish vaccine dropped 30% compared to 2012. This predictable trend is largely due to the vaccination protocol which requires a single injection after the second year instead of three during the first year.

THE GROUP'S 2013 BUSINESS PERFORMANCE

Performance by geographic region

Throughout 2013, Latin America (excluding the acquisition effect), Asia, Africa & Middle East recorded positive growth at constant exchange rates and scope. This growth is negative at actual rates for Asia and Middle East Africa because of the impact of unfavorable exchange rates. The other regions are behind 2012 levels at constant and actual rates, -3.0% and -3.6% in Europe, -5.0% and -8.0% in North America and -0.8% and -8.8% in the Pacific region respectively.

The major contributions by geographical area are as follows:



France

Performance in France recorded a slight withdrawal of 3%, half of which can be explained by the disvestment of the OTC (*Over the counter*) business in the second quarter 2012.
At constant scope, sales were down 1.5% compared to the previous year.
The companion animal segment saw a slowdown due to fewer orders of external parasiticides (the season was late in getting started), antibiotics, anaesthetics (backorders from the supplier of Vetflurane) and hygiene products, partially offset by good sales of vaccines, following the backorders experienced for these ranges in 2012.
The food producing animals declined in 2013 compared to 2012, especially in the ruminants segment, with the sale of several products being terminated in 2013, and backorders in ruminant vaccines (Bovidec).

Europe (excluding France)

Sales in Europe (excluding France) set the pace this year at €197 million, down 3.9% at actual rates and 3% at constant exchange rates compared to the previous year. Nevertheless, at constant exchange rates and scope (excluding the OTC divestment effect in the Netherlands), this activity remained stable versus 2012.
This stagnation in Europe is due to a sluggish market, and more specifically for Virbac, due to a contrasted situation whereby the good performance of United Kingdom, Portugal, Greece and Scandinavia was eroded by the negative performance in other countries.

The major developments that contributed to the performance in Europe include :

United Kingdom

The subsidiary again saw solid growth of 5.9% at constant exchange rates and 0.9% at actual rates.
The companion animal business continued to grow thanks to all dogs and cats segments, especially dogs and cats vaccine ranges.
In contrast, there was a decline in sales in the food producing animal segment compared with 2012, mainly in pigs and poultry antibiotics.

Greece

Greece continues to grow, achieving a 14.6% growth compared to 2012. This was generated by significant sales of rabies baits, linked to a tender and the positive contribution from companion animal ranges such as diagnostics and Milteforan, and industrial food producing animal ranges.

Portugal

Despite the backdrop of a strongly declining market, the subsidiary recorded a 7.9% growth in sales. Growth came from all companion animal segments in 2013 and in particular sales of the CaniLeish vaccine which have increased versus 2012.

Scandinavia

The Virbac business in Scandinavia reported a double-digit growth of 11% at comparable rates in 2013. This performance was driven by the companion animal segment, due to the high sales in the reproduction and dermatology ranges.

Italy

In 2013, Virbac Italy closed the year with a slight drop of 0.8%. This performance is primarily linked to the lack of sales of rabies baits compared to 2012 and a weak performance in food producing animal ranges; meanwhile, the companion animal ranges continued to grow strongly.

Germany

2013 was marked by stagnation (+0.3%) compared with 2012, with a decline in companion animal segment especially in dog vaccines, external antiparasiticides Effipro and electronic identifyca-tion, offset by good performance of Luminal (epi-lepsy treatement). In food producing animals, the good performance of the Bovidec vaccine was offset by backorders in Super Mastidol.

Spain

2013, as expected, was a year of strong decline for Virbac Spain where sales dropped 17.4% versus 2012. This performance is due to the reduction in sales of the CaniLeish vaccine launched in January 2012, caused by the fact that the vaccination protocol requires a single booster injection after the second year instead of three during the first year and to the discontinuation of some products.

North America

Virbac United States had a more difficult year in 2013. Sales declined by almost 5% at comparable rates, and 8% at actual rates, suffering from the dollar versus Euro depreciation.
Despite the good performance in sales of the dermatology, endocrinology and dental ranges, the Virbac United States business is affected by the withdrawal of Iverhart Plus.

Latin America

In 2013, Latin America achieved strong growth, with a 17.4% increase in activity compared to 2012, at constant exchange rates and scope.

Brazil

Virbac Brazil had an excellent year again in 2013, with significant growth in sales for both the companion animal and food producing animal markets. Brazil's growth compared to 2012 rose by almost 24% at constant exchange rates and 9.2% at actual rates, due to the depreciation of the Brazilian real. In food producing animals, the subsidiary continued to report good growth in the sales of Multibio and Maxflor launched in September 2013. In companion animals, Virbac Brazil also saw solid growth driven by Rilexine and the launch of Effipro spot-on.

Mexico

At actual rates, the subsidiary recorded 7.4% growth, 7.8% at constant exchange rates. In the companion animal segment, the dog vaccines and anaesthetic ranges continue to be the growth drivers. In food producing animals, growth also continues, thanks to products such as Fortius and Maxflor.

Chile

Centrovet's sales amounted to €69.2 million, making it Group's third subsidiary in terms of sales. Activity was driven by strong sales of oral vaccines at the beginning of the year for the treatment of ISA (Infectious salmon anaemia) and SRS (Salmonid rickettsial septicaemia). The other flagship products in the aqua range such as the antibiotic Veterin 50% have benefited from very favourable conditions and have performed strongly throughout the year broadly offsetting the drop in the industrial ranges for pigs and poultry.

Uruguay

The sales of Santa Elena, a company integrated into the Group consolidation from September 2013, amounted to €2.8 million in 2013.

Asia

In this region, sales growth amounted to 9.7% versus 2012 at constant rates and -1.6% at actual rates. Currency development is adverse overall and more specifically in India and Japan.

India

Virbac India continued its double-digit growth and recorded a new growth of 15.3% at constant rates in 2013, limited to 1.8% at actual rates due to a very adverse exchange rates impact on the Rupee.
Food producing animal activity, which accounts for 97% of the subsidiary's sales, continues to grow strongly thanks to mineral and nutritional supple-ments for cattle such as Ostovet and Vimeral.

Greater China region

2013 has once again been an very good year for this region which has recorded double-digit growth of 22.1% at actual rates (25% at constant rates).
Growth has come from the companion animal segment, thanks in particular to the performance in China of Rabigen Mono, Epi-Otic and Nutri plus gel associated with sales from the dermatological range and Pulmodox premixes in Taiwan.

Asia (excluding Greater China)

2013 was a year of decline in terms of growth for the Asian subsidiaries with the exception of Thailand. The impact of exchange rates significantly deteriorated Japan's performance.

Virbac Japan in particular has dropped down this year following a good performance in 2012. The subsidiary recorded 8.6% decrease in sales at constant exchange rates (27.9% at actual rates), due to a slowdown in activity in the companion animal ranges such as dog and cat vaccines, dermatology and the dental range.

Vietnam showed a downward trend compared to 2012, with a 11.7% decrease in its activity at constant rates (14.8% at actual rates), due to declining sales in the food producing animal range of bovine antibiotics (Multibio) and in the industrial pig range.

Thailand stands out this year from the other Asian subsidiaries due to its 12.2% growth at constant rates (and 8.7% at actual rates), thanks particularly to the aquaculture range, bovine parasiticides, and its significant contribution to all companion animal ranges.

Finally Korea, following the regional trend, also experienced decline compared with 2012, with a 9.2% decrease at constant rates (and 9.8% at actual rates), with reduced growth in the majority of the food producing animal ranges (bovine parasiticides and antibiotics).

Pacific

The strong depreciation of the Australian and New Zealand dollar had a major negative impact on Virbac's activity in the region in 2013; the region recorded a decrease of just less than 1% at constant rates and almost 9% at actual rates. At constant scope and exchange rates, activity has declined slightly by 2.7% compared with 2012.

Australia

After a contrasted year in 2012, 2013 saw a slowdown in sales linked partly to the bad weather conditions (drought in certain areas) and to generic products competition with Cydectin on one hand, and to lower sales volume in external parasiticides and dog vaccines for companion animals on the other hand.
At constant rates, activity in Australia has declined 5.1% and almost 14% at actual rates.

New Zealand

New Zealand continued its growth in 2013 benefiting particularly from the positive impact of the recent acquisition of Stockguard. The activity has been growing by almost 19% at constant rates and almost 15% at actual rates.

Africa & Middle East

In 2013, Virbac's activity in Africa and the Middle East grew 12% at constant rates but declined 3.6% at actual rates, due to the depreciation of the South African rand.
Virbac South Africa benefited this year from favourable climate conditions, which had a positive impact on in sales of food producing animal products (Flukazole C, Multimin, Browse Plus, Prodose), and of companion animal ranges.
Export sales to Africa and the Middle East, mainly products for food producing animals, grew noticeably in 2013.

Performance by segment

In 2013, Group sales rose 2.1% at constant scope and exchange rates, thanks to a 5.1% growth in the food producing animal segment and 6.4% in other areas, partly offset by a 0.1% stagnation in the companion animal segment.

in € million	2013 sales at actual rates	Like-for-like growth by segment at constant scope and exchange rates					
		> -5%	- 5% to 0%	0% to + 5%	+5% to +10%	+10% to +15%	> 15%
Parasiticides	101.3	-10.1%					
Immunology	72.7			0.5%			
Antibiotics/dermatology	70,0				8.5%		
Specialties	78.5			2.6%			
Equine	27.6			2,0%			
Specialised petfood	26.5				6.4%		
Others	27,0				6.2%		
Companion Animals	**403.6**			**0.1%**			
Bovine parasiticides	42.4			2.2%			
Bovine antibiotics	63.6			2.1%			
Other ruminants products	93.9				6.3%		
Pig/poultry antibiotics	43,0		-0.4%				
Other pig/poultry products	20.5				8.1%		
Aquaculture	53.3						77.1%
Food producing Animals	**316.7**				**5.1%**		
Other businesses	**15.8**				**6.4%**		
Sales	**736.1**			**2.1%**			

Companion Animals

As at December 31, 2013, this business represents 55% of total Group sales (lower than the 2012 contribution which was 61% due to the impact of recent acquisitions in the food producing animal field).
After a year marked by strong organic growth, the companion animal business was stable in 2013, with lower organic growth of 0.1% compared with the previous year.
The parasiticide segment saw a steep decline of 10.1%, mainly due to Iverhart Plus being temporarily stopped in the United States but also by a slowdown in sales of the external parasiticide range (Effipro) in Europe linked to the late start of the season.
The immunology range slightly increased by 0.5% this year, which is the result of a mixed situation across the regions. Dog vaccines grew strongly in Latin America, as dog and cat vaccines did in France and the United Kingdom. This growth was partially offset by lower sales of CaniLeish in Spain (primo-vaccination effect) and of Canigen in Australia.
In antibiotherapy and dermatology, successful launches of major products like Easotic and Rilexine tablets in the United States, Epi-Otic in China and hygiene products in Colombia which continue to drive growth significantly in this segment.
Speciality products continue to grow despite the negative impact of some non-compliant products (safety defects), particularly thanks to development of Suprelorin in Germany and in the United States, as well as Zoletil in Europe, Mexico, Brazil, and Korea.
The equine, nutrition and other companion animal segments began to grow again this year, thanks in particular to the Vet Complex ranges, development of equine in Australia and New Zealand, and diagnostic tests in Europe.

Food producing animals

This business, accounted for 43% of Group sales, up 5.1% at constant scope and exchange rates. The ranges as a whole, with the exception of the pigs and poultry antibiotics range, contribute to the organic growth of this business.
Growth of the bovine antibiotic segment came particularly from Brazil with the launch of Maxflor, and the development of Multibio. New Zealand also contributed to the strong performance of the intramammary range with the launch of Penclox, which offsets difficulties within this range in Europe.
As regards the highly competitive bovine parasiticide segment, Virbac continued its growth thanks to the sustained business development in India, which offsets the difficulties in the Cydectin range in Australia, and Virbamec in Europe.

The large animal vaccines marketed in Australia, as well as the mineral and nutritional supplements in India, were the main growth drivers for the other products in the ruminants segment.
Likewise, growth in pigs and poultry came essentially from mineral and vitamin supplements.
Finally, at constant scope and exchange rates, the aquaculture business again had a nice performance, especially in Thailand and India, benefiting from the business contribution of Chile over twelve month.

Other businesses

These businesses, which account for 2% of consoledated 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. In 2013, the growth of this segment is due to sales of rabies baits in Greece.

CHANGES IN GROUP SCOPE

On September 12, 2013, Virbac signed an amendment to the Share Purchase Agreement settled on January 5, 2010 which conferred upon it a 30% share in the company Santa Elena in Uruguay. This amendment enabled the Group to acquire a further 69.175% stake in the capital of Santa Elena for $18.3 million. As of this date, Virbac took exclusive control of this entity, which was fully consolidated in the accounts closed on December 31, 2013.

The sales of Santa Elena, a company integrated into the Group consolidation from September 2013, amounted to €2.8 million in 2013.
This operation constitutes a business combination within the meaning of IFRS 3 and the impact of this operation in the consolidated financial statements is presented in note of the consolidated financial statements.

On September 19, 2013, Virbac Australia acquired the company Birch for 5.2 million Australian dollars (that is €3.4 million), from Axon Animal Health, a company dedicated to the development and the marketing of equine pharmaceutical products. This acquisition enables Virbac Australia to complete its equine range and strengthen its position on this segment thanks to a major product for treating horses' gastric ulcers.
This operation constitutes an intangible asset acquisition within the meaning of IAS 38 and is reported as such in these consolidated financial statements. The impact of this operation is presented in notes A2 and A3 of the consolidated financial statements.

Scope as of December 31, 2013

The consolidated financial statements as of December 31, 2013 include the financial statements of the companies that Virbac controls indirectly or directly, in law and in fact. The list of consolidated companies is presented in note A38.
The changes occurred in the scope during the fiscal year are the following:

- on October 31, 2013 : universal transfer of Dog N'Cat International assets and liabilities (*TUP*) to Virbac Nutrition. As both these companies are controlled by Virbac, this merger has no impact on the Group's consolidated financial statements;
- on September 12, 2013 : purchase of additional shares in Santa Elena (69.175%), which determined a change in the type of control (from joint control to exclusive control). This is reflected as follows in Virbac's 2013 consolidated financial statements:
  - recognition in income of associates, in proportion to the share previously purchased (30%), of Santa Elena's income for the period from January 1 to August 31, 2013,
  - derecognition of financial assets previously classified as "share in companies accounted for by the equity method" and recognition of non-recurring income, resulting from the revaluation at fair value of controlling interests,
  - recognition at fair value of identifiable assets acquired, liabilities assumed and goodwill,
  - recognition, in operating profit from ordinary activities, of income and expenses for the period from September 1 to December 31, 2013.

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.

Since 2012, given the internationalisation of new product developments, the Group has centred its strategy on globally focussed product innovation segments. These segments cover companion animals, ruminants, pigs, and aquaculture channels and include strategic marketing functions, regulatory ressources and R&D for the Group. This makes it possible to expand the reach of projects already undertaken through regional efforts.
In 2013, investments in RDL (Research, Development and Licensing) are further strengthened, the Group dedicating 7.9% of its revenue to it, an additional 12% compared with 2012. This expenditure is partly linked to the latest phases of research for projects planned to obtain marketing authorisation in 2014 and 2015.

The Carros and US Research and Development structures have been focussing on and pooling resources for joint R&D projects for the companion animal market on a global scale for several years now. In 2013, these projects have taken on more importance in the Group Product Innovation portfolio and are a major stake for the Group given their potential. The Group also strengthened its project portfolio in this segment by signing a collaboration and licensing agreement with the biotechnology company NovaBay Pharmaceuticals Inc, by acquiring exclusive global veterinary and rights for auriclosene a new alternative to antibiotics.

In the pig segment, collaboration which kicked off in 2012 between Innovation Virbac and SBC in Asia continued to produce results in 2013 and led to the registration of two new pig vaccines for Vietnam. The registration of two new pig vaccines and two warm water vaccines for catfish initially expected for 2013 should be obtained in 2014.
The pig vaccine project portfolio should expand in the coming years following the signing of technological partnerships with internationally recognised universities in 2013.

2013 saw the integration of Centrovet which enables Virbac's strategy in aquaculture to be significantly reinforced: several international development projects have been launched based on innovative technologies contributed by Centrovet, particularly in oral vaccination technologies, both for salmon and warm water fish (tilapia, catfish). Promissing developments based on complementary SBC and Centrovet technologies for fish vaccines have also been initiated.

In the regulatory domain, Virbac obtained several major marketing authorisations in 2013, particularly for Cortavance in China and in South Africa and for Deltanil in France.
Following the marketing authorisation dossier, overhaul, Maxflor, already sold in many Latin American countries was launched in Brazil.
In addition to the new registrations obtained, the departments of Regulatory Affairs continue to expand 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.

Finally, a number of major licensing projects were introduced to the portfolio and should lead to a contribution of new products from 2014 onwards.

PRODUCTION

France

In 2013, Virbac carried out a major project of a new building for sterile injectables at its historic Carros site (France) and modernised its industrial facilities by integrating new production processes, all entirely compliant with the most recent regulations.

With the aim to create a centre of excellence for the production of sterile forms (biological and pharmaceutical), the building works launched by Virbac in June 2011 have continued. Thus the interior design of the building, started in the last quarter of 2012, has led to the creation of operating areas compliant with GMP and to the implementation of complex, high technology facilities. In November 2013, all the equipment and infrastructures of the site were received and operational equipment went through performance qualification and industrial trials. In December, the new site obtained GMP certification from Anses. The GMP certification and validation of aseptic batches (*Media Fill Test*) are an important turning point in the operational implementation of this new factory which began production of the first validation batches in January 2014.

Within the framework of the pharmaceutical compliance of industrial activities, several projects have been undertaken. A new non-sterile raw materials sampling plant became operational in December 2013. Finally, an annual stability study programme for the formulae for all the pharmaceutical and bio-

logical products manufactured in Carros was completed in such a way that the European regulatory requirements were met.
The dry-forms unit was moved in order to make room for a new equipment which is currently going through validation and qualification phases and which will be used from 2014 in the Group's major launches.

At the Magny-en-Vexin site, renovation work was carried out to make room for a new packing line which became operational in November.

Virbac Nutrition, the specialised production unit in petfood located in Vauvert (Gard), invested in 2013 in improving productivity and site capacity with a view to grow volumes in the years to come and launch a new range.
The reception area was also completely renovated in order to receive new silos and last September a dosage station was introduced enabling automation of the transfer of raw materials received in big bag.

International

United States

Tablet production capacity was expanded in 2013 thanks to the installation of additional manufacturing equipment, including a fluid bed dryer, a mixer and a tablet blister line. In the long term these investments should enable production times to be reduced.
In the same time, in preparation for a new FDA (Food and Drug Administration) registration, a project was initiated to transform the rodenticides manufacturing area into a pharmaceutical production area.

Australia

In 2013, inspections of the Crookwell, Milperra and Penrith sites led by the APVMA (Australian pesticides and veterinary medicines authority) were successfully completed. In the same time, following the audit from the TGA (Therapeutics Good Administration) began in 2012, a European export licence has been obtained.

Significant capital investments were made to increase the production capacity of the vaccine unit: building extension, new inactivation tank and a new centrifuge for processing antigen. These acquisitions should be operational in the first quarter of 2014.

Mexico

In 2013, construction of offices, production areas and storage areas of the new Mexican site were finalised and the transfer of different activities took place between December 2013 and February 2014.

Vietnam

Following the works undertaken to respond to recent tightening of local regulations, WHO GMP (World Health Organization Good manufacturing practices) accreditation was obtain in April 2013. While the production of powders, liquid forms and tablets slightly decreased in 2013, the production capacity of chews line is explored at the maximum to supply the strong demand from the American market. As a result, the decision was taken to invest in a second production line which will become operational during 2014 and will thus enable production capacity of chews to be doubled.

Brazil

In 2013, investments were focussed on improving productivity and compliance. Investment made in the air conditioning system enabled microbiological risks to be reduced.

New Zealand

Transfer of the site from Auckland to Hamilton continued in 2013. A new warehouse was constructed in Hamilton and was finalised in the last quarter and inventory transfer began at the end of December.
Regarding regulation, following the successful inspection in 2012, the production facilities received accreditation from the ACMV (Agricultural Chemicals and Veterinary Medicines) regulation authority.

South Africa

The toll manufacturing agreement for the manufacture of Multimin with the company Deltamune was renegotiated until the end of 2014 and production will be moved internally to the Virbac New Zealand site from 2015.

Chile

In 2013, investments were made in order to secure manufacturing of key products such as building renovations and purchase of bioreactors and freeze-dryers.
At the end of 2013, renovation work was carried out on the production unit of injectables and powders and on the storage buildings. This work should lead to a renewal of the GMP European certification..

Uruguay

A new pharmaceutical filling site was recently built in Uruguay. The current site, freed up from activities, will be used for producing biological, viral and active ingredients.
The optimisation of production sites will enable to meet market demand and compliance to be closer to European quality standards.
Over time, this new production platform for biological actives will be a key pillar in the Group's strategy to become a leader in large animal vaccines.

QUALITY ASSURANCE

Against a rapidly changing regulatory backdrop, Virbac sought to consolidate its pharmaceutical expertise at a Group level by creating its Quality Assurance department in 2011.
This department is wholly dedicated to pharmaceutical compliance in industrial activities and research and development.

Activities launched initially as a priority for the Carros (France) site have been progressively expanded internationally. This direction was confirmed in 2013 through a major organisational change and appointment of a new Quality Assurance director.
Thus two new functions were integrated within the Quality Assurance department through the creation of a training function focussed on quality and change management, and a continual improvement function in charge of the Group quality system implementation.

Training efforts continued throughout 2013 with the support of pharmaceutical managers in France and the launch of the "Qualified Person" trainings Europe-wide.

HUMAN RESOURCES

The Group has 4,352 employees in 36 countries and 42 subsidiaries or representative offices within Virbac.

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 within a company experiencing strong growth, and which also has an increasingly global operating model, while respecting its local customer/market model, and avoiding the pitfalls of centralisation.
Seeking excellence in people management in such a dynamic environment requires that organisational growth and evolution go hand in hand with ensuring that each person finds opportunities for their own professional growth and career development. Virbac continues with its quest for excellence combining a manager development programme which is constantly developing and support of HR Business Partners for the implementation of best practices.
This is the approach by which the company maintains an inseparable link between corporate performance and personal success. The overall satisfaction of our employees in Group subsidiaries is also measured through an internal opinion poll. Global participation in 2013 was 88%. The global score, which has significantly improved since 2005, remains very high (47), and the percentage of overall satisfied persons working for Virbac amounts to 85%.

Since 2007, a strategic development programme is implemented worldwide: the Virbac Leadership programme targeting 200 managers around the world, who are either operational or functional managers. The company's intrinsic strengths like innovation, being customer-centred, or the ability to build strong and warm relationships are reinforced through this programme. But the key skills addressed in the Leadership programme's modules to foster robust Group growth are: team building, and horizontal and intercultural collaboration.
This training also boosts team spirit and cohesion within the Group. It contributes to supporting growth and to the operational performance of 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 them to select and support successful sales staff at Virbac.

Strengthening the human-based culture, supporting employee growth in number and in skills and constantly striving for greater efficiency for the company with people remain the key focus of the HR department.

Recruitment and mobility

2013 was once again a dynamic year for Virbac with, in France, 126 people joining the company with permanent contracts. As well as 85 fixed-term positions, 36 trainees and 30 apprentices were employed. Applications were received from a number of sources: 26% from internal mobility, 20% from temp agencies, 18% from adverts, the remainder were sent spontaneously, via recommendation, or from the pool of interns and work/study placements.

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: pharmacists, veterinarians, and engineers in biology and chemistry, sometimes with an international dimension.
Aside from specific scientific profiles, Virbac regularly hires operators and technicians at the Carros industrial and R&D 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, developing partnerships with targeted schools, and expanding collaboration with recruitment agencies.
311 peoples were hired in the rest of the Group on permanent contracts, 50% in sales and marketing and 28% in industry.
Attracting new talent remains a priority: for this reason the Virbac employer brand has been defined by the Group.

Training and development

Training and development are a strategic priority of the Group and of the Human Resources department in order to guarantee skills development which we will need for the future.

Training management has improved significantly since 2008 through the creation of organised trainings at Virbac and led by internal trainers. It accounts for 70% of the trainings delivered in 2013 alone. Employees from all categories participated in trainings which this year achieved participation from around 2719 employees. Considerable efforts have been made to assist and train managers responsible for managing major changes within their organisations.
Thanks to the performance management process, Virbac guarantees coherence between employees' performance objectives and the Group's objectives. For this, there is a full compulsory programme for all supervisors in France, translated into English and Spanish and gradually rolled out across the various foreign subsidiaries of the Group.

Similarly, the Virbac Leadership programme created by the Group in 2007 was delivered to 209 managers globally. Thus, the company continues with this major investment which is cornerstone of Virbac's culture. Within the context of growing globalisation across the majority of its business areas, Virbac Leadership strengthens the strategic competencies which make its growth possible.

