Virbac

2009 Annual report

Passionate about animal health

A laboratory dedicated
to animal health

Founded in 1968 by a French veterinarian, Virbac is the first independent laboratory worldwide, exclusively dedicated to animal health.
Present in more than 100 countries, the company offers the widest range of products and services intended for veterinarians, farmers and animal owners.

Overview

of 2009

Contents

A performance

that is remarkable against the background of the crisis

Éric Marée, chairman of the executive board

What is your overall assessment of 2009?

The global market in animal health has of course been affected by the serious financial crisis of 2009, even if several sectors have shown a certain resilience.

> ***Solid growth through increased market share***

The companion animal market was stagnant in the first half of the year both in Europe and in the United States, but it did recover in the second half. Emerging countries, in which markets are dominated by food producing animals, have continued with their sustained growth. On the other hand these same markets have experienced negative trends in the developed countries. The effects of the financial crisis are made worse by the consequences of disruption to the agricultural markets which have particularly affected a country like France.

Have these conditions had an impact on the company's business?

No. Virbac's performance has been remarkable against this background. Market share gains in almost all areas have allowed us to maintain an organic growth rate that is very close to the one we had last year. These gains are clear whichever way you look at it. In the companion animal area we saw overall growth of 7.5%, (6.8% in Europe and 8.5% in the United States) at constant exchange rates, well beyond our objective which is to grow more than two points above market growth, particularly in the United States. For food producing animals our overall growth was 6% at constant exchange rates. It was 4.9% in Europe with the contribution of the acquisitions made halfway through 2008, and dropped less than the market (-3.1%) where these are excluded. Growth in this sector outside Europe remains strong at 7.3%.

How do you explain these good results?

This performance is linked to our strong capacity for innovation and also to advances in products launched these last few years. The most symbolic examples for innovation are the launch of Effipro® in Europe, our fipronil-based range, as well as the launch of Easotic®, an original speciality product in the dermatology area. In addition, the favourable results of the "field" studies from the leishmaniasis vaccine project allow us to aim for submission of the registration file in Europe in early 2010, so we can expect to market the product as of 2011.

> ***Innovation, commercial dynamism and careful management***

The strong growth of the Iverhart® range in the United States shows the potential for the development of products launched over the last ten years perfectly. Finally, the two-figure growth rates that we are achieving in countries like India, South Africa, Brazil and even Mexico highlight the relevance of the investments we are making in emerging countries.

> "This performance is linked to our strong capacity for innovation and also to the growth of products launched over the last few years"

Are there any other factors?

Yes. The care that we have shown as regards our costs and our working capital requirement against a very uncertain background at the start of the year has made us even more profitable - the ratio of operating result to turnover is up 0.2 points to 12.5% - and it also led to strong reduction in debt of more than €33 million. With a net debt to equity ratio of 14% we have the means to pursue an ambitious acquisitions policy, and to play our part in the current consolidation of this industry.

And what about the outlook?

2010 should see a recovery in growth in the global animal health market, although with certain contrasting positions depending on the sector.

➤ *Genuine ambitions for 2010*

For companion animals we think that 2010 will be in line with the favourable trend seen in the final months of 2009. The food producing animal sector in developed countries on the other hand is only expected to see very gradual improvement, particularly in France where the situation in farms at the start of the year is worrying. Conversely the outlook in this area is much more favourable in the emerging countries.

What ambitions does the Group have for 2010?

We maintain our objective of growth in market share in this overall more favourable environment. In order to succeed we are counting on the increase in strength of Effipro ®, with it being available throughout Europe for the start of the purchasing season for external parasiticides, but also on the continued growth of the Iverhart® range in the United States, as well as on our activities in emerging countries, particularly India and Brazil. We will also benefit from the contribution from acquisitions completed at the start of the year in Australia (Wyeth food producing animal range) and in Uruguay (acquisition of a 30% stake in the biology specialist Santa Elena), without excluding the possibility that other acquisitions will be made during the course of the year. In conjunction with us keeping our costs under control, this expected growth should permit us to increase profitability again.

Highlights of 2009

Product launches, organisations, acquisitions… Follow the guide for everything you need to know about the Group's highlights for 2009.

January

Europe: Easotic ®, a unique new airless delivery system

Launch of Easotic ® for the treatment of ear infections in dogs. Length of treatment reduced to five days, one single daily application, airless delivery system… all assets that encourage treatment compliance.

➤ ***With this product, which is the only one of its kind (Pharmapack Compliance award 2009), Virbac is going a long way towards strengthening its position as the leader in dermatology.***

Group: optimising manufacturing activity

Manufacturing activity at Fort Worth consolidated at the St. Louis site, relocation of manufacturing from Virbac Denmark to the Magny en Vexin and Carros sites and assimilation of the aquaculture business resulting from the acquisition of Bio Solution in 2006 (manufacturing is relocated to Virbac Vietnam and sales management resumed by Virbac Thailand).

➤ ***These changes play a part in rationalising the Group's manufacturing operations in order to make it more competitive over the long term.***

March

India: solid business expansion

Marketing of Veggie Chews, the first of ten new products put on the Indian market in 2009 (Preventic, Clinar M shampoo, Effipro ® spray, Lixen ® Palatab, Ketochlor™, Episoothe™, Epiotic™ for companion animals and Hitek™ F injectable and Inflavet ® for food producing animals).

➤ ***These product launches are making a significant contribution to the growth in sales at the Indian subsidiary (+19% on 2008).***

April

Mexico: a lean Movex pilot for the Group

Deployment of the latest version of Virbac ERP, Movex M3, in cooperation with the Manufacturing Operations and the Manufacturing Management Control departments.

➤ ***This cross-collaboration has led to the drawing up of a core model in line with lean manufacturing and logistics flows and the Group method for calculating manufacturing standard costs.***

May

Europe: Effipro ®, the fipronil-based alternative

Product launch of Effipro ® spot-on and spray, a fipronil-based parasiticide against ticks and fleas in dogs and cats. Forecasting free use of the patent-protected fipronil molecule, Virbac

has pulled out all the stops in offering an alternative in the leading segment of the European companion animal market, external parasiticides (€380 million).

Despite a temporary suspension of its marketing authorisation in France linked to a quality defect that surfaced in July 2009 with the pipettes (product remarketed in January 2010), Effipro® has been a success. The good sales results achieved with fipronil-based products in Europe in 2009 suggest a promising outlook for 2010.

October

Europe: submission of the registration file for the leishmaniasis vaccine planned for early 2010

End of development work for the canine leishmaniasis vaccine. The registration file will be submitted in Europe in the first few months of 2010.

Expecting to be in a position to offer the first vaccine on the market, Virbac intends to make a decisive contribution to the fight against this parasitic illness.

December

Group: increasing product innovation in the southern hemisphere

Set up of a Product Innovation organisation for the southern hemisphere to be operational in 2010 (in association with the RDL centres in Latin America and Asia) based on the model deployed two years ago in the northern hemisphere for companion animals.

This body, whose priority concerns projects for food producing animals, will enable product innovation in this part of the world to become more dynamic and better coordinated according to its specific needs.

Australia: a strategic agreement with Pfizer

Announcement of the signing of an agreement with Pfizer to acquire parasiticides and vaccines for ruminants in 2010 that will be marketed by Fort Dodge in Australia (sales of $AUD 37 million in 2009).

This new portfolio which complements the subsidiary's current range allows Virbac to integrate the food producing animal vaccine sector in the country.

Uruguay: first steps towards vaccines for food producing animals

Acquisition of 30% of Santa Elena (with the aim of subsequently acquiring the entire company) and signing of a contract for exclusive distribution of all the company's products worldwide.

With this joint-venture, Virbac integrates the bovine vaccine sector and also benefits from a pipeline of very promising companion animal R&D projects.

Virbac worldwide

Today, the Group is structured in four management areas: Europe, North America, Latin America and Apisa (covering Asia, the Pacific, India and South Africa). Other markets of Africa and those of the Middle East are covered by the Europe area.