The Virbac selling attitude, training launched in November 2012 in Europe, focussed on better equipping sales managers to recruit and develop sales reps, was rolled out to the Group's main sales subsidiaries in 2013.

Following their training in January 2013, the sales and human ressources directors from North America and Latin America were certified "VSA trainers". They then met in March in the area of Apisa and the 33 "certified VSA trainers" began the roll out of the module in five languages (English, French, Portuguese, German and Spanish) to all sales managers in the Group. Results could already be seen by the end of the year, for example, fewer recruitment errors of sales staff in Mexico.

Compensation

An upward trend was again observed in the results of the internal opinion poll on compensation-related issues in France.
This positive trend, observed for several years now, is the result of clarification and communication work by employees and managers as well as tailoring compensation policies and other employee benefits to market practices and rewarding individual and group performance.

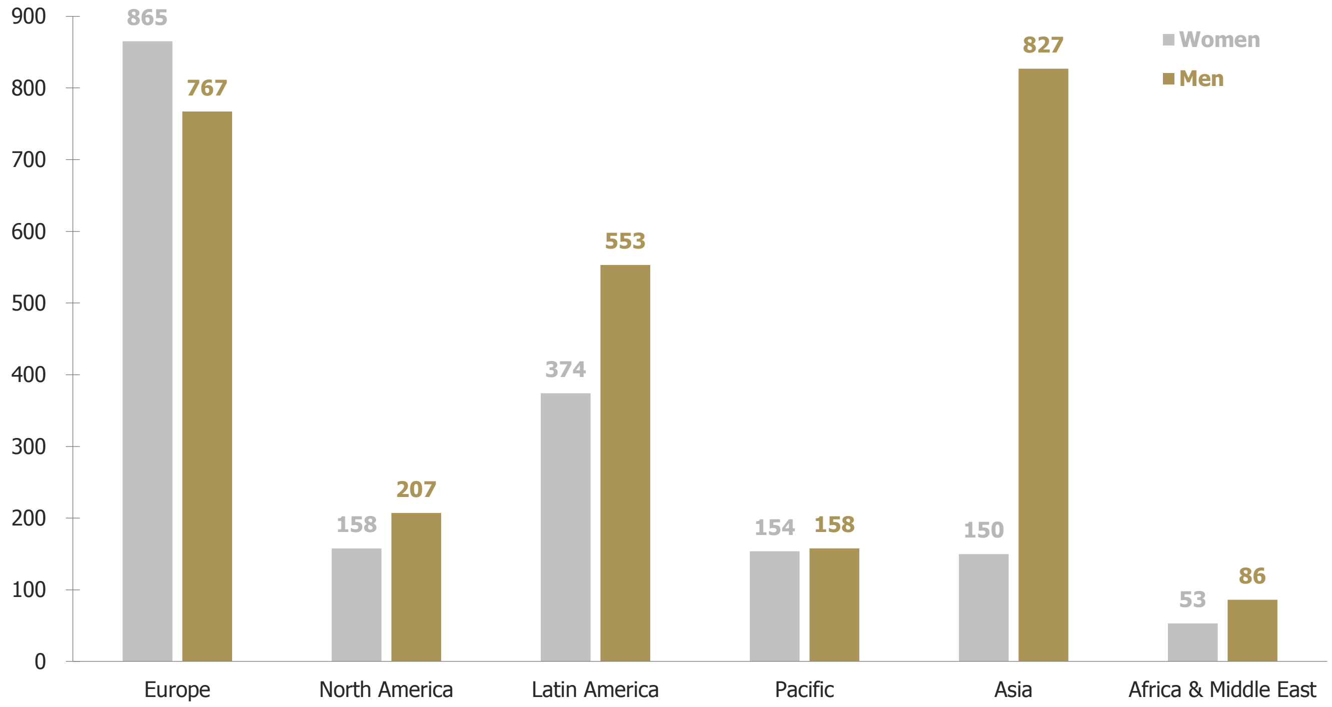
The training programmes delivered to new managers and to new starts enable quick immersion in the company culture through best practices sharing and facilitating practical tools.

These programmes are available in English and in Spanish and are adapted to each subsidiary which undertakes a similar approach. The Corporate HR team actively supports these initiatives within the Group and is working to make progress more consistent across the Group.

Group workforce

As at end of December 2013, Virbac had 4,352 employees: 2,598 men (60%) and 1,754 women (40%).

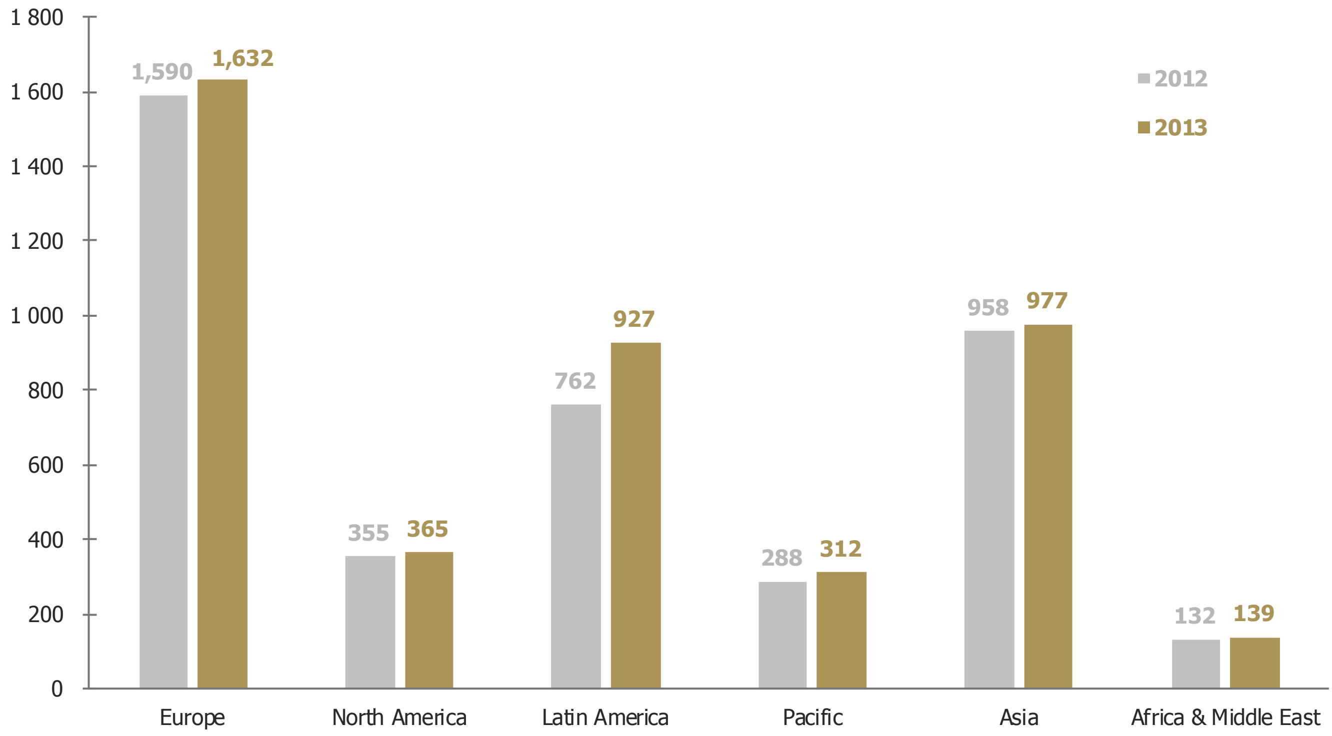
Breakdown of Group employees



38% of Group employees are in Europe, of which 1,298 are in France, or 30%.

The number of employees as at December 31, 2013 increased by 7% over December 31, 2012. The highest growth was in the Latin America region (22%) due to the integration of Santa Elena employees in Uruguay (120 employees).

Changes to employee numbers by region



Changes to employee numbers by function

	2013		2012	
Production	1,666	38%	1,465	36%
Administration	487	11%	500	12%
Commercial & Marketing	1,739	40%	1,728	42%
Research & Development	460	11%	392	10%
Workforce	**4,352**	**100%**	**4,085**	**100%**

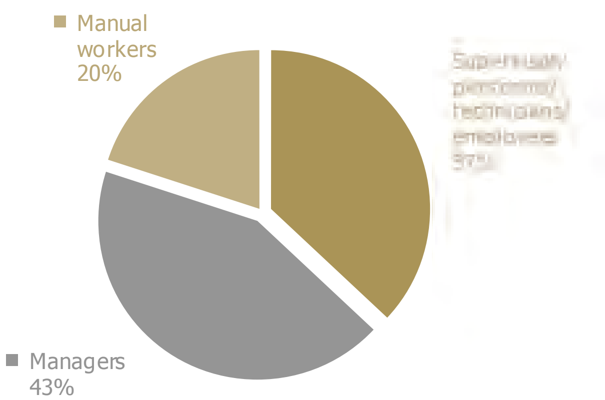
The significant growth in Research & Development employees +17% comes from France (+28 employees) and from Chile (also +28 employees).
The +14% increase in production employees comes basically from France (+30 employees), Chile (+64 employees) and integration of Santa Elena employees in Uruguay (+79 employees).

Virbac in France

Workforce

Virbac has 1,298 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 56% women and 44% men, the workforce breaks down as follows in terms of socio-professional classification:



Changes to the workforce

In 2013, with 192 hirings and 126 vacancies, the balance of personnel hiring/vacancies was positive (+66 people) in France.

Compensation

In 2013, gross compensation amounted to €55,020,965 and payroll taxes to €22,707,276.
The average annual gross salary of €45,792 is up 2.76% compared to 2012.

Other employee benefits

In 2013, the company allocated €519,893€.

Training

Training expenses this year amounted to €1,995,317, accounting for 3.56% of payroll. As in 2012, training expenses in 2013 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 June 1 to May 31) and the duration is:

- 1,567 hours (completed for managers of a contingent of 130 hours), coupled with time reduction days and articulated differently accor-ding 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. Amendments to employment contracts cover the same period as paid leave and RTT to facilitate management.

Workplace safety

This axis, which is a Group priority, saw substantial improvement in 2013, with over 20% fewer occupational accidents (leading to lost working days or not), the total number of lost working days following these accidents was reduced by more than 25%.
Specifically, in 2013, the main advances were the following:

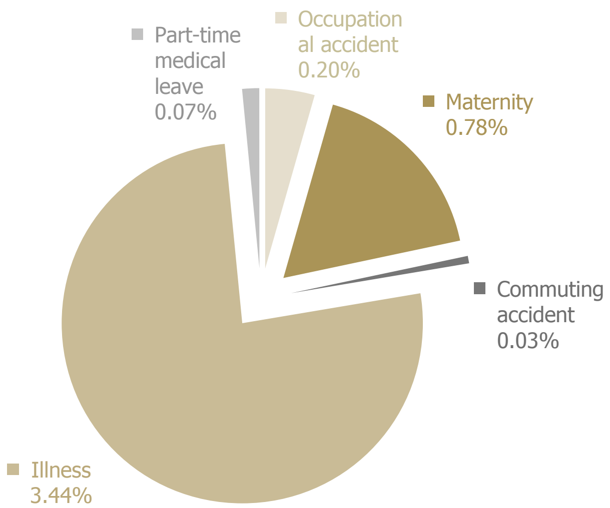
- as regards regulations on harsh working conditions, an action plan was developed in partnership with the CHSCT (Committee on hygiene, safety and working conditions) aimed at reducing cases defined as harsh working conditions by more than 50% over the coming three years; the "carrying heavy loads" section of this action plan having already been achieved during 2013;
- scaling up of the ergonomic approach in new production sectors as well as the introduction of a new PRAP process (Prevention of risks associated with physical activity) in a production sector;
- the introductory process for new employees was also reviewed on the one hand by including a hand-out for external workers and on the other hand by integrating a new safety module in the training for all new starts at Virbac.

With the security team having been strengthened during the year, the approach was reinforced in sectors such as R&D, Virbac France (commercial activity); 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.

Regarding stress at work, the joint team was reorganised to include new employees in order to offer a complementary vision (employees representing other sectors, including production).
The new CHSCT secretary also joined the group and was trained in this field in order to more strongly contribute to improvement ideas.
On the Group's third anniversary an evaluation of the company's actions was performed and enabled points for progress to be identified which will form part of the 2014 action plan.
The internal opinion poll also fed into the latter, the poll showed a slight regression since two years ago in stress levels experienced, split out by management directions and which will lead to new practices.

Absenteeism

Absenteeism within the company amounted to 4.52%, and is broken down as follows:



Industrial relations

Employee representatives were re-elected in 2013 to the ESU (Economic and social unit) for a new term of four years, presented by the CGT (General confederation of labour), the CFDT (French democratic labour confederation) or by free application.
The workforce and management agreed to make use of an innovative approach to organising professional elections: the electronic vote.

The Works Council of the ESU is comprised of eight permanent members and seven substitutes. Ordinary meetings are held on a monthly basis.
The Carros sites have ten permanent employee representatives and eight 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.
A shared electronic communication platform was set up to facilitate exchange between employee representatives and the human resource department.
The CHSCT is made up of seven elected members at Carros and two at Magny en Vexin.
Two CGT union representatives and one CFDT union representative are present in France.

Disabled workers

Virbac ESU sites employ the equivalent of 47 people with a legally recognised disability (the equivalent of 26.14 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 2013 corresponding to 31.01 missing units (€159,195).

In 2013, following a call for tenders in 2012 to eight ESAT offices in the region (Establishments and services for occupational aid), Virbac decided to contract the maintenance of its green areas to one ESAT and to continue to call on disabled employees to carry out missions at company sites.
Virbac also began a partnership with a young company from Nice (Aktisea) and allocated it several added-value missions.

In order to preserve its employees' positions in the workplace, Virbac also introduced a workload action plan, as well as improving ergonomics in new production areas.

Within this diversity approach, Virbac continued with training and awareness activities for managers on non-discrimination and equal opportunities throughout 2013. To date, 167 managers have been trained.

Similarly, in order to strengthen and establish its disability-related diversity policy globally, Virbac launched a diagnostic in 2013 with support from consultants, Handy Conseil, bringing together all internal and external stakeholders.

This update will enable the major pillars of the disability agreement to be drafted and to be negotiated in 2014 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 Virbac, Virbac France, Alfamed and Virbac Distribution making up one ESU and Virbac Nutrition.

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 December 31 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 Virbac, Virbac France, Alfamed and Virbac Distribution making up one ESU and Virbac Nutrition.

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 31, 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 2013, the risk management process continued to be implemented and gained in maturity. The Virbac group updated its risk map of major risks for which the latest version dated back to 2010.
Risk maps were also drawn up within certain significant subsidiaries.
Action plans from the different risk maps were regularly monitored with each of the owners of the given risks.

The organisation and methods for how the tool was implemented within the Group are presented in detail in the report of the chairwoman of the supervisory board on pages 107 to 111 of the annual report.

As part of this risk mapping update, Virbac has conducted a review of risks that could have a significant adverse effect on its business, its financial situation or its results and considers that so far there are no significant risks other than those shown.
However, certain risks not detailed here or not identified to date may potentially affect the Group's results, objectives, image or share price.

Risks related to the Group's business activities and strategy

The animal health market has undergone significant changes over recent years which have given rise to new challenges for the animal health sector which the Group has taken into account in its strategy (by market and by species).

Risks related to innovation process (research, development, licensing) and product registration

Risk factors

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 2013, Virbac committed 7.9% of its sales 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.
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 autho-risation 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.
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.

Risk management mechanisms

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%). Similarly, Virbac uses in-depth research to target the products for which licences must be granted. Finally, Virbac relies on 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

Risk factors

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.

Risk management mechanisms

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 associated with the distribution channels

Risk factors

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 distribu-tion mode could create for the Group some depen-dency or insufficient control of its presence and its development.
Moreover, in certain countries the animal health sector has shown for some years now a trend towards the concentration of distributors and veterinarians in large clinics. This trend has, for now, not affected the Group's business.

Similarly, new distribution channels such as the Internet, for example, have been appearing.
Virbac remains vigilant on this development and the impact it could have on the level of sales and margins.

Risk management mechanisms

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.
In more general terms, the Group strives to constantly adapt its marketing strategy in order to limit associated risks, and to take advantage of the opportunities which arise from these changes.

Risks related to increased competition

Risk factors

The animal health sector has become increasingly 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.
Progressive consolidation cannot be ruled out. New forms of competition can also be seen such as the verticalisation of activities among certain large distributors, the marketing, entirely or in part, of animal health activity by large pharmaceutical companies, local development of innovative players in niche markets, or even new strategic partnerships between the small market players. These developments by their very nature will change the Group's competitive landscape.

Risk management mechanisms

Virbac analyses and constantly monitors the movements of its competitors across all markets and has a policy of external growth through acquisitions and/or partnerships, enabling it particularly to participate in the on-going consolidation in the sector.
Moreover, the Group undertakes rigorous management of its activities enabling it to remain competitive in an increasingly competitive market.

Reputational risks

Risk factors

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.

Risk management mechanisms

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. Furthermore, since the beginning of 2012, Virbac relies on an internal e-reputation manager responsible for permanent monitoring of different materials and formats in order to anticipate any potential media crises;
- 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

Risk factors

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.

Risk management mechanisms

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 talents

Risk factors

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 in the region, 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.

Risk management mechanisms

The HR strategy in talent management consists of constant communication around 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 risk

Risk factors

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.

Risk management mechanisms

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.

However, Virbac grants particular attention to industrial risk prevention and environmental protection in line with its social and environmental policy.

The responsibility for industrial risk management 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.

More information regarding the industrial and environmental risk factors related to the Group's activities can be found in the sustainable development report on pages 29 to 40.

Risks related to the use of hazardous materials

Risk factors

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 and marketing processes (R&D, manufacturing, storage and transport). These risks could, should they materialise, cause damage to persons, property and the environment.

Risk management mechanisms

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

Risk factors

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.

Risk management mechanisms

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 2013, the Group set up a new structure by creating a Group industrial and quality assurance department with the aim of developing and making the production tool at group level durable over time, on the one hand to comply with all applicable local regulation and on the other, to create conditions for greater flexibility and synergy with the different production sites within the Group.
Finally, Virbac is protected through a business interruption insurance.

HSE risks (Health, safety and environment)

Risk factors

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.
Meanwhile, given the nature of its activity, the Group may have an impact on the environment even if it does not cause visual, noise or odour pollution.

Risk management mechanisms

Protecting the environment and the safety of its employees are key priorities for the Group.
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.
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.
Finally, HSE problems are taken into account during acquisition due diligence of new sites.
Additional information related to HSE can be found on page 29 of the sustainable development report.

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 teams and in consistency with the overall risk management process.

Risks related to the maintenance of intellectual property rights

Risk factors

The Group's success rests largely on its ability to obtain and effectively protect its intellectual property rights and, in particular, its brands, its registration files, 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. It is in fact not uncommon in the industry to see some competitors initiate lawsuits for patent infringement for the sole purpose of delaying the marketing of products.

Risk management mechanisms

The protection of the Group's intellectual property relies on two departments working in close collaboration.
Within the R&D department, the patents team is responsible namely for:

- drafting and submitting patents related to innovative techniques or products;
- monitoring the competition in order to guard against abusive use of rights by a third party;
- analysing third party patents from the development phase onwards of new products in order to avoid plagiarism on the part of Virbac.

The legal Department assures protection of the registered brands and domain names at Group level and manages all disputes related to intellectual property.

Risks related to regulatory changes

Risk factors

Regulatory risks arises from Virbac's exposure to changes in laws and regulations, particularly those regarding public health policies.
Any changes in legislation may impact the results and financial position of the Group. Virbac must obtain and retain marketing authorisations required for the manufacture and sale of its products. Given the Group's international presence, those regulatory authorisations are issued by authorities or agencies in several countries. Withdrawal of a previous authorisation or not obtaining authorisation for a new product may have an adverse effect on operating profits.
It should be noted that the pharmaceutical industry is subject to increased attention from authorities and the public, which results in the regular issuance of tougher rules which govern it.

Risk management mechanisms

Each functional and operational department in the Group is responsible for implementing a permanent monitoring mechanism in order to identify or anticipate any regulatory change which could impact the Group's activities.
Each department may, where relevant, need to be supported by local experts in certain regions of the world. By way of example, a Group Regulatory and Public Affairs department provides permanent monitoring of the pharmaceutical regulations to which the Group is subject.

Risk of legal action

Risk factors

Virbac operates on a worldwide basis. As it undertakes its activities, Virbac may become involved in disputes, legal, arbitration or administrative proceedings and "group actions" anywhere in the world. All significant disputes are routinely evaluated by the Legal department, with the assistance where necessary of external consultants.

Risk management mechanisms

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

By their very nature, the different activities of the Group encompassing the entire value chain in the sector expose the Group to varied operational risks. Within the Group, the operations department dealing with production activities and the purchasing department contribute to securing the Group against associated risks.

Risks of dependence on third parties for supply or manufacturing of certain products

Risk factors

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.

Risk management mechanisms

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. 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.

Whatever the solution adopted, the Group systematically ensures upstream the sustainability of the source.
In addition, Virbac has regularly updated mapping of its major suppliers, including contract reviews and possible alternative sources.

Fraud risks

Risk Factors

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.

Risk management mechanisms

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. Upon acquiring new companies, the latter are integrated into the mechanisms for prevention of unethical practices.

Risks related to safety and reliability of information systems

Risk factors

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.
Other risk factors may be envisaged such as intrusion, piracy, theft of knowledge, know-how or confidential information, system shut-down of one or more systems following a computer failure, obsolescence of a part of the IT system (application, server...) as well as regulatory developments particularly linked to the Internet (licences and copyright, personal data, etc.).

Risk management mechanisms

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

Risk Factors

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 cannot be ruled out even if the danger level of such activities must be considered relative to other industries reputed to be more dangerous.

Risk management mechanisms

The exposure of employees is covered by specific measures presented on pages 46 and 47 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 and Finance 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 and Finance 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

- **Risk factors**

Exchange rate risk is defined as the impact of the Group's financial flows linked to fluctuations in exchange rates when carrying out is activities.
Given the international nature of its activities, the Group is exposed to exchange rate risk on transactions and foreign exchange translation risk.

- **Risk management mechanisms**

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

- **Risk factors**

The Group's net income may be impacted by interest rate risk. In fact, adverse interest rate changes may thus have a negative effect on the costs of finance and future financial flows of the Group.
The Group's exposure to interest rate risk however remains limited provided it results primarily from credit lines at variable rates implemented in France.

- **Risk management mechanisms**

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 risk

- **Risk factors**

Liquidity is defined by the Group's capacity to meet its financial payment deadlines within its current activity and to find new sources of finance as needed, and in this way guarantee ongoing balance of its income and expenditure. Within its operations and its programme of recurring investments, the Group is thus exposed to the risk of a liquidity gap for funding its growth and its development.

- **Risk management mechanisms**

The policy of pooling excess cash and financing requirements for 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.
The Group regularly conducts a specific review of its liquidity risk and deems itself able to meet its future payments.

Other financial risks

Credit risk

- **Risk factors**

Credit risk may arise when the Group grants credit to customers via payment schedules. The risk of insolvency, or even default of some of those companies could lead to non-reimbursement and thus negatively impact the Group's net income and net cash position.
The impact may be observed at payment level (non-payment of loans or deliveries made, customer risk) or delivery level (undelivered services or paid supplies, supplier risk).

- **Risk management mechanisms**

The Group limits the negative consequences of credit risk thanks to the high fragmentation and dispersal of its customers which are spread across the countries in which it operates.
Based on the regulation in force, applications, ratings, limits imposed by credit insurance, the Treasury and Financing department recommends maximum payment periods and sets credit limits for customers to be applied by the Group's operational entities. The Treasury and Finance department manages and steers these credit aspects for the French entities which it is directly responsible for and recommends the same practices via guidelines and best practices for the Group. Furthermore, there is a credit insurance group framework contract which any subsidiary where this type of risk has been identified may benefit from.
The details associated with this risk are presented in note A30 of the consolidated financial statements.

Counterparty risk

- **Risk factors**

The Group is exposed to counterparty risk within its contracts and financial instruments which it underwrites, in the event that the debtor refuses to honour all or part of his commitment or finds himself in fine unable to do so.

- **Risk management mechanisms**

The Group pays particular attention to the choice of banking entities which it uses, and is even more critical when it comes to managing available treasury placements.
However, Virbac considers that it has low exposure to counterparty risk given the quality of its major counterparties. In fact, placements are only made with first class banking entities.
The details associated with this risk are presented in note A30 of the consolidated financial statements.

Hedge accounting

- **Risk factors**

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 relation-ships must satisfy a series of stringent conditions in terms of documentation, likelihood of occurrence, effectiveness of the hedge and measurement reliability.

- **Risk management mechanisms**

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 specific to Virbac's activities.
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 setup 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.
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 Group does not have a captive insurance or reinsurance company.

SUSTAINABLE DEVELOPMENT

The full sustainable development report on pages 16 to 59 sets out the Group’s values and guiding principles with regard to social, economic and environmental matters.