8th veterinary pharmaceutical company in the world

5 research centres

France, United States, Australia, Mexico and Vietnam

2900 employees

63% based outside France

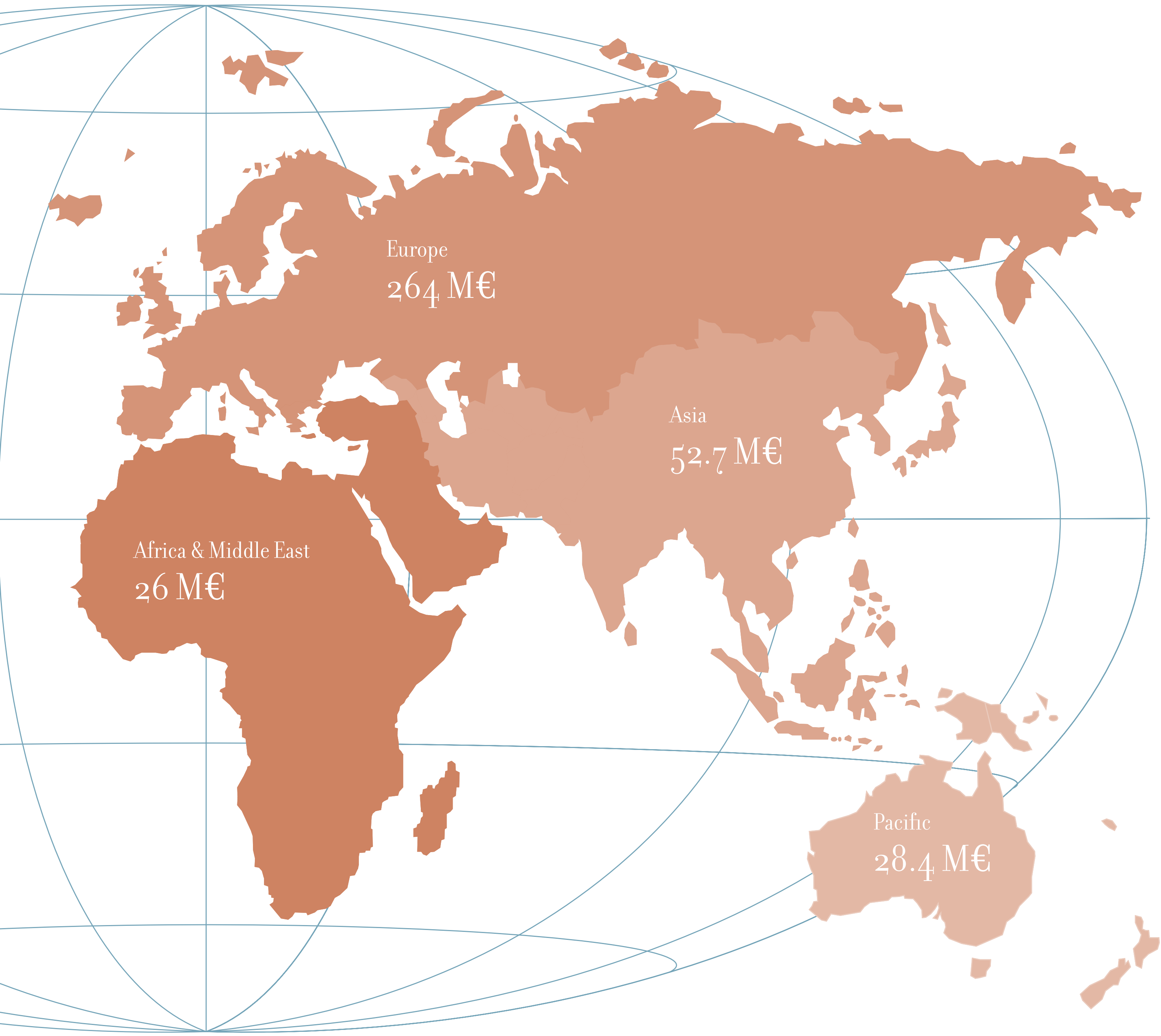
Production sites in 7 countries

France, United States, Brazil, Mexico, South Africa, Australia and Vietnam

26 subsidiaries outside France

Present in more than 100 countries

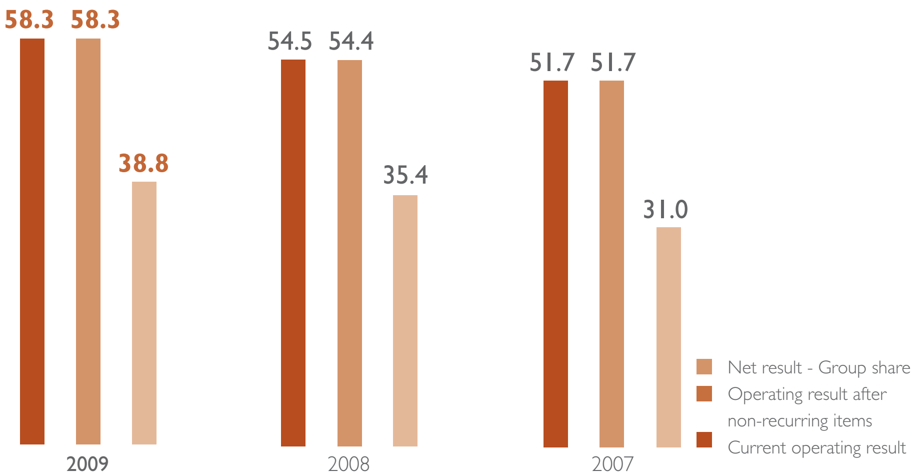
79% of sales generated outside France



Key figures of the Group

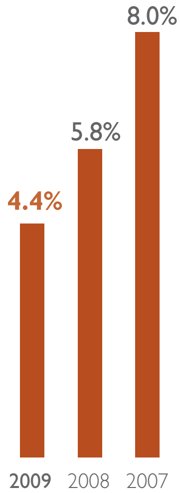
Results

€ millions



Organic growth

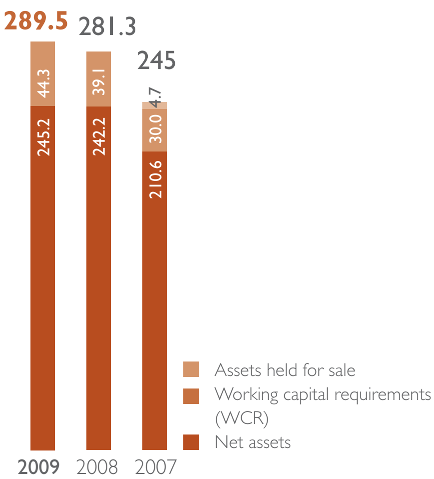
Like-to-like exchange rates and scope



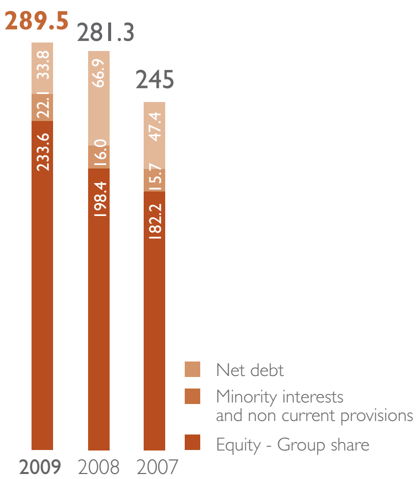
Financial structure

€ millions

Capital employed

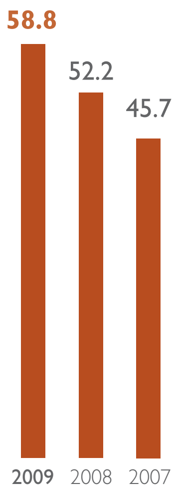


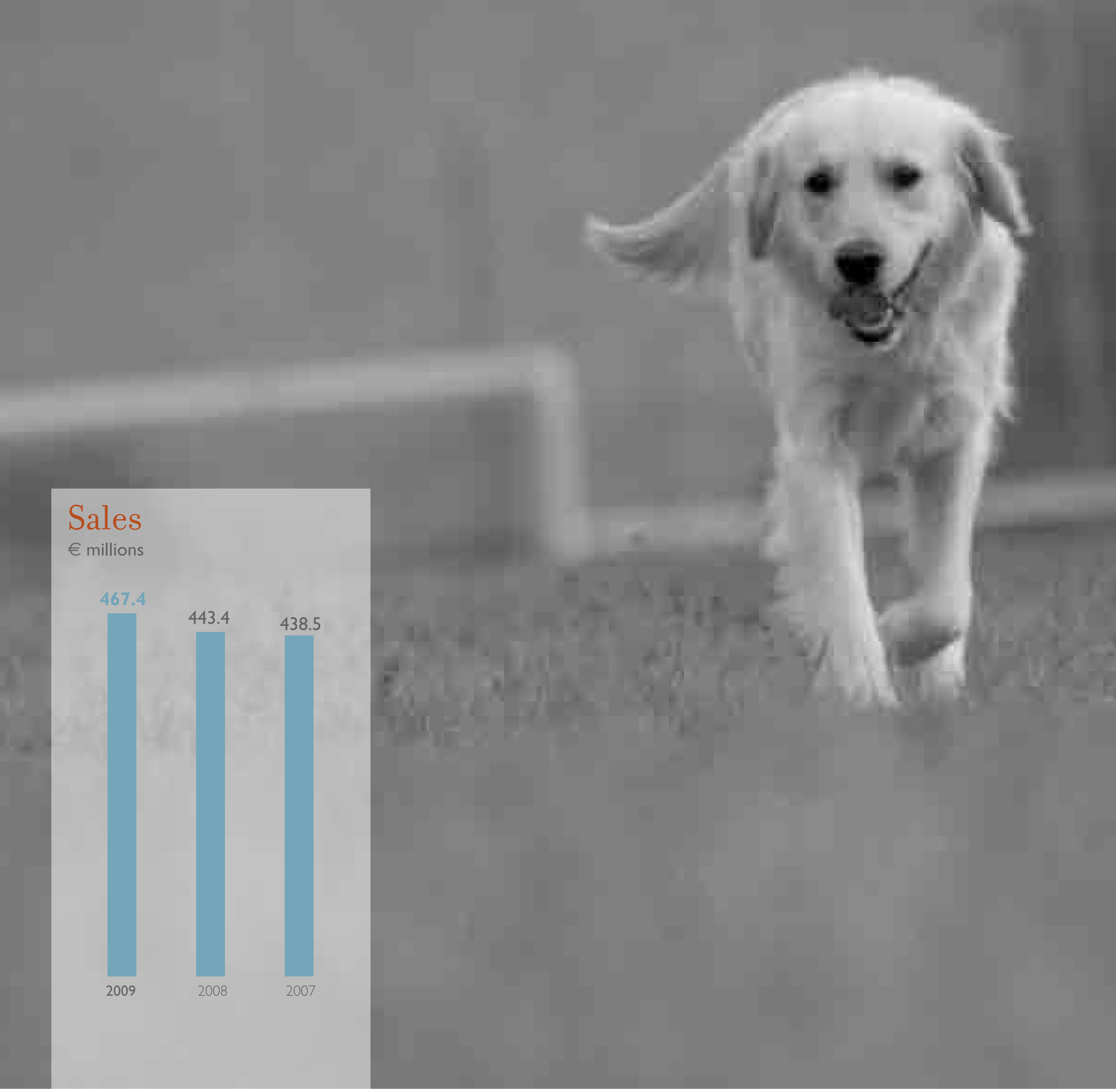
Financing



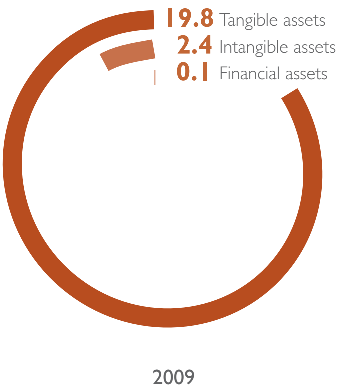
Cash flow

€ millions





Investments
€ millions



Corporate governance

Virbac is a public limited company with executive and supervisory boards.

Executive board

The executive board is responsible for the strategic and operational management of the company.


Éric Marée

It has five members:

Éric Marée, chairman

Pierre Pagès, chief operating officer

Christian Karst, executive vice-president corporate development

Michel Garaudet, chief financial officer

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

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

Pierre Pagès


Christian Karst

Michel Garaudet

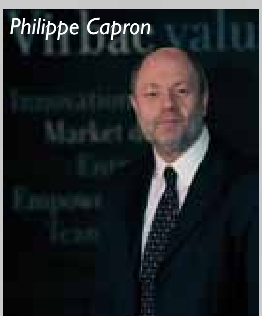

Jean-Pierre Dick

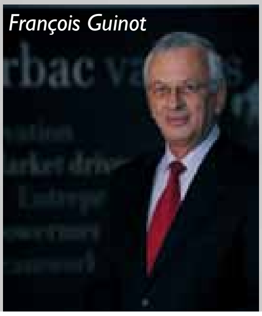
Supervisory board

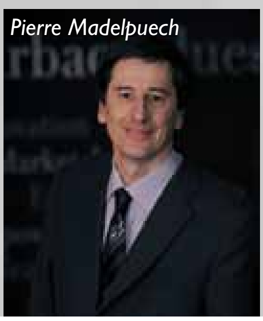
The supervisory board ensures permanent control of the management of the executive board, regular inspection of the accounts as well as all major projects and investments.

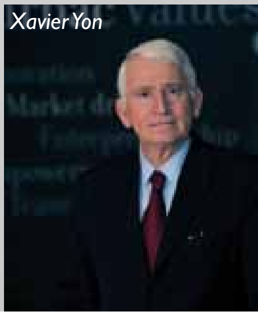
The supervisory board is comprised of:

Marie-Hélène Dick, chairwoman
Jeanine Dick, vice-chairwoman
Philippe Capron
François Guinot
Pierre Madelpuech, permanent representative of the company Asergi
Xavier Yon, permanent representative of the company XYC









Audit committee

The audit committee is responsible for 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;
- give its opinion on the validity of the accounting treatment of major transactions.

It is comprised of **Philippe Capron**, chairman, **François Guinot** and **Pierre Madelpuech**.

Compensation committee

The compensation committee is responsible for:

- drawing up recommendations and proposals regarding the compensation of members of the executive board;
- staying informed of the Group's general HR policy and more specifically the compensation policy for the Group's principal executives;
- reviewing proposals and conditions relating to the allocation of stock option or performance share grants;
- drawing up proposals regarding the amount of attendance fees to be paid to members of the supervisory board.

It is comprised of **Marie-Hélène Dick**, chairwoman, **François Guinot** and **Xavier Yon**.

Statutory auditors

- Deloitte & Associés, represented by **Vincent Gros**
- Novances-David & Associés, represented by **Jean-Pierre Giraud**

The project
of skipper Jean-Pierre Dick

The kingdom of Aragon and Castile! That was the name of the main renowned sponsor of a no less famous sailor: Christopher Columbus. And sailing sponsorship is not a new thing. It has always been a formidable driver of positive values and messages.

At Virbac, this real-life adventure is the result of a joint commitment since 2001 alongside professional skipper, Jean-Pierre Dick. At the highest level for fifteen years, this trained veterinary surgeon is one of the best regatta competitors on the 60 foot circuit. His prizes include: two consecutive titles in the Transat Jacques Vabre (2003 and 2005), 3rd place in the Route du Rhum 2006, victory in the first edition of the Barcelona World Race and a commendable 6th place in the Vendée Globe 2004-2005.

➤ Customer relationships, company profile and company values

Sailing sponsorship is a profitable financial investment for the Group (€600 thousand per year). It is an excellent tool for developing special customer relationships, principally at races but also at other times. For nine years, more than 1,000 veterinary surgeons have been involved in various events: tours of the monohull, onboard navigation, meeting the skipper, watching races start and finish, etc. These evoke strong emotions that play a role in strengthening Virbac's partnership with its main customers.

It is also a way of raising the company's profile. Along with cycling, sailing is one of the few disciplines where the company can make its brand as visible as possible. Furthermore, it is one of the most widely covered sports in the media, generating

A year in transition

2009 was marked by Jean-Pierre Dick's participation in the first edition of the Istanbul Europa Race, a team race with stopovers. It was also the end of an adventure for Jean-Pierre's second boat, which was sold to the Barcelona Foundation for Oceanic Navigation. In 2010, its place will be taken by a new monohull, Virbac-Paprec 3, construction of which began in New Zealand in July 2009 (by Cookson Boats in Auckland). The objective: Vendée Globe 2012!

extensive cross-media exposure for Virbac equivalent to purchasing around €2 million of advertising space per year.

Finally, sailing serves as a vehicle for the values that are deeply anchored in Virbac corporate culture: team spirit, willingness to embark on projects, innovation, respect for the environment, continuous pursuit of results… There is no doubt that Jean-Pierre Dick flies the company flag high!

Sustainable development

Report 2009

This sustainable development report provides a traditional treatment of three underlying pillars: environment, social and economic. This approach is not a new one for Virbac. From its very beginning some forty years ago, Virbac has taken a long-term view.

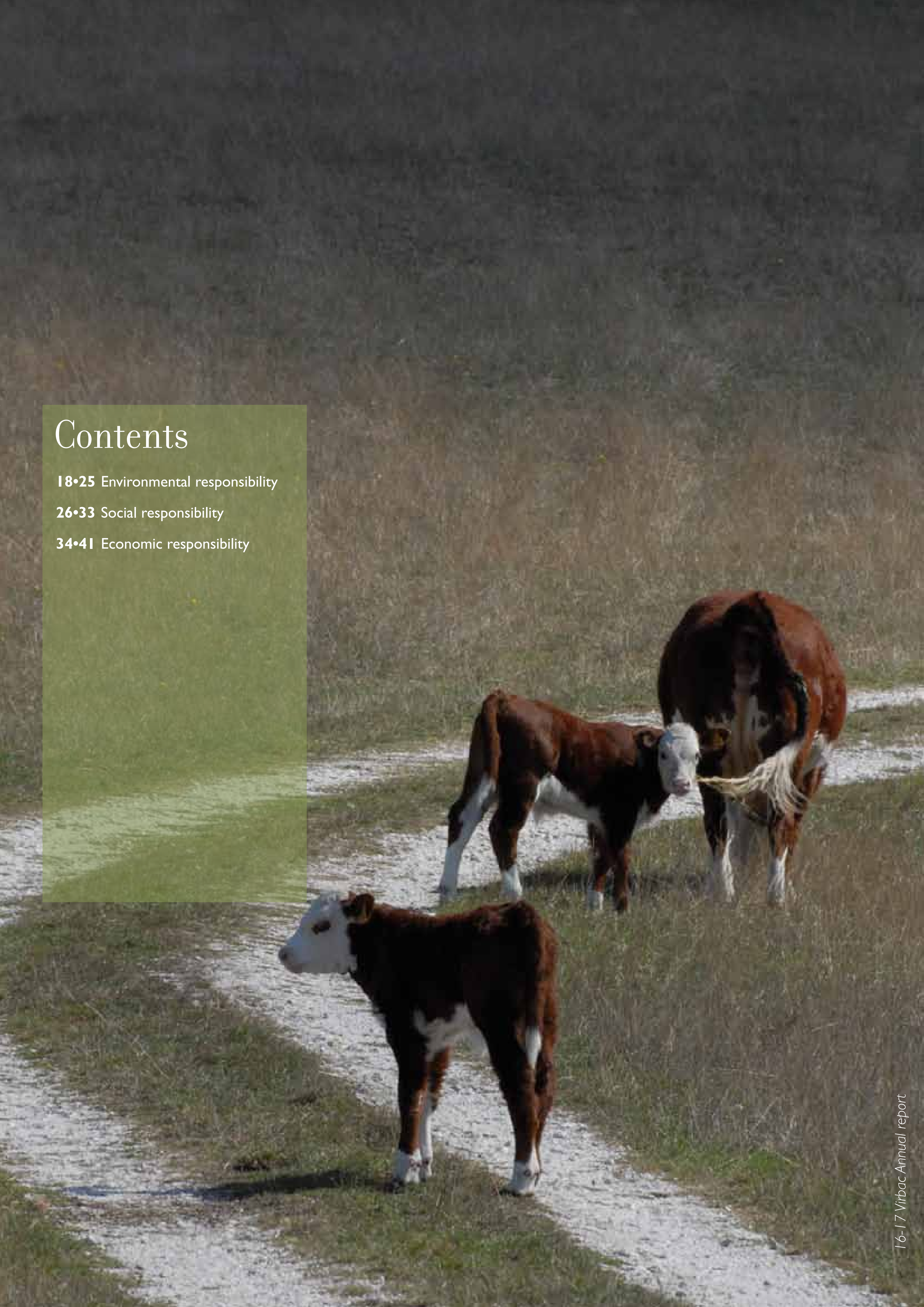
• **In the social field,** respect for humanity was one of the core values of the company's founder, Pierre-Richard Dick, DVM: the pursuit of real social dialogue, a remuneration and social protection policy that favours employees on the lower end of the salary scale, and the confidence and interest shown in every employee are therefore part of Virbac's traditional values. The company is committed to preserving this tradition and to cultivating it by supplementing it with ambitious skills development policies.

• **In the economic field,** the company's goal is to continue posting the steady and profitable growth it has seen almost annually since its founding. This development is primarily based on solid organic growth, driven by innovation and the strength of Virbac's customer relations. It is regularly supplemented by targeted acquisitions that are made whilst still ensuring that debt levels remain manageable. This strategy is pursued within the framework of a straightforward and clear governance structure that provides shareholders with a high level of transparency.

• **In the environmental field,** the company's very operations guarantee high quality levels (compliance with good manufacturing practices and with good laboratory practices for example). In addition, some years back the company launched lean manufacturing and continuous improvement projects designed to steadily cut waste and optimise resource usage. The pursuit of energy savings and respect for the environment are integrated in a more and more systematic way in key company decisions (e.g. investments, shipment, product concepts).

This report is still primarily focused on initiatives in France, which continues to be Virbac's leading market and which is home not only to the Group's headquarters but also to a large portion of its manufacturing and research and development activities. Nevertheless it includes several perspectives on our practices and initiatives related to sustainable development in our subsidiaries. It is our ambition to create a more complete report covering the whole Group in 2011.

Éric Marée



Contents

Environmental responsibility

Resource management

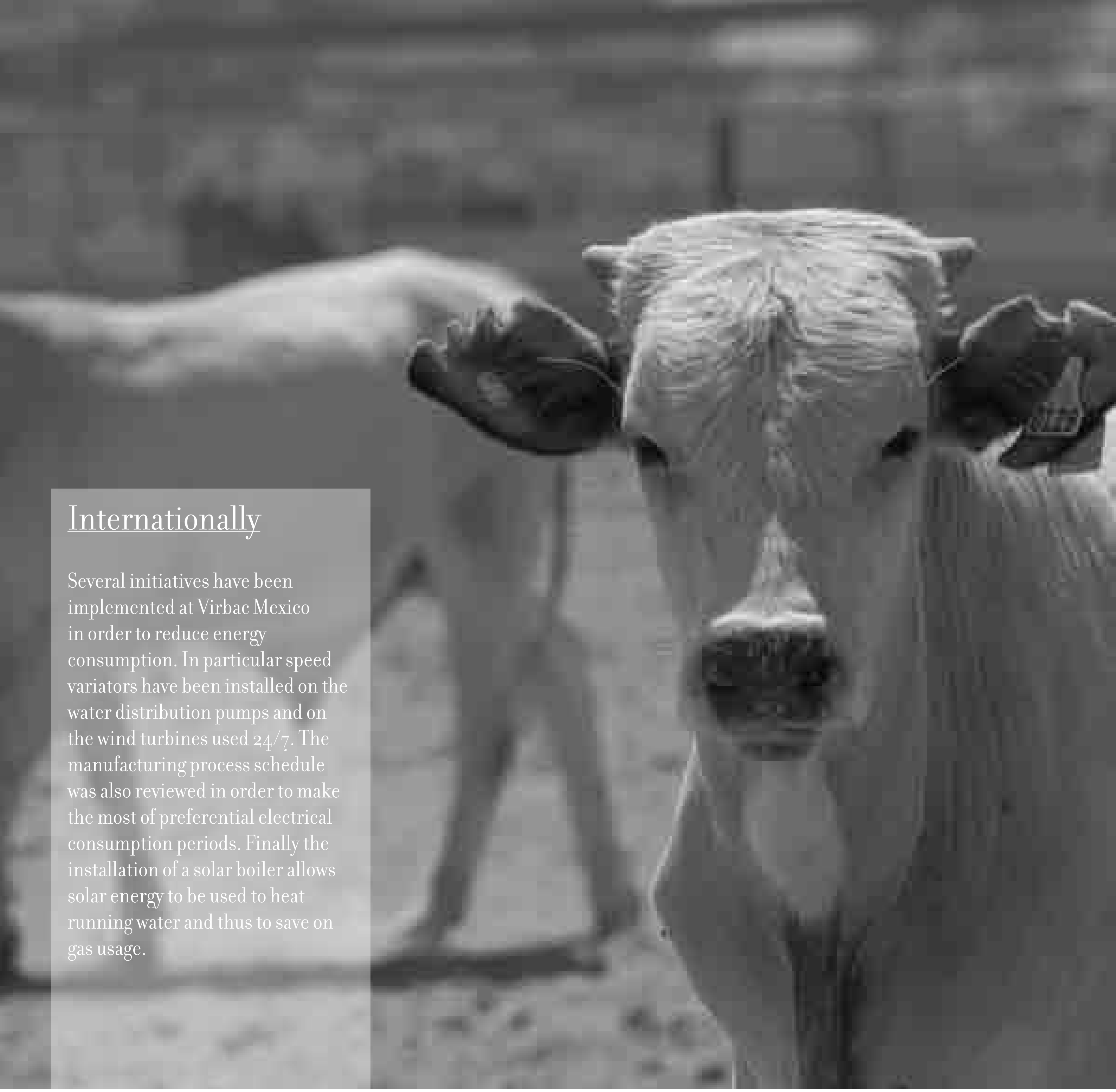
At Virbac, resources are carefully managed via key indicators covering energy and natural resource usage (water, electricity, gas, fuel) as well as raw material usage (active ingredients, packaging, excipients, etc.).