MANAGEMENT AND SUPERVISORY BODIES

Supervisory board

It has six members, three of whom are independent (in accordance with the criteria of the Afep-Medef corporate governance code): Philippe Capron, Olivier Bohuon and Grita Loebsack.

Marie-Hélène Dick

Chairwoman of Virbac's supervisory board.
French.
Date of first appointment: 1998.
Current term ends: 2016.
Aged 49, 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, SAS (France);
- chairwoman of the board of directors of Panpharma, SA (France).

Directors' fees received in respect of 2013: €21,000.
Compensation received as chairman of the supervisory board in respect of 2013: €95,000.
Number of shares held at December 31, 2013: 1,635.

Jeanine Dick

Vice-chairwoman of Virbac's supervisory board.
French.
Date of first appointment: 1992.
Current term ends: 2016.
Aged 77, 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 2013: 12,000 €.
Number of shares held at December 31, 2013: 8,080.

Pierre Madelpuech

Permanent representative of Asergi, a member of Virbac's supervisory board.
French.
Date of first appointment: 1995 (individually) and 2005 (as permanent representative of Asergi).
Current term ends: 2016.

Aged 53, Pierre Madelpuech is an Ensam eng-i neering graduate and holds an MBA from the HEC business school.
Other positions held:
- manager of Asergi, SARL (France);
- director of Panpharma, SA (France);
- director of Okelen, SA (France);
- general manager of Panmedica, SAS (France); manager of Arteis Developpement, SARL (France) ;
- general manager of RPG, SAS (France);
- manager of Art'Pro, SARL (France) ;
- manager of Crearef, SARL (France) ;
- manager of Crea Négoce, SARL (France) ;
- manager of Color'I, SARL (France) ;
- manager of P2LM (France).

Directors' fees received in respect of 2013 by Asergi: €21,000.
Number of shares held at December 31, 2013 via Asergi: 10.

Philippe Capron
Member of Virbac's supervisory board.
French.
Date of first appointment: 2004.
Current term ends: 2016.
Aged 55, a graduate of the HEC business school and the Institut d'Etudes Politiques de Paris, Philippe Capron is a former ENA student and was previously a finance inspector.
Other positions held:
- member of the executive board and financial director of Vivendi, listed SA (France);

Other positions held in the Vivendi Group:
- director and chairman of the audit committee of SFR, SA (France);
- member of the supervisory board of Groupe Canal Plus, listed SA (France);
- member of the supervisory board and chairman of the audit committee of Canal Plus France, SA (France);
- member of the supervisory board and chairman of the audit committee of Maroc Telecom SA (Morocco);
- director of GVT (Brazil).

Directors' fees received in respect of 2013: €24,000.
Number of shares held at December 31, 2013: 410.

Olivier Bohuon
Member of Virbac's supervisory board.
French.
Date of first appointment: 2011.
Current term ends: 2014.
Aged 53, 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 Smith&Nephew Plc (United Kingdom);
- director of HealthCare Promise Investments partners SA (Luxembourg).

Directors' fees received in respect of 2013: 21,000€.
Number of shares held at December 31, 2013: 45.

Renewal of Olivier Bohuon's term, member of the supervisory board

Olivier Bohuon's term as member of the supervisory board will come to an end following the next annual general shareholders' meeting.
As a result, renewal of his term for a period of three year shall be proposed at the shareholders' meeting, namely up until the shareholders' meeting called to approve the financial statements at December 31, 2016.

Co-option of a new supervisory board member

The supervisory board at its meeting on December 20, 2013, noted the resignation of XYC from its role as member of the supervisory board and decided to co-opt Grita Loebsack as a new independent member of the supervisory board.
The co-option of Grita Loebsack is subject to the ratification of the next annual general shareholders meeting.
Grita Loebsack, German, spent more than fifteen years at L'Oréal, firstly as product manager L'Oréal Paris in Germany, then as General Manager Great Britain and Ireland, before being appointed, in 2010, General Manager of Vichy International.
A London School of Economics graduate and holding an MBA from INSEAD, Grita Loebsack has lived in Brazil and in Argentina and speaks five languages. She began her career at Mercer, strategy consultancy, before joining L'Oréal and then Unilever in 2010.

Policy of staggered terms for supervisory board members

At its meeting of March 18, 2014, the supervisory board decided to apply a staggering of terms of its members in order to comply with recommendations of the Afep-Medef Code. The members of the supervisory board ratified the principle of a resignation of certain members throughout 2014 and 2015 in order to enable the meeting to proceed with their re-election and to quickly achieve a balanced staggering of terms. It is for that reason that Jeanine Dick, vice-chairman of the supervisory board presented her resignation from the supervisory board on March 18, 2014 effective on the date of the shareholders' meeting for approval of the financial statements, June 17, 2014. A decision regarding the new appointment of Jeanine Dick for a three year term shall be proposed at the shareholders' meeting on June 17, 2014.

Payment policy for directors' fees to members of the supervisory board

According to the Afep-Medef Code, directors' fees should be distributed taking into account directors' effective participation in committees, and should be primarily variable.

The company does not deem it necessary that this recommendation from the Afep-Medef Code be applied. In fact, the company does not consider linking payment of directors' fees to attendance at supervisory board meetings in a weighted fashion as desirable, since the involvement of supervisory board members in supervisory activities of the company is not limited to their participation in formal periodic debates of the supervisory board. The length of the supervisory board meetings, which last an entire day, as well as the levels of attendance observed among the members, which has exceeded an average of 93% over the past 5 years, is proof of the diligence of the supervisory board members without the need to resort to a complex mechanism for allocating directors' fees. For information purposes, it should be noted that the supervisory board decided to allocate a higher level of compensation to Philippe Capron in respect of his role as chairman of the audit committee.
A summary table on pages 106 and 107 lists the provisions of the Afep-Medef Code which have not been adopted by the company and explains the reasons for this.

Provisional appointment of a non-voting advisor

The supervisory board provisionally appointed the company XYC represented by Xavier Yon as non-voting advisor at its meeting on December 20, 2013.
The appointment of Xavier Yon will be proposed at the next annual general shareholders meeting.
Aged 73, 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. Xavier Yon was a member of Virbac's supervisory board, both individually and as a legal representative of the company XYC, from 2004.

Executive board

Éric Marée

Chairman of Virbac's executive board.
Aged 61, a graduate of the HEC business school and with 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), SAS (France);
- director of Virbac (Australia) 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

He was a member of the executive board and chief operating officer of Virbac; he passed away on February 6, 2014.
Aged 61, a doctor of veterinary medicine and MBA graduate of the HEC business school, Pierre Pagès joined Virbac in 1980. He had been a member of the Board since December 1992.
Other positions held:
- director of Panpharma (France);

Other positions held in Virbac subsidiaries:
- chairman of Virbac Distribution, SAS (France);
- chairman of Virbac Nutrition, SAS (France) ;
- director of Virbac (Australia) 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);
- director of Virbac Mexico SA de CV (Mexico);
- vice-chairman of Virbac Hellas SA (Greece);
- vice-chairman of Animedica SA (Greece)
- chairman of Virbac Animal Health India Private Limited (India);
- director of Virbac Colombia Ltda (Colombia)
- vice-chairman of Laboratorios Virbac Costa Rica SA (Costa Rica);
- chairman of Virbac 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 55, a doctor of veterinary medicine, Christian Karst joined Virbac in 1984.
He has been a member of the Board since December 1996 and managing director since September 9, 2013.
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 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 59, 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);
- 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 48, 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);
- manager of Absolute Dreamer SARL+;
- joint manager of the Terre Du Large, a non-trading property investment company.

Sébatien Huron
Member of the Executive Board of Virbac.
Aged 43, a veterinarian, Sébastien Huron joined the Virbac Group in 2006. He has been a member of the Board since December 2012.
Other terms performed at subsidiaries of Virbac:
- chairman of Virbac France, SAS (France);
- chairman of Alfamed, SAS (France);
- chairman of Bio Véto Test, SAS (France);
- director of Virbac Danmark A/S (Denmark);
- chairman of Virbac SRL (Italy);
- 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 2013

In accordance with Afep-Medef recommendations, a summary of all types of compensation granted to members of the executive board is presented below and detailed in the following tables:

Gross value due in respect of 2013

in €	Compensation due in respect of 2013	Value of stock options granted in 2013	Value of stock grants awarded for 2013 *	Total compensation
Éric Marée	438,088	-	-	**438,088**
Pierre Pagès	310,000	-	-	**310,000**
Christian Karst	308,398	-	-	**308,398**
Michel Garaudet	217,651	-	-	**217,651**
Sébastien Huron	282,876	-	-	**282,876**
Jean-Pierre Dick	54,781	-	-	**54,781**

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

Gross value due in respect of 2012

in €	Compensation due in respect of 2012	Value of stock options granted in 2012	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*

Summary chart of compensation of members of the executive board

Gross compensation Éric Marée

in €	Financial Year 2013		Financial Year 2012	
	Value due for the year	Value paid out during the year	Value due for the year	Value paid out during the year
Fixed compensation	315 000	315 000	300 600	300 600
Variable compensation	50 000	180 000	180 000	139 470
Extraordinary compensation	-	-	-	-
Directors' fees	70 000	70 000	70 400	70 400
Benefits in kind	3 088	3 088	3 088	3 088
Total	**438 088**	**568 088**	**554 088**	**513 558**

Gross compensation Pierre Pagès

in €	Financial Year 2013		Financial Year 2012	
	Value due for the year	Value paid out during the year	Value due for the year	Value paid out during the year
Fixed compensation	213 400	213 400	206 120	206 120
Variable compensation	30 000	108 000	108 000	83 435
Extraordinary compensation	-	-	-	-
Directors' fees	66 600	66 600	66 900	66 900
Benefits in kind	-	-	-	-
Total	**310 000**	**388 000**	**381 020**	**356 455**

Gross compensation Christian Karst

in €	Financial Year 2013		Financial Year 2012	
	Value due for the year	Value paid out during the year	Value due for the year	Value paid out during the year
Fixed compensation	209 000	209 000	201 020	201 020
Variable compensation	52 000	96 000	96 000	82 655
Extraordinary compensation	-	-	-	-
Directors' fees	45 000	45 000	45 000	45 000
Benefits in kind	2 398	2 398	2 296	2 296
Total	**308 398**	**352 398**	**344 316**	**330 971**

Gross compensation Michel Garaudet

in €	Financial Year 2013 Value due for the year	Financial Year 2013 Value paid out during the year	Financial Year 2012 Value due for the year	Financial Year 2012 Value paid out during the year
Fixed compensation	187 100	187 100	182 463	182 463
Variable compensation	15 500	55 000	55 000	42 130
Extraordinary compensation	-	-	-	-
Directors' fees	12 900	12 900	13 100	13 100
Benefits in kind	2 151	2 151	2 081	2 081
Total	**217 651**	**257 151**	**252 644**	**239 774**

Gross compensation Sébastien Huron

in €	Financial Year 2013 Value due for the year	Financial Year 2013 Value paid out during the year	Financial Year 2012 Value due for the year	Financial Year 2012 Value paid out during the year
Fixed compensation	215 000	215 000		
Variable compensation	66 400	91 854		
Extraordinary compensation	-	-		
Directors' fees	-	-		
Benefits in kind	1 476	1 476		
Total	**282 876**	**308 330**		

Gross compensation Jean-Pierre Dick

in €	Financial Year 2013 Value due for the year	Financial Year 2013 Value paid out during the year	Financial Year 2012 Value due for the year	Financial Year 2012 Value paid out during the year
Fixed compensation	38 000	38 000	35 200	35 200
Variable compensation	16 000	15 500	15 500	14 476
Extraordinary compensation	-	-	-	-
Directors' fees	-	-	-	-
Benefits in kind	781	781	781	781
Total	**54 781**	**54 281**	**51 481**	**50 457**

Calculation criteria for the variable portion

Each board member has a variable compensation target which is a percentage of his/her fixed compensation.

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

- sales growth,
- growth in operating profit from ordinary activities, as well as specific goals:
- inventory control,
- significant acquisitions, for the Group, of companies or products (in term of size, financial contribution, strategic importance).

For 2013, the allocation criteria for the variable portion of executive board compensation were fixed as follows:

- growth of Group sales, accounting for 40% for Eric Marée, Pierre Pagès, Christian Karst and Michel Garaudet, 15% for Jean-Pierre Dick and 5% for Sébastien Huron;
- growth of current Group operating income, accounting for 35% for Eric Marée, Pierre Pagès and Michel Garaudet, 25% for Christian Karst, 15% for Jean-Pierre Dick and 10% for Sébastien Huron;
- inventory/sales ratio, accounting for 10% for Eric Marée, Pierre Pagès, Michel Garaudet and Sébastien Huron;

- company acquisitions, accounting for 17.5% for Christian Karst, 15% for Eric Marée, Pierre Pagès, Michel Garaudet and 5% for Sébastien Huron;
- product acquisitions, accounting for 7.5% for Christian Karst;
- Centrovet results, accounting for 10% for Christian Karst;
- growth of sales Europe and growth of operating income Europe, each accounting for 35% for Sébastien Huron;
- brand reputation score and implementation of customer relations programme, each representing 35% for Jean-Pierre Dick.

It should be noticed that the supervisory board reserves the right to apply a multiplier or divisor coefficient in the case of exceptional circumstances.
In respect of 2013, the maximum potential variable portion of board members' compensation accounted for, as a percentage of their respective fixed compensation:

- 61% for Eric Marée;
- 64% for Pierre Pagès;
- 50% for Christian Karst;
- 32% for Michel Garaudet;
- 38% for Sébastien Huron;
- 42% for Jean-Pierre Dick.
- The gross sums corresponding to variable compensation received in respect of 2013 are shown in the tables on pages 88 to 89.

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.

The reference period corresponds to the five years prior to the executive board member turning 60. The supervisory board does not wish to apply one of the recommendations of the Afep-Medef Code regarding the supplementary pension scheme, which recommends that the group of beneficiaries must be materially broader than the sole executive directors. Virbac's policy consists of solely allocating supplementary pensions to executive board members, for three reasons:

- firstly, the supplementary pensions granted this way are of a controlled amount and subject to the potential beneficiaries meeting several conditions:
- secondly, expanding the category of beneficiaries is not deemed desirable based on the growing tax weight within this mechanism;
- finally, 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 amount and the increase in potential rights since they only represent 12.5% of the benchmark amount for seniority of between 10 and 30 years and are limited to 22% for seniority of more than 30 years.
A summary table on pages 106 and 107 lists the provisions of the Afep-Medef Code not adopted by the company and explains the reasons for this.

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 December 16, 2011 meeting, the supervisory board reappointed the executive board members for a further term.
In line with the provisions of the act of August 21, 2007, the supervisory board, at its March 5, 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 June18, 2012 shareholders' meeting, in accordance with Afep-Medef recommendations. They meet the same terms and conditions set by the supervisory board on December 22, 2008, namely: the severance pay shall only be payable in the event of dismissal, upon the company's initiative. They shall not be due in the event of resignation, retirement or gross negligence of the concerned executive board members. 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%. These explanations are listed in a table, on page 106 and 107 of the report, which summarises the provisions of the Afep-Medef Code not adopted by the company.

Stock grant plans

Since 2006, the Virbac executive board, in accordance with authorisation from the shareholders' meeting, has awarded the allocation of stock grants to certain Virbac employees and directors and those of its subsidiaries. These allocations are subject to achieving a performance objective linked to the Group's profitability and net debt which was determined or will be determined at the end of 2008 and 2014 respectively.

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.

Share options or share purchase

The company has no share options or share purchase scheme.

Stock grants

Allocated stock grants

According to the Afep-Medef Code, stock grants allocated to executive board members must be subject to the purchase of a specific number of shares upon the availability of the allocated shares.
The supervisory board did not wish to follow this recommendation. However, it decided that 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. It must also be noted that the accumulative sum of stock grants awarded to executive board members over five years in total accounts for less than 0.25% of the company's share capital. 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 considered are not linked to the performance of other companies or a benchmark sector due to a lack of reliable comparisons, with companies having similar operations to Virbac either being unlisted or divisions of major listed pharmaceutical groups.
This explanation is presented in a table on pages 106 and 107 of the report which summarises the provisions of the Afep-Medef Code not adopted by the company.

Throughout 2013, no stock grants were allocated.

The summary table of performance share allocations awarded to the members of the executive board is shown below:

	Number of shares granted	Value of shares *	Vesting date	Date released **
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	**5,540**	**€483,083**		
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	**4,080**	**€357,221**		
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	**3,840**	**€338,322**		
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	**2,485**	**€216,778**		
Plan 2009 - 19/06/2009	600	€33,060	2012	2014
Plan 2010 - 31/05/2010	600	€47,406	2013	2015
Plan 2011 - 01/07/2011	520	€60,320	2014	2016
Plan 2012 - 29/06/2012	520	€62,192	2015	2017
Shares granted to Sébastien Huron	**2,240**	**€202,978**		
Shares allocated to executive board members	**18 185**	**€1,598,381**		

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

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

It should be noted that Sébastien Huron has only been a member of the Board since December 2012.
The June 18, 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. The allocation is made with no dilution, the company purchasing the number of required shares on the market. 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.

The executive board members have undertaken not to resort to hedging transactions for their risk of stock grants, until the end of the share lockin period set by the supervisory board.

Stock grants distributed throughout the year

In 2013, the 2010 stock grants plan was distributed. Stock grants distributed to the executive board members are as follows:

	Plan number and date	Number of distributed shares	Number of attributable shares
Éric Marée	Plan 2010 - 31/05/2010	1,460	1,460
Pierre Pagès	Plan 2010 - 31/05/2010	1,080	1,080
Christian Karst	Plan 2010 - 31/05/2010	1,000	1,000
Michel Garaudet	Plan 2010 - 31/05/2010	665	665
Sébastien Huron	Plan 2010 - 31/05/2010	600	600
Total number of shares		**4,805**	**4,805**

Stock grants vested throughout the year

In 2013, the 2008 stock grants plan was partly vested (see the explanation on the methods related to the lockin period on page 90). Details regarding the stock grants vested per executive board member are shown below:

	Plan number and date	Number of shares vested
Éric Marée	Plan 2008 - 17/03/2008	1,170
Pierre Pagès	Plan 2008 - 17/03/2008	975
Christian Karst	Plan 2008 - 17/03/2008	900
Michel Garaudet	Plan 2008 - 17/03/2008	600
Sébastien Huron	Plan 2008 - 17/03/2008	600
Total number of shares		**4,245**

Contracts, plans and compensation

Managers corporate officers	Employment contract	Supplementary pension plan if conditions fulfilled	Compensation or other benefits due or likely to be due following the term of due to change in function	Compensation due to a non-competition clause
Éric Marée Position: chairman of the executive board Term start date: December 2011 Term end date: December 2014	No	Yes	Yes	Yes
Pierre Pagès Position: executive board member and managing director Term start date: December 2011 Term end date: February 6, 2014	Yes	Yes	Yes	No
Christian Karst Position: executive board member and managing director Term start date: December 2011 Term end date: December 2014	Yes	Yes	Yes	No
Michel Garaudet Position: executive board member Term start date: December 2011 Term end date: December 2014	Yes	Yes	No	No
Sébastien Huron Position: executive board member Term start date: December 2011 Term end date: December 2014	Yes	Yes	No	No
Jean-Pierre Dick Position: executive board member Term start date: December 2011 Term end date: December 2014	Suspended	Yes	No	No

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	-	-
Pierre Pagès	-	-
Christian Karst	240	€38,590
Michel Garaudet	-	-
Sébastien Huron	1,000	€140,036
Purchases	**1,240**	**€178,626**
Éric Marée	-	-
Pierre Pagès	-	-
Christian Karst	480	€77,463
Michel Garaudet	-	-
Sébastien Huron	1,900	€292,444
Sales	**2,380**	**€369,907**

By members of the supervisory board and related parties

No movements were declared in 2013.

Share capital structure

As at 31 December 2013

	Shares	Voting rights	Capital	Voting rights
Dick family group	4,200,916	8,389,077	49.67%	65.74%
Company savings plan	79,073	155	0.93%	1.21%
Public	4,147,558	4,216,930	49.04%	33.05%
Treasury shares	30,453	-	0.36%	-
Total	**8,458,000**	**12,760,880**	**100%**	**100%**

As at 31 December 2012

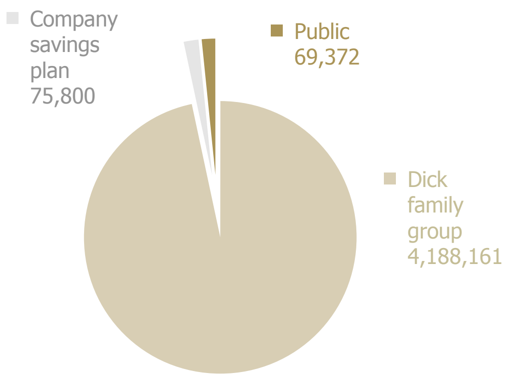
	Shares	Voting rights	Capital	Voting rights
Dick family group	4,200,916	8,273,636	49.67%	65.50%
Company savings plan	76	152	0.90%	1.20%
Public	4,143,481	4,206,337	48.99%	33.30%
Treasury shares	38	-	0.45%	-
Total	**8,458,000**	**12,631,573**	**100%**	**100%**

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.

Treasury shares (30,453) carry no voting rights.

A double voting right is granted to all shareholders holding their registered shares for at least two years. 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 December 31, 2013.

Stock market data

in €	2009	2010	2011	2012	2013
Highest share price	75.85	130.00	133.00	149.85	189.80
Lowest share price	49.82	70.35	101.15	106.50	136.20
Average share price	60.11	92.49	118.86	129.06	156.97
Closing share price	72.73	130.00	119.90	149.85	155.30

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 FINANCIAL STATEMENTS 2013

Consolidated financial statements

Operating performance

Sales was €736.1 million, an increase of €40.9 million, or 5.9% at actual rates (10.5% at constant exchange rates) compared to 2012. The current operating result was up by 6.9% over last year due to control over external expenses which remained stable compared to 2012, and the effects of external growth, with the integration of Centrovet in 2013, and Santa Elena since September. Exchange rates had a strong negative impact on operating income which, at constant exchange rates, would have grown by 15.5%.

The margins on purchases were up 5.2% at actual rates (9.3% at constant exchange rates). This growth is slightly lower than the sales figure driven mainly by lower margins in the United States linked to the temporary withdrawal from the market of Iverhart Plus and in Spain due to the steep drop in sales of CaniLeish.

Other current operating expenses net of income amounted to €399.8 million, up by €39.6 million, or €18.2 million at actual rates (4.8%).

This increase was due to:
- staff costs, and the result of jobs created in 2013, the full-year effect of jobs created in 2012, and the differences in scope between 2012 and 2013 associated with acquisition in Chile end 2012 and consolidation through the global integration of Uruguay as at December 31, 2013;
- depreciations and provisions, and correspond mainly to depreciations of assets acquired during the latest external growth operations (mainly Chile, but also New Zealand and Australia);
- other operating income and expenses, primarily due to changes in scope regarding Chile.

Other non-current income and expenses amount to -€0.8 million in 2013 versus €0.1 million in 2012. The detail can be found in note A24 of the consolidated financial statements on page 154.

The net financial result was -€8.5 million compared to -€2.7 million the previous year.
This change is due to the increase in interest payable upon increasing the debt (+€44.2 million in 2013) and to exchange rates losses linked to currency devaluations.

Income tax amounted to €25.7 million, down 8.5% compared to 2012. The Group's effective tax rate was relatively unchanged: 29.3% in 2013 against 31.8% in 2012.

The result for the period attributable to the non-controlling interest was €8.5 million in 2013, compared to €0.6 million in 2012 due to the full year effect of integrating the Chilean entities held at 51%.

The Group share net profit was €60.5 million in 2013, compared to €66.6 million the previous year, or a reduction of €6.1 million at actual rates which is linked mainly to a decline in the figures in the United States, in Australia and in the Netherlands.

Consolidated financial position and financing

The Group's cash flow amounted to €98.1 million compared to €92.5 million in 2012, an increase of 6%. Net debt as at December 31, 2013 was €178.1 million. Net debt at the end of 2013 was 1.82 times cash flow from operations and 49.3% of Group share equity.

The increase in intangible and tangible assets stemmed primarily from investments made by the parent company (new construction site for injectables at Carros), by Mexico (change of site) and by Chile (creation of a new site near the current site) as well as the impact of integrating Santa Elena assets.

Working capital requirements were significantly up compared to the previous fiscal year, totalling €105 million compared to €78.5 million in 2012. This rise is largely attributable to an increase in inventories and receivables related to the business and integration of Santa Elena.

Dated July 16, 2010, Virbac opened a line of credit amounting to €220 million from a pool of banks for a period of five years. This line of credit was extended by one year during 2013 and shall therefore end in 2016. In this regard, the Group must fulfill two types of commitments:
- respect financial ratios:
  - consolidated net debt/cash flow from operations;
  - consolidated net debt/consolidated equity;
- publish financial statements.