Lowering energy and natural resource usage on comparable activities

For several years now, Virbac has been striving to cut energy and natural resource usage through the recycling of water, replacement of equipment (more efficient), thermal insulation, optimisation of air conditioning and the introduction and positioning of energy consumption meters as close as possible to the end users (better control of energy expenditure). On comparable activity, there has been an overall annual reduction of 3% in electricity and gas usage and 5% in water usage over the past three years.

Industrial activity in France

Calculation base: costs of products sold each year (direct workforce and actual indirect costs of manufacturing ascertained + standard material costs)



Internationally

Several initiatives have been implemented at Virbac Mexico in order to reduce energy consumption. In particular speed variators have been installed on the water distribution pumps and on the wind turbines used 24/7. The manufacturing process schedule was also reviewed in order to make the most of preferential electrical consumption periods. Finally the installation of a solar boiler allows solar energy to be used to heat running water and thus to save on gas usage.

Usage

Minimising losses at every stage of the manufacturing process

Since the introduction of the Continuous Improvement project, Virbac has stepped up the fine-tuning of its active ingredient, excipient and packaging usage. 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 (a rhythmical manufacturing pattern tailored to customer demand) to the shipping of finished products (in line with customer requirements). Lastly, Virbac's innovation policy favours the manufacturing of products requiring the least amount of packaging.

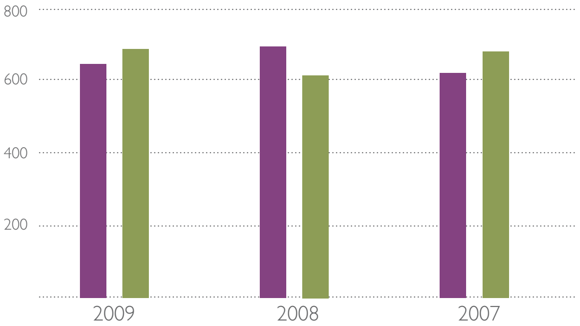
Internationally

Virbac United States needed to install a temperature, humidity and pressure control system in the different manufacturing and storage areas at its site in St. Louis (Missouri). Two options were considered for this: a traditional direct expansion system and a cold water refrigeration system. Although it involved a higher initial investment the cold water system was chosen because of its long-term benefits: flexibility (easily adjustable according to growth needs) and energy savings (50% less energy consumption than the other system).

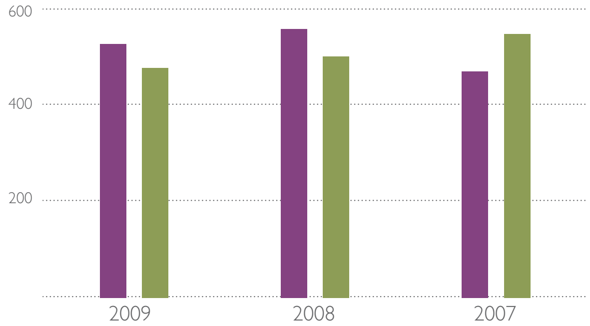
Packaging put on the market

■ Compared to operating indicator ■ Actual

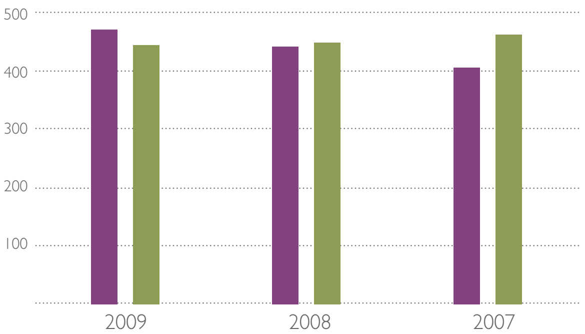
PAPER in tonnes



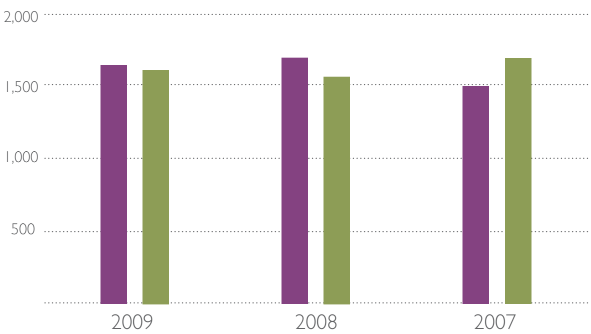
PLASTIC in tonnes



GLASS in tonnes



TOTAL in tonnes



The Virbac information system also plays a role in reducing environmental impacts through the deployment of:

• collaborative tools limiting the need for business trips (video-conferencing, shared work spaces, instant messaging, etc.);

• communication tools that dematerialise internal and external discussions (workflow, extranet, PDA, FTP platform, etc.);

• computer infrastructures that reduce the need for material resources (server virtualisation, lean ERP, automation, etc.).

Areas for improvement

The construction of a new industrial building complying with the latest environmental standards will begin in 2010 at the Carros site. This work will include the measures planned by the National interest project responsible for the development of the Var plain (eco valley). A new policy concerning company cars that is aimed at limiting polluting engines came into force in January 2010: vehicles are now only authorised to discharge less than 160 g of CO_2 per km. The cost of vehicles will go down through this approach thanks to lower taxation on company cars.

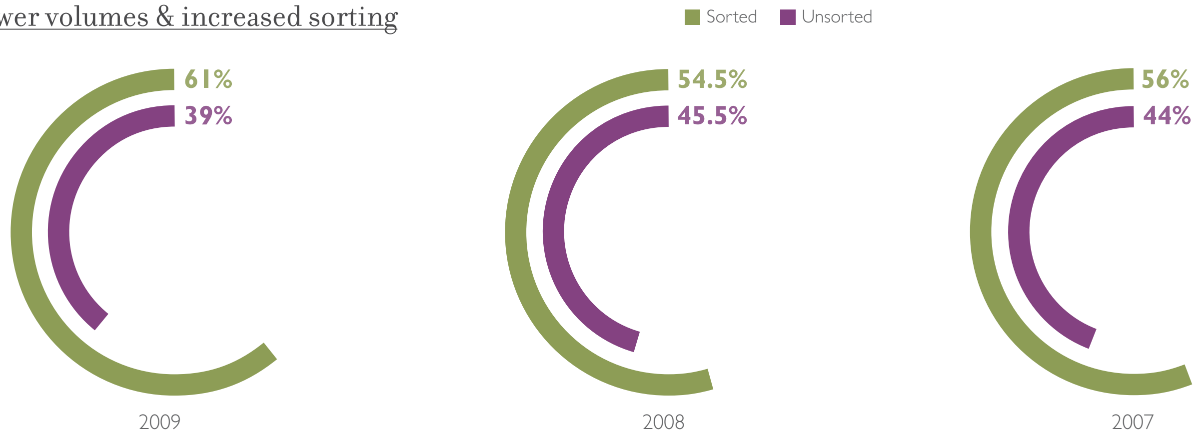
Waste management

Virbac generates two different types of waste: non-hazardous industrial waste and special industrial waste. Both types are managed via dedicated collection and sorting channels in order to ensure optimal recycling or development depending on their nature.

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

Since 2003 Virbac has participated in the implementation of a collection system for non-hazardous industrial waste (aluminium, iron, glass, cardboard, plastic, paper, other) at the Carros industrial site. This special system (regularly studied by local authorities or other industrial zones looking to replicate it) makes it possible to take an independent, innovative and high-performance approach to the treatment of this sort 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.

Lower volumes & increased sorting



Bringing volumes of special industrial waste under control

Virbac ensures the traceability of all its special waste right up to disposal: soiled packaging, laboratory, manufacturing and medicinal waste or waste that could give rise to infection plus chemical waste (incinerated for the most part and accordingly heat recovered or recycled to recover solvents). Lastly, Virbac is steadily improving the collection system through the establishment of new even more selective channels, making it possible to reduce the portion of waste not yet covered by recycling.

Special industrial waste

in tonnes

Areas for improvement

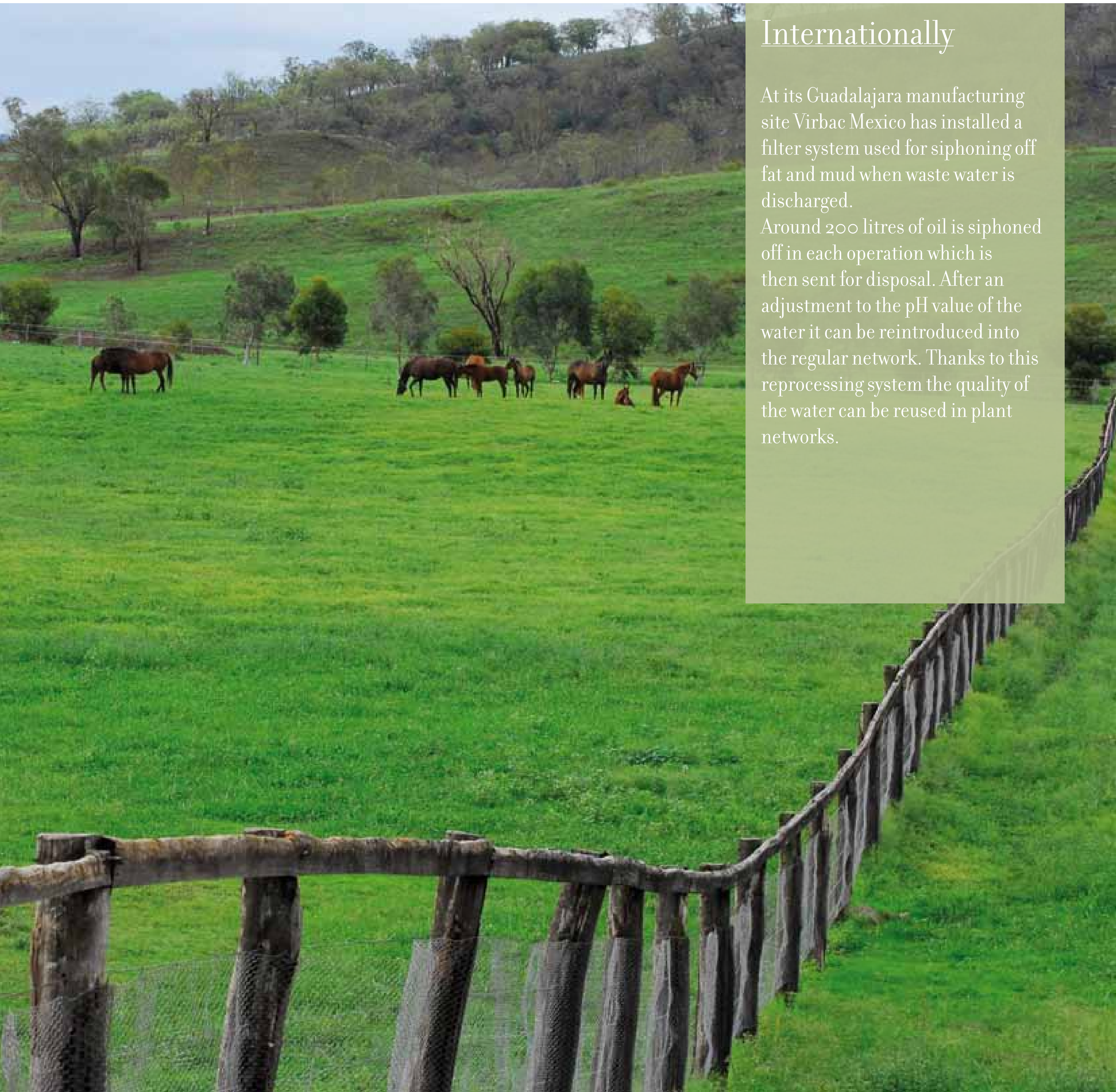
A leading force amongst the industrial operators in the Carros zone and in the Var plain national interest project, Virbac continues its efforts to expand the screening of both non-hazardous and special waste (in particular through the identification of new recycling channels) as well as sorting at source (through increased raising of awareness of all its units thanks to field indicators: quantity of waste produced to volume of finished products).

Environmental integration and risk control

Stringent regulation, ecotoxicity, special analyses, secure buildings... as a pharmaceutical group, environmental integration and risk control are a core part of Virbac's business activities.

Taking environmental action

Given the nature of its pharmaceutical manufacturing activity (in particular the restrictive technologies), Virbac does not create any visual, noise or olfactory nuisances.



Internationally

At its Guadalajara manufacturing site Virbac Mexico has installed a filter system used for siphoning off fat and mud when waste water is discharged.
Around 200 litres of oil is siphoned off in each operation which is then sent for disposal. After an adjustment to the pH value of the water it can be reintroduced into the regular network. Thanks to this reprocessing system the quality of the water can be reused in plant networks.

Fully controlling direct and resulting risks

As a pharmaceutical company, Virbac is subject to very strict regulations (same requirements as for human health). In certain fields such as safety and non-contamination Virbac goes beyond the mandatory requirements. The methodology: analyse and plan ahead, reduce the frequency and seriousness of risk occurrences.

Ecotoxicity of products

• Virbac carries out an ecotoxicity analysis for each of its registered products. This is validated by the grant of a marketing authorisation from the Afssa (the French food safety agency).

• With respect to products for companion animals, the technical presentation is as rigorous as for human pharmaceuticals. In the case of products for food producing animals, this analysis is even more sophisticated.

Safety of products and of their components in manufacturing

General measures

• Provision of safety datasheets to Virbac employees (raw materials) as well as to customers and carriers (products).

• Organisation of transportation in line with regulations governing the transportation of hazardous products.

Conformity with pharmaceutical regulations

• Training of employees in the specific requirements of the pharmaceutical industry.

• Deployment of required protective measures, both collectively (e.g. areas with controlled atmospheres, preparation in sealed tanks, use of isolators) and individually (e.g. PPE: Personal protective equipment, vaccination).

• Full product traceability (from the raw materials supplier to the customer).

CMR (Carcinogenic, mutagenic and reprotoxic substances) risk management

Virbac's organisation ensures identification, monitoring of exposure, traceability, substitution, etc.

Safety of industrial processes and facilities

• Collection and special processing of waste prior to discharge.

• Techniques audited at intervals set by regulatory authorities (Drire, control bodies, etc.).

• Fire detection standard across the whole site, surveillance by on-site personnel 24/7.

• Annual audit of facilities by an independent fire prevention expert.

Areas for improvement

New buildings and equipment, staff awareness, mobilisation of new resources… all these reflect Virbac's desire to assimilate increased personal and environmental safety requirements.

Social responsibility

Community involvement

In quantitative terms, Virbac is very active in the local and national employment market to meet its recruitment needs. In qualitative terms, the company has committed that it will use expertise as the sole hiring criterion and will strengthen its partnerships with social partners in the fields of employment and education.

Keeping and developing jobs

- Virbac has expanded employment opportunities in France thanks to sustainable economic performance: the workforce increased by 37 people in 2009. 56 people were recruited on permanent contracts and 50 on temporary contracts.
- Virbac's image as an employer appeals to candidates. A moderately-sized friendly company with steady growth, Virbac has strengthened its presence in the employment market (e.g. through its presence at the Apec and Handicap forums). Thanks to its global presence. Virbac is able to offer real career development opportunities.

Prioritising expertise

- The only criterion taken into account in both recruitment and internal promotion is employee expertise.
- In January 2009, Virbac signed the diversity charter, reflecting a strong commitment by the company to combat all forms of discrimination in human resources management.

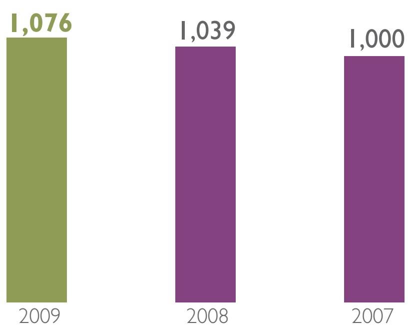
Being a good citizen

- Virbac participates in dialogues between the business world and civil society. In particular, by taking on numerous trainees and young people on work experience contracts (47 new hires in 2008) from both regional and national educational establishments. A further example: the new partnership with the Jules Ferry vocational training institute in Nice to promote biology and maintenance roles. In addition the regular recruitment of young international corporate volunteer employees (VIE employees) within Group subsidiaries who more often than not carve out their career with the company, plus participation in numerous employment forums.
- Handicapped workers: in 2009 Virbac partnered with Centres for occupational therapy (CRP) and Establishments and services for support through work (ESAT) in the region of Provence-Alpes-Côte d'Azur in order to offer placements and temporary assignments that encourage workplace integration.

Internationally

In the majority of countries where Virbac is present the company makes contributions to charities associated with animal health. For example in the United States, 25,000 dollars were dedicated to rescuing animals after hurricane Katrina; a great many products are given to animal shelters in the Fort Worth region in Texas and a group of veterinary surgeons and employees from Virbac technical services put their efforts into rescuing 300 dogs from unauthorised breeding.

Total headcount in France at 31 December



Areas for improvement

Virbac is continuing to strengthen its reputation in certain universities and vocational training institutes involved in roles active within the company. Virbac moreover plans to continue its commitment to handicapped workers. Finally an audit aimed at strengthening our initiatives in the diversity area will be carried out in 2010 with the aid of the corporate social responsibility body IMS *(Entreprendre pour la cité)*.

Working conditions

Positive working relations at Virbac are everybody's business they reflect a continuous desire for open and constructive dialogue. Often linked to performance, working conditions are a constant concern regularly assessed via the internal opinion survey.

Encouraging social dialogue and improving labour relations

• Increased dialogue and cooperation with employee representative bodies resulting in the signing of agreements on employing older workers, easing in rules on annual leave and compensation for flexible working hours.

• Setting up GPEC, a forward-looking joint group for the management of jobs and skills.

Internationally

Within Virbac subsidiaries, questions of safety receive the greatest attention (via a specific internal regulation which is updated every year). In the United Kingdom this approach is even applied to work trips for which the subsidiary has established a dedicated training program for employees in the field. These driving courses which are given by racing drivers have increased risk awareness and improved techniques (vehicle control on all types of surfaces). In the end, this program has led to responsible driving whilst reducing accidents.

Taking preventive measures with regard to health and safety at work

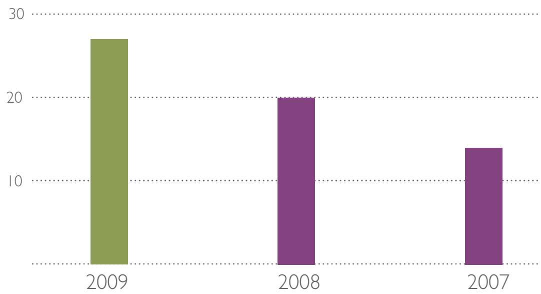
• Preventative reflex approach (raising awareness and training of employees on safety at work) resulting from an audit carried out with an outside consultant.
• Increase in the company's occupational social service activities to support employees experiencing difficulties.
• Employment of handicapped/disabled workers with their retention in most circumstances (Virbac parent company).
• Stress management courses for managers and employees, focused on health prevention (nurse, occupational physician, HR department, Health, safety and working conditions committee and Health, safety and environment units) particularly with regard to the layout of work stations.
• Monitoring of occupational accidents for operational teams as performance indicators.

Measuring and improving well-being at work

• Opinion survey of all Group employees carried out in 2009 with a high level of participation 74% in France. Results: positive scores in the area of working conditions and rising scores in the area of people management.

Employee opinion survey score in France

(from -100 to +100)



Areas for improvement

. Continued initiatives for job development for handicapped people in France.
. Keeping 10% of headcount filled by older workers and implementation of numerous measures encouraging the recruitment and training of older workers.
. Commitment to social dialogue to reinforce psychosocial risk prevention.

Development of expertise and employability

At Virbac skill development is one of the main areas of investment aimed at: efficiency, development and professional advancement of employees. At the heart of the system is the manager, who receives expert support and is involved both from an analysis perspective through the end of year assessment as well as with regard to training recommendations.

Developing managerial organisational skills

• Extensive manager development policy: via a course focused on the fundamentals and covering a wide range of issues, employees receive better support with their professional advancement. These management workshops accounted for 60% of training sessions given in 2009. These training

Internationally

Health issues are tackled rigorously in the Virbac group entities. All subsidiaries affected mobilised against the influenza A (H_1N_1) virus by implementing awareness, prevention and free vaccination campaigns (particularly in Europe, Latin America and the United States). Some subsidiaries additionally offer their employees special health programs: Virbac Mexico has implemented an initiative entitled "run like you did when you were 20" which includes a consultation with a nutritional expert, a diet program and coaching for a yearly race.

courses above all strengthen a close management relationship to guarantee employee well-being and development.

Offering more training

• Offering training within the company that is available to everybody: Virbac expenditure on training amounted to close to 4% of payroll with 1,694 training attendances in 2009.

• Over the past three years (2007-2009), all Virbac employees have benefited from at least one training course. These courses were for all categories (76% of non-management personnel and 78% of management personnel in 2009, and 69% of women across the whole workforce).

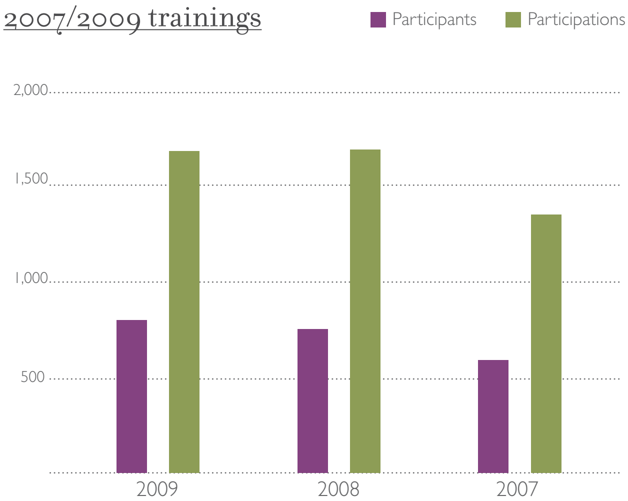
• This offering increases each year in line with company strategy and employee needs.

Encouraging individual initiative

• Strong policy encouraging the use of individual entitlement to training (Dif): 21% of the Virbac workforce received Dif training in 2009.

• Support for every employee to reconcile their personal needs with those of the company ("I am active in my work environment, I participate, I contribute", etc.).

• Improved well-being, life balance within the company, efficiency and personal development (stress management and personal development training sessions accounted for 35% of trainings given in 2009).



Areas for improvement

Virbac is looking to develop career planning to expand internal mobility across positions and functions and refine the daily application of knowledge and skills acquired through training. In order to take stock of their career development goals the company is implementing in-depth development interviews in 2010 for all employees, separate from the assessment interviews.

Compensation and social protection

Virbac's compensation policy is the result of a long tradition developed with the social partners. All aspects of the package are taken into account, compared to the market and reviewed on the basis of economic developments, employee expectations and the company's needs. The policy is meant to be attractive enough to reward each person's relative contribution to the company's performance.

Ensuring competitive and attractive remuneration

Virbac has implemented a new variable compensation policy applicable to all management personnel. This policy is based on responsibility levels and different roles in the company. It allows increased competition in compensation policy and additional reward for individual performance, encourages versatility and establishes a more direct link between individual performance and the Group's results.

Internationally

The main Virbac subsidiaries have implemented programs for technical training, personal development, communication and initiation for new personnel. Among the original initiatives: the North American subsidiary reimburses all its employees for costs of training at universities or as part of approved training programs. Depending on the qualification achieved employees can receive reimbursement of between 80 to 100% of tuition and enrolment fees and the costs of textbooks.

In addition to these changes Virbac's compensation policy continues to be socially responsible.

Collectively:

- minimum salaries +5% above the sector;
- increases that conserve spending power for non-managerial personnel;
- a holiday bonus that is index-linked to inflation at a minimum (€1,360 in 2009);
- a profit-sharing agreement;
- a profit-sharing scheme that can run up to 3.6% of net profit (with a very fair method of distribution).

Individually:

- merit increases;
- special bonuses;
- variable compensation plans.

Providing employees with effective social protection

- Stemming from a long social tradition, the social benefits policy is particularly competitive. Virbac was one of the first companies to implement a working time reduction agreement in June 1998 (reference working time of 34.2 hours per week).
- The complementary welfare schemes and all the arrangements regarding employee savings (profit-sharing, locked-in current account, company savings plan, collective retirement savings plan) are all items that make the difference in terms of social benefits.
- In agreement with its social partners, Virbac has decided to offer employees the opportunity to take advantage of housing at preferential rental rates as part of the 1% housing scheme.

Areas for improvement

Virbac regularly updates its remuneration policies in order to optimise both notions of fairness in the workplace and of competitiveness in the marketplace.

Economic responsibility

Corporate governance

Virbac has established a corporate governance system designed to achieve a high level of transparency, risk control, employee development as well as ensure that the company has a good image in the eyes of its customers and shareholders.

Ensuring independence of governance structures

• Supervisory board with half of its members classified as independent.

• An audit committee with two thirds of its members classified as independent.

• A compensation committee with two thirds of its members classified as independent.

• Statutory auditors: Virbac does not use companies for consultancy services or acquisition audits where they have affiliations with its statutory auditors.

Following Afep-Medef recommendations

• Virbac resolved to use as its reference the corporate governance code for listed companies drawn up by Afep-Medef. Virbac follows almost all of its recommendations concerning corporate governance and compensation for corporate officers (details in the report of the chairwoman of the supervisory board).

Ensuring information transparency

• Virbac ensures the Group's financial transparency towards its shareholders by distributing regulated information to a wide audience in a manner that ensures the information is distributed securely. The Group's financial information can be obtained and downloaded from www.virbac.com where any finance related questions can also be asked.

• Employees are also kept regularly updated regarding information relating to the Group notably via the Virbac Intranet.

Controlling risks

• Virbac has established an internal control system built on a documented framework comprising policies, procedures and good practices, all of which are in line with the company's culture. This framework is based on:

> the Group's code of ethics adopted in 2004 that marks the Group's commitment to respect rights and act ethically via its workforce;

> the purchasing code of ethics;

> delegations of authority;

> good practices and internal control procedures.

• In 2009 Virbac set up a new Risk Management department whose primary task will be to update the Group's risk mapping and to suggest an action plan with suitable monitoring.

Areas for improvement

Virbac intends to use the new Risk Management department to better account for the risk dimension across all its operational activities.

Economic performance

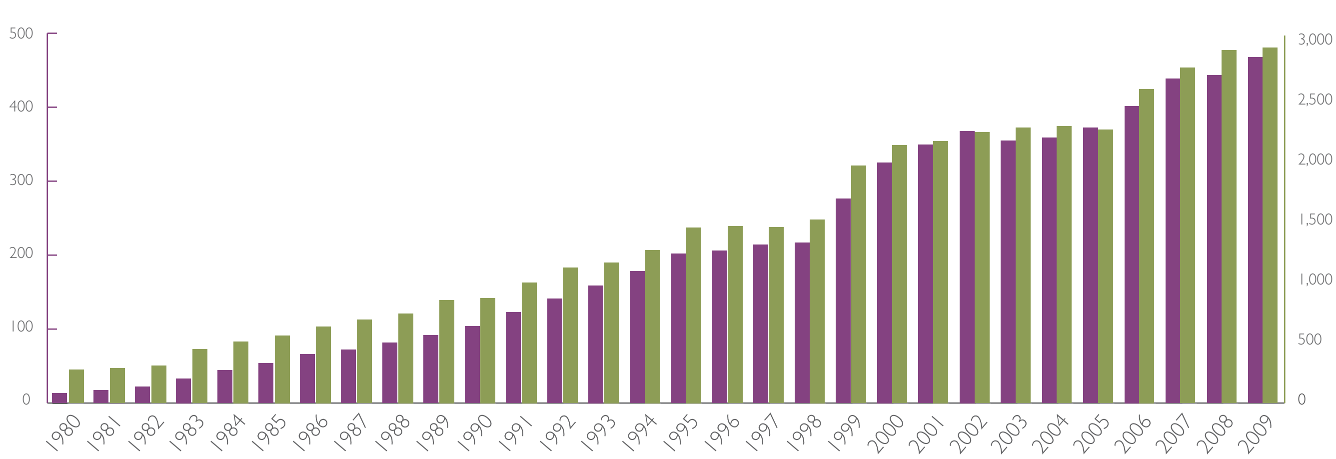
Operating in the field of animal heath for over 40 years and as the leading independent operator in the market, Virbac is looking to continue its growth in harmony with its environment and the people who work for it and ensure the Group's long-term survival through profitable and sustainable growth.

Growing profitably and sustainably

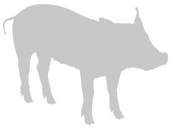
• A controlled growth strategy that is reflected in steadily growing sales, net profit and headcount.

• A stable family shareholder base that prefers steady and long-term growth rather than short-termism.

Development of Group sales and headcount



Development of net result and stock market capitalisation

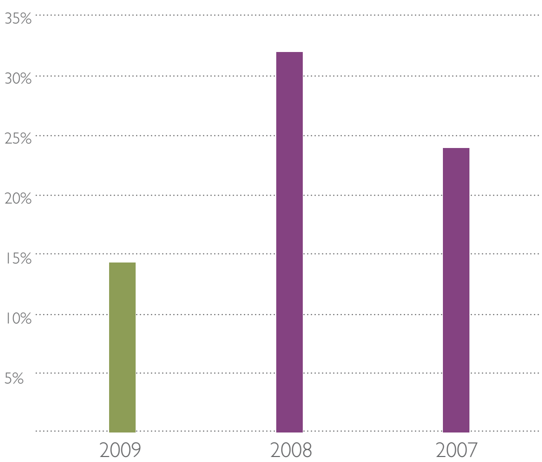


Investing and innovating to ensure the company's long-term survival and independence

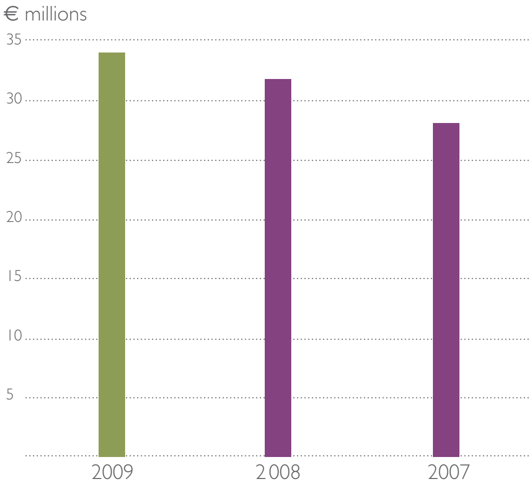
• Manageable debt levels that allow Virbac to pursue organic growth and acquisitions as it sees fit.

• The available resources thus allow:
> the financing of innovation focused on satisfying customer needs;
> acquisitions to be made (companies, products, active ingredients, etc.).

Debt/total equity



R&D expenditure



Areas for improvement

To continue growing in a profitable and sustainable manner, Virbac is looking to pursue its strategy of winning market share based on organic growth in each of the major animal health segments (companion animals and food producing animals) while making targeted acquisitions of companies, products or active ingredients to improve its operating profitability margin by on average half a point annually whilst maintaining manageable debt levels.

Supplier partnerships

Whatever the type of purchase Virbac is guided by unwavering principles both with regard to the selection and management of its suppliers. In this respect the company guarantees equal treatment of candidates and looks to build long-term partnerships while ensuring that they respect ethical, environmental and social values.

Guaranteeing equal treatment of candidate suppliers

• Ongoing search for new suppliers undertaking improvement processes (established suppliers are regularly asked to tender).