The credit line had been drawn down €115 million at end of 2013. The Group is fully complying with its contractual obligations.
As at December 31, 2013, the three loans subscribed in 2009 for a period of five years and a total sum of €20 million were used to the sum of €4.5 million.
In 2013, three new financing contracts were agreed for a sum of €75 million and for a period of seven years.
As at December 31, 2013, €41 million of this financing was used.

Statutory financial statements

As at December 31, 2013, sales at the Virbac parent company amounted to €232.8 million, up €1.6 million, or 0.7%, compared to 2012.
The part of the sales made by Virbac with its subsidiaries accounts for 89% of its total sales. The remaining 11% involved direct sales by Virbac in countries in which the company does not have a subsidiary. In 2013, the ranges that most contributed to this growth were the dog and cat vaccines, due to an improvement in supply of these subsidiaries versus 2012. This growth is offset be a drop in sales of the Effipro range to the American subsidiary, linked to product stock building in 2012.

Operating profit as at December 31, 2013 was -€4.2 million, down €8.7 million compared to the previous year. This decrease was due to growth in costs, higher than sales growth, and results from higher staff costs, particularly in R&D.

The net financial result rose to €4.4 million (14.6%), driven mainly by increased dividends (+€3.7 million more than in 2012) and from loan income to the Group.

The exceptional items amounted to -€3.4 million and include depreciation primarily for a net allowance of €2.4 million.

The non-deductible expenses covered in article 39-4 of the French general tax code amounted to €214,039 in respect of the fiscal year ended December 31, 2013. Net result after tax stood at €33.9 million against €36.2 million in 2012.

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

in €	2009	2010	2011	2012	2013
Financial position at year end					
Share capital	10,892,940	10,892,940	10,892,940	10,572,500	10,572,500
Number of existing shares	8,714,352	8,714,352	8,714,352	8,458,000	8,458,000
Number of dividend-bearing shares	8,714,352	8,714,352	8,714,352	8,458,000	8,458,000
Overall results from operations					
Revenue before income tax	167,355,013	194,745,558	216,096,212	231,213,892	232,795,954
Earnings before tax, employee holdings, depreciations and provisions	34,470,897	37,935,964	45,398,411	48,019,531	44,220,515
Income tax payable	-5,860,794	-4,288,960	-4,618,341	-6,623,939	-8,673,947
Employee holdings	-	120,000	-	-	-
Allowances for depreciations and provisions	9,739,982	9,330,377	14,0682,34	18,487,592	18,937,032
Earnings after tax, employee holdings, depreciations and provisions	30,591,708	32,774,547	35,948,518	36,155,878	33,957,429
Earnings distributed	11,502,945	13,071,528	14,801,500	16,070,200	16,070,200
Result from operations per share					
Earnings after tax, employee holdings, depreciations and provisions	4.63	4.83	5.74	6.46	6.25
Earnings after tax, employee holdings, depreciations and provisions	3.51	3.76	4.13	4.27	4.01
Dividend per share	1.32	1.50	1.75	1.90	1.90
Personnel					
Average number of employees	835	863	964	1,014	1,083
Total payroll	34,147,855	37,024,861	40,376,362	45,057,692	47,776,070
Total benefits (social security, other employee benefits, etc,)	16,742,600	20,556,102	20,847,241	23,156,256	23,628,028

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 2013

in €	Overdue	Due between 0 and 30 days	31 and 60 days	More than 60 days	Total
Trade payables	7,667,949	11,727,475	3,726,382	267,893	**23,389,700**

As at 31 December 2012

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

In 2013, the amount of maturities over 60 days amounted to €267,893 on a total supplier debt reaching €23,389,700, or 1.1%. 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 net result of the Virbac parent company amounted to €33,957,429.18.

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 €17,887,229;
- net result for the period €33,957,429.

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 June 25, 2014.

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 2010	2011	2012
Dividend per share	1.50	1.75	1.90
Actual distribution	13,018,970	14,748,377	16,014,785

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 June 17, 2013 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 January 20, 2007, by our professional distributor and on the company's website on June 4, 2013.

As at December 31, 2013, Virbac held 30,453 treasury shares acquired on the market for a total of €4,110,358 excluding fees, for an average price of €134.97 per share.

During the financial year, the company bought 37,384 treasury shares (at an average price of €156.82) as part of the market-making contract.
Virbac also disposed of 44,734 shares, 32,899 of which as part of the buyback programme (at an average price of €159.35), and 11,835 shares (disposed of free of charge) as part of the allocation of stock grants. Ces opérations ne font plus l'objet de prélèvement de frais. Expenses are no longer deducted from these transactions.
As at December 31, 2013, treasury shares account for 0.36% of Virbac's capital. They are earmarked for market making and stock grants, in accordance with the eleventh resolution of the shareholders' meeting of June 17, 2013.

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 in accordance with approval granted by the shareholders' meeting of June 17, 2013, for a 26 month period.

The maximum unit purchase price may not exceed €300 per share. 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.

Employee holdings

Pursuant to article L225-102 of the French commercial code, as at 31 December 2013, 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 June 18, 2012 and was not adopted.

OUTLOOK FOR 2014

For 2014, Virbac expects a return to growth of the markets close to the levels which the Group experienced in recent years, in a slightly more buoyant global financial context. In Europe, growth should remain relatively modest, both due to the general economic situation and factors specific to Virbac: the new wave of innovations which Virbac is working hard on to launch should only have a limited impact in 2014 since the in-market dates are more towards the end of the year. In addition, growth is likely to remain modest in the United States, with Iverhart Plus only coming back on the market in the second half of the year. Meanwhile, the growth prospects in Asia/Pacific and in Latin America are far more significant. That should achieve organic growth of between 4% and 6% and maintain operating profit at 2013 levels at constant exchange rates, given expected double-digit growth of R&D expenditure.

Provisional financial communications timetable

The provisional timetable for 2014 is as follows:

- January 16, 2014, after market close: 2013 annual sales published;
- March 19, 2014, after market close: 2013 annual results published,
- April 15, 2014 after market close: 2014 first quarter sales published,
- June 17, 2014: annual ordinary shareholders' meeting,
- July 17, 2014 after market close: 2014 second quarter sales published,
- August 29, 2014 after market close: 2014 first half yearly results published,
- October 16, 2014 after market close: 2014 third quarter sales published,
- January 15, 2015, after market close: 2014 annual sales published.

Amendments to the articles of association

A proposal will be made to approve a complete review of the company's articles of association and adoption of their re-draft including the main changes listed below:

- updating the corporate purpose (article 3 of the new articles of association);
- Amended company duration in order to extend the duration of the company by 99 years, until June 17, 2113 (article 5 of the new articles of association);
- increase in the maximum number of supervisory board members increasing the maximum number of supervisory board members to ten and increase in the minimum number of registered shares which a board member must hold from one share to ten shares (article 10 of the new articles of association);
- amendment to the number of executive board members within the legal limit bringing the minimum number of executive board members to two and the maximum to seven (article 15 of the new articles of association);
- amendment to the time frame applicable for declarations relating to exceeded stock thresholds in order to to change it from fifteen days to five trading days (article 7 of the new articles of association).

The current articles of association of the company and the draft new articles of association have been made available to shareholders on the website: www.virbac.com

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

in € thousands	Deloitte & Associés				Novances - David & Associés Nexia Network			
	2013		2012		2013		2012	
Issuer	141.7	14%	127.0	14%	63.6	74%	65.5	78%
Consolidated subsidiaries	786.5	80%	717.9	82%	22.0	26%	18.1	22%
Auditing, review of the individual and consolidated accounts	**928.2**	**94%**	**844.9**	**96%**	**85.6**	**100%**	**83.6**	**100%**
Issuer	-	-%	-	-%	-	-%	-	-%
Consolidated subsidiaries	35.6	4%	27.6	3%	-	-%	-	-%
Other audit services directly related to the auditing task of the statutory auditors	**35.6**	**4%**	**27.6**	**3%**	**-**	**-%**	**-**	**-%**
Audit services	**963.8**	**98%**	**872.5**	**99%**	**85.6**	**100%**	**83.6**	**100%**
Legal, fiscal, social services	17.0	2%	6,5	1%	-	-%	-	-%
Other	-	-%	-	-%	-	-%	-	-%
Other services provided by the networks to the consolidated subsidiaries	**17.0**	**2%**	**6.5**	**1%**	**-**	**-%**	**-**	**-%**
Total	**980.8**	**100%**	**879.0**	**100%**	**85.6**	**100%**	**83.6**	**100%**

Report of the chairwoman of the supervisory board on corporate governance and on the internal control and risk management systems

CORPORATE GOVERNANCE

Article L225-68 of the French commercial code

This report was submitted to the audit committee and its recommendations were taken into account and unanimously adopted by the board at its meeting on March 18, 2014.
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.

The report refers to the recommendations of the corporate governance code for listed companies drawn up and put together by Afep-Medef which was adopted by the supervisory committee as its code of reference. The Afep-Medef Code can be consulted on the Internet at the following address: www.medef.com.
In accordance with recommendations from the AMF (French financial markets authority), a summary table on pages 106 and 107 lists the measures of the Afep-Medef Code that the company has decided not to implement and gives the reasons for this.

Preparation and organization of the work of the supervisory board and executive board

Responsibilities and membership of the supervisory board

The mode of governance chosen by the company, i.e. both an executive board and a supervisory board, allows a clear distinction to be made between the management of the company and the supervision of the company.
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. Philippe Capron, Olivier Bohuon and Grita Loebsack. The criterion used to define independence is the same as that indicated in the recommendations of the Afep-Medef Code, i.e. a member of the supervisory board "is independent when he/she has no relationship of any sort with the company, its group or its management that could compromise his/her exercise of independent judgement".
The terms of office of the supervisory board were renewed, excepting that of Olivier Bohuon, for a period of three years by the shareholders' meeting of June 17, 2013. The shareholders' meeting of June 28, 2011 appointed Olivier Bohuon as a new supervisory board member for a term of three years.
The supervisory board of December 20, 2013 noted the resignation of the company XYC and co-opted Grita Loebsack as a new member of the supervisory board. Moreover, it appointed the company XYC as a temporary non-voting advisor. The co-opting of Grita Loebsack as member of the supervisory board and the appointing of the company XYC as a non-voting advisor will be subjected to the approval of the shareholders' meeting of June 17, 2014.
At its meeting of March 18, 2014, the supervisory board decided to stagger the terms of office of its members in order to comply with the recommenddations of the Afep-Medef Code. Therefore, members of the supervisory board endorsed the principle that some members should resign in 2014 and 2015 to allow the board to re-elect them and rapidly ensure that the terms of office are spread out regularly.
For information, it should be noted that the term of office of Olivier Bohuon will be submitted for approval to the next shareholders' general meeting.

The supervisory board is gender-balanced and made up of three women and three men. The chair is a woman. Members of the supervisory board have a variety of skills related to their professional experience. Its members are aged between 43 and 77. Five members of the supervisory board are of French nationality and one member of the supervisory board is of German nationality.
As regards the diversity of its composition, the supervisory board's policy aims to maintain the current level of diversity, and particularly the diversity of its members' skills.
Lastly, it should be noted that no members of the supervisory board combine their terms of office with an employment contract with the Virbac Group.
The offices held by supervisory board members are listed on pages 84 and 85 of the annual report.

Meetings of the supervisory board

The statutory auditors are invited to all supervisory board meetings. The documents, technical material and information necessary for the performance of the duties of board members relating to items on the agenda are sent out, by courier, as early as possible prior to the meeting.
Supervisory board meetings are generally held at the head office. Minutes of supervisory board meetings are drawn up at the end of each meeting and submitted for the approval of supervisory board members at the subsequent meeting. In accordance with the articles of association, the supervisory board meets at least once a quarter. During the past year, the supervisory board met five times. All supervisory board members attended all meetings, with the exception of Jeanine Dick, Philippe Capron and Olivier Bohuon who were at four of the five meetings. Supervisory board members also met informally several times during the year for work and discussion sessions. At the 2013 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.

The supervisory board's internal bylaws and operating procedures

At its March 13, 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's internal bylaws do not stipulate any cases of specific prior authorisation by the supervisory board in relation to decisions taken by the executive board. Indeed, the company considers that it is preferable to limit itself to prior authorisations that are expressly stipulated by law, given that the role of the supervisory board is to supervise the management of the executive board without taking part in it. Nevertheless, the company does submit all operations involving significant acquisitions and disposals to the supervisory board for approval.

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 May 9, 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.

Special committees

- **Compensation committee**

The membership and responsibilities of the compensation committee are set out on page 13 of the annual report. The compensation committee, chaired by the chairwoman of the supervisory board, met twice during 2013. All the members of the compensation committee attended all the meetings.
Its meetings mainly dealt with the compensation of the executive board (fixed and variable components) and the possible 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 13 of the annual report. The audit committee, chaired by Philippe Capron, an independent member of the supervisory board, met three times during 2013 with the chairman of the executive board, the chief financial officer and the statutory auditors in attendance. All the members of the audit committee attended all meetings, with the exception of Olivier Bohuon who was at two of the three meetings.
At the end of the statutory auditors' mandate, the audit committee selected the latter, in coordination with the financial affairs department.
To avoid lengthening the period of time between the closure of the accounts by the executive board and the control by the supervisory board, and due to the location of the company's head office near Nice, the audit committee's meeting to review the accounts is held the day before the supervisory board's meeting to close the annual accounts and on the same day for the interim financial accounts. However, documents relating to the accounts, including a summary document prepared by the statutory auditors and any comments they may have, are always given to the members of the audit committee and to the other members of the supervisory board, several days before the audit committee meeting is held.
During 2013, the audit committee examined the 2012 financial statements and the 2013 interim financial statements.
It checked the financial information and decided upon the accounting treatment for the year's major

transactions, submitted either by the statutory auditors or by the members of the executive board, and particularly the recent acquisition operations. It also noted the efforts made by the executive board to ensure the establishment and effectiveness of internal control procedures, to identify risks and implement the necessary measures to manage them.

- **Absence of selection or appointment committee**

The supervisory board does not believe it is necessary to set up a selection or appointment committee. This decision is based on the following considerations:
- the size of the company and the stability of its management bodies;
- the small size of the supervisory board;
- members of the supervisory board wish to be directly involved in the definition of the composition of the managing bodies.

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

Preparation and organisation of the executive board's work

Executive board membership

The executive board has six members.
At its December 16, 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;
- Sébastien Huron was appointed as a new member of the executive board by the supervisory board at the meeting of December 21, 2012. He supervises the European area and is in charge of the new Global Marketing department.

At the end of 2013, to take account of the fact that Pierre Pagès is not available, a reorganisation of the duties of different members of the executive board was announced. This reorganisation was endorsed by the supervisory board on March 18, 2014.
Therefore, the chairman of the executive board now supervises the Group Industrial Operations department, the France Industrial Operations department and the Group Purchasing department.
The development director supervises the Group Quality Assurance department and holds the position of qualified person of Virbac in line with articles L5142-1 et seq. of the French public health code.
The director of the European area is now director of World Commercial Operations.
The other member's duties remain the same.

Executive board meetings

Executive board members meet, in line with the law, in order to report quarterly to the supervisory board and whenever business so requires. In 2013, the executive board held ten formal meetings. In line with act 2006-1770 of December 30, 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 87 to 94 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.

Table summarising exceptions to recommendations given in the Afep-Medef Code

Recommendations given in Afep-Medef Code "The Code"	Company practices and justifications	Reference
Staggering the terms of office of supervisory board members (article 14 of code) Terms should be staggered so as to avoid replacement of the entire body and to favour a smooth replacement of directors	At its meeting of 18 March 2014, the supervisory board decided to stagger the terms of office of its members in order to comply with the recommendations of the Afep-Medef Code. Therefore, members of the supervisory board endorsed the principle that some members should resign in 2014 and 2015 to allow the board to re-elect them and rapidly ensure that the terms of office are spread out regularly. For information, it should be noted that the term of office of Olivier Bohuon will be submitted for approval to the next shareholders' general meeting.	page 102
Creation of a selection or appointment committee (article 17 of code)	The company has not followed this recommendation, firstly because of the size of the company and the stability of its management bodies, and secondly because supervisory board members wish to be directly involved in the definition of the composition of the managing bodies. It is in this context that the board appointed a new member of the executive board, Sébastien Huron in December 2012.	page 104
Time frame for review of financial statements by the audit committee (article 16.2.1 of code) The time available for reviewing the accounts should be sufficient (no less than two days before review by the Board)	To avoid lengthening the period of time between the closure of the accounts by the executive board and the control by the supervisory board, and due to the location of the company's head office near Nice, the audit committee's meeting to review the accounts is held the day before the supervisory board's meeting. However, documents relating to the accounts, including any comments made by the statutory auditors, are always given to the members of the committee and to the other members of the supervisory board, several days before the audit committee meeting is held.	page 103
Stock grants (article 23.2.4 of code) The stock grants assigned to executive board members are conditional upon the acquisition of a defined quantity of shares upon the availability of the awarded shares	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. It should also be noted that the total amount of stock grants assigned to members of the executive board during the five previous years represent less than 0.25% of the company's share capital. 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 because there are very few reliable comparisons, most companies with operations similar to those of Virbac being either unlisted or divisions of major listed pharmaceutical groups.	page 91
Severance pay (article 23.2.5 of code) Authorisation to indemnify an executive director only when his or her departure is imposed and linked to a change in control or strategy	The commitments made by the company in the event of termination of office of its directors was adopted by the general shareholders' meeting of 18 June 2012 and they correspond to the conditions set out by the supervisory board at its meeting of 22 December 2008, i.e.: termination payments can only be made if the departure is imposed by the company. They will not be paid in the event of resignation, retirement or gross misconduct of the executive officers concerned.	page 90
Supplementary pension schemes (article 23.2.6 of code) The group of potential beneficiaries must be materially broader than the sole executive directors	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 three reasons: firstly the supplementary pensions granted this way are of a controlled size and subject to the potential beneficiaries meeting several conditions, and secondly, it is preferable to avoid extending the category of beneficiaries due to the growing tax burden of this scheme, and lastly 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 recommendations set out in the code as regards the amount and the increase in potential rights since the potential rights represent 12.5% of the reference salary for a person with 10 to 30 years of service and must not exceed 22% for a person with over 30 years of service.	page 90

Director's fees for attending supervisory board meetings (article 21.1 of code) Rules on the allocation of attendance fees: the compensation must include a significant variable portion	The company does not believe it is necessary to apply this recommendation. Indeed, the company does not believe it is desirable to link the payment of attendance fees in a significant manner to the attendance of supervisory board members at their meetings, insofar as their involvement in the supervision of the company is not simply confined to their participation in the formal periodic debates of the supervisory board. The length of supervisory board meetings, which last a whole day, and the attendance rates of its members, which exceeded 93% on average over the past 5 years, amply confirm that the regular attendance of supervisory board members is ensured without having recourse to a complex mechanism for the allocation of attendance fees. For information, it should be noted that the supervisory board has decided to allocate a higher remuneration to Philippe Capron because of his position as chairman of the audit committee.	page 85

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS

In accordance with article L225-68 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 March 18, 2014.

Definition and aims of internal control and risk management

Framework

The Group has drawn on the reference framework and its application guide first published in January 2007 and updated on July 22, 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 December 7, 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.

The list of subsidiaries is given on page 168 of this report.

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 and overall risk management 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 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 employyees 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 responsebilities 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, taking the Afep-Medef Code recommendations into consideration.
To comply with the latest recommendations of this Code, details of the individual remuneration of members of the executive board are given in the management report on pages 86 to 89, in the form of summary tables and remuneration tables based on the presentation indicated in the Code.
Moreover, in accordance with the new measures specified in the Afep-Medef Code, shareholders will be consulted on aspects of executive board members' remuneration at the next shareholders’ general meeting called to approve the financial statements (see resolutions on page 179).

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 is informed by the executive board of the internal control systems set up in 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 13 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 that was previously discussed in the strategy committee and approved 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 12 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 111 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 fulfils 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 supervises and coordinates the commercial activities of the thirteen subsidiaries in the area and in the Rest of Europe. With his teams, he defines the commercial strategy and develops existing and future business. He has also taken charge of the new Global Marketing department.

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, and the director of the Aquaculture division;
- Group Human Resources department;
- Industrial Operations and Corporate Quality Assurance department;
- Group Product Innovation department;
- Group Legal department;
- Corporate Sourcing department;
- Group Business Development department;
- Group Information Systems department;
- Group Communications department.

The strategy committee helps draw up and implement the Group's major strategic decisions that are presented and approved by the supervisory board: 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;
- Group 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 page 112 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 in-house publication called Action presents Virbac's general direction, 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 decentrelised 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 crossorganisational 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 77 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: by regularly updating the map of the Group's major risks, the Group's main exposures can be assessed;
  - assessing risks: senior managers play an active role in assessing and prioritising the risks identified. These managers have extensive experience in the animal health sector and the company itself, which represents an advantage with regard to ascertaining the impact, the occurrence and the management 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.

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.

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 wit-

hin 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 im-pact in the event of a public offer, i.e. the existence of a double voting right granted to all shares registered in the name of the same share-holder for at least two years, are set out in the annual report on page 96.
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 109 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 110 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 111 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.

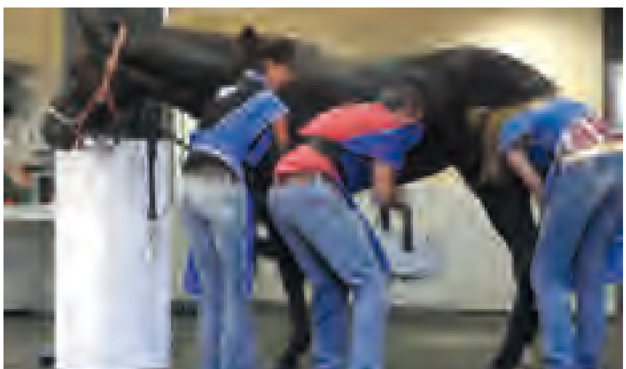
Financial communication

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.

Main achievements in 2013

Members of the executive board approved the following comments on 2013 which was marked by:

- the Risk Management department updated the map of the Group’s major risks, as the last version dated from 2010. This was done via discussions with about twenty senior managers: members of the executive board, the strategy committee, the executive committee France and also the risk owners already involved in the risk management process;

  According to the executive board, this updating revealed the following:
  - compared to the previous version, the number of risks remains stable;
  - there are no new risks but the scope of some risks has changed. This mainly concerns risks related to the animal health market in which Virbac is involved;
  - the risk assessment takes account of the action already taken and reflects the development of the company's main challenges;
- the risk management system continued to be implemented internationally. In 2013, this system was rolled out at the Group's Indian and Mexican subsidiaries;
- corporate training to strengthen the Group’s risk management culture was implemented. In 2013, about fifty managers were trained at the company's head office;
- methodological frameworks were defined and implemented in partnership with some company departments with a view to enabling these departments to manage the risks inherent to their activities autonomously. In 2013, these tools were developed for the R&D Europe and Group Purchasing departments.

All these actions were presented to the Group’s Supervisory Board which was held on September 9, 2013.

As regards the Chilean company Centrovet, the Executive Board informed the supervisory board of the following: the integration of the Chilean subsidiary Centrovet, in which Virbac acquired a 51% stake at the end of 2012, started in 2013 when the procedures and tools in force in the Group were gradually implemented, allowing financial information to be drawn up and analysed by setting up and monitoring the main management indicators, and by disseminating the best practices implemented within the Virbac Group. For this purpose, a new administrative and financial manager was appointed and the financial and administrative functions were reorganised to adapt to the Group's requirements. A process to draw up budgets and plans, in line with the Group's process, was set up; the procedures, content and schedules for the production of accounting and financial information were standardised so that Centrovet is fully integrated into the system used for reporting and analysing the Group's performance. Therefore, every month, like the other subsidiaries, the company produces detailed performance indicators showing the main financial information on its activity, results, investments and cashflow position. This information is passed onto the Management Control department which consolidates and analyses it for the executive board. Every six months, it also produces specific data that is needed to consolidate the Group's accounts which are now audited by the firm Deloitte, which is Virbac's co-statutory auditor. In 2014, the goal is to continue the process, improve the integration of Centrovet and provide support in the implementation of management tools and best practices.

Outlook for 2014

The outlook for the coming year includes the following:

- continue implementing the risk management system on an international basis, giving priority to the main subsidiaries with the highest stakes;
- develop the risk management culture by continuing the training on risk management for head office operating activities;
- provide operational departments with support by helping them implement a methodological framework to manage risks in their activities;
- continue supporting risk owners and reinforce the role they play in the implementation and monitoring of action plans.

Statutory auditors' report prepared in accordance with Article L. 225-235 of the French Commercial Code (*Code de commerce*), on the report prepared by the Chairwoman of the Supervisory Board

Year ended December 31, 2013

This is a free translation into English of the statutory auditors' report issued in French prepared in accordance with Article L.225-235 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 our capacity as statutory auditors of Virbac and in accordance with Article L. 225-235 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 L. 225-68 of the French Commercial Code for the year ended December 31, 2013.

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 L.225-68 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 L. 225-68 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 L. 225-68 of the French Commercial Code.

OTHER DISCLOSURES

We hereby attest that the Chairwoman's report includes the other disclosures required by Article L. 225-68 of the French Commercial Code.

Nice and Marseille, March 24, 2014
The Statutory Auditors

Novances - David & Associés
French original signed by
Christian DECHANT

Deloitte & Associés
French original signed by
Hugues DESGRANGES

2013 Consolidated financial report

CONSOLIDATED FINANCIAL STATEMENTS

Statement of financial position

in € thousands	Notes	2013	2012
Goodwill	**A1-A3**	133,532	122,594
Intangible assets	**A2-A3**	198,240	208,598
Tangible assets	**A4**	186,254	152,110
Other financial assets	**A5**	12,278	4,458
Share in companies accounted for by the equity method	**A6**	6,766	11,511
Deferred tax assets	**A7**	8,071	4,644
Non-current assets		**545,141**	**503,915**
Inventories and work in progress	**A8**	138,777	132,238
Trade receivables	**A9**	118,627	111,924
Other financial assets	**A5**	3,780	240
Other receivables	**A10**	54,936	39,632
Cash and cash equivalents	**A11**	34,971	39,749
Assets classified as held for sale	**A12**	-	-
Current assets		**351,091**	**323,783**
Assets		**896,232**	**827,698**
Share capital		10,573	10,573
Reserves attributable to the owners of the parent company		350,357	335,596
Equity attributable to the owners of the parent company	**A13**	**360,930**	**346,169**
Non-controlling interests		53,444	52,247
Equity		**414,374**	**398,416**
Deferred tax liabilities	**A7**	35,795	33,239
Provisions for employee benefits	**A14**	11,141	8,716
Other provisions	**A15**	2,705	3,027
Other financial liabilities	**A16**	185,979	146,543
Other payables	**A17**	1,352	1,528
Non-current liabilities		**236,972**	**193,053**
Other provisions	**A15**	683	718
Trade payables	**A18**	77,795	74,036
Other financial liabilities	**A16**	30,143	27,146
Other payables	**A17**	136,265	134,329
Current liabilities		**244,886**	**236,229**
Liabilities		**896,232**	**827,698**

Income statement

in € thousands	Notes	2013	2012	*Change*
Revenue from ordinary activities	**A19**	**736,080**	**695,155**	*5.9%*
Purchases consumed	**A20**	-231,416	-215,498	
External costs	**A21**	-158,961	-158,741	
Personnel costs		-196,484	-185,611	
Taxes and duties		-14,620	-14,620	
Depreciations and provisions	**A22**	-27,737	-23,771	
Other operating income and expenses	**A23**	-1,974	1,166	
Operating profit from ordinary activities		**104,888**	**98,080**	*6.9%*
Other non-current income and expenses	**A24**	-819	103	
Operating result		**104,069**	**98,183**	*6.0%*
Financial income and expenses	**A25**	-8,485	-2,722	
Profit before tax		**95,584**	**95,461**	*0.1%*
Income tax	**A26**	-25,725	-28,107	
Share from companies' result accounted for by the equity method		-850	-152	
Result for the period		**69,009**	**67,202**	*2.7%*
attributable to the owners of the parent company		60,523	66,625	*-9.2%*
attributable to the non-controlling interests		8,486	577	*1370.7%*
Profit attributable to the owners of the parent company, per share	**A27**	7.18 €	7.91 €	*-9.2%*
Profit attributable to the owners of the parent company, diluted per share	**A27**	7.18 €	7.91 €	*-9.2%*

Comprehensive income statement

in € thousands	2013	2012	*Change*
Result for the period	**69,009**	**67,202**	*2.7%*
Conversion gains and losses	-37,300	-5,440	
Effective portion of gains and losses on hedging instruments	1,043	-1,120	
Items subsequently reclassifiable to profit and loss (before tax)	**-36,257**	**-6,560**	*452.7%*
Actuarial gains and losses	-39	-916	
Items not subsequently reclassifiable to profit and loss (before tax)	**-39**	**-916**	*-95.7%*
Other items of comprehensive income (before tax)	**-36,296**	**-7,476**	*385.5%*
Tax on items subsequently reclassifiable to profit and loss	-359	385	
Tax on items not subsequently reclassifiable to profit and loss	8	290	
Comprehensive income	**32,362**	**60,401**	*-46.4%*
attributable to the owners of the parent company	30,453	59,727	*-49.0%*
attributable to the non-controlling interests	1,909	674	*183.2%*

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 31/12/2011	**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**
2012 allocation of net income	-	-	66,625	-	-66,625	**-**	-	**-**
Distribution of dividends	-	-	-16,015	-	-	**-16,015**	-712	**-16,727**
Treasury shares	-	-	323	-	-	**323**	-	**323**
Changes in scope	-	-	-	-	-	**-**	-	**-**
Other variations	-	-	-	-	-	**-**	-	**-**
Comprehensive income	-	-	653	-30,723	60,523	**30,453**	1,909	**32,362**
Equity as at 31/12/2013	**10,573**	**6,534**	**318,644**	**-35,344**	**60,523**	**360,930**	**53,444**	**414,374**

The ordinary shareholders' meeting of June 17, 2013 decided to pay a dividend of €16,015 thousand, that is €1.90 per share.

Cash flow statement

in € thousands	2013	2012
Result for the period	**69,009**	**67,202**
Elimination of share from companies' profit accounted for by the equity method	850	152
Elimination of depreciations and provisions	28,783	24,677
Elimination of deferred tax change	-1,351	1,212
Elimination of gains and losses on disposals	-1,346	-4,082
Other income and expenses with no cash impact	2,131	3,358
Cash flow	**98,076**	**92,519**
Effect of net change in inventories	-16,021	-5,570
Effect of net change in trade receivables	-13,910	1,056
Effect of net change in trade payables	8,083	8,185
Effect of net change in other receivables and payables	-7,888	-1,596
Effect of change in working capital requirements	**-29,736**	**2,075**
Net financial interests paid	5,293	2,439
Net cash flow generated by operating activities	**73,633**	**97,033**
Acquisitions of intangible assets	-4,498	-6,922
Acquisitions of tangible assets	-54,797	-28,952
Disposals of intangible and tangible assets	365	1,223
Change in financial assets	-1,733	-2,349
Change in debts relative to acquisitions	1,964	30,529
Acquisitions of subsidiaries or activities	-36,115	-122,254
Disposals of subsidiaries or activities	-	7,079
Dividends received	39	40
Net flow allocated to investing activities	**-94,775**	**-121,606**
Dividends paid to the owners of the parent company	-16,015	-14,748
Dividends paid to the non-controlling interests	-1,000	-1,052
Change in treasury shares	-620	-1,480
Increase/decrease of capital	-	-
Cash investments	-3,351	-
Debt issuance	109,515	110,449
Repayments of debt	-57,769	-52,007
Net financial interests paid	-5,293	-2,439
Net cash from financing activities	**25,467**	**38,723**
Change in cash position	**4,325**	**14,150**

Statement of change in cash position

in € thousands	2013	2012
Cash and cash equivalents	39,749	23,826
Bank overdraft	-9,590	-10,830
Accrued interests not yet matured	-28	-38
Opening net cash position	**30,131**	**12,958**
Cash and cash equivalents	34,971	39,749
Bank overdraft	-4,526	-9,590
Accrued interests not yet matured	-26	-28
Closing net cash position	**30,419**	**30,131**
Impact of currency conversion adjustments	-4,213	-1,162
Impact of changes in scope	176	4,185
Net change in cash position	**4,325**	**14,150**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

General information note

Virbac is an independent global pharmaceutical laboratory exclusively dedicated to animal health and markets a full range of products designed for companion animals and food producing animals.

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 January 2, 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 2013 consolidated financial statements were approved by the executive board on March 18, 2014.

They will be submitted for approval to the shareholders' general meeting on June 17, 2014; 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 event for the period

Virbac took advantage of the assessment period provided by IFRS 3 to finalise the accounting, in its consolidated financial statements, of the acquisition on November 23, 2012 of 51% of the shares in Holding Salud Animal (HSA), the holding company of the Centrovet group. This was primarily reflected by a revision of the provisional acquisition price, which had been valued at US$96.6 million, the final price being US$119.8 million (€87.7 million). Taking into account the adjustment of net assets acquired, definitive goodwill totaled US$45.5 million (€32.6 million), compared with a provisional amount of US$24.9 million in the consolidated financial statements at December 31, 2012. The impact of this operation in the consolidated financial statements is presented in note A1.

On September 12, 2013, Virbac signed an amendment to the Share Purchase Agreement settled on January 5, 2010 which conferred upon it a 30% share in the company Santa Elena in Uruguay. This amendment enabled the Group to acquire a further 69.175% stake in the capital of Santa Elena for US$18,320 thousand (€16,435 thousand). As of this date, Virbac took exclusive control of this entity, which was fully consolidated in the accounts closed on December 31, 2013. The impact of this operation in the consolidated financial statements is presented in note A1.

In early 2013, Virbac decided to temporarily withdraw Iverhart Plus products from the market in the United States, following tests showing that the ivermectine molecule in certain batches was unstable. This decision resulted in batches of Iverhart Plus being recalled and withdrawn from distributers and veterinarians. Virbac offered its customers the option of replacing Iverhart Plus products with Iverhart Max products, at the same price as Iverhart Plus. The direct costs incurred by Virbac in 2013 for this operation totalled US$8.3 million.

On September 19, 2013, Virbac Australia acquired the company Birch for AU$5,175 thousand (that is €3,355 thousand), from Axon Animal Health, a company dedicated to the development and the marketing of equine pharmaceutical products. This acquisition enables Virbac Australia to complete its equine range and strengthen its position on this segment thanks to a major product for treating horses' gastric ulcers. This 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 presented in notes A2 and A3.

Significant events after the closing date

There was no significant event after the closing date.

Scope of application

The consolidated financial statements as at December 31, 2013 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 occurred in the scope during the fiscal year are the following:

- universal transfer of Dog N'Cat International assets and liabilities (*TUP*) to Virbac Nutrition. As both these companies are controlled by Virbac, this merger has no impact on the Group's consolidated financial statements;
- purchase of additional shares in Santa Elena (69.175%), which determined a change in the type of control (from joint control to exclusive control). This is reflected as follows in Virbac's 2013 consolidated financial statements:
  - recognition in income of associates, in proportion to the share previously purchased (30%), of Santa Elena's income for the period from January 1 to August 31, 2013,
  - derecognition of financial assets previously classified as "share in companies accounted for by the equity method" and recognition of non-recurring income, resulting from the revaluation at fair value of controlling interests,
  - recognition at fair value of identifiable assets acquired, liabilities assumed and goodwill,
  - recognition, in operating profit from ordinary activities, of income and expenses for the period from September 1 to December 31, 2013.

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 financial statements for the 2013 financial year, the Group applied all standards and interpretations in force at the European level, applicable to periods beginning on or after January 1, 2013. These standards and interpretations are as follows:

- IFRS 13, "Fair value measurement", applicable to periods beginning on or after January 1, 2013;
- amendments to IFRS 1, "Severe hyperinflation and removal of fixed dates for first-time adopters", applicable to periods beginning on or after January 1, 2013;
- amendments to IFRS 1, "Government loans", applicable to periods beginning on or after January 1, 2013;
- amendments to IFRS 7, "Disclosures – offsetting financial assets and financial liabilities", applicable to periods beginning on or after January 1, 2013;
- amendments to IAS 1, "Presentation of items of other comprehensive income", applicable to periods beginning on or after July 1, 2012;
- amendments to IAS 12, "Recovery of underlying assets", applicable to periods beginning on or after January 1, 2013;
- amendments to IAS 19, "Employee benefits", applicable to periods beginning on or after January 1, 2013;
- annual improvements (2009-2011 cycle), "Annual improvements to IFRSs published in May 2012", applicable to periods beginning on or after January 1, 2013;
- IFRIC 20, "Stripping costs in the production phase of a surface mine", applicable to periods beginning on or after January 1, 2013.

Application of these new standards has not had a significant impact on the consolidated financial statements in the 2013 financial year, including the Group's early application of the amendments to IAS 19 revised in the 2012 consolidated financial statements.

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:

- IFRS 10, "Consolidated financial statements", applicable to periods beginning on or after January 1, 2014;
- IFRS 11, "Joint arrangements", applicable to periods beginning on or after January 1, 2014;
- IFRS 12, "Disclosures of interests in other entities", applicable to periods beginning on or after January 1, 2014;
- amendments to IFRS 10, 11 and 12, "Transition guidance", applicable to periods beginning on or after January 1, 2014;
- amendments to IAS 27, "Separate financial statements", applicable to periods beginning on or after January 1, 2014;
- amendments to IAS 28, "Investments in associates and joint ventures", applicable to periods beginning on or after January 1, 2014;
- amendments to IFRS 10, 12 and IAS 27, "Investment entities", applicable to periods beginning on or after January 1, 2014;
- amendments to IAS 32, "Offsetting financial assets and financial liabilities", applicable to periods beginning on or after January 1, 2014;
- amendments to IAS 36, "Disclosures – recoverable amounts for non-financial assets", applicable to periods beginning on or after January 1, 2014;
- amendments to IAS 39 "Novation of derivatives and continuation of hedge accounting", applicable to periods beginning on or after January 1, 2014.

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:
- IFRIC 21, "Levies", applicable to periods beginning on or after January 1, 2014;
- annual improvements (2010-2012 cycle), "Annual improvements to IFRSs published in December 2013", applicable to periods beginning on or after July 1, 2014;
- annual improvements (2010-2013 cycle), "Annual improvements to IFRSs published in December 2013", applicable to periods beginning on or after July 1, 2014;
- IFRS 9, "Financial instruments" (implementation date not known).

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 December 31, 2013 as their balance sheet date.

Conversion of financial statements

The functional currency in the Group's foreign subsidiaries is the current local currency, with the exception of Santa Elena in Uruguay whose functional currency is the US dollar.

The financial statements of foreign companies for which the functional currency is not the euro are converted according to 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. In the only transaction taking place during the financial year and treated in accordance with IFRS 3 revised (acquisition of additional 69.175% stake in the capital of Santa Elena, Uruguay), the Group applied the full goodwill method.

Goodwill recognised as an asset in the financial statements represents the excess of the acquisition cost of shares in acquired companies, over the fair value of the identifiable assets, liabilities and contingent liabilities on the date of acquisition. 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 manufacturing cost, less accumulated depreciation and if necessary less any impairment loss.
In accordance with IAS 23 revised, 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, arising from the differences between the conversion rate at the date of entry into the consolidation and the closing rates of the period, and also other translation adjustments recorded on the profit for the period arising from differences between the conversion rate of the income statement (average rate) and the closing 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.

Pension 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. In accordance with IAS 19 revised, actuarial differences are recognised in other comprehensive income.

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 their tax impact 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 December 31, 2013, no asset was classified as held for sale.

Revenue from ordinary activities

Revenue from ordinary activities comprises the value before tax of the goods and services sold by the integrated companies as part of their normal operations, after elimination of intra-group sales.
Sales are recognised on the date on which the majority of the risks and advantages inherent to ownership are transferred, generally when the customer physically receives the product. Sales are measured at fair value of the consideration received or to be received, that is net of commercial discounts or rebates.
Some expenses, the amount of which is proportional to sales and that meet the definition of income from ordinary activities, are recognised as a deduction from Group sales.
Financial discounts and provisions for returns are also recognised as a deduction from sales.
The Group measures its provisions for deferred discounts granted to customers on the basis of its contractual or implicit commitments identified at the reporting date.

Personnel costs

Personnel costs especially include the cost of retirement plans. In accordance with IAS 19 revised, actuarial differences are recognised in other comprehensive income.
They also include optional and compulsory profit-sharing.

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.

Operating profit

Operating profit corresponds to income from ordinary activities, less operating expenses.

Operating expenses include:
- purchases consumed and external costs;
- personnel costs;
- taxes and duties;
- depreciations and provisions;
- other operating income and expenses.

Operating items also include tax credits that may be characterized as public subsidies and meet the criteria of IAS 20 (research tax credit and tax credit on low salaries).

Operating profit from ordinary activities

The Group uses operating profit from ordinary activities as its main performance indicator. Operating profit from ordinary activities corresponds to operating profit, excluding the impact of other non-current income and expenses.

Other non-current income and expenses

Other non-current income and expenses are non-recurring income and expenses, or income and expenses resulting from one-off decisions or opera-

tions for an unusual amount. They are presented on a separate line in the income statement in order to make it easier to read and understand current operational performance.
This mainly includes the following items which, where applicable, are described in a note to the consolidated financial statements (note A24):

- restructuring costs linked to plans of a significant size;
- impairment of assets of a considerable size;
- the effect of revaluing inventories acquired as part of a business combination at fair value;
- and any revaluation of the interest previously held, in the event of a change in control.

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 through income statement.

Result per share

The net result per share is calculated by dividing the net result attributable to the shareholders of the parent company by the total number of shares issued and outstanding at the close of the period (that is net of treasury shares).
Diluted earnings per share are calculated by dividing the net result attributable to the shareholders of the parent company by the total number of shares outstanding plus, in the event of the issue of dilutive instruments, the maximum number of shares that could be issued (upon conversion into ordinary shares of convertible Virbac equity instruments).

Main sources of uncertainty relating to estimations

The drawing up of consolidated financial statements prepared in accordance with international accounting standards implies that the Group makes a number of estimates and assumptions believed to be realistic and reasonable.
Certain facts and circumstances could lead to changes in estimates and assumptions, which could affect the value of assets, liabilities, equity and Group income.

Acquisition prices

Some acquisition contracts relating to 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 December 31, 2013, the net total of goodwill was €133,532 thousand and the value of intangible assets was €198,240 thousand.

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 immediately recognized in other comprehensive income.
The total commitment relating to personnel benefits was €11,141 thousand as at December 31, 2013.

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. As at December 31, 2013, the total amount of other provisions was €3,388 thousand.

A1. Goodwill

Change in goodwill by CGU

in € thousands	Gross value as at 31/12/2012	Impairment value as at 31/12/2012	Book value as at 31/12/2012	Increases	Sales	Impairment of value	Adjustment of provisional values	Conversion gains and losses	Book value as at 31/12/2013
Italy	1,585	-	**1,585**	-	-	-	-	-	**1,585**
Denmark	4,643	-	**4,643**	-	-	-	-	-	**4,643**
Leishmaniosis vaccine	5,421	-	**5,421**	-	-	-	-	-	**5,421**
Greece	1,358	-	**1,358**	-	-	-	-	-	**1,358**
Colombia	2,530	-	**2,530**	-	-	-	-	-263	**2,267**
India	15,617	-	**15,617**	-	-	-	-	-2,212	**13,405**
United States	50,326	-3,108	**47,218**	-	-	-	-	-1,974	**45,244**
Australia	3,674	-392	**3,282**	-	-	-	-	-290	**2,992**
Peptech	3,879	-	**3,879**	-	-	-	-	-748	**3,131**
New Zealand	15,800	-194	**15,606**	-	-	-	-	-603	**15,003**
Chile	18,884	-	**18,884**	-	-	-	17,656	-3,977	**32,563**
Santa Elena	-	-	**-**	3,606	-	-	-	-156	**3,450**
Other CGUs	4,372	-1,801	**2,571**	-	-	-	-	-101	**2,470**
Goodwill	**128,089**	**-5,495**	**122,594**	**3,606**	**-**	**-**	**17,656**	**-10,324**	**133,532**

Following the merger of Stockguard Animal Health Ltd and Stockguard Laboratories Ltd into Virbac New Zealand Ltd, New Zealand now comprises a single, separate CGU.

Business combinations

Acquisition of non-controlling interests in Santa Elena

On January 5, 2010, Virbac signed a Share Purchase Agreement which enabled it to acquire 30% of Santa Elena. Qualified as joint control, this transaction has been accounted for using the equity method in Virbac's consolidated financial statements for the years 2010 to 2012.

Santa Elena is a Uruguay-based company specialised in vaccines for food producing animals. Set up in Uruguay for more than fifty years, the company has a high level of expertise in developing and manufacturing vaccines, primarily bovine, which it markets in Uruguay and Latin America.

On September 12, 2013, Virbac and the co-shareholders signed an amendment to the Share Purchase Agreement, according to which Virbac acquired an additional stake (69.175%) in Santa Elena's share capital.

This gradual acquisition resulted in a transition from joint control to exclusive control of Santa Elena.
This operation therefore constitutes a business combination within the meaning of IFRS 3 and is recognised as such in Virbac's 2013 consolidated financial statements.

This is reflected as follows:
- recognition at fair value of identifiable assets acquired, liabilities assumed and goodwill;
- recognition in the income statement of the income and expenses relating to Santa Elena for the period from September 1 to December 31, 2013 (the impact of income for the period from September 1 to 12 was immaterial);
- recognition, in income of associates of the share (30%) in income of Santa Elena for the period from January 1 to August 31, 2013;
- derecognition of equities accounted for using the equity method and revaluation at fair value of the 30% already held, resulting in the recognition in the income statement of a capital gain of US$2,742 thousand (€1,755 thousand).

Goodwill totalled US$4,758 thousand (that is €3,606 thousand).
This acquisition has given Virbac the means to become a leader in the bovine vaccine segment in Latin America.
Virbac will also be able to increase the marketing of its products for cattle and horses in Uruguay, as well as those for the companion animal market.

The table here after describes how goodwill is calculated:

in US$ thousands	Fair value in the consolidated accounts as at December 31, 2013
Price paid in 2013 for the acquisition of the 69.175% share	15,910
Estimate of the share purchase price supplement payable in 2015	26
Estimate of the share purchase price supplement payable in 2016	2,383
Fair value of the 30% share acquired in 2010	7,223
Fair value of non-controlling interests	218
Estimated share purchase price	**25,760**
Fair value of net assets purchased	21,002
Goodwill	**4,758**

The difference between the total estimated acquisition price and the price paid at the acquisition date has been recognised as a liability.

The assets acquired, totalling US$21,002 thousand (€16,089 thousand) are detailed below:

in US$ thousands	Fair value in the consolidated accounts as at December 31, 2013
Intangible assets	15,534
Tangible assets	7,066
Inventories and work-in-progress	5,093
Other assets	1,185
Provisions and borrowings	-5,378
Deferred tax liability	-4,538
Other operating receivables and payables	2,040
Net assets acquired	**21,002**

Santa Elena's income from ordinary activities, for the period from January 1 to December 31, 2013, totalled US$12.2 million (€9.2 million), including US$4.3 million between September 1 and December 31, 2013.
Net profit over the same period totalled US$1.2 million (€0.9 million).

Adjustment of the acquisition price of Centrovet during the measurement period

Following the agreement signed on November 23, 2012, Virbac acquired 51% of the shares in Holding Salud Animal S.A (HSA), the holding company of Centrovet, a leader in Chile's animal health market.

As Virbac took control of Centrovet, this operation was a business combination within the meaning of IFRS 3 and was recognised as such in Virbac's 2012 consolidated financial statements.

According to the agreement signed by Virbac, the purchase price comprised following elements:

- an initial payment of US$61.4 million paid on the contract's signature date, completed by payments of US$20.8 million in 2013 based on the corrected operating profit from ordinary activities for 2012;
- a price supplement payable in 2014 based on normalised cumulative operating profit in 2012 and 2013;
- royalties based on sales of products in development until December 31, 2017.

Virbac therefore estimated the fair value, at the acquisition date, of the elements constituting the transaction, namely:

- the total acquisition price in the 2012 consolidated financial statements, with recognition of a liability relating to the price supplements to be paid in the years 2013 to 2017 as a balancing entry;
- identifiable assets acquired as part of this transaction and liabilities assumed;
- and from the difference, the provisional goodwill.

As the acquisition took place in November 2012, Virbac did not have enough time before the 2012 balance sheet date to finalise the process of measuring at fair value the components of the transaction: acquisition price, assets acquired and debts assumed.
The liability relating to the price supplement must be remeasured at each reporting date.

Application of the contractual formula for calculating the price supplements results in a total acquisition price of the 51% stake re-estimated at December 31, 2013, significantly higher than the provisional amount recognised in 2012.

IFRSs provide for the possibility of recognising this difference through goodwill, when the following conditions are met:
- the adjustment is recognised in the measurement period;
- this adjustment is linked to events or circumstances existing at the acquisition date.

As a consequence, the definitive goodwill recognised in Virbac's consolidated financial statements totalled US$45.5 million (€32.6 million), compared with US$24.9 million (€18.9 million) as at December 31, 2012.

This acquisition gives Virbac access to the technologies and the market of products used for protection and treatment in aquaculture breeding. Virbac had very little presence in this booming segment of the veterinary market. This operation also gives Virbac a foothold in Chile, with the possibility of gradually marketing its own products on this new market.

The difference between the total acquisition price and the amounts already paid has been recognised as a liability.