• Non-discriminatory supplier tendering (standardised process placing all candidates on a level playing field).

• Comparison of bids on the basis of identical objective criteria (financial performance, flexibility, improvement process, etc.) and collegial decision-making.

Internationally

The majority of agreements between Virbac United States and its providers previously covered a twelve month period. Since 2009 most partnership agreements have been extended to two or three years (or they no longer even specify an end date). In addition, in accordance with the Group's good practices, the American subsidiary requires its suppliers to comply with laws in force and to quickly rectify any breaches. Information regarding working conditions, child exploitation and respect for the environment are assessed systematically before establishing any commercial relationship.

Annual tendering

50%
of purchases are put out to tender each year

100% **of the Group's** industrial subsidiaries share the same tendering and reporting practices

Maintaining commercial relations with suppliers that respect ethical, environmental and social values

• Ethical commitment by suppliers (no corruption or discrimination, respect for legislation governing child labour, respect for environmental regulations applicable in their countries).

• Ethical, environmental and social criteria included as part of the audit of new suppliers.

Building long-term supplier partnerships

• Since 2009 systematic sending out of a questionnaire on key criteria (financial health: balance sheet, income statement, sales, etc.).

• Factoring in the strength of supplier relations (respect for cultures, payment terms, follow-ups, friendliness, professionalism, etc.).

• Enquiries made by specialised companies (creditworthiness, stability).

• Monitoring of supplier investment policy (long-term survival).

Supplier assessment questionnaire

95 **providers** representing a third of the volumes bought in France responded to an assessment inquiry (finance, quality, ethics, environment)

Areas for improvement

Virbac will deploy its supplier assessment questionnaire throughout the Group in 2010.

Customer relations

As a dedicated animal health pharmaceutical company Virbac has a special relationship with its customers. It consists of working for the long-term, promoting the rational use of veterinary medicines and driving the sustainable development of the various stakeholders in the sector.

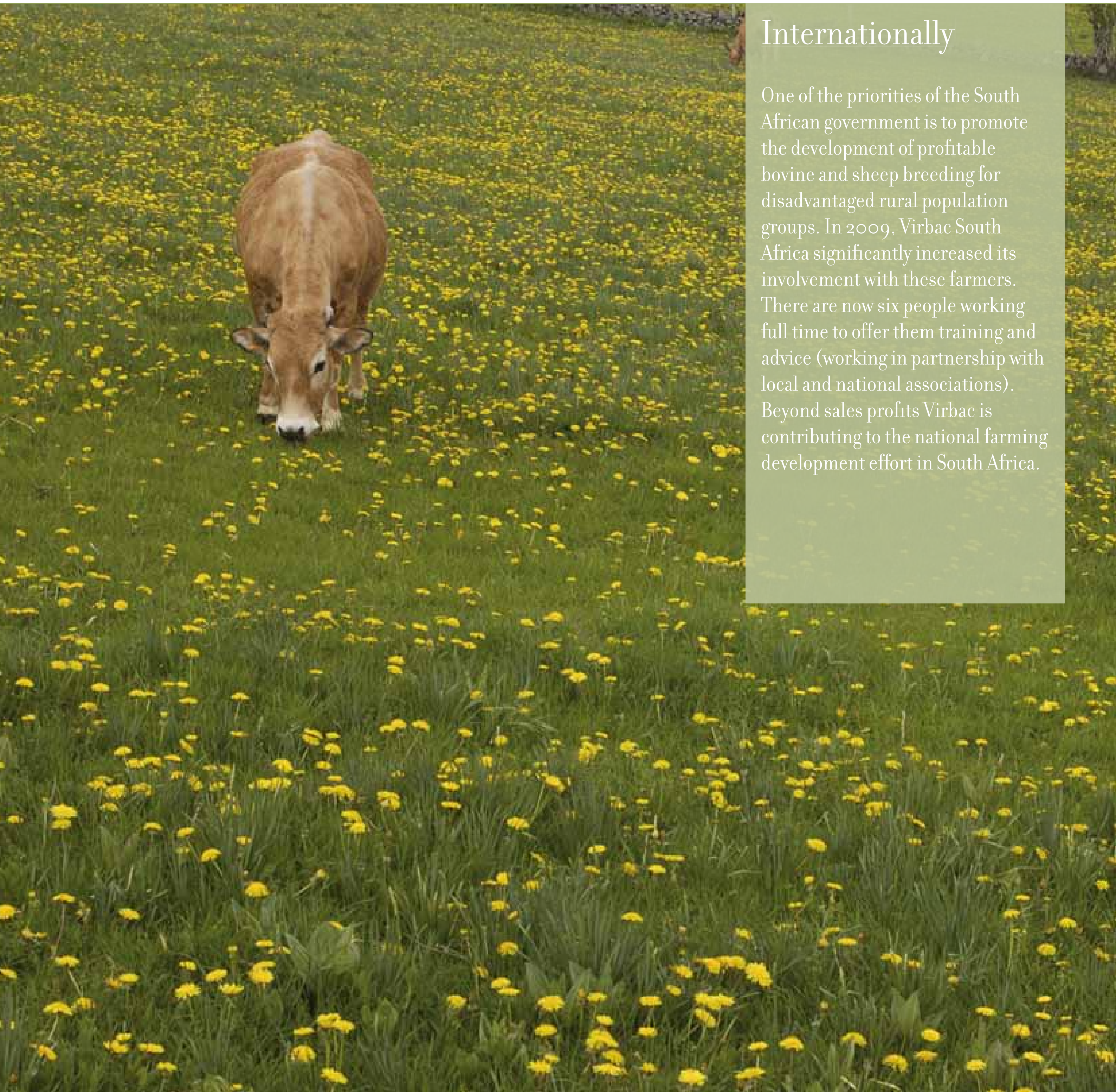
Taking a long-term view of customer relations

• The development of a services policy designed to reward customer loyalty and help them to develop over the long-term (training sessions on the management of their clinics, of their staff, etc.).

• Commercial policy based on annual contracts that, rather than encouraging usage, favours relations with a long-term view and loyalty.

Loyalty

90% of Virbac France customers on annual contracts have been so for **over 5 years**



Internationally

One of the priorities of the South African government is to promote the development of profitable bovine and sheep breeding for disadvantaged rural population groups. In 2009, Virbac South Africa significantly increased its involvement with these farmers. There are now six people working full time to offer them training and advice (working in partnership with local and national associations). Beyond sales profits Virbac is contributing to the national farming development effort in South Africa.

Promoting the rational use of veterinary medicine

• Advice and support for veterinary surgeons and farmers via extensive communication on good practices regarding the use of medicines for both food producing and companion animals (guides, datasheets, DVDs, training, etc.).
• Educational work with veterinary surgeons and farmers regarding compliance (respect with regard to administering, dosage levels, duration and useful period) underpinned by the development of palatable products. An approach that limits overuse of medicines and avoids the development of potential resistance to products.

Good practices

7,000 **multi-format guides** distributed throughout France in 2009

Driving the sustainable development of animal health stakeholders

• Participation in working groups (Permanent economic group) and contribution to the development and distribution of the Blue Booklet for the veterinary profession.
• Progressive elimination of waste on the customer side: development of bulk Virbac products and a reduction in the volume of printed material provided to customers (migration to electronic documentation only).
• Contribution to the network of organisations for the safety and quality of animal foodstuffs destined for human consumption (all partners in the animal production chain) and participation in the work of Farre (Forum for sensible and environmentally-friendly farming).
• Integration/vaccination: general public advertising campaign (20 years of the "I love my pet, I have him vaccinated" campaign) and raising awareness of integrating animals in towns (the Fondation d'Entreprise Virbac, a corporate foundation, awards rewarding and encouraging initiatives in this regard).

I love my pet, I have him vaccinated 2009

6,000 **posters** in town halls, tourist offices, animal sanctuaries, schools, associations and bus shelters in over **400 cities and towns across France**.

Areas for improvement
Virbac continually listens to its customers in order to offer more products and services that enable them to develop in a sustainable manner and standardise good practices.

Financial report

2009

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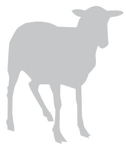
Management report 

2009

Group sales rose by 5.8% at constant exchange rates in 2009, including 4.4% on a like-for-like basis. With the exception of Pacific, all geographical areas contributed to these results, particularly North America thanks to the strong performance of the ranges offered to veterinary surgeons, and Europe on the back of contributions made by new products. The companion animal segment recorded like-for-like growth of 7.4% at constant exchange rates thanks to the launch of new products in Europe with Easotic®, a product for the treatment of ear infections in dogs and Effipro®, an external fipronil-based parasiticide, as well as the rise in sales in the United States of Iverhart®, an appetising broad-spectrum parasiticide for combating simultaneously the three main parasites in dogs: dirofilariasis, roundworms and flatworms.

The food producing animal segment saw a 6.2% increase at constant exchange rates and 2.0% on a like-for-like basis: the ranges acquired from Schering-Plough in Europe last year progressed in line with objectives and rising sales in the emerging countries (including India, South Africa, Mexico and Brazil) compensated for the difficulties experienced in France in this field.

2009 highlights

• In the United States, the Group took the decision to end all industrial operations at the Fort Worth (Texas) site and to transfer these to the St. Louis (Missouri) site in order to continue refocusing operations on the veterinary business and drive its overall profitability.

• In June 2009, Virbac launched a new external parasiticide for companion animals on the European market. In anticipation of the licence to use the fipronil molecule previously protected by patent, Virbac received marketing authorisation in November 2008 allowing it to launch its new range of parasiticide products in June: Effipro®.

The results of several years of development, Effipro® spot-on and Effipro® spray are two fipronil-based medicines which treat flea and tick infestations in dogs and cats. The launch, which was made on a pan-European scale, allows Virbac to strengthen its presence on the external parasiticide segment, representing today €380 million, or around a third of sales of veterinary medicines for companion animals in Europe.

Effipro® is expected to establish itself quickly as a competitor on the external parasiticide market thanks to three key assets: a proven effectiveness in the fight against flea and tick infestations, its original spray and spot-on packaging and the flexibility of its presentation.

• In June 2009, Virbac carried out a reorganisation of its Danish subsidiary's production activities. This resulted in the transfer of production activities from Denmark to French production sites.

Virbac Denmark retains its sales, marketing and administrative functions through an organisation that brings together ten employees.

• Virbac launched Easotic® in Europe and, as such, reinforced its position as leader in dermatology through offering a product that is unique in its field: treatment period reduced to five days, single daily application made easier by an airless applicator system that guarantees delivery of the required dosage.

• With the end of the distribution agreement for Equell® and Equimax® by Pfizer in the United States following Pfizer's acquisition of Fort Dodge, Virbac has signed a new distribution agreement with Bimeda Inc. which guarantees its presence on the American and Canadian markets for the next ten years.

• The work to develop a leishmaniasis vaccine ended late 2009 and statistics show the significant protection provided by the vaccine. This project began in 2003 through the

acquisition of Bio Véto Test who were jointly conducting a canine leishmaniasis vaccination project with the IRD (Institute of research for development), a French public research institute.
Subsequently, Virbac has led the product development work, both to define the accurate and reproducible specifications at the industrial level and to show the vaccine's innocuousness and efficacy on a large scale in different Mediterranean countries suffering from this endemic disease. The marketing authorisation file is in the process of being completed and will be submitted in Europe in early 2010. In the event that approval is granted by the authorities in the relevant countries, and depending on the duration of the review, the product could be on the market in 2011 or 2012.

• 2009 saw the start of a multi-annual investment project in a new production site for injectable forms in Carros. The work is expected to begin in the second half of 2010. The creation of this new centre should meet increased pharmaceutical demands as well as the strong growth in production of biological products by creating synergies with the current vaccine manufacturing site.

The Group's 2009 business performance

In 2009, the Group's like-for-like sales rose 4.4% at constant exchange rates on the back of sustained growth in the two businesses: 7.4% in the companion animal business and 2.0% in food producing animals (6.2% at constant exchange rates).

Performance by segment

Breakdown of sales by segment

Business/range € millions	2009 sales at actual exchange rates	Like-for-like growth by segment at constant exchange rates					
		<-5%	-5% to 0%	0% to +5%	+5% to +10%	+10% to +15%	>15%
Parasiticides	68.7					10.4%	
Immunology	51.7				6.3%		
Antibiotics/dermatology	46.5					11.9%	
Specialties	56.8				9.6%		
Equine	23.6	-11.7%					
Specialised petfood	20.2					14.3%	
Other	22.4				6.3%		
Companion animals	**290.0**				**7.4%**		
Bovine parasiticides	25.6				8.1%		
Bovine products (excluding parasiticides)	93.1			1.0%			
Pig/poultry antibiotics	39.0		-1.1%				
Other	10.9				7.5%		
Food producing animals	**168.6**			**2.0%**			
Other businesses	**8.8**	**-28.7%**					
Sales	**467.4**			**4.4%**			

Companion animals

At 31 December 2009, this business accounted for 62.1% of Group sales, up 7.4% on the previous year.

All segments played a role in this increase with the exception of the equine segment, which saw a certain fall especially in France, the United States (end of the distribution contract with Pfizer) and the Netherlands.

The growth in the parasiticide segment is due to the pan-European launch of Effipro® spot-on and spray which accounted for additional annual sales of €5.7 million in 2009, in addition to the very good results of the American subsidiary with its flagship product Iverhart®.

All subsidiaries increased sales in biology except for Portugal, Brazil and Vietnam. Growth for the most part comes from Europe which represents 77% of the total increase.

The antibiotics/dermatology segment increased sales, particularly on the back of the Easotic® in Europe, and of the strong growth in the antibiotic Clintabs® and the range of products for skin diseases in the United States.

Specialties have risen essentially thanks to the following three ranges: reproduction with very good results in Europe of Alizin® (a contraceptive for dogs and cats) and of Suprelorin® (a deslorelin-based implant for the chemical castration of male dogs), anaesthetics with a positive increase in Zoletil® (a general anaesthetic) and in Revertor (an injectable agent to reverse the anaesthetic effects of medetomidine) and finally the dental range with chewable vegetable strips, but also thanks to the successful launch of Aquadent® (an oral hygiene product which prevents bad breath in cats and dogs) in Brazil, Germany and Denmark in 2009.

The specialised petfood range was up significantly on 2008, primarily as a result of the success of the Virbac Vet Complex® product range.

Food producing animals

This business accounted for 36.1% of Group sales. It rose 6.2% at constant exchange rates based on the full-year effect of the three product ranges acquired from Schering-Plough in Europe in 2008 as well as the acquisition of the Danish subsidiary. Like-for-like growth was at 2.0% at constant exchange rates.

Like-for-like growth on 2008 in the bovine parasiticide segment was 8.1% at constant exchange rates. Sales in South Africa, India and the United Kingdom led the growth in the segment.

Growth in other bovine products came from the strong performance of the Indian subsidiary.

Strong price competition in the French and Spanish markets cancelled out the increases made by the other subsidiaries in the area of pig and poultry antibiotics.

Other businesses

These businesses, which accounted for 1.9% of sales, involved markets of lesser strategic importance for the Group and mainly included contract manufacturing in the United States. The fall-off in sales was mainly due to the decline in the least profitable contract manufacturing in the United States following the refocusing of business activities.

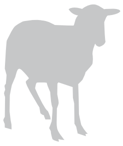
Performance by geographic region

Geographic breakdown of sales

€ millions	2009	2008	Change at actual exchange rates	Change at constant exchange rates
France	98.0	98.0	-%	-%
Europe (excluding France)	166.0	153.1	8.4%	9.8%
North America	66.9	62.7	6.7%	0.7%
Latin America	29.4	28.0	5.2%	15.1%
Africa & Middle East	26.0	23.1	12.4%	8.6%
Asia	52.7	48.0	9.9%	11.3%
Pacific	28.4	30.5	-6.9%	-4.8%
Sales	**467.4**	**443.4**	**5.4%**	**5.8%**

Europe

Sales of the Group's European business amounted to €264 million in 2009, up 5.1% on the previous year (5.9% at constant exchange rates). Growth in Europe came from practically all European subsidiaries with the exception of France, with a particularly strong contribution from the subsidiaries in Northern Europe, Germany and Italy, as well as from the Danish subsidiary which benefited from the full-year effect of its sales in 2009 against nine months in 2008.



■ France

Sales were stable compared with 2008.