At December 31, 2013, the residual liability totalled US$37.6 million (€27.2 million) and is included in "Other payables" in the statement of financial position.

in US$ thousands	Fair value in the consolidated accounts as at December 31, 2013
Total amount already paid as at December 31, 2013	82,187
Share purchase price supplement	37,576
Estimated share purchase price	**119,763**
Share of fair value of net assets acquired (51%)	74,275
Provisional goodwill	**45,488**

in US$ thousands	Fair value in the consolidated accounts as at December 31, 2013
Intangible assets	130,183
Tangible assets	18,368
Inventories and work-in-progress	24,721
Cash and cash equivalents	5,522
Provisions	-1,080
Deferred tax liability	-26,628
Borrowings	-30,510
Other operating receivables and payables	25,061
Net assets acquired	**145,637**

In addition, the table below specifies the adjustments to fair value of assets and liabilities acquired as part of the provisional Purchase Price Allocation (PPA) recognised in the consolidated financial statements at December 31, 2012, compared to those recognised in the consolidated financial statements at December 31, 2013.

in US$ thousands	Provisional PPA adjustments as at December 31, 2012	Final PPA adjustments as at December 31, 2013
Intangible assets	127,659	130,062
Tangible assets	3,389	3,332
Inventories and work-in-progress	4,252	4,389
Provisions	-1,080	-1,080
Deferred tax liability	-26,846	-27,341
Net assets acquired	**107,374**	**109,362**

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 include mainly brands and certain marketing authorisations acquired, the life of which cannot be defined.

Intangible assets are classified following the analysis of all relevant economic and legal factors making it possible to conclude whether or not there is a foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity.

Innovative or differentiated products in general, and vaccines and other assets from biotechnologies in particular, are generally classified as intangible assets with indefinite useful lives, once a detailed analysis has been conducted and experts have given their opinions on their potential. This approach is founded on Virbac's past experience.

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 external growth transactions. As at December 31, 2013:
- brands and marketing authorisations acquired as part of the business combination in Chile totalled €83,588 thousand;
- the patents, brands and customer portfolio acquired in the New Zealand transaction were valued at €8,295 thousand;
- the acquisition of Multimin rights for South Africa, Australia and New Zealand, recognised in accordance with IAS 38, totalled €11,448 thousand;
- the brands and technologies acquired from Santa Elena totalled €11,194 thousand;
- the brands and technologies acquired from Axon/Birch by Virbac Australia totalled €2,818 thousand.

However, 2013 was marked by adverse currency effects which had a significant impact on the net value of these assets, which decreased by €19.7 million.

At December 31, 2013, the value of the brands on the balance sheet was €49,652 thousand.

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;
- the product ranges acquired from Axon in 2013;
- the product ranges acquired from Santa Elena in 2013.

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		Other intangible assets	Intangible assets in progress	Intangible assets
	Indefinite life	Finite life			
Gross value as at 31/12/2012	**123,260**	**107,433**	**38,991**	**5,136**	**274,821**
Acquisitions and other increases	1,154	2,534	1,894	2,299	**7,881**
Disposals and other decreases	-	-1,476	-84	-442	**-2,002**
Changes in scope	10,515	1,227	113	-	**11,855**
Adjustment of provisional values	1,753	-	2	-	**1,755**
Transfers	-6,133	6,718	369	-1,050	**-96**
Conversion gains and losses	-9,670	-11,156	-623	-226	**-21,675**
Gross value as at 31/12/2013	**120,879**	**105,280**	**40,662**	**5,717**	**272,538**
Depreciation as at 31/12/2012	**-6,716**	**-30,648**	**-28,858**	**-**	**-66,222**
Amortization expense	-	-7,585	-3,640	-	**-11,225**
Impairment losses (net of reversals)	-35	-48	-	-	**-83**
Disposals and other decreases	-	1,476	84	-	**1,560**
Changes in scope	-	-	-81	-	**-81**
Adjustment of provisional values	-	1	-	-	**1**
Transfers	128	46	-65	-	**109**
Conversion gains and losses	3	1,153	488	-	**1,644**
Depreciation as at 31/12/2013	**-6,620**	**-35,606**	**-32,072**	**-**	**-74,298**
Net value as at 31/12/2012	**116,544**	**76,785**	**10,133**	**5,136**	**208,598**
Net value as at 31/12/2013	**114,259**	**69,675**	**8,590**	**5,717**	**198,240**

No intangible assets were generated internally.

The currency effect generated a €20.0 million decrease in the net value of intangible assets.

A3. Impairment of assets

At the end of the 2013 financial year, Virbac reexamined the value of its CGUs' goodwill, intangible assets and tangible assets, checking that the 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 2014 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. This year this concerns the assets acquired from Santa Elena and Birch/Axon.

Key assumptions used are shown in the table below.

As at December 31, 2013

in € thousands	Net book value as at 31/12/2013		Discount rate	Perpetual growth rate
	Goodwill	Intangible assets		
Italy	1,585	-	7.50%	2.00%
Denmark	4,643	-	7.50%	2.00%
Leishmaniosis vaccine	5,421	18,393	7.50%	2.00%
Greece	1,358	-	9.50%	2.00%
Colombia	2,267	4,073	9.50%	2.00%
India	13,405	10,553	9.50%	5.00%
United States	45,244	5,449	7.50%	2.00%
Australia (excluding Peptech)	2,992	2,163	7.50%	2.00%
Peptech	3,131	1,722	7.50%	2.00%
CGU product range acquired from Schering-Plough in Europe	-	16,559	7.50%	2.00%
Leucogen	-	212	7.50%	N/A
Multimin	-	11,448	7.50%	2.00%
New Zealand	15,003	8,295	7.50%	2.00%
Centrovet	32,563	83,596	9.50%	2.00%
Other CGUs	1,861	5,929	7.50% - 9.50%	0.00% - 2.00%
Total tested assets	**129,473**	**168,392**		
Santa Elena	3,450	11,194	N/A	N/A
Birch / Axon	-	2,818	N/A	N/A
Other CGUs	609	1,529	N/A	N/A
Total untested assets	**4,059**	**15,541**		
Total value	**133,532**	**183,933**		

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

As at December 31, 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 of tested assets	**122,594**	**193,328**		

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.

In neither case would Virbac have had to recognise an impairment.

For the main CGUs, the results of these different assumptions are shown in the tables below.

in € thousands	Net book value of CGU as at 31/12/2013	Key assumption discount rate +2,0 points	Key assumption growth rate	Depreciation
Italy	1,585	9.50%	2.00%	-
Denmark	4,643	9.50%	2.00%	-
Leishmaniosis vaccine	27,497	9.50%	2.00%	-
Greece	1,358	11.50%	2.00%	-
Colombia	6,340	11.50%	2.00%	-
India	25,966	11.50%	5.00%	-
United States	76,639	9.50%	2.00%	-
Australia (excluding Peptech)	5,155	9.50%	2.00%	-
Peptech	4,853	9.50%	2.00%	-
CGU product range acquired from Schering-Plough in Europe	16,559	9.50%	2.00%	-
Leucogen	10,277	9.50%	N/A	-
Multimin	11,948	9.50%	2.00%	-
New Zealand	24,632	9.50%	2.00%	-
Centrovet	141,738	11.50%	2.00%	-

in € thousands	Net book value of CGU as at 31/12/2013	Key assumption discount rate	Key assumption growth rate -2.0 %	Depreciation
Italy	1,585	7.50%	0.00%	-
Denmark	4,643	7.50%	0.00%	-
Leishmaniosis vaccine	27,497	7.50%	0.00%	-
Greece	1,358	9.50%	0.00%	-
Colombia	6,340	9.50%	0.00%	-
India	25,966	9.50%	3.00%	-
United States	76,639	7.50%	0.00%	-
Australia (excluding Peptech)	5,155	7.50%	0.00%	-
Peptech	4,853	7.50%	0.00%	-
CGU product range acquired from Schering-Plough in Europe	16,559	7.50%	0.00%	-
Leucogen	10,277	7.50%	N/A	-
Multimin	11,948	7.50%	0.00%	-
New Zealand	24,632	7.50%	0.00%	-
Centrovet	141,738	9.50%	0.00%	-

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 31/12/2013	Discount rate, combined into a zero perpetual growth rate, from which impairment is established
Italy	1,585	51.6%
Denmark	4,643	75.3%
Leishmaniosis vaccine	27,497	17.0%
Greece	1,358	108.1%
Colombia	6,340	39.8%
India	25,966	33.5%
United States	76,639	29.7%
Australia	5,155	94.1%
Peptech	4,853	82.5%
CGU product range acquired from Schering-Plough in Europe	16,559	19.1%
Leucogen	10,277	70.7%
Multimin	11,948	41.9%
New Zealand	24,632	18.3%
Centrovet	141,738	23.0%

A4. Tangible assets

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

As at December 31, 2013, the gross value of goods acquired under leasings restated as tangible assets, in accordance with IAS 17, totalled €12,685 thousand.

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 December 31, 2013, capitalised borrowing costs amounted to €700 thousand, including €195 thousand in financial year 2013 at an effective interest rate of 1.4%.

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 31/12/2012	**18,195**	**120,154**	**106,343**	**22,597**	**23,095**	**290,384**
Acquisitions and other increases	2,143	7,469	9,414	3,320	32,436	**54,782**
Disposals and other decreases	-	-84	-599	-2,180	-45	**-2,907**
Changes in scope	1,282	1,391	1,980	447	1,511	**6,611**
Adjustment of provisional values	-2,298	2,001	483	-	305	**491**
Transfers	-	3,935	5,914	451	-10,423	**-122**
Conversion gains and losses	-1,999	-3,988	-4,366	-1,508	-1,360	**-13,221**
Gross value as at 31/12/2013	**17,323**	**130,878**	**119,170**	**23,127**	**45,519**	**336,017**
Depreciation as at 31/12/2012	**-**	**-60,438**	**-62,608**	**-15,228**	**-**	**-138,274**
Amortization expense	-	-5,929	-7,948	-2,595	-	**-16,472**
Impairment losses (net of reversals)	-	-	-107	-	-	**-107**
Disposals and other decreases	-	83	383	2,108	-	**2,574**
Changes in scope	-	-257	-794	-205	-	**-1,256**
Adjustment of provisional values	-	-327	-383	-	-	**-710**
Transfers	-	-	21	48	-	**69**
Conversion gains and losses	-	1,297	2,189	926	-	**4,412**
Impairment as at 31/12/2013	**-**	**-65,570**	**-69,246**	**-14,946**	**-**	**-149,763**
Net value as at 31/12/2012	**18,195**	**59,716**	**43,735**	**7,369**	**23,095**	**152,110**
Net value as at 31/12/2013	**17,323**	**65,308**	**49,923**	**8,181**	**45,519**	**186,254**

The increases in this item are mainly due to mergers and acquisitions, with the impact of the full integration of Santa Elena in the scope of consolidation, and the construction of new production units for sterile injectable products at the Carros site in France, the Argo Navis construction project in Mexico, the construction project at the Salomon Sack site in Chile, and at the Saint Louis site in the United States.
The currency effect generated a €8.8 million decrease in the net value of assets.

A5. Other financial assets

Change in other financial assets

in € thousands	2012	Increases	Decreases	Changes in scope	Transfers	Conversion gains and losses	2013
Loans and other financial receivables	**3,088**	2,895	-33	159	-1,441	-80	**4,588**
Currency and interest rate derivatives	**-**	7,653	-	-	-	-	**7,653**
Restricted cash	**1,365**	3	-1,326	-	-	-14	**28**
Other	**5**	-	-30	-	37	-3	**9**
Other financial assets, non-current	**4,458**	**10,551**	**-1,389**	**159**	**-1,404**	**-97**	**12,278**
Loans and other financial receivables	**-**	3,350	-	-	-	-305	**3,045**
Currency and interest rate derivatives	**240**	495	-	-	-	-	**735**
Restricted cash	**-**	-	-	-	-	-	**-**
Other	**-**	-	-	-	-	-	**-**
Other financial assets, current	**240**	**3,845**	**-**	**-**	**-**	**-305**	**3,780**
Other financial assets	**4,698**	**14,396**	**-1,389**	**159**	**-1,404**	**-402**	**16,058**

The increase in other financial assets is mainly due to derivative financial instruments, with an extremely positive impact attributable to the cross currency swap in the Chilean currency.

Other financial assets classified according to their maturity

As at December 31, 2013

in € thousands	Payments			Total
	less than 1 year	from 1 to 5 years	more than 5 years	
Loans and other financial receivables	3,045	4,588	-	**7,633**
Currency and interest rate derivatives	735	7,653	-	**8,388**
Restricted cash	-	28	-	**28**
Other	-	-	9	**9**
Other financial assets	**3,780**	**12,269**	**9**	**16,058**

As at December 31, 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**

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
Vetz GmbH	-	776	-	-	373	-
South African company	-	5	-	-	-	-1
Santa Elena (Uruguay)*	-	-	-	-	-	161
SBC Virbac Limited (Hong Kong)	10,957	3,249	1,730	-2,061	6,393	-1,010
Share in companies accounted for by the equity method					**6,766**	**-850**

(*) The amount indicated corresponds to the share in the income of Santa Elena accounted for using the equity method between January 1 and August 31, 2013.

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	2012	Variations	Changes in scope	Adjustment of provisional values	Transfers	Conversion gains and losses	2013
Deferred tax assets	**18,680**	2,258	562	496	188	-776	**21,408**
Deferred tax liabilities	**47,275**	1,258	3,440	307	1,159	-4,308	**49,131**
Deferred tax offset	**-28,595**	**1,000**	**-2,878**	**189**	**-971**	**3,532**	**-27,723**

The variation in deferred taxes shown above excludes deferred taxes on the effective share of the profits and losses on hedging instruments which totalled €-359 thousand in 2013.

Deferred taxes broken down by type

As at December 31, 2013

in € thousands	Deferred tax assets
Internal margin on inventories	6,914
Retirement and end of career severance commitments	2,519
Tax loss carryforwards	2,059
Sales adjustments (IAS 18)	547
Inventory adjustments (IAS 2)	2,739
Other non-deductible provisions	1,811
Other charges with deferred deduction	2,733
Other income taxed in advance	2,086
Total by type	**21,408**
Impact of compensation by fiscal entity	-13,337
Deferred net tax assets	**8,071**

in € thousands	Deferred tax liabilities
Adjustments on intangible assets	35,989
Adjustments on tangible assets	4,811
Adjustments on fiscal provisions	6,744
Activation of expenses linked to acquisitions	897
Leases adjustments	691
Total by type	**49,132**
Impact of compensation by fiscal entity	-13,337
Deferred net tax liabilities	**35,795**

The capitalization of loss carryforwards is due to the scope of tax consolidation in France, the Group deeming it highly likely that these losses will be used in the coming years.

As at December 31, 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**

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 31/12/2012	**52,734**	**11,596**	**76,489**	**140,818**
Variations	595	-480	13,025	**13,139**
Changes in scope	1,003	1,041	1,816	**3,860**
Adjustment of provisional values	-1,253	-	1,186	**-67**
Transfers	-	-	-	**-**
Conversion gains and losses	-3,449	-132	-7,661	**-11,243**
Gross value as at 31/12/2013	**49,630**	**12,024**	**84,855**	**146,508**
Depreciation as at 31/12/2012	**-1,935**	**-732**	**-5,913**	**-8,580**
Allowances	-1,726	-1,366	-2,191	**-5,282**
Reversals	1,074	732	3,994	**5,800**
Changes in scope	-	-	-	**-**
Adjustment of provisional values	-141	-	-25	**-167**
Transfers	10	-	-10	**-**
Conversion gains and losses	218	-	281	**499**
Depreciation as at 31/12/2013	**-2,500**	**-1,366**	**-3,864**	**-7,730**
Net value as at 31/12/2012	**50,799**	**10,864**	**70,575**	**132,238**
Net value as at 31/12/2013	**47,130**	**10,658**	**80,989**	**138,777**

The increase in this item is largely due to higher business activity and the inclusion of inventories resulting from external growth transactions, with the inclusion of inventories from Santa Elena.
Currency conversion adjustments generated a decrease in value of €11.7 million.

A9. Trade receivables

in € thousands	Trade receivables
Gross value as at 31/12/2012	**115,272**
Variations	**14,318**
Changes in scope	**1,912**
Transfers	**320**
Conversion gains and losses	**-9,638**
Gross value as at 31/12/2013	**122,184**
Depreciation as at 31/12/2012	**-3,348**
Allowances	**-754**
Reversals	**445**
Changes in scope	**-**
Transfers	**-20**
Conversion gains and losses	**120**
Depreciation as at 31/12/2013	**-3,557**
Net value as at 31/12/2012	**111,924**
Net value as at 31/12/2013	**118,627**

The credit risk of trade receivables and other receivables is presented in note A30.
Currency conversion adjustments generated a decrease in the net value of trade receivables of €9.5 million.

A10. Other receivables

in € thousands	2012	Variations	Changes in scope	Transfers	Conversion gains and losses	2013
Income tax receivables	**7,432**	-509	126	6,511	-252	**13,308**
Social receivables	**819**	5,178	10	7	-534	**5,480**
Other receivables to the State	**14,185**	4,855	497	199	-696	**19,040**
Advances and prepayments on orders	**2,045**	401	400	1	-212	**2,635**
Depreciation on various other receivables	**-**	-	-	-	-	**-**
Prepaid expenses	**4,522**	-1,321	155	2	-127	**3,231**
Other various receivables	**10,629**	7,354	32	-6,527	-246	**11,242**
Other receivables	**39,632**	**15,958**	**1,220**	**193**	**-2,067**	**54,936**

Receivables consist primarily of tax credits in France (research tax credit and tax credit on low salaries) and Chile.
The amount of the tax credit on low salaries in France for 2013 totalled €827 thousand.

A11. Cash and cash equivalents

in € thousands	2012	Variations	Changes in scope	Transfers	Conversion gains and losses	2013
Available funds	**22,252**	658	176	-	-2,242	**20,844**
Marketable securities	**17,497**	-1,171	-	-	-2,199	**14,127**
Cash and cash equivalents	**39,749**	**-513**	**176**	**-**	**-4,441**	**34,971**
Bank overdraft	**-9,590**	4,836	-	-	228	**-4,526**
Accrued interests not yet matured	**-28**	2	-	-	-	**-26**
Overdraft	**-9,618**	**4,838**	**-**	**-**	**228**	**-4,552**
Net cash position	**30,131**	**4,325**	**176**	**-**	**-4,213**	**30,419**

A12. Assets classified as held for sale

During the 2013 financial year and as in 2012, no asset was classified as held for sale.

A13. Equity

in € thousands	2013	2012
Capital	10,573	10,573
Premiums linked to capital	6,534	6,534
Legal reserve	1,089	1,089
Other reserves and retained earnings	207,769	187,627
Consolidation reserves	110,692	13,787
Conversion reserves	-35,344	60,523
Actuarial gains and losses	-905	-588
Result for the period	60,523	66,625
Equity attributable to the owners of the parent company	**360,930**	**346,169**
Other reserves and retained earnings	52,364	51,796
Conversion reserves	-7,406	-126
Result for the period	8,486	577
Non-controlling interests	**53,444**	**52,247**
Equity	**414,374**	**398,416**

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 with no voting right, intended primarily to supply the allocation of stock grants. The amount of these treasury shares is posted as a reduction of equities.

Shares with a double voting right

Double voting rights are granted to all shareholders whose shares have been registered in their name for at least two years. Of the 8,458,000 shares making up the share capital, 4,333,333 have double voting rights.

Share buyback programme

The ordinary shareholders' meeting of June 17, 2013 authorised the Virbac parent company to buy back shares in accordance with articles L225-209 *et seq.* of the French commercial code and in line with the terms of the buyback plan set out in the prospectus published, by our professional distributor and on the company's website on June 4, 2013, in accordance with the provisions of the transparency directive that came into force on January 20, 2007.
As at December 31, 2013, Virbac held 30,453 treasury shares acquired on the market for a total of €4,110,358 excluding fees, representing an average price of €134.97 per share.

During the financial year, the company bought 37,384 treasury shares (at an average price of €156.82) as part of the market-making contract. Virbac also sold 44,734 shares including 32,899 shares under a market-making agreement (at an average price of €159.35), and 11,835 shares (transferred free of charge) as part of stock grant plans. Expenses are no longer deducted from these transactions.
As at December 31, 2013, treasury shares account for 0.36% of Virbac's capital, part of which was intended for market-making and stock grant plans, called for in the eleventh resolution adopted by the shareholders' meeting on June 17, 2013.

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 in accordance with the authorisation granted by the shareholders' meeting of June 17, 2013, for a period of 26 months.

The maximum unit purchase price may not exceed €300. When calculating the maximum number of shares, shares already purchased under the aforementioned prior authorisations will be included, together with those that could be purchased under the market-making agreement.

A14. Personnel benefits

The commitments related to employee benefit schemes are calculated using the projected unit credit method. Future commitments are subject to a provision for expense.

Where a commitment is pre-financed by payments into a fund, the provision corresponds with the difference between the total commitment at the date of closing and the amount of the hedging asset. The hedging asset is made up of the amount of the fund plus the investment income.

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

Change in provisions by country

in € thousands	2012	Allowances	Reversals	Transfers	Equity	Other variations	Conversion gains and losses	2013
France	**4,491**	496	-345	-	231	-	-	**4,873**
Netherlands	**87**	-	-87	-	-	-	-	**-**
Italy	**509**	94	-13	-	9	-	-	**599**
Germany	**67**	13	-	-	-	-	-	**80**
Greece	**54**	37	-	-	-	-	-	**91**
Mexico	**82**	16	-10	-	7	-	-5	**90**
Korea	**-2**	69	-67	-	-	-	-	**-**
Taiwan	**208**	46	-16	-	64	-	-17	**285**
Thailand	**-**	28	-15	123	-	-	-12	**124**
Uruguay	**-**	100	-	-	-	555	-27	**628**
Retirement and severance pay allowances	**5,496**	**899**	**-553**	**123**	**311**	**555**	**-61**	**6,770**
France	**638**	331	-	-	-176	-	-	**793**
Japan	**1,032**	168	-36	-	90	-	-244	**1,010**
Defined benefit retirement plans	**1,670**	**499**	**-36**	**-**	**-86**	**-**	**-244**	**1,803**
South Africa	**1,137**	-	-29	-	12	-	-263	**857**
Medical cover	**1,137**	**-**	**-29**	**-**	**12**	**-**	**-263**	**857**
India	**413**	113	-	-	-197	-	-54	**275**
Allowances for absence	**413**	**113**	**-**	**-**	**-197**	**-**	**-54**	**275**
Australia	**-**	230	-134	1,459	-	-	-175	**1,380**
Spain	**-**	56	-	-	-	-	-	**56**
Other long term benefits	**-**	**286**	**-134**	**1,459**	**-**	**-**	**-175**	**1,436**
Provisions for employee benefits	**8,716**	**1,797**	**-752**	**1,582**	**40**	**555**	**-797**	**11,141**

Main commitments

The main employee benefits schemes are in France, Australia, Japan and South Africa. At December 31, 2013, they contributed, respectively, 51%, 12%, 9% and 8% of provisions 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 April 30, 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.

Long-service leave

■ **Australia**

In accordance with regulations in Australia, Virbac grants employees long-service leave in line with their compensation and years of service. Each employee is entitled to 3 months' leave after 15 years' service, acquired as follows:

- if the employee is dismissed after 5 to 10 years of service, this latter is entitled to a pro-rata share of the accumulated entitlement;
- if the employee leaves the company for any other reason after 5 to 10 years of service, this latter is not entitled to anything;
- if the employee leaves the company, for whatever reason, after 10 years of service, this latter is entitled to a pro-rata share of the accumulated entitlement.

The provision is calculated as the sum of individual entitlements, pro–rated for the ratio of the employee's years of service at the reporting date to the years of service for full rights.

Calculation parameters of the main personnel benefits schemes in the Group

Assumptions as at December 31, 2013

	Discount rate	Future salary growth
France	3.00%	2.50% - 1.25%
South Africa	9.40%	N/A
Japan	1.20%	3.00%
India	9.25%	7.00%

Assumptions as at December 31, 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%

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 €570 thousand or an increase of approximately €610 thousand 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, an increase in the provision for employee benefits of around €420 thousand or an reduction of approximately €420 thousand recognised with a balancing entry in other comprehensive income.

Allowance for the year

in € thousands	2013 allowance
Cost of services rendered	1,657
Financial cost	494
Expected return on assets	-213
Change of scheme	56
Immediate recognition of actuarial (gains)/losses in the year	-198
Administrative costs recognised in expenses	1
Net cost/(net gain) recognised in income	**1,797**

Employer contributions (including benefits paid directly by the employer) in 2013 totalled €751 thousand and are estimated at €310 thousand for 2014.