Virbac France which sells the Group's products in the ethical sector saw slight growth compared with 2008.
Companion animal business increased with good results from established ranges like vaccines and the launch of new products in 2009 such as Easotic® and Effipro® being hidden by the difficulties experienced in the equine market.
Food producing animal business suffered from the crisis in the milk and pork market with associated ranges also being affected.
The Virbac Nutrition subsidiary, which manufactures the specialised petfood range for France and markets it abroad, enjoyed remarkable growth in 2009 thanks to the success of the Vet Complex® range in France.

There were negative results from the Francodex Santé Animale subsidiary (distribution in OTC channels), but prospects for 2010 are favourable thanks to Fiproline® (an external fipronil-based parasiticide) launched in the second half of 2009.

■ Germany

The year was marked by strong growth (13.6%) in both businesses.
Sales for food producing animals grew by more than 20% on the back of a strong sales increase for products acquired as part of the agreement with Schering-Plough in 2008 as well as in Pulmodox® (an antimicrobial given in the treatment of respiratory diseases) launched in 2008 and of the market launch of Powerflox® (a bovine enrofloxacin-based injectable antimicrobial).
In companion animals all segments contributed to the growth with the exception of the equine segments, with successful launches of Effipro®, Easotic® and Vet Aquadent® as well as the full-year effect of sales in Suprelorin® following launch of that product in 2008.

■ United Kingdom

The subsidiary posted 11.5% growth at constant exchange rates with positive performances across the Group's two businesses.
The companion animal business was driven by new product launches that included Easotic® in dermatology and Effipro® in the parasiticide segment, as well as by good results from the entire dog vaccine range.
The food producing animal business also grew on the back of the increased sales of products acquired as part of the Schering-Plough agreement in 2008 (full-year effect) as well as of ivermectin-based bovine parasiticide products (Virbamec® F and Virbamec® pour-on).

■ Spain

The subsidiary saw a 4.0% growth in sales in 2009.
The companion animals business grew thanks to very successful launches of Easotic® and Effipro®, as well as to the very good results from the specialties segment with Revertor in the anaesthetics range and the entire reproduction range. Dog vaccines also saw real growth compared with 2008.
The food producing animal business saw a fall with some mixed results. The bovine product segment recorded increased sales essentially on the back of the products from the acquisition of the Schering-Plough ranges in 2008, whilst the antibiotics segment for pigs and poultry suffered from the price war which was rife in this market throughout the whole year.

■ Netherlands

Virbac Netherlands business grew by 2.6% in 2009 on the back of the food producing animal business.
For companion animals, the launch of Effipro® and the rise in sales of Suprelorin® (launched in 2008) were not enough to compensate for the decline in equine sales.
The food producing animal business was driven up by the products stemming from the purchase of the Schering-Plough ranges.

■ Italy

Virbac Italy registered 10.3% growth in 2009 with excellent results in the Group's two businesses.

The companion animal business benefited from increased sales in dog vaccines and in the specialties segment, particularly in the reproduction range, as well as from the launch of Easotic®.
The food producing animal business grew mainly due to sales of the ranges acquired from Schering-Plough in 2008.

■ Switzerland

Virbac Switzerland's business saw 8.7% growth at constant exchange rates in 2009.
Growth came essentially from the companion animal business where vaccines, which account for the major portion of sales in this business, grew strongly. The subsidiary also had a good year in the specialties segment thanks to the growth in products introduced in 2008 as well as the launch of Revertor in 2009.
Sales in the food producing animal business, where the subsidiary essentially operates in the bovine product market, showed strong growth.

■ Belgium

For the second year running, Virbac Belgium recorded strong growth with an 11.9% increase in sales compared with 2008.
The companion animal business benefited from the launches of Effipro® and Easotic®, as well as from strong sales figures for specialised petfood.
Sales of bovine parasiticides drove the growth of food producing animal products, which saw noticeable growth.

■ Denmark

The acquisition of Pharmalett by the Virbac group on 1 April 2008 saw the birth of Virbac Denmark, which therefore had its first full year of sales as part of the Group.
Its business is split between marketing and selling Pharmalett products in Denmark and internationally and distributing Virbac products in Denmark.
The company saw good results in its two business components in 2009.

■ Portugal

The subsidiary ended the year with a 6.7% decline in sales, down entirely to the food producing animal business.
2009 was marked by very strong downward price pressure (numerous generics involved) which led to a drop in sales in the pig, poultry and bovine markets.
In companion animals, Virbac Portugal managed to maintain its figures.

■ Austria

Virbac Austria saw a remarkable increase in business of 18.8% in 2009, with strong increases in both businesses, but especially in companion animals.
The Effipro® and Easotic® launches as well as increased sales in the equine range accounted for the very strong growth in the companion animal business.
The food producing animal business grew in the two main segments of pig and poultry with good results for Virbagest® (a hormone administered orally to synchronise return to heat of sows) and for bovine products thanks to the contribution from the ranges acquired from Schering-Plough in 2008.

■ Greece

Virbac Greece saw a 5.6% increase in sales. The subsidiary's growth was remarkable in companion animals thanks mainly to the very successful launch of Effipro®.
As for the food producing animal business there was a decline, with the economic crisis and the associated high risks from outstanding payments forcing the subsidiary to limit sales, particularly in the pig and poultry segment which accounts for the essential portion of the subsidiary's business in this area.

■ Central Europe

The Group's sales increased by 14.8%.
The growth in the companion animal business was mainly due to the launch of vaccines and of Effipro® in the Czech Republic, whilst increased sales in the food producing animal business was driven by the bovine product segment with sales of Shotapen® (an antibiotic for bovine respiratory diseases) and the launch of Rilexin® (an antibiotic for the treatment of chronic and acute mastitis in dairy cows) in Poland.

North America

Sales grew by 0.7% at constant exchange rates (6.7% at actual rates).
In 2009, Virbac USA continued its efforts to pull out of low-margin manufacturing activities in order to focus on its core business.
In the companion animal market which accounted for 90% of the subsidiary's sales, 2009 closed with a strong increase, mainly due to sales of Iverhart®, but also through good results from dermatology, dental and antibiotic products.

Latin America

In this area, the Group saw a 5.2% increase in sales at actual exchange rates, and 15.1% at constant exchange rates.

■ Mexico

At constant exchange rates, the subsidiary recorded 13.7% growth, but was heavily impacted by the depreciation of the Mexican peso against the euro (1.6% fall at actual exchange rates).
All segments in companion animals increased sales in the local currency. Vaccines, which accounted for around 40% of companion animal sales, performed particularly well and posted strong growth. The internal and external parasiticide segments saw real increases with good results from Preventic® (a parasiticide collar) and Endogard® (a canine worming product) which became the first parasiticide on the Mexican market. Finally the specialties segment benefited, amongst other things, from the launches of Anxitane® (a nutritional supplement for managing anxiety in dogs and cats) and Soloxine™ (a hormone for canine hypothyroidism). Both segments in the food producing animal business saw increases. The pig and poultry business showed good results on the back of the premix Suramox® and Premedox Maxx (antibiotics for respiratory diseases in pigs and poultry) and through the bovine business with Shotapen®, Maxflor® and Fortius (antibiotics given in the treatment of bovine respiratory diseases).

Brazil

Virbac Brazil posted 15.7% growth (16.5% at actual exchange rates) with positive contributions from both businesses.

The companion animal business drove growth partly through launches of dental products with Vet Aquadent™ and dermatology products with Vulketan (for treating wounds), as well as through strong increases in the internal parasiticide and antibiotic segments.

In food producing animals, the two main segments contributed to growth: the pig and poultry business led by Pulmodox antimicrobials (sold under the name Premodox™) and Suramox® and the bovine business through parasiticides (Virbamec™).

Costa Rica

The subsidiary posted 18.9% growth at constant exchange rates. All segments increased sales across both businesses, in particular companion animals through dog vaccines and internal parasiticides.

Colombia

Business at Virbac Colombia declined, mainly in food producing animals with a difficult year in the bovine product market.

Asia

Sales increased 9.9% (11.3% at constant exchange rates) in Asia, thanks mainly to Virbac India.

Japan

Sales at the subsidiary grew considerably in 2009, profiting also from a positive exchange rate impact (17.9% at actual exchange rates and 2.7% at constant rates).

Virbac Japan made the majority of its sales in companion animals and all segments grew in 2009 with the exception of external parasiticides. The most buoyant segments were dental with the chews, dermatology with the successful launch of Derm spot-on (a ceramide and fatty acid-based topical product for dogs aimed at strengthening natural defences) and cat vaccines.

South Korea

The subsidiary was impacted by exchange rate movements but posted growth of 18.2% at constant exchange rates.

The companion animal business posted good results with a marked improvement in sales of the dental range and the successful launch of Cortavance™ (a topical corticosteroid for inflammatory and pruriginous dermatoses in dogs).

In food producing animals, the drop in sales is due to the pig and poultry business, whilst in the bovine market, the subsidiary was able to maintain its business in a sharply-declining market.

Vietnam

Virbac Vietnam posted growth of 10.6% at constant exchange rates.

Growth was driven by the good results in food producing animals, with sales in the companion animal business remaining stable compared with 2008.

In the food producing animal business, which accounted for 87% of the subsidiary's sales, the strong growth was down due to bovine antimicrobial products.

Philippines

Sales at Virbac Philippines fell 3.8% at constant exchange rates compared with 2008.

The strong growth in the companion animal business did not compensate for the low figures for food producing animals, which accounted for more than 75% of the subsidiary's sales.

Thailand

In 2009, Virbac Thailand incorporated the Bio Solution International aquaculture business. Distribution of these products are now entirely managed by the Thai subsidiary in its domestic market.

The subsidiary ended the year down 11.7% on 2008 at constant exchange rates (cumulative sales for both Virbac Thailand and Bio Solution International). If the aquaculture business is excluded, the subsidiary's sales increased 3.9% at constant exchange rates due to strong results from the pig and poultry business in food producing animals.

Taiwan

Virbac Taiwan posted strong growth of 14.0% at constant exchange rates with positive contributions from both businesses.

Increased sales in the companion animal business was mainly down to the specialties segment with good results for Zoletil® and the launch of Regefluid® (lubricating and regenerating artificial tears for dogs and cats).

In food producing animals, the market was strengthened by the pig and poultry business with the very strong results for Suramox®.

India

Virbac India continued its two-digit growth (12.6% at actual exchange rates and 18.8% at constant rates) despite the devaluation of the Indian rupee against the euro.

The companion animal business still only accounted for 2.6% of the subsidiary's sales but grew 66% following sales growth of the Virbac vaccines introduced in 2008.

In food producing animals, the bovine business, which accounted for 84% of sales, continued its strong growth. The year also saw significant growth in the pig and poultry and the aquaculture businesses launched in 2008.

Pacific

Virbac sales in the region showed a 4.8% drop (at constant exchange rates) following the difficulties experienced by the Australian subsidiary in 2009.

Australia

Sales at constant exchange rates dropped 5.9% on the previous year.

The companion animal business which accounted for more than two-thirds of the subsidiary's sales showed a very slight drop, but it was in the food producing animal business that the subsidiary suffered the most. All product ranges in this market were affected as a result of very unfavourable weather conditions as well as through the loss of distribution contracts.

New Zealand

Sales at the New Zealand subsidiary

remained stable against 2008 at constant exchange rates, with any increased sales in the animal companion market being totally wiped out by the decline in food producing animals linked to low global milk prices.
In companion animals the major growth was in specialised petfood, whilst in food producing animals the decline was linked to the bovine business.

Africa & Middle East

Virbac's sales in this region were primarily driven by Virbac South Africa. At constant exchange rates the subsidiary's sales grew by 10.7% on 2008.
More than 90% of the subsidiary's sales were made in food producing animal products. Whilst the pig and poultry business had very strong results in 2008, it was the bovine business driving growth in 2009 with increased sales across all ranges.

Exports to Africa and the Middle East, primarily comprising food producing animal products, were up. In the major countries in the region, growth could be seen in Turkey, Algeria and Tunisia, with a decline in Morocco.

Changes in Group scope

In 2009, Virbac did not carry out any significant acquisitions or sales of companies or of assets.

Research, Development & Licensing

2009 was marked by some significant events for RDL (Research, Development & Licensing) activities.

In Europe, obtaining registration for Effipro® in the European procedure at the end of 2008 led to a significant regulatory workload in order for the product to be sold in the main countries in Europe in all formats and in all the different distribution channels. More than 200 sets of market authorisations were validated across Europe for this one external parasiticide product alone.

The Virbac equine range was strengthened through obtaining registration for Eraquell® Tabs (an internal ivermectin-based parasiticide) completing the Equimax® paste, Equimax® Tabs and Eraquell® paste offering. Internal parasiticides made up the second market in terms of value for the equine area.

Other marketing authorisations were obtained, notably for an antimicrobial shampoo to complete the dermatological range for companion animals, and for an injectable antibiotic for food producing animals which was achieved in collaboration with a licensing partner.
The RDL centres outside of Europe located in St. Louis (USA) for North America, Guadalajara (Mexico) for Latin America, Sydney (Australia) for the Australia/New Zealand region and Ho Chi Minh City (Vietnam) for continental Asia were all strengthened, particularly in the United States, in order for them to manage a growing project portfolio.

The regulatory structures present in South Africa (Johannesburg), Brazil (São Paulo), India (Mumbai) and Japan (Osaka) continued to contribute to the different R&D centres thanks to their local presence and to the adaptation of product files to the demands of their installation countries. They also served to generate and monitor developments of products intended for their national market.

In the Latin American and Apisa areas, significant means helped contribute to the strengthening of registration portfolios in order to meet the growing regulatory requirements of countries in these areas.
New registrations were sought in Latin America in 2009, with five vaccines including Feligen® CRP in Brazil and Rabigen Mono in Salvador, as well as Easotic® in Mexico. For the Apisa area, marketing authorisations were obtained for Easotic® in New Zealand on the one hand and for Cortavance™ in Korea and the Philippines on the other.

The synergies and collaborations between the different RDL centres worked fully, utilising Virbac's global expertise in regulatory and technical matters.

The increased strength in the North American RDL that started four years ago, plus the RDL resources in Carros have meant that Virbac was able to submit three major marketing authorisation applications in the USA in the first quarter of 2010, thanks to the results obtained in 2009.

In Europe, the conclusive results obtained with the canine leishmaniasis vaccine enabled the vaccine registration file to be submitted in a centralised procedure during the first part of 2010. This vaccine represents a major advance with no other vaccine being sold or registered in Europe for this parasitic disease that affects dogs.
In addition to the market potential, the highly innovative character of this vaccine should be noted. Parasiticide vaccines present huge technical challenges; the development of a vaccine of this type represents a scientific advance which goes beyond veterinary scope.

The Virbac group's strategy in product innovation intensified in 2009, leading to ten new portfolio projects selected for their economic value and their innovation as perceived by clients. This supply of the project portfolio is in harmony with and also strengthens this dynamic yet meticulous department, based on criteria of value, likelihood of success and arrival date on the market, allowing Virbac to maintain a constant flow of new products to be launched.

With 7.25% of turnover dedicated to RDL, Virbac generated more than 15% of its sales with products that had been on the market for less than three years, demonstrating the relevance of its RDL management.

Production

France

The industrial sector handled some important changes this year, due essentially to the inclusion of new products. As such, a thermoforming line was implemented in order to manufacture Effipro® pipettes. This required that the entire plant be reorganised in order for production flows to be maintained complying with good manufacturing practices.

In order to accommodate production of products previously manufactured in Denmark, a tube allocation area was installed in Carros and a bag-filling machine in Magny en Vexin. Other products from the same range were integrated into existing lines.

The manufacturing of products from the acquisition of the Schering-Plough ranges that is planned in 2010 needed pilot batches to be created in 2009. Equipment adjustments were made to accommodate this new technology.

The Continuous Improvement project carried on with particular focus on strengthening the organisations. The team leaders structure produced its results and suggested coordinating results close to the ground.
An important aspect was the work on future manufacturing projects such as the building of a new unit for injectables.

Internationally

Mexico

In order to avoid cross contaminations and in accordance with international standards, pharmaceutical development created a laboratory dedicated to paste and powder formulations at the Productividad site.

Deployment of Group ERP was completed successfully in the middle of the year.

Manufacturing process optimisation for sterile intramammary pastes will allow substantial time and energy savings.

Australia

Several one-off operations aimed at reducing inventory and improving the industrial organisations allowed significant savings to be made, and generally made for increased efficiency in industrial activities.

A sustained effort throughout the year led to inventory being reduced by around 30% with no negative impacts on customer deliveries.

The manufacturing teams at the Crookwell and Milperra sites both overachieved on the performance objectives that had been set for them through the implementation of lean manufacturing.