Movements of amounts recognized 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 January 1, 2013	**13,303**
Benefits paid	-828
Cost of services rendered and financial cost	2,151
Termination/end of contract	-
Actuarial (gains)/losses due to demographic assumptions	-12
Actuarial (gains)/losses due to financial assumptions	-148
Actuarial experience (gains)/losses	23
Change of scheme	56
Other variations	860
Transfers	1,582
Conversion gains and losses	-906
Present value as at December 31, 2013	**16,082**

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

in € thousands	Hedging assets
Fair value as at January 1, 2013	**4,587**
Contributions paid	751
Benefits paid	-828
Interest income	213
Actuarial gains/(losses)	-81
Tax on premiums paid	-1
Other variations	305
Adjustment	103
Conversion gains and losses	-108
Fair value as at December 31, 2013	**4,941**

in € thousands	Employee benefits
Fair value of hedging assets	-4,941
Present value of actuarial liability	16,082
(Assets)/Liabilities recognised in provisions as at December 31, 2013	**11,141**

in € thousands	Employee benefits
Provision to liabilities as at January 1, 2013	**8,716**
Charge/(gain) recognised in income - allowance	1,797
Amount recognised in equity	40
Employer contributions/Benefits paid - reversal	-751
Other events	555
Transfers	1,582
Conversion gains and losses	-798
Provision to liabilities as at December 31, 2013	**11,141**

A15. Other provisions

in € thousands	2012	Allowances	Reversals	Changes in scope	Transfers	Conversion gains and losses	2013
Trade disputes and industrial tribunals	**1,292**	860	-724	-	-	-	**1,428**
Fiscal disputes	**-**	-	-	-	-	-	**-**
Various risks and charges	**1,735**	380	-615	-	-109	-114	**1,277**
Other non-current provisions	**3,027**	**1,240**	**-1,339**	**-**	**-109**	**-114**	**2,705**
Trade disputes and industrial tribunals	**150**	20	-	-	-	-28	**142**
Fiscal disputes	**463**	13	-118	-	78	-33	**403**
Various risks and charges	**105**	111	-76	-	-	-2	**138**
Other current provisions	**718**	**144**	**-194**	**-**	**78**	**-63**	**683**
Other provisions	**3,745**	**1,384**	**-1,533**	**-**	**-31**	**-177**	**3,388**

Other provisions mainly relate to disputes and commercial risks in France for €828 thousand, a risk that employee-related liabilities in Chile have been underestimated for €716 thousand, and severance pay allowances for sales representatives in Italy for €557 thousand.
Reversed provisions were used for the purpose for which they were intended.

A16. Other financial liabilities

Change in other financial liabilities

in € thousands	2012	Increase	Decrease	Changes in scope	Transfers	Conversion gains and losses	2013
Loans	**144,646**	62,132	-5,828	1,769	-12,446	-10,610	**179,663**
Bank overdrafts	**-**	-	-	-	-	-	**-**
Accrued interests not yet matured	**-**	-	-	-	-	-	**-**
Debt relating to leasing contracts	**840**	7,268	-	-	-1,330	-604	**6,174**
Employee profit sharing	**16**	1	-4	-	-7	-1	**5**
Currency and interest rate derivatives	**1,041**	-	-904	-	-	-	**137**
Other	**-**	-	-	-	-	-	**-**
Other non-current financial liabilities	**146,543**	**69,401**	**-6,736**	**1,769**	**-13,783**	**-11,215**	**185,979**
Loans	**15,994**	47,076	-51,140	994	12,446	-2,800	**22,570**
Bank overdrafts	**9,590**	-	-4,836	-	-	-229	**4,525**
Accrued interests not yet matured	**28**	-	-2	-	-	-	**26**
Debt relating to leasing contracts	**570**	1,193	-740	-	1,373	-185	**2,211**
Employee profit sharing	**546**	27	-57	-	7	-21	**503**
Currency and interest rate derivatives	**418**	-	-110	-	-	-	**308**
Other	**-**	-	-	-	-	-	**-**
Other current financial liabilities	**27,146**	**48,296**	**-56,885**	**994**	**13,826**	**-3,235**	**30,143**
Other financial liabilities	**173,689**	**117,697**	**-63,621**	**2,763**	**43**	**-14,450**	**216,122**

The increase in other financial liabilities corresponds mainly to drawdowns of €156 million at December 31, 2013, from credit lines totalling €297 million, as well as loans taken out to finance investments in new facilities in Mexico and Chile in particular.
Exchange-rate fluctuations generated a decrease in "Other financial liabilities" of €14.5 million.

Other financial liabilities classified according to their maturity

As at December 31, 2013

in € thousands	Payments			Total
	less than 1 year	from 1 to 5 years	more than 5 years	
Loans	22,570	179,663	-	**202,233**
Bank overdrafts	4,525	-	-	**4,525**
Accrued interests not yet matured	26	-	-	**26**
Debt relating to leasing contracts	2,211	6,174	-	**8,385**
Employee profit sharing	503	5	-	**508**
Currency and interest rate derivatives	308	137	-	**445**
Other	-	-	-	**-**
Other financial liabilities	**30,143**	**185,979**	**-**	**216,122**

As at December 31, 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**

A17. Other payables

in € thousands	2012	Variations	Changes in scope	Transfers	Conversion gains and losses	2013
Income tax payables	**-**	-	-	-	-	**-**
Social payables	**-**	-	-	-	-	**-**
Other fiscal payables	**-**	-	-	-	-	**-**
Advances and prepayments on orders	**-**	-	-	-	-	**-**
Prepaid income	**1,528**	-105	-	-	-71	**1,352**
Various other payables	**-**	-	-	-	-	**-**
Other non-current payables	**1,528**	**-105**	**-**	**-**	**-71**	**1,352**
Income tax payables	**6,763**	2,936	272	-1,172	-795	**8,004**
Social payables	**34,834**	-750	330	-1,471	-878	**32,065**
Other fiscal payables	**8,965**	574	2	-	-329	**9,212**
Advances and prepayments on orders	**502**	-149	-	-	-54	**299**
Prepaid income	**1,150**	135	-	2	-18	**1,269**
Various other payables	**82,115**	6,101	2,869	-	-5,669	**85,416**
Other current payables	**134,329**	**8,847**	**3,473**	**-2,641**	**-7,743**	**136,265**
Other payables	**135,857**	**8,742**	**3,473**	**-2,641**	**-7,814**	**137,617**

At December 31, 2013, “Various other payables” chiefly consisted of share payables from the Centrovet, Santa Elena and Birch/Axon acquisitions totalling €32,707 thousand, and discounts at year-end totalling €40,132 thousand.

A18. Trade payables

in € thousands	2012	Variations	Changes in scope	Transfers	Conversion gains and losses	2013
Current trade payables	**73,864**	5,593	806	308	-2,920	**77,651**
Payables of intangible assets	**49**	-	-	-	-11	**38**
Payables of tangible assets	**123**	-15	-	-	-2	**106**
Trade payables	**74,036**	**5,578**	**806**	**308**	**-2,933**	**77,795**

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

A19. Revenue from ordinary activities

in € thousands	2013	2012	*Change*
Sales of finished goods and merchandise	808,060	766,585	*5.4%*
Services	298	61	*388.4%*
Additional income from activity	2,776	2,679	*3.6%*
Royalties paid	369	143	*158.0%*
Gross sales	**811,503**	**769,468**	***5.5%***
Discounts, rebates and refunds on sales	-61,786	-59,841	*3.2%*
Expenses deducted from sales	-10,190	-10,595	*-3.8%*
Financial discounts	-3,111	-3,445	*-9.7%*
Provision for returns	-337	-432	*-21.9%*
Expenses deducted from sales	**-75,424**	**-74,313**	***1.5%***
Revenue from ordinary activities	**736,080**	**695,155**	***5.9%***

A20. Purchases consumed

in € thousands	2013	2012	*Change*
Inventoried purchases	-222,080	-196,494	*13.0%*
Non-inventoried purchases	-21,187	-20,523	*3.2%*
Supplementary charges on purchases	-1,869	-1,698	*10.1%*
Discounts, rebates and refunds obtained	63	261	*-75.9%*
Purchases	**-245,073**	**-218,454**	***12.2%***
Change in gross inventories	13,139	4,346	*202.3%*
Allowances for depreciation of inventories	-5,282	-5,590	*-5.5%*
Reversals of depreciation of inventories	5,800	4,200	*38.1%*
Net variation in inventories	**13,657**	**2,956**	***362.0%***
Purchases consumed	**-231,416**	**-215,498**	***7.4%***

A21. External costs

Within this item, the research and development costs recorded during the 2013 financial year totalled €13,854 thousand, compared with €13,878 thousand during the 2012 financial year.

Operating lease agreements

in € thousands	Rents for the period	Minimum future lease payments as per contracts			
		less than 1 year	from 1 to 3 years	from 3 to 5 years	more than 5 years
Land	-21	-10	-30	-20	-50
Buildings	-4,848	-5,099	-8,445	-7,855	-5,297
Industrial equipment	-1,195	-1,237	-2,043	-255	-30
IT equipment	-482	-1,374	-707	-	-
Office equipment and furniture	-713	-684	-753	-96	-59
Transport equipment	-2,707	-1,646	-1,507	-851	-180
Lease payments	**-9,966**	**-10,050**	**-13,485**	**-9,077**	**-5,616**

A22. Depreciation, impairment and provisions

in € thousands	2013	2012	*Change*
Allowances for depreciation of intangible assets	-11,225	-7,820	*43.5%*
Allowances for impairment of intangible assets	-396	-771	*-48.6%*
Allowances for depreciation of tangible assets	-16,472	-14,712	*12.0%*
Allowances for impairment of tangible assets	-967	-860	*12.4%*
Reversals of depreciation of intangible assets	-	-	-
Reversals of impairment of intangible assets	313	194	*61.4%*
Reversals of depreciation of tangible assets	-	3	-
Reversals of impairment of tangible assets	860	-	-
Depreciation and impairment	**-27,887**	**-23,966**	***16.4%***
Allowances of provisions for risks and charges	-1,383	-1,801	*-23.2%*
Reversals of provisions for risks and charges	1,533	1,996	*-23.2%*
Provisions	**150**	**195**	***-23.3%***
Depreciation, impairment and provisions	**-27,737**	**-23,771**	***16.7%***

A23. Other operating income and expenses

in € thousands	2013	2012	*Change*
Royalties paid	-6,091	-3,648	*67.0%*
Grants received (including research tax credit)	8,053	7,336	*9.8%*
Allowances for deprecation of receivables	-754	-288	*161.7%*
Reversals of depreciation of receivables	445	867	*-48.7%*
Bad debts	-189	-240	*-21.4%*
Net book value on disposed assets	-755	-918	*-17.8%*
Income from disposals of assets	393	1,223	*-67.9%*
Other operating income and expenses	-3,076	-3,166	*-2.8%*
Other current income and expenses	**-1,974**	**1,166**	***-269.3%***

The amount of research tax credit posted for the financial year ended December 31, 2013 was €7,800 thousand.

A24. Other non-current income and expenses

As at December 31, 2013, this item included the following elements:

in € thousands	2013
Net result arising from the change of control in Santa Elena	1,755
Revaluation of inventories acquired in Uruguay (purchase accounting method)	-817
Additional impact of revaluation of inventories acquired in Chile (purchase accounting method)	-1,757
Other non-current income and expenses	**-819**

As at December 31, 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**

A25. Financial income and expenses

in € thousands	2013	2012	*Change*
Gross cost of financial debt	-6,906	-3,427	*101.5%*
Income from cash and cash equivalents	1,613	988	*63.2%*
Net cost of financial debt	**-5,293**	**-2,439**	***117.0%***
Foreign exchange gains and losses	-11,476	-334	*3335.9%*
Changes in foreign currency derivatives and interest rate	8,119	-126	*-6543.6%*
Other financial charges	-124	-239	*-48.1%*
Other financial income	289	416	*-30.5%*
Other financial income and expenses	**-3,192**	**-283**	***1027.9%***
Financial income and expenses	**-8,485**	**-2,722**	*211.7%*

Net cost of financial debt increased from €2.4 million to €5.3 million. This increase is the result of drawing down on credit lines and new loans taken out to finance acquisitions and investments (in France, Mexico and Chile in particular).

The Group also posted a considerable exchange-rate loss (€-11.5 million), suffering from the adverse effects of fluctuations in the majority of the functional currencies of its subsidiaries.
The Group's conversion gains/losses were, for the most part, offset by changes in value on the cross currency swap (in Chilean pesos in particular).

A26. Income tax

in € thousands	2013 Base	2013 Tax	2012 Base	2012 Tax
Profit before tax	**95,584**		**95,461**	
Adjustment for tax credits	-7,800		-6,943	
Adjustment of non-recurring items (including tax)	-		-	
Profit before tax, after adjustments	**87,784**		**88,518**	
Current tax for French companies		-708		-2,438
Current tax for foreign companies		-26,369		-24,457
Current tax		**-27,077**		**-26,895**
Deferred tax for French companies		-1,266		-551
Deferred tax for foreign companies		2,617		-661
Deferred tax		**1,351**		**-1,212**
Tax accounted for		**-25,726**		**-28,107**
Effective tax rate		*29.31%*		*31.75%*
Theoretical tax rate		*34.43%*		*34.43%*
Theoretical tax		**-30,224**		**-30,477**
Difference between theoretical tax and recorded tax		**-4,498**		**-2,370**

The theoretical tax rate used by the Group corresponds to the tax rate in force in France. This rate does not include the additional contribution of 2.77%.

However, to calculate deferred taxes on short-term items, the Group used a rate of 38% to take into account the increase in the additional contribution. The impact of the increase in this contribution is an additional deferred tax expense of €723 thousand.

The difference between theoretical tax and recorded tax as at December 31, 2013 is mainly explained by the difference in foreign tax rates for €2,562 thousand (mainly Chile, where the tax rate is 20%), and the capitalization of loss carryforwards in France for €2,059 thousand.

A27. Result per share

	2013	2012
Profit attributable to the owners of the parent company	**60,522,294 €**	**66,625,639 €**
Total number of shares	8,458,000	8,458,000
Impact of dilutive instruments	-	-
Number of treasury shares	30,453	37,803
Outstanding shares	8,427,547	8,420,197
Profit attributable to the owners of the parent company, per share	**7.18 €**	**7.91 €**
Profit attributable to the owners of the parent company, diluted per share	**7.18 €**	**7.91 €**

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 market segment. 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 December 31, 2013

in € thousands	France	Europe (excluding France)	Latin America	North America	Asia	Pacific	Africa & Middle East	Total
Revenue from ordinary activities	134,291	178,983	134,027	101,441	86,336	79,356	21,646	**736,080**
Operating income	8,939	15,041	30,316	23,766	10,346	11,938	3,723	**104,069**
Profit attributable to the owners of the parent company	12,737	10,640	4,942	15,326	5,482	7,814	3,582	**60,523**
Non-controlling interests	2	-	8,484	-	-	-	-	**8,486**
Consolidated profit	**12,739**	**10,640**	**13,426**	**15,326**	**5,482**	**7,814**	**3,582**	**69,009**

Non-controlling interests correspond mainly to the contribution from the Chilean entities (HSA group), of which Virbac holds 51%.

As at December 31, 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**

A29. Financial assets and liabilities

Breakdown of assets and liabilities measured at fair value

In accordance with IFRS 7, Financial instruments – Disclosures, measurements at fair value of financial assets and liabilities must be classified according to a hierarchy which comprises the following levels:

- level 1: the fair value is based on (unadjusted) quoted prices in active markets for identical assets or liabilities;
- level 2: the fair value is based on inputs other than the quoted prices mentioned in level 1, that are observable for the asset or liability concerned, directly or indirectly;
- level 3: the fair value is based on inputs relating to the asset or liability which are not based on observable market data, but on internal data.

For financial asset and liability derivatives recognised at fair value, the Group uses measurement techniques containing observable market data, particularly for interest rate swaps, forward purchases and sales, or foreign currency options. The model incorporates various inputs such as the spot and forward exchange rates or the interest rate curve.

Financial assets

The various categories of financial assets are as follows:

As at December 31, 2013

in € thousands	Assets available for sale	Loans and receivables	Financial assets at fair value through income	Financial assets at fair value through equity	Total	Fair value hierarchy
Non-current derivative financial instruments	-	-	7,653	-	**7,653**	2
Other non-current financial assets	-	4,625	-	-	**4,625**	-
Trade receivables	-	118,627	-	-	**118,627**	-
Other receivables*	-	38,397	-	-	**38,397**	-
Current derivative financial instruments	-	-	735	-	**735**	2
Other current financial assets	-	3,045	-	-	**3,045**	-
Cash and cash equivalents	-	20,844	14,127	-	**34,971**	1
Financial assets	**-**	**185,539**	**22,515**	**-**	**208,054**	

* excluding prepaid expenses and income tax receivables.

As at December 31, 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	Fair value hierarchy
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**	2
Other current financial assets	-	-	-	-	**-**	-
Cash and cash equivalents	-	22,252	17,497	-	**39,749**	1
Financial assets	**-**	**166,312**	**17,737**	**-**	**184,049**	

* 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 2013, 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 loans granted (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 and cash on hand.

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 December 31, 2013

in € thousands	Loans and debts	Financial liabilities at fair value through income	Financial liablities at fair value through equity	Total	Fair value hierarchy
Non-current derivative financial instruments	-	-	137	137	2
Other non-current financial liabilities	185,842	-	-	185,842	-
Trade payables	77,795	-	-	77,795	-
Other payables*	126,992	-	-	126,992	-
Current derivative financial instruments	-	308	-	308	2
Bank overdrafts and accrued interests not yet matured	4,525	26	-	4,552	2
Other current financial liabilities	25,284	-	-	25,284	-
Financial liabilities	**420,438**	**334**	**137**	**420,909**	

* excluding prepaid income and income tax debt.

As at December 31, 2012

in € thousands	Loans and debts	Financial liabilities at fair value through income	Financial liablities at fair value through equity	Total	Fair value hierarchy
Non-current derivative financial instruments	-	-	1,041	1,041	2
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	2
Bank overdrafts and accrued interests not yet matured	9,590	28	-	9,618	2
Other current financial liabilities	17,110	-	-	17,110	-
Financial liabilities	**372,654**	**446**	**1,041**	**374,141**	

* excluding prepaid income and income tax debt.

At December 31, 2013, the gross cost of financial debt amounted to €6,906 thousand. At December 31, 2012, it was €3,427 thousand.

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 2014.

Credit risk

As at 31 December 2013, the Group's maximum exposure to credit risk is €118,627 thousand, which represents the trade receivables as presented in the Group's 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 considers the counterparty risk to be immaterial 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 December 31, 2013

in € thousands	Receivables due	Receivables overdue for				Impaired	Total
		< 3 months	3-6 months	6-12 months	> 12 months		
France	19,100	548	12	-	-	214	**19,874**
Europe (excluding France)	26,417	677	74	76	-	2,003	**29,247**
Latin America	35,074	9,614	249	585	-	982	**46,504**
North America	5,742	95	-	-	-	42	**5,879**
Asia	7,240	210	3	-	-	308	**7,761**
Pacific	10,421	19	-	-	-	3	**10,443**
Africa & Middle East	2,429	42	-	-	-	4	**2,475**
Trade receivables	**106,423**	**11,205**	**338**	**661**	**-**	**3,556**	**122,183**

As at December 31, 2012

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

Receivables due and not settled are periodically analysed and classified as doubtful receivables, whenever the risk that the receivable will not be fully recovered appears.
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 particularly liquid assets, the cash surpluses of Group's subsidiaries are pooled by the parent company, which is in charge of 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 in accordance with its size and requirements.

Virbac uses floating rate credit facilities in the amount of €297 million, the duration and amount of which are sufficient to ensure financing of the Group and its development projects.
As at December 31, 2013, a total of €156 million had been drawn down from these credit lines. Moreover, the main line opened in 2010, for €220 million, was extended to July 16, 2016.
The financial obligations set out in the opening of credit contracts were met as at December 31, 2013.

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 into account the 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 hedges the majority of its significant and certain exchange positions (loans, debts, dividends, intra-group loans). It hedges future estimated sales and purchases (closed orders from clients and suppliers) whenever the size and the currency fluctuations are significant.

Derivative financial exchange instruments are presented below, at market value:

in € thousands	2013	2012
Fair value hedges	-	-
Cash flow hedges	109	-
Net investment hedges	-	-
Derivatives not qualifying for hedges	318	-178
Derivative financial exchange instruments	**427**	**-178**

The Group's policy is to hedge exchange rate risks when the size and risk of currency fluctuation are significant. It accordingly uses various instruments available on the market, especially 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 credit lines and variable rate loans implemented respectively for a total maximum amount of €297 million and €4.5 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 local loan in Mexico to finance the construction of new facilities is indexed on the TIIE (*Tasa de interes interbancaria de equilibrio*).

The current amount on the credit limit is the following:

in € thousands	2013 Average real interest rate	2013 Book value	2012 Average real interest rate	2012 Book value
Brazil	3.709%	2,141	9.380%	2,319
New Zealand	4.831%	4,865	4.770%	1,960
Chile	2.790%	7,523	2.395%	17,904
Mexico	7.330%	2,767	-	-
Uruguay	6.556%	1,038	-	-
Colombia	11.000%	1,558	-	-
Other	-	4,296	-	1,612
Fixed rate debt		**24,188**		**23,795**
France	0.968%	34,000	0.834%	20,000
France	0.980%	15,000	0.761%	31,000
France	1.044%	66,000	0.763%	11,000
France	0.929%	15,000	0.841%	48,000
France	1.028%	10,000	0.925%	5,000
France	1.090%	16,000	1.580%	4,000
France	0.994%	2,500	-	-
France	0.930%	2,000	-	-
Mexique	5.523%	4,453	-	-
Uruguay	4.825%	2,165	-	-
Colombie	8.340%	3,794	9.940%	6,011
Australie	3.709%	7,132	4.500%	11,834
Variable rate debt		**178,044**		**136,845**
Bank overdrafts		4,526		9,590
Loans and bank overdrafts*		**206,758**		**170,230**

* excluding debt relating to leasing contracts.

Interest rate derivatives are shown below, at market value:

in € thousands	2013	2012
Fair value hedges	-	-
Cash flow hedges	-137	1,041
Net investment hedges	-	-
Derivatives not qualifying for hedges	7,653	-
Derivative financial rate instruments	**7,516**	**1,041**

To manage these 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 December 31, 2013, the swap rates are considered hedging instrument, unlike the cross currency swaps.

Specific impacts from hedging exchange and interest rate risks

The exchange rate derivatives used for cash flow hedging generally mature within 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 December 31, 2013, the unrealised exchange gains and losses in equity for the period showed a €684 thousand gain. The ineffective share recorded as an expense for this cash flow hedging was €42 thousand.

in € thousands	Nominal		Positive fair value		Negative fair value	
	2013	2012	2013	2012	2013	2012
Forward exchange contract	95,943	29,364	636	242	195	421
OTC options exchange	7,383	1,009	99	4	112	3
Cross currency swap	59,530	36,161	7,653	-	-	476
Exchange instruments	**162,856**	**66,534**	**8,388**	**246**	**307**	**900**
Swap rate	41,500	73,000	-	-	137	565
Interest rate options	-	-	-	-	-	-
Interest rate instruments	**41,500**	**73,000**	**-**	**-**	**137**	**565**
Derivative financial instruments	**204,356**	**139,534**	**8,388**	**246**	**444**	**1,465**

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

	2012	Increase	Decrease	2013
Number of authorised shares	**8,458,000**	-	-	**8,458,000**
Number of shares issued and fully paid	**8,458,000**	-	-	**8,458,000**
Number of shares issued and not fully paid	**-**	-	-	**-**
Outstanding shares	**8,420,197**	11,835	-4,485	**8,427,547**
Treasury shares	**37,803**	4,485	-11,835	**30,453**
		-	-	
Nominal value of shares	**1.25 €**	-	-	**1.25 €**
Virbac share capital	**10,572,500 €**	**-**	**-**	**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, that is:

- for the 2011 plan, €1,160,000 corresponding to 10,000 shares at €116,00. This amount has been spread out over the vesting period of 30 months. The impact on the income account as at December 31, 2013 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 December 31, 2013 is €478,400, representing 12/30th of the total expenses.

A33. Dividends

In 2013, the company paid out a dividend of €1.90 per share in respect of the 2012 financial year.
For the 2013 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

	2013	2012	*Change*
France	1,298	1,232	*5.4%*
Europe (excluding France)	334	358	*-6.7%*
Latin America	927	762	*21.7%*
North America	365	355	*2.8%*
Asia	977	958	*2.0%*
Pacific	312	288	*8.3%*
Africa & Middle East	139	132	*5.3%*
Workforce	**4,352**	**4,085**	***6.5%***

Distribution of workforce by function

	2013		2012	
Production	1,666	*38.3%*	1,465	*35.9%*
Administration	487	*11.2%*	500	*12.2%*
Commercial	1,739	*40.0%*	1,728	*42.3%*
Research & Development	460	*10.6%*	392	*9.6%*
Workforce	**4,352**	***100.0%***	**4,085**	***100.0%***

The increase in the Group's workforce is primarily attributable to the inclusion of the teams at Santa Elena in Uruguay, namely 120 employees, including 79 in production.