USA

Following the closure of the Fort Worth manufacturing site, industrial and logistics operations were transferred to St. Louis.

In order for these to be accommodated, numerous renovation and development projects were completed on the site, with building extensions already having taken place the previous year:
• creation of three primary and secondary packaging lines for liquid products;
• creation of two manufacturing workshops for liquids and a workshop dedicated to manufacturing and primary and secondary packaging of dental pastes;
• implementation of two new compression workshops.

In addition, a second line for secondary packaging was installed for putting tablets into aluminium foil blister packs.

Production of Aquadent which had been carried out in Canada up until then was restarted at the St. Louis site.
Integration of the Fort Worth distribution centre will finally complete the transfer of industrial activity, which takes place at one industrial site currently.

Vietnam

Liquid and dry form activity will be transferred to the Song May plant following the closure of the Bio Solution International site in Thailand. For this to happen, a tablet manufacturing workshop is being built which should be operational in early 2010.

Chews continue to be supplied to other subsidiaries in the Group.

The Song May plant received a new GMP Europe certificate following the Afssa inspection.

Brazil

The purified water production system was implemented and qualified during the first quarter. The distribution network is currently being validated; this required a total organic carbon (TOC) analyser to be purchased in the Quality Control laboratory.

As part of manufacturing improvement efforts, a dust extractor for tablets was installed in the Dry Forms workshop.

In order to meet demand for Endogard®, a high-efficiency rotating compressor was ordered and will begin operating at the start of 2010.

The manufacture of beta lactam based products will be subcontracted out to an approved site following a request from the veterinary authorities.

South Africa

As part of the Continuous Improvement programme, a pull-flow principle was implemented, requiring components in the warehouse to be reorganised along with the immediate surrounding area.

This same programme led to a reorganisation of the Sales Administration service, which was merged with the Customer Service department in the manufacturing unit.

The production departments were reorganised with the creation of team leader roles which will be completed in 2010.

At the request of the insurers the manufacturing buildings were secured with a fire safety system.

Significant rationalisation work on product ranges led to a 30% reduction in existing product numbers with no impact on sales.

Review of the 2009 financial statements

Consolidated financial statements

Operating performance

Operating result from ordinary activities was up 6.9% on the previous year thanks to the improved margin on purchases as well as the controlled rise in external expenses.

Sales amounted to €467.4 million, up €24.1 million (5.4%) on 2008.

Margins on purchase costs were up 5.9%, rising faster than sales and mainly stemming from the sale or discontinuation of low-margin business activities in North America and the success of new products (especially Effipro® and Easotic®) with margins above the Group average.

Other operating expenses from ordinary activities amounted to €257.6 million. The progression was slightly higher than that of the sales figure as a result of the increased sales and marketing expenses in Europe to support launches for new products and for the acquired ranges, as well as continued R&D investment in the United States. Administrative expenses were under

control and increased at a rate that was two times slower than sales figures.
Depreciation and amortisation increased by 13.6% as a result of the full-year amortisation effect from the intangible assets acquired from Schering-Plough in 2008.

Financial expenses were at -€1.9 million compared with -€4.0 million the previous year. This change is due to the drop in interest charges resulting from the big reduction in debt recorded in 2009 (-€33 million) as well as the fall in interest rates.

Income tax came to €16.7 million, up 19.3%. The rise in the nominal tax rate (32.6% in 2009 compared to 30.7% in 2008 following the adjustment of the research tax credit) was mainly due to differential tax rates abroad, particularly in the United States where results increased sharply.

The amount recognised under share of income of associates relates to those European companies accounted for under the equity method in which Virbac exercises significant influence.

Results for the period that can be attributed to minority interests remained stable compared with 2008 (€0.9 million).

Net profit attributable to equity holders of the parent amounted to €38.8 million, up 9.6%.

Consolidated balance sheet and financing

The Group's cash flow from operations amounted to €58.8 million compared with €52.2 million in 2008, up 12.6% on the back of improved profitability. Net borrowings were down at 31 December 2009 at €33.8 million.
Net debt at the end of 2009 was 0.58 times cash flow from operations and amounted to 13.2% of total consolidated shareholders' equity and provisions (including minority interests).

The decrease in net intangible assets is essentially due to depreciation and amortisation in the year, whilst the increase in tangible assets is due to investments made by the parent company (installation of sprinklers, purchase of material for the Effipro® production line and renovations at Biotech) and by Virbac India (purchase of new premises).

The working capital requirement was up on the previous year and amounted to €44.3 million compared with €39.1 million in 2008. This rise was mainly due to an increase in working capital requirement excluding the operating requirement (up €3.5 million). The operating working capital requirement increased 2.7%, i.e. around two times lower than sales mainly on the back of inventory levels being brought under control.

On 23December 2003, Virbac arranged a €100 million seven-year credit facility with a banking pool. At 31 December 2009, the second repayment took place and the maximum amount was thus set at €70 million until 23 December 2009. In this regard, the Group must fulfil two types of commitments:
- commitment to respect financial ratios:
  - consolidated net debt/cash flow from operations;
  - consolidated net debt/shareholders' equity;
- commitment to publish financial statements.

This credit facility had not been drawn down at the end of 2009 and the Group complied with its contractual commitments in full.
During 2009, Virbac arranged for three new credit facilities for a total of €30 million over a five year period. €28 million of these credit facilities had been used at 31 December 2009.
Negotiations are taking place with the Group's banking partners to ensure medium-term refinancing through a new credit facility which will replace the one agreed in 2003.

Statutory financial statements

At 31 December 2009, sales at the Virbac parent company amounted to €167.4 million, up 1.8% on the previous year. The proportion of Virbac sales with Group subsidiaries was up slightly on 2008 and accounted for 87% of total sales. The remaining 13% involved direct sales by Virbac in countries in which the company does not have a subsidiary.
The regions that made the largest contribution to this increase in 2009 were Europe, Asia and North America.

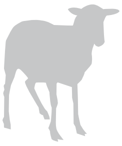
Operating result amounted to €1.4 million, down 0.6% on 2008. This deterioration despite increased sales and the margin on purchases of 1.7 points is the result of an increase in purchases and in external charges (studies and research increased by €1.4 million) as well as of personnel charges (mainly linked to salary revaluations).

Net finance expenses were down 10.9% thanks to an increase in dividends received, and in particular to a drop in financial expenses through the lower interest charges resulting from the debt reduction in 2009 and the fall in interest rates.

Extraordinary items amounted to -€2 million and were largely comprised of:
- accelerated depreciation and amortisation of €2.4 million;
- a €0.4 million gain through the sale of 155,526 treasury shares.

These sales were connected with the exercise of stock options held by Group employees and the granting of performance shares along with transactions under the market-making agreement entered into with Exane BNP Paribas.

Net profit after tax amounted to €30.6 million compared with €27.6 million in 2008.



Allocation of earnings

Earnings of the Virbac parent company amounted to €30,591,708.

The shareholders' meeting will be asked to pay out a dividend of €1.32 for each share with a par value of €1.25.

In line 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 €11,502,944.64
- retained earnings €19,088,763.85
- net result for the period €30,591,708.49

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 22 July 2010.

Dividends over the past three financial years

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

Year in €	Dividend per share	Revenue eligible for deduction according to article 158-3-2 of the French general tax code (CGI)	Overall distribution
2006	0.80	0.80	6,886,402
2007	1.10	1.10	9,471,454
2008	1.20	1.20	10,404,230

The dividends received by individuals are subject to income tax following the application of a 40% reduction and an annual fixed allowance. In 2009 the allowance was set at €1,525 for single people and €3,050 for couples in respect of income received in 2008. This arrangement is also combined with a tax credit equal to 50% of income received, with a €115 or €230 ceiling according to civil status. This system does not, however, apply to legal entities.

Share buyback programme

The ordinary shareholders' meeting of 19 June 2009 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, in accordance with the provisions of the transparency directive that came into force on 20 January 2007, by our professional distributor and on the company's website on 2 April 2009.

At 31 December 2009, Virbac held 40,673 treasury shares in this regard, acquired on the market for a total of €2,476,905 excluding costs, representing an average price of €60.90 per share.

During the year, the company bought 94,953 treasury shares, including 89,028 shares (at an average price of €59.54) under the market-making agreement and 5,925 shares (at an average price of €57.84) in connection with a performance share plan. Virbac also sold 155,526 shares including 103,476 shares under the market-making agreement (at an average price of €60.07), 35,000 shares (at an average price of €22.87) in connection with stock option plans for Group employees and 17,050 shares (transferred free of charge) in connection with performance share plans. Expenses are no longer deducted from these transactions.
At 31 December 2009, treasury shares accounted for 0.5% of Virbac's capital and were held primarily for market making and performance share plans (there were no more stock option plans at 31 December 2009).

A resolution will be submitted for the approval of the shareholders' meeting authorising the company to buy back up to 5% of the capital. The purchases may be carried out to ensure the liquidity of the stock or support the price via a market maker acting independently under a market-making agreement, in accordance with a Code of ethics approved by the AMF (French financial markets authority) and for the purposes of granting performance shares pursuant to the terms of the draft resolution submitted to the shareholders' meeting.

The maximum unit purchase price may not exceed €110.
When calculating the maximum number of shares, shares already purchased under the aforementioned prior authorisations will be included, together with those that may be purchased under the market-making agreement.

Employee shareholding

Pursuant to article L.225-102 of the French commercial code, we can announce that at 31 December 2009, employees of the company and related companies owned 78,572 Virbac shares, namely 0.90% 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, represent less than 3% of the capital.
This resolution was put forward at the shareholders' meeting on 19 June 2009 in accordance with the provisions of L225-129-6 of the French commercial code.

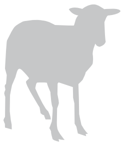
Non tax-deductible expenses

The non-deductible expenses covered in article 39-4 of the French general tax code amounted to €124,718 in respect of the financial year ended 31 December 2009.

Material events after the closing date

• On 29 January 2010, Virbac signed an agreement with Pfizer to acquire certain veterinary products and their associated assets in Australia, in particular a production site. The transaction was for a sum of AUD 13.1 million excluding acquisition and fiscal costs. This transaction has received approval from the Australian competition and consumer commission; it forms part of the divestment of assets required by this commission following the recent acquisition of Wyeth and its Fort Dodge veterinary business by Pfizer. According to the term of this agreement, Virbac acquired the rights to a group of products previously sold in Australia by Fort Dodge for food producing animals, mainly bovine and ovine products. This consists of parasiticides (80% of sales) and vaccines (20%), which made sales amounting to AUD 37 million in 2009.
This new portfolio will be integrated seamlessly as a supplement to the product range that Virbac Australia already provides to its customers.
This business will make a positive contribution to Virbac Australia's results from 2010. Ascertainment of the fair value of the assets acquired as part of this agreement had not been finalised at the date of closure of the 2009 financial statements but the transaction will produce a badwill in the Group's 2010 financial statements.
This acquisition constitutes a business combination within the meaning of IFRS 3 and will be consolidated by following full consolidation method in the Group's 2010 financial statements.

• In early 2010, Virbac established a strategic alliance in the food producing animal vaccine area in acquiring 30% of Uruguayan laboratory Santa Elena for a total of USD 3.7 million. This company, which has been active in Uruguay for more than fifty years, has wide expertise in vaccine development and manufacture, particularly bovine vaccine which it sells in Uruguay and in the other Latin American countries. Its sales in 2009 were USD 7 million with a good profitability level.
Virbac will have the option of acquiring all of Santa Elena in the future.



Thanks to this alliance, Santa Elena will be able to rely on the solid commercial platform provided by Virbac in order to introduce its ranges of vaccines into numerous international markets. Virbac will thus benefit from the skills and know-how provided by Santa Elena in the biology area, allowing the formation of a solid base for the development and production of vaccines for food producing animals, and consequently enabling entry into this market segment. Santa Elena will be consolidated as an associate in the Group's 2010 financial statements.

Management and supervisory bodies

Supervisory board

Marie-Hélène Dick, chairwoman of Virbac's supervisory board.
Expiry of current term of office: 2010.
Aged 45, a doctor of veterinary medecine and holder of an MBA from the HEC business school, Marie-Hélène Dick was appointed chairwoman of Virbac's supervisory board in April 2006.
Other positions held:

- chairwoman and general manager of Okelen (France);
- permanent representative of Okelen, chairing Panmedica (France);
- chairwoman of the board of directors of Panpharma (France).

Compensation and attendance fees received in respect of 2009: €106,300.
Number of shares held at 31 December 2009: 1,635.

Jeanine Dick, vice-chairwoman of Virbac's supervisory board.
Expiry of current term of office: 2010.
Aged 73, 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, (non-trading company) (France).

Compensation and attendance fees received in respect of 2009: €10,500.
Number of shares held at 31 December 2009: 8,080.

Pierre Madelpuech, permanent representative of the company Asergi, a member of Virbac's supervisory board.
Expiry of current term of office: 2010.
Aged 49, Pierre Madelpuech is an Ensam engineering graduate and holds an MBA from the HEC business school.
Other positions held:

- manager of Asergi (France);
- director of Panpharma (France);
- director of Okelen (France);
- general manager of Panmedica (France);
- chairman of Arteis Développement (France);
- general manager of RPG (France);
- general manager of Art'Pro (France);
- manager of Soexpart (France).

Attendance fees received in respect of 2009 by the company Asergi: €16,300.
Number of shares held at 31 December 2009 via the company Asergi: 10.

François Guinot, member of Virbac's supervisory board.
Expiry of current term of office: 2010.
Aged 66, an ENSC chemical engineering graduate, doctor of Physical Sciences and doctor of Business Administration, François Guinot was formerly chairman and general manager of Rhône-Poulenc Chimie and general manager of Biomérieux. Up to 31 December 2008, he was president of the Académie des Technologies (France).
Other positions held:

- member of the board of the Centre national de la recherche scientifique (France).
- member of the board and honorary chairman of the Académie des Technologies (EPA) (France);
- chairman of the Chaire Européenne de Chimie Nouvelle pour un Développement Durable (ChemSud) (corporate foundation) (France);
- member of the board of the École des Neurosciences de Paris (foundation) (France).

Compensation and attendance fees received in respect of 2009: €16,300.
Number of shares held at 31 December 2009: 40.

Xavier Yon, permanent representative of the company XYC, a member of Virbac's supervisory board.
Expiry of current term of office: 2010.
Aged 69, a graduate of the Faculté des Sciences de Paris and of Harvard Business School, Xavier Yon was formerly chairman and general manager of Laboratoires Galderma.
Other positions held:
- vice-chairman of the École de Biologie Industrielle de Cergy-Pontoise (French non-profit organisation) (France);
- director of Graceway Pharmaceuticals Inc. (United States);
- director of Medical Instill Technologies Inc. (United States);
- president of the Institut Polytechnique Saint Louis (French non-profit organisation) (France);
- chairman of Goapharma (France);
- director of Panpharma (France).

Attendance fees received in respect of 2009 by the company XYC: €16,300.
Number of shares held at 31 December 2009: 758.

Philippe Capron, member of Virbac's supervisory board.
Expiry of current term of office: 2010.
Aged 51, a graduate of the HEC business school and the Institut d'Études Politiques de Paris, Philippe Capron is a former ENA student and finance inspector.
Other positions held:
- member of the executive board and financial director of Vivendi (France);
- director and chairman of the audit committee of SFR (France);
- member of the supervisory board of Groupe Canal Plus (France);
- member of the supervisory board and chairman of the audit committee of Canal Plus France (France);
- member of the supervisory board and chairman of the audit committee of Maroc Telecom SA (Morocco);
- director of Activision Blizzard (USA);
- director of NBCU Inc. (United States);
- chairman of the board of directors of GVT (Brazil);
- director of Tinubu Square (France).

Compensation and attendance fees received in respect of 2009: €19,300.
Number of shares held at 31 December 2009: 410.

Executive board

Éric Marée, chairman of Virbac's executive board.
Aged 57, a graduate of the HEC business school and a holder of an MBA from Cornell University, Éric Marée joined Virbac in October 1999 and has been chairman of the executive board since December that year.
Other positions held in Virbac subsidiaries:
- chairman of Interlab (France);
- director of Virbac (Australia) Pty Ltd (Australia);
- director of Vetsearch International Pty Ltd (Australia);
- director of MR- 067 579 122 Pty Ltd (Australia);
- chairman of Virbac Corporation (USA);
- director of Virbac Limited (UK);
- director of Vetsearch International (UK) Ltd (UK);
- director of Laboratorios Virbac Mexico SA de CV (Mexico);
- director of Virbac Mexico SA de CV (Mexico);
- director of Virbac Animal Health India Private Limited (India).