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

	Total as at 01/01/2013	Usage	Elimination	Acquisition	Availability as at 31/12/2013
DIF hours	**92,512**	-2,954	-2,124	10,559	**97,993**

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

A36. Information on related parties

Compensation of supervisory board members

	2013		2012	
	Compensation	Directors' fees	Compensation	Directors' fees
Marie-Hélène Dick	95,000 €	21,000 €	90,000 €	19,000 €
Jeanine Dick	-	12,000 €	-	12,000 €
Pierre Madelpuech	-	21,000 €	-	19,000 €
Philippe Capron	-	24,000 €	-	22,000 €
Olivier Bohuon	-	21,000 €	-	19,000 €
Xavier Yon	-	-	-	19,000 €
Total	**95,000 €**	**99,000 €**	**90,000 €**	**110,000 €**

Gross compensation of executive board members

As at December 31, 2013

	Fixed compensation (including benefits in kind)	Compensation linked to terms of office for administrators in Group companies	Variable compensation	Total compensation
Éric Marée	318,088 €	70,000 €	50,000 €	**438,088 €**
Pierre Pagès	213,400 €	66,600 €	30,000 €	**310,000 €**
Christian Karst	211,398 €	45,000 €	52,000 €	**308,398 €**
Michel Garaudet	189,251 €	12,900 €	15,500 €	**217,651 €**
Sébastien Huron	216,476 €	-	66,400 €	**282,876 €**
Jean-Pierre Dick	38,781 €	-	16,000 €	**54,781 €**
Total	**1,187,394 €**	**194,500 €**	**229,900 €**	**1,611,794 €**

As at December 31, 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 €**

The compensation paid in respect of 2013 corresponds to the fixed compensation paid in 2013, the compensation linked to terms of office for directors in Group companies paid in 2013, the variable compensation paid in 2014 in respect of 2013 and the benefits in kind granted in 2013 (company car).

Calculation criteria for the variable portion

Each member of the executive board has a variable compensation target which represents a percentage of their fixed compensation.
The variable compensation of the members of the executive board is essentially based on the following targets:

- sales growth;
- growth in operating profit from ordinary activities;
- inventory control;
- significant acquisitions, for the Group, of companies or products (size, financial contribution, strategic importance).

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 €155 thousand in 2013, of which -€331 thousand was recognised in income and €176 thousand 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 December 16, 2011 meeting, the supervisory board reappointed the executive board members for a further term. In line with the provisions of the act of August 21, 2007, the supervisory board, at its March 5, 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 June 18, 2012 and, in accordance with the Afep-Medef recommendations, follow the same terms and conditions as set by the supervisory board on December 22, 2008, namely: the severance pay shall only be payable in the event of

dismissal, at the company's initiative. It will not be paid if the corporate officer resigns, retires or is guilty of serious misconduct. 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 at the end of the 2008 to 2014 financial years.

The stock grants awarded under the 2011 and 2012 plans amount for each of them to 10,000 shares.

No stock grants were awarded in 2013.

Stock grant plans to executive board members in 2011 and 2012 are:

	Number of shares 2011 plan	Number of shares 2012 plan
Éric Marée	1,150	1,130
Pierre Pagès	850	850
Christian Karst	820	820
Michel Garaudet	510	510
Total	**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 €0.8 million was accounted for in expenses in the 2013 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	2013	2012
PP Manufacturing Corporation	NDNE 9/90 Corporate Center LLC	30/09/2020	2,632	3,120
Guarantees given			**2,632**	**3,120**

A38. Scope of consolidation

Company name	Locality	Country	2013		2012	
			Control	Consolidation	Control	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
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	-%	Full	100.00%	Full
Bio Véto Test	La Seyne sur Mer	France	100.00%	Full	100.00%	Full
Alfamed	Carros	France	99.70%	Full	99.70%	Full
Europe (excluding France)						
Virbac Belgium SA	Wavre	Belgium	100.00%	Full	100.00%	Full
Virbac Nederland BV *	Barneveld	Netherlands	100.00%	Full	100.00%	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 liablilities to Virbac Nutrition in 2013**

Company name	Locality	Country	2013 Control	2013 Consolidation	2012 Control	2012 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	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	100.00%	Full
Virbac Patagonia Ltda	Santiago	Chile	100.00%	Full	100.00%	Full
Holding Salud Animal SA	Santiago	Chile	51.00%	Full	51.00%	Full
Centro Veterinario y Agricola Limitada	Santiago	Chile	51.00%	Full	51.00%	Full
Farquimica SpA	Santiago	Chile	51.00%	Full	51.00%	Full
Bioanimal Corp SpA	Santiago	Chile	51.00%	Full	- %	-
Productos Quimico Ehlinger	Santiago	Chile	51.00%	Full	- %	-
Centrovet Inc	Allegheny	United States	51.00%	Full	- %	-
Centrovet Argentina	Buenos Aires	Argentina	51.00%	Full	- %	-
Santa Elena SA	Montevideo	Uruguay	99.17%	Full	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	100.00%	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 December 31, 2013

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 December 31, 2013 on:
- the audit of the accompanying consolidated financial statements of Virbac;
- the justification of our assessments;
- the specific verifications required by law.

The consolidated financial statements have been approved by the executive board. Our role is to express an opinion on these financial statements, based on our audit.

OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, using sample testing techniques or other selection methods, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made, as well as evaluating the overall financial statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as of December 31, 2013 and of the results of its operations for the year then ended in accordance with IFRSs as adopted by the European Union.

JUSTIFICATION OF OUR ASSESSMENTS

In accordance with Article L823-9 of the French commercial code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters.

Goodwill and intangible assets, the net amounts of which total €133.5 million and €198.2 million, respectively, as of December 31, 2013, have been subject to impairment tests in accordance with the methods set forth in paragraph "Goodwill" of "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 forecasts taken from the strategic plans prepared for each of the activities or divisions under the Group's control. We have also verified that paragraph "Goodwill" in "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 our 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, March 24, 2014
The Statutory Auditors

Novances-David & Associés	**Deloitte & Associés**
Christian Dechant	Hugues Desgranges

Statutory auditors' report on the financial statements

Year ended December 31, 2013

This is a free translation into English of the statutory auditors' report issued in the French language and is provided solely for the convenience of English speaking readers. The statutory auditors' report includes information specifically required by French law in all audit reports, whether modified or not, and this is presented below the opinion on the financial statements. This information includes an explanatory paragraph discussing the auditor's assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the financial statements. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the shareholders,

Pursuant to the engagement entrusted to us by your annual general meeting, we hereby report to you for the year ended December 31, 2013 on:

- the audit of the accompanying financial statements of Virbac,
- the justification of our assessments,
- the specific procedures and disclosures required by law.

These 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 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 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 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.

We certify that the financial statements give a true and fair view of the financial position and the assets and liabilities of the company as of December 31, 2013 and the results of its operations for the year then ended in accordance with accounting principles generally accepted in France.

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:

Intangible assets:

Intangible assets, the net amount of which totals €33,607 thousand as of December 31, 2013, are valued at cost and impaired based on their value in use in accordance with the methods described in paragraph "Intangible assets" of "Accounting rules and methods" note to the financial statements

Equity investments:

Equity investments, the net amount of which totals €248,326 thousand as of December 31, 2013, are valued at cost and impaired based on their value in use in accordance with the methods described in paragraph "Equity investments" of "Accounting rules and methods" note to the financial statements.
Based on the information that has been provided to us, our procedures consisted in assessing the data and assumptions upon which these values in use have been based, in particular, reviewing the update of profitability forecasts for the relevant activities and the realization of objectives, and reviewing the consistency of the assumptions used with forecast data taken from the strategic plans prepared for each of these activities under the supervision of the executive board.
These assessments were performed as part of our audit approach for the financial statements taken as a whole and contributed to the expression of our opinion in the first part of this report.

SPECIFIC PROCEDURES AND DISCLOSURES

We have also performed the other procedures required by law, in accordance with professional standards applicable in France.
We have no comments to make on the fair presentation and consistency with the financial statements of the information given in the Executive Board's management report and in the documents addressed to the shareholders with respect to the financial position and the financial statements.
Concerning the information given in accordance with the requirements of Article L225-102-1 of the French commercial code relating to remuneration and benefits received by the corporate officers and any other commitments made in their favor, we verified the consistency of this information with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your company, from companies controlling your company or controlled by it. Based on this work, we attest that such information is accurate and fair.

Pursuant to the law, we confirmed the communication in the management report of the appropriate disclosures regarding the identity of holders of share capital and voting rights.

Nice and Marseille, March 24, 2014
The satutory auditors

Novances-David & Associés
French original signed by
Christian Dechant

Deloitte & Associés
French original signed by
Hugues Desgranges

Statutory auditors' special report on regulated agreements and commitments with third parties

Year ended December 31, 2013

This is a free translation into English of the statutory auditors' special report on regulated agreements and commitments with third parties that is issued in the French language and is provided solely for the convenience of English speaking readers. This report on regulated agreements and commitments should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France. It should be understood that the agreements reported on are only those provided by the French Commercial Code (Code de Commerce) and that the report does not apply to those related party transactions described in IAS 24 or other equivalent accounting standards

To the shareholders,

In our capacity as statutory auditors of your company, we hereby report to you on regulated agreements and commitments with third parties.
The terms of our engagement require us to communicate to you, based on information provided to us, the principal terms and conditions of those agreements and commitments brought to our attention or which we may have discovered during the course of our audit, without expressing an opinion on their usefulness and appropriateness or identifying other such agreements, if any. It is your responsibility, pursuant to Article R225-58 of the French Commercial Code (Code de Commerce), to assess the interest involved in respect of the conclusion of these agreements for the purpose of approving them.

Our role is also to provide you with the information provided for in Article L225-58 of the French Commercial Code in respect of the performance of the agreements and commitments, already authorized by the shareholders' meeting and having continuing effect during the year, if any.
We conducted our procedures in accordance with the professional guidelines of the French national Institute of statutory auditors (Compagnie nationale des commissaires aux comptes) relating to this engagement. These guidelines require that we agree the information provided to us with the relevant source documents.

AGREEMENTS AND COMMITMENTS SUBMITTED TO THE APPROVAL OF THE SHAREHOLDERS' MEETING

Agreements and commitments authorized during 2013

We inform you that no agreement and commitment authorized during 2013 and to be submitted to the approval of the shareholder's meeting pursuant Article L225-88 of the French Commercial Code have been brought to our attention.

Agreements and commitments already approved by the shareholders' Meeting

Agreements and commitments approved during previous years and having continuing effect in 2013

Pursuant to Article R225-57 of the French Commercial Code, we have been advised that the following agreements and commitments, already approved by the shareholders' meeting in previous years, have had continuing effect during 2013.

Agreement with Absolute Dreamer SARL

Senior executive concerned: Mr Jean-Pierre Dick, member of the Virbac executive board.
At its meeting of June 28, 2011, the supervisory board approved the signature of a new sports sponsorship agreement with the company Absolute Dreamer SARL, whose general manager is Jean-Pierre Dick. The purpose of this partnership is to contribute financially to the participation of a sailboat in various ocean races.
Virbac recorded an expense of €800,000 in respect of this agreement for the year ended December 31, 2013.

Senior management termination benefits:

Senior executive concerned: Messrs. Eric Marée, Christian Karst and Pierre Pages, members of the Virbac Executive Board

At its meeting of March 5, 2012, the Supervisory Board authorized the renewal of senior management termination benefit provisions under the same terms and conditions as those decided by the supervisory board meeting of March 13, 2009: termination benefits will only be paid in the event of a forced departure, regardless of whether or not it is related to a change in control or strategy, and provided that the "current operating income to revenues" ratio for the two half-years preceding the departure of the relevant senior executive exceeds or is equal to 7%. In such an event, termination benefits are as follows:

Mr. Eric Marée:	€483,000
Mr. Christian Karst:	€326,000
Mr. Pierre Pages:	€404,000

Nice and Marseille, March 24, 2014
The Statutory Auditors

Novances-David & Associés
French original signed by
Christian Dechant

Deloitte & Associés
French original signed by
Hugues Desgranges

Amendment to the supplementary retirement plan for senior executives:

At its meeting of December 13, 2002, the supervisory board approved, in principle, an amendment to the supplementary retirement plan for members of the executive board.
The agreement was signed on December 22, 2003 with retroactive effect from January 1, 2003.
As of December 31, 2013, Virbac has a total commitment of €791,982 with respect to this plan given the payments already made. The net expense recorded by the company for fiscal year 2013 amounts to €154,551.

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, 19 March 2014

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 ending 31 December 2013 to the supervisory board which duly acquainted itself therewith.

The Group's consolidated turnover of €736.1 million increased by 5.9% compared to 2012, 10.5% at constant exchange rates and 2.1% at constant rates and scope.

The current operating income of €104.9 million rose by 6.9% compared to 2012. The latter includes a significant contribution of acquisitions made in 2012, particularly in Chile with Centrovet, and in New Zealand.

The Group’s share net profit was €60.5 million, down 9.2% compared to 2012, due to the rise in financial expenses related to the debt contracted to finance the acquisitions, and the share of the result attributable to uncontrolled interests in Centrovet.

The Group’s net debt as at 31 December1 increased to €178.1 million, or 49.3% of the Group share equity.

The share value at closing was €155.30 at the end of 2013, which represents a slight increase compared to 1 January 2013.

A dividend of €1.90 per share to be distributed will be proposed at the shareholders’ meeting, i.e. a distributed income per share that remains stable compared to 2012.

At its 20 December 2013 meeting, the supervisory board noted the resignation of the company XYC and co-opted Grita Loebsack as new member of the supervisory board.

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 2013.

Olivier Bohuon’s term of office is set to expire during the next ordinary shareholders’ meeting, which will either reappoint him or appoint a new member for a period of three years.

At its 18 March 2014 meeting, the supervisory board decided to stagger the terms of office of its members in order to comply with Afep-Medef recommenddations. Therefore, members of the supervisory board endorsed the principle that some members should resign in 2014 and 2015 to allow the board to reelect them and rapidly ensure that the terms of office are spread out regularly.
So at the next general shareholders’ meeting, a proposal will be made to appoint Jeanine Dick as a member of the supervisory board for a period of three years.

All members of the supervisory board are extremely sad to inform you of the death of Pierre Pagès, member of the executive board and head of Worldwide Operations, Thursday 6 February 2014.
Close to Doctor Dick, Pierre was an unstoppable craftsman of the development of Virbac worldwide. The thirty subsidiaries and the one hundred countries in which Virbac operates today are largely the result of his fierce determination to plant the Virbac flag and prosper the business of the Group throughout the world.
Nobody personified Virbac as well as he did. Profoundly human, remarkable in his humility and simplicity, but also in his tenacity, his humorous streak was never far awy. He leaves an immense void in the Virbac family.
Pierre Pagès was a veterinarian by training and a MBA graduated of the HEC business school. He started his career with Cyanamid before joining Reading Laboratories as product manager in 1980. He was then promoted to director of Marketing before taking responsibility for the worldwide business operations of Virbac in 1990. He joined the executive board in 1992, and became head of Worldwide Operations in 1996.
At the end of 2013, to take account of the unavailability of Pierre Pagès, executive board duties were temporarily reorganised and then on 18 March 2014, the supervisory board endorsed this reorganisation.

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, as well as the shareholders for their loyalty to the Group.

Resolutions submitted to the ordinary and extraordinary shareholders' meeting of June 17, 2014

WITHIN THE COMPETENCE OF THE ORDINARY SHAREHOLDERS' MEETING

First resolution: approval of the 2013 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 December 31, 2013 showing a net result of €33,957,429.18, 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 €214,039. 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.

* Please refer to the French version of the annual report.

Second resolution: approval of the 2013 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 December 31, 2013, 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 €60,522,294.
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 2013
Net result for the year	33,957,429.18
Retained earnings carried forward	135,284,682.61
Distributable result	**169,242,111.79**
Distribution of dividends	16,070,200.00
Balance carried forward	17,887,229.18

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 June 20, 2014 and will be payable on June 25, 2014.
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
2010	1.50	13,018,970
2011	1.75	14,748,377
2012	1.90	16,014,785

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 December 31, 2013.

Fifth resolution: appointment of Jeanine Dick as a member of the supervisory board

The shareholders' meeting, in accordance with quorum and majority requirements for ordinary shareholders' meetings, decides to appoint Jeanine Dick as a member of the supervisory board for a three-year term, to expire at the end of the shareholders' meeting convened to approve the financial statements for the year closing on December 31, 2016.

Sixth resolution: reappointment of Olivier Bohuon as a member of the supervisory board

The shareholders' meeting, in accordance with quorum and majority requirements for ordinary shareholders' meetings, reappoints Olivier Bohuon to a new three-year term as a member of the supervisory board.
Olivier Bohuon'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 December 31, 2016.

Seventh resolution: approval of the appointment of Grita Loebsack as a member of the supervisory board

The shareholders' meeting, in accordance with quorum and majority requirements for ordinary shareholders' meetings, approves the appointment of Grita Loebsack as a member of the supervisory board. She had been temporarily appointed by the supervisory board at its meeting of December 20, 2013, to replace the company XYC.

Grita Loebsack will hold her office for the remainder of YXC's term of office, i.e. until the close of the shareholders' meeting convened to approve the financial statements of the fiscal year ending December 31, 2015.

Eighth resolution: approval of the appointment of the company XYC as a non-voting advisor

The shareholders' meeting, in accordance with quorum and majority requirements for ordinary shareholders' meetings, approves the appointment of the company XYC, represented by Xavier Yon, as a non-voting advisor for a one-year term. This appointment had been decided temporarily by the supervisory board at its meeting of December 20, 2013.
The XYC Company's term of office will end at the close of the shareholders' meeting convened to approve the financial statements of the fiscal year ending December 31, 2014.

Ninth resolution: a favourable opinion on the compensation items owed or awarded to Eric Marée, chairman of the executive board

The shareholders' meeting, in accordance with quorum and majority requirements for ordinary shareholders' meetings and consulted pursuant to the Afep-Medef Corporate Governance Code for listed companies (paragraph 24.3), delivers a favourable opinion on the compensation items owed or awarded to Eric Marée, chairman of the executive board, as indicated in the management report (page 88) for the financial year ended December 31, 2013.

Tenth resolution: a favourable opinion on the compensation items owed or awarded to members of the executive board

The shareholders' meeting, in accordance with quorum and majority requirements for ordinary shareholders' meetings and consulted pursuant to the Afep-Medef Corporate Governance Code for listed companies (paragraph 24.3), delivers a favourable opinion on the compensation items owed or awarded to the other members of the executive board, as indicated in the management report (pages 88 to 89) for the financial year ended December 31, 2013.

Eleventh resolution: approval of the total amount of attendance fees allocated to members of the supervisoryboard

The shareholders' meeting, in accordance with quorum and majority requirements for ordinary shareholders' meetings, elects to grant a sum of €141,000 as attendance fees for the current fiscal year which will be shared among the members of the supervisory board.

Twelfth resolution: authorisation to be granted to the executive board to buy back shares

The shareholders' meeting, in accordance with quorum and majority requirements for ordinary shareholders' meetings, after having heard the report from the executive board, authorises the executive board, with the option of subdelegation, in accordance with the provisions of articles L225-209 et seq. of the French Commercial Code, to buy back shares representing up to a maximum of 10% of the company's capital stock on the date of this meeting, in order to:

- ensure liquidity or support the market price via an independent investment services provider pursuant to a liquidity agreement in accordance with a code of ethics recognised by the French financial markets authority (Autorité des marchés financiers);
- proceed with the allocation of free stock grants under the provisions of articles L225-I97-I and seq. of the French Commercial Code;
- reduce the company's capital stock by cancelling all or part of the shares purchased.

The maximum unit purchase price may not exceed €300.
The maximum transaction amount, taking into account the 25,771 shares already held as at February 28, 2014, is thus set at €246,008,700.
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 June 17, 2013 in the eleventh 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

Thirteenth resolution: authorisation to rewrite the articles of association of the company

The shareholders' meeting, in accordance with quorum and majority requirements for extraordinary shareholders' meetings, after having heard the executive board's report and the text of the new articles of association submitted to it for adoption, approves the overall rewriting of the company's articles of association and the adoption of their new drafting including the main changes listed below:

- updating the corporate purpose (article 3 of the new articles of association);
- modifying the lifetime of the company to extend it to 99 years, i.e. until June 17, 2113 (article 5 of the new articles of association);
- increasing the maximum number of supervisory board members to ten and increasing the minimum number of shares that a board member must hold from one to ten. These shares must be registered in the name of the shareholder (article 10 of the new articles of association);
- within statutory limits, modifying the number of executive board members, to bring their minimum number to 2 and their maximum number to 7 (article 15 of the new articles of association);
- modifying the time required to notify the crossing of statutory thresholds, reducing it from 15 to 5 trading days (article 7 of the new articles of association).

Therefore, the shareholders' meeting decides to adopt each article and all the new articles of association which will govern the company after this meeting, the text of which will be appended to the minutes of the meeting.

Fourteenth resolution: powers to carry out formalities

The shareholders' meeting, in accordance with quorum and majority requirements for ordinary shareholders' meetings, confers all powers to the bearer of an original, an extract or a copy of these minutes in order to complete all formalities provided by law.

GLOSSARY

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.

Bovidec
vaccine for bovine viral diarrhea

Browse plus
nutritional supplement for food producing animals

CaniLeish
vaccine against canine leishmaniosis

Deltanil
deltamethrin-based parasiticide intended for use in cattle and sheep as a topical application

Effipro
fipronil-based external parasiticide for treating flea and tick infestations in dogs and cats

Epi-Otic
ear cleanser for dogs and cats

Flukazole C
internal parasiticide in cattle and sheep for the control of benzimidazole-sensitive worms

Fortius
injectable antibiotic prescribed for treating respiratory diseases in food producing animals

Cydectine
range of moxidectin-based parasiticides for food producing animals

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

Luminal
phenobarbital-based tablets for treament of epilepsy in dogs

Maxflor
florfenicol-based antibiotic intended for the prevention and the treatment of respiratory diseases of bacterial origin in cattle and pigs

Milteforan
miltefosine-based oral treatment for canine leishmaniosis whose administration in food facilitates optimum observance

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

Nutri plus gel
oral paste-based food supplement for dogs

Ostovet
food supplement for cattle

Penclox
dual combination of penicillin and cloxacillin antibiotic lactating intramammary targeting common bacteria causing mastitis in dairy cattle

Prodose
range of anthelmintics for food producing animal

Pulmodox
doxycycline-based antibiotic prescribed for treating respiratory diseases in pigs and poultry

Rabigen mono
monovalent and multi-dose rabies vaccine

Rabigen SAG2
oral rabies vaccine

Super Mastidol
dual combination of penicillin and neomycin drying up intramammary prescribed for preventing and treating mastitis in dairy cattle

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

Virbamec
ivermectin-based parasiticide for food producing animals

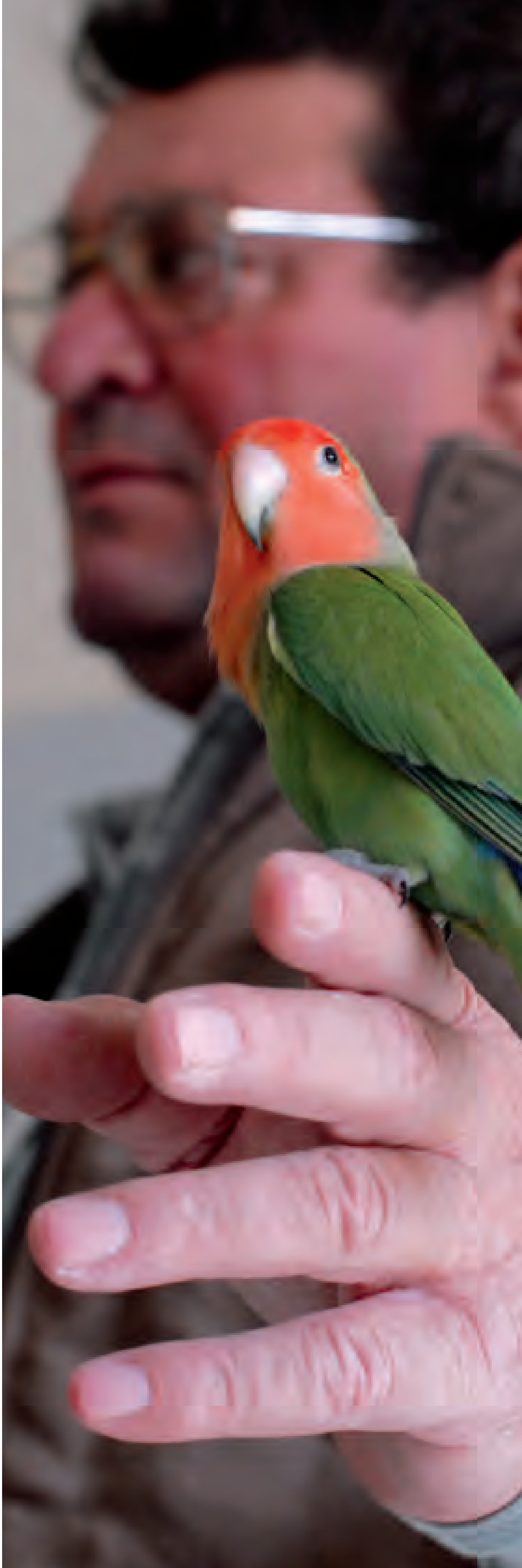
Vet complex
specialised petfood for dogs and cats

Veterin
broad spectrum bacteriostatic antibiotic for swine, poultry and salmonids (Centrovet)

Vetflurane
isoflurane-based general anaesthetic

Vimeral
food supplement for cattle in liquid form

Zoletil
multi-species general anaesthetic



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