Pierre Pagès, member of the executive board and chief operating officer of Virbac.
Aged 58, a doctor of veterinary medecine and MBA graduate of the HEC business school, Pierre Pagès joined Virbac in 1980. He has been a member of the executive board since 1992.
Other positions held:
- director of Panpharma (France);

Other positions held in Virbac subsidiaries:
- chairman of Virbac Distribution (France);
- chairman of the management board of Dog N'Cat International (France);
- chairman of the management board of Virbac Nutrition (France);
- member of the management board and general manager of Virbac France (France);
- director of Virbac (Australia) Pty Ltd (Australia);
- director of Vetsearch International Pty Ltd (Australia);

• director of MR- 067 579 122 Pty Ltd (Australia);
• director of Virbac Corporation (USA);
• chairman of PP Manufacturing Corporation (USA);
• 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 (UK);
• director of Vetsearch International (UK) Ltd (UK);
• joint manager of Virbac Österreich GmbH (Austria);
• vice-chairman of Virbac Philippines Inc. (Philippines); (Philippines) ;
• director of Virbac RSA (Proprietary) Ltd (South Africa);
• director of Virbac SRL (Italy);
• director of Inomark AG (Switzerland);
• vice-chairman of Virbac Vietnam Co. Ltd (Vietnam);
• chairman of Laboratorios Virbac Mexico SA de CV (Mexico);
• chairman of Virbac Mexico SA de CV (Mexico);
• vice-chairman of Virbac Hellas SA (Greece);
• vice-chairman of Animedica SA (Greece);
• chairman of Virbac Animal Health India Private Limited (India);
• director of Virbac Colombia Ltda (Colombia);
• vice-chairman of Laboratorios Virbac Costa Rica SA (Costa Rica);
• chairman of Virbac Danmark A/S (Denmark).

Christian Karst, member of Virbac's executive board.
Aged 51, a doctor of veterinary medecine, Christian Karst joined Virbac in 1984. He has been a member of the executive board since December 1996.
Other positions held:
• manager of Karst, (non-trading property investment company) (France).
Other positions held in Virbac subsidiaries:
• chairman of the management board of Bio Véto Test (France);
• member of the management board of Francodex Santé Animale (France);
• director of Virbac (Australia) Pty Ltd (Australia);
• director of Vetsearch International Pty Ltd (Australia);
• director of MR- 067 579 122 Pty Ltd (Australia);
• director of Virbac Limited (UK);

Michel Garaudet, member of Virbac's executive board.
Aged 55, a graduate of the HEC business school, Michel Garaudet joined Virbac in 1993. He has been a member of the executive board since December 2002.
Other positions held in Virbac subsidiaries:
• manager of Virbac de Portugal Laboratorios Lda (Portugal);
• member of the management board of Bio Véto Test (France);
• director of Virbac Corporation (USA);
• member of the management board of Alfamed (France);
• member of the management board of Francodex Santé Animale (France);
• member of the management board of Virbac France (France);
• director of Virbac Hellas SA (Greece);
• director of Animedica SA (Greece);
• chairman of Virbac (Switzerland) AG (Switzerland),

Jean-Pierre Dick, member of Virbac's executive board.
Aged 44, Jean-Pierre Dick is a doctor of veterinary medecine and holds an MBA from the HEC business school. He has been a member of the executive board since December 1996.
Other positions held:
• president of the Fondation d'Entreprise Virbac (corporate foundation);
• member of Défi Voile Sud (association);
• manager of Absolute Dreamer SARL.

Compensation of members of the executive board in respect of 2009

In accordance with Afep-Medef recommendations we are showing a summary table of compensation granted to the members of the executive board:

Members of the executive board in €	Sums due in respect of 2009				
	Éric Marée	Pierre Pagès	Christian Karst	Michel Garaudet	Jean-Pierre Dick
Compensation due	484,463	332,360	292,492	227,057	50,373
Value of options granted in 2009	-	-	-	-	-
Value of performance shares granted in 2009 according to the methods used for consolidated financial statements	99,180	71,630	66,120	44,080	-
Total	**583,643**	**403,990**	**358,612**	**271,137**	**50,373**

Members of the executive board in €	Sums due in respect of 2008				
	Éric Marée	Pierre Pagès	Christian Karst	Michel Garaudet	Jean-Pierre Dick
Compensation due	466,513	320,135	285,010	221,092	48,073
Value of options granted in 2008	-	-	-	-	-
Value of performance shares granted in 2008 according to the method used for the consolidated financial statements	109,440	79,040	72,960	48,640	-
Total	**575,953**	**399,175**	**357,970**	**269,732**	**48,073**

Compensation paid in respect of the 2009 financial year corresponds with the fixed compensation paid in 2009, the compensation linked to the offices of the directors in the Group's companies paid in 2009, the variable compensation paid in 2010 in respect of 2009 and to the benefits in kind awarded in 2009 (company car).

Members of the executive board in €	Sums due in respect of 2009				
	Éric Marée	Pierre Pagès	Christian Karst	Michel Garaudet	Jean-Pierre Dick
Fixed compensation (including benefits in kind)	279,063	186,460	181,492	169,057	35,373
Variable compensation	142,000	86,000	73,000	45,000	15,000
Compensation associated with directorships held in the Group companies	63,400	59,900	38,000	13,000	-
Total compensation	**484,463**	**332,360**	**292,492**	**227,057**	**50,373**

Compensation paid in respect of the 2008 financial year corresponds to the fixed compensation paid in 2008, the compensation linked to the offices of the directors in the Group's companies paid in 2008, the variable compensation paid in 2009 in respect of 2008 and to the benefits in kind awarded in 2008 (company car).

Members of the executive board in €	Sums due in respect of 2008 Éric Marée	Pierre Pagès	Christian Karst	Michel Garaudet	Jean-Pierre Dick
Fixed compensation (including benefits in kind)	274,463	183,335	176,010	166,699	33,073
Variable compensation	132,050	79,800	71,000	41,800	15,000
Compensation associated with directorships held in the Group companies	60,000	57,000	38,000	12,593	-
Total compensation	**466,513**	**320,135**	**285,010**	**221,092**	**48,073**

Calculation criteria for the variable portion

The variable compensation of members of the executive board depends on a series of shared goals:
- sales growth;
- growth in operating result;

as well as specific objectives:
- inventory control;
- acquisitions (companies, products).

Other benefits

In addition to the various compensation items, members of the executive board enjoy the following benefits.

Pension

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);
- must be aged at least 60 years;
- finishing his/her career in the Group.

Severance pay

The commitments made by the company and the companies it controls to its managers in the event their offices are terminated are as follows:
- Éric Marée : €483,000
- Pierre Pagès : €404,000
- Christian Karst : €326,000

At its 22 December 2008 meeting, the supervisory board reappointed the executive board members for a further term. In line with the provisions of the act of 21 August 2007, the supervisory board, at its 13 March 2009 meeting, approved 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. Severance pay will only be payable in the event of dismissal, regardless of whether it relates to a change in strategy or control or otherwise. The level of payment is markedly lower than the Afep-Medef maximum of two-years' compensation and is subject to achievement of demanding performance criteria: ratio of operating result from ordinary activities/sales over the twelve months prior to the departure of the senior manager equal to or greater than 7%.

The aforementioned commitments were approved by the shareholders' meeting of 19 June 2009 by special resolution for each beneficiary, in accordance with article L225-42-1 of the French commercial code.

Stock options

In line with the authorisation granted by the shareholders' meeting, Virbac's executive board granted stock options to certain employees and managers of Virbac and its subsidiaries between 2000 and 2003.
Each option grants the right to purchase one Virbac share at a price set in advance and called the exercise price. Beneficiaries are subject to a lock-in period and may only exercise 50% of their options two years from the grant date and the remaining 50% after three years.
The options lapse if they have not been exercised six years from the date on which they are granted or if the beneficiary leaves the Group during the lock-in period. Shares purchased via options may not be disposed of until four years from the commencement date of the plans.

The number and price of stock options have developed as follows:

	2009		2008	
	Options	Average price in €	Options	Average price in €
Options in circulation at the start of the exercise period	**35,000**	**22.87**	**62,110**	**26.37**
Options granted during the period	-	-	-	-
Options exercised	-35,000	22.87	-26,510	30.84
Options cancelled	-	-	-600	32.88
Options in circulation at the end of the exercise period			**35,000**	
including options exercisable at 31 December	-		35,000	

At 31 December 2009, all stock option plans which benefit the members of the executive board expired and no stock options were granted to executive corporate officers during the year.

The stock options exercised during the year by each executive corporate officer are set out in the table below:

Executive board members	Number and date of plan	Number of options exercised in 2009	Exercise price in €	Exercise period
Éric Marée	Plan 2003 - 14/04/2003	10,000	22.87	2003 - 2009
Pierre Pagès	Plan 2003 - 14/04/2003	8,000	22.87	2003 - 2009
Christian Karst	Plan 2003 - 14/04/2003	8,000	22.87	2003 - 2009
Michel Garaudet	Plan 2003 - 14/04/2003	3,500	22.87	2003 - 2009
Total		**29,500**		

Allocation of performance shares

In line with the authorisation granted by the shareholders' meeting, since 2006 the executive board has granted performance shares to certain managerial personnel of Virbac and of its subsidiaries.

These grants are contingent upon the achievement of a performance goal linked to the Group's profitability and net debt, which will, respectively, be assessed at the end of 2008, 2009, 2010 and 2011.
Managerial retention period:
• 2006 plan: if the goals are achieved, these vesting shares will have to be retained by the beneficiaries for two years from vesting;

• 2007 to 2009 plans: 35% of the shares vesting to the chairman of the executive board and 25% for the other corporate officers may not be sold whilst they work for the Group. This restriction will nonetheless be lifted where the corporate officers have established a Virbac share portfolio representing two years' target annual compensation (target gross salary and bonus), except for the chairman for whom this amount is set at three years' target compensation.

The performance shares awarded with respect to the different plans were as follows:

Plan	Number of allotted shares
2006	17,050
2007	13,800
2008	14,050
2009	14,450
Total	**59,350**

The allocations of performance shares agreed for the members of the executive board were as follows:

Executive board members	Number and date of plan	Number of allotted shares	Value of shares on the basis of the method used for the consolidated financial statements in €	Vesting date	Date released*
Éric Marée	Plan 2006 - 24/07/2006	2,700	110,970	2009	2011
	Plan 2007 - 09/07/2007	1,800	115,020	2010	2013
	Plan 2008 - 17/03/2008	1,800	109,440	2011	2014
	Plan 2009 - 19/06/2009	1,800	99,180	2012	2015
Pierre Pagès	Plan 2006 - 24/07/2006	1,700	69,870	2009	2011
	Plan 2007 - 09/07/2007	1,300	83,070	2010	2012
	Plan 2008 - 17/03/2008	1,300	79,040	2011	2013
	Plan 2009 - 19/06/2009	1,300	71,630	2012	2014
Christian Karst	Plan 2006 - 24/07/2006	1,400	57,540	2009	2011
	Plan 2007 - 09/07/2007	1,200	76,680	2010	2012
	Plan 2008 - 17/03/2008	1,200	72,960	2011	2013
	Plan 2009 - 19/06/2009	1,200	66,120	2012	2014
Michel Garaudet	Plan 2006 - 24/07/2006	900	36,990	2009	2011
	Plan 2007 - 09/07/2007	800	51,120	2010	2012
	Plan 2008 - 17/03/2008	800	48,640	2011	2013
	Plan 2009 - 19/06/2009	800	44,080	2012	2014
Total		**22,000**			

*except for restricted quota. Please refer to the section on allocation of performances shares page 62.

In 2009 the performance share plan for 2006 was awarded. The allocations of performance shares awarded to the members of the executive board are as follows:

Executive board members	Number and date of plan	Number of allotted shares	Number of attributable shares
Éric Marée	Plan 2006 - 24/07/2006	2,700	2,700
Pierre Pagès	Plan 2006 - 24/07/2006	1,700	1,700
Christian Karst	Plan 2006 - 24/07/2006	1,400	1,400
Michel Garaudet	Plan 2006 - 24/07/2006	900	900
Total		**6,700**	**6,700**

The shareholders' meeting of 19 June 2009 adopted a resolution aimed at renewing the option to grant performance shares in the company under the conditions of articles L225-197-1 *et seq.* of the French commercial code.

The resolution will provide for the granting of performance shares to employees and equivalent or certain categories thereof as well as corporate officers, both of Virbac and companies that are directly or indirectly associated in the manner defined by article L225-197-2 of the French commercial code. The total number of performance shares granted may not represent over 1% of Virbac's capital. These performance share 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 being fully empowered to set the vesting and retention periods at over two years and up to a maximum of four years each. The executive board will determine the identity of the beneficiaries as well as the terms and grant criteria for the shares that will be linked to the improvement in the Group's performance levels.

Trading in company shares

Pursuant to the provisions of articles L621-18-2 of the French monetary and financial code and 222-15-3 of the general regulations of the AMF, we hereby present a summary of the transactions carried out during the past year by managers and related parties in respect of which we were notified.

By managers and related parties

	Number of shares	Total amount of transactions in €
Éric Marée	10,000	228,700
Pierre Pagès	8,000	182,960
Christian Karst	8,000	182,960
Michel Garaudet	3,500	80,045
Purchases	**29,500**	**674,665**
Éric Marée	3,000	185,621
Pierre Pagès	-	-
Christian Karst	3,000	166,417
Michel Garaudet	2,750	193,829
Sales	**8,750**	**545,867**

By the members of the supervisory board and related parties

	Number of shares	Total amount of transactions in €
The company XYC*	748	50,803
Philippe Capron	40	21,200
Purchases	**1,148**	**72,003**
The company XYC*	-	-
Philippe Capron	-	-
Sales	**-**	**-**

*legal entity linked to Xavier Yon, member of the supervisory board

Shareholder structure and stock market performance

Virbac provides clear, consistent and transparent information to its individual and institutional shareholders and their advisers (financial analysts).

This information is relayed by means of financial announcements published in the French media, press releases published on financial websites and on the AMF's website, and the publication of Group quarterly sales figures and interim results as required by law.

Relations with individual investors

The www.virbac.com website has a financial information section that is regularly updated. It allows the Group's financial information to be consulted and downloaded: press releases, annual and interim financial statements, annual report. Internet users may also email questions pertaining to Group financial matters to finances@virbac.com.

Beginning in 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" consolidating all of the information required under the directive.

Relations with institutional investors

Management is heavily involved in communicating with the investors and analysts they meet throughout 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.

Provisional timetable for financial communications for 2010

The provisional timetable for 2010 is as follows:

- 2010 first-quarter sales, 15 April 2010;
- 2010 second-quarter sales, 19 July 2010;
- 2010 interim results, 31 August 2010;
- 2010 third-quarter sales, 14 October 2010;
- 2010 full-year sales, 19 January 2011.

Stock market data

in €	2005	2006	2007	2008	2009
Highest share price	41.50	49.00	68.90	68.85	75.85
Lowest share price	25.87	37.50	47.00	45.23	49.82
Average share price	33.08	43.44	59.09	56.58	60.11
Final share price	39.80	47.00	68.70	57.94	72.73

Share capital structure

At 31 December 2009

	Shares	Voting rights	Capital	Voting rights
Dick family group	4,154,448	8,227,168	47.67%	63.86%
Threadneedle Asset Management Holdings	525,860	525,860	6.03%	4.08%
Company savings plan	78,572	155,091	0.90%	1.20%
Public	3,914,799	3,975,943	44.92%	30.86%
Treasury shares	40,673	-	0.47%	-%
Total	**8,714,352**	**12,884,062**	**100%**	**100%**

In September 2009 Threadneedle Asset Management Holdings acquired more than 5% of Virbac's shares.

At 31 December 2008

	Shares	Voting rights	Capital	Voting rights
Dick family group	4,154,448	8,227,168	47.67%	64.23%
Company savings plan	78,572	155,091	0.90%	1.21%
Public	4,380,086	4,426,335	50.26%	34.56%
Treasury shares	101,246	-	1.16%	-%
Total	**8,714,352**	**12,808,594**	**100%**	**100%**

At 31 December 2007

	Shares	Voting rights	Capital	Voting rights
Dick family group	4,072,720	8,145,440	46.74%	63.67%
Company savings plan	76,519	153,038	0.88%	1.20%
Public	4,464,808	4,493,859	51.23%	35.13%
Treasury shares	100,305	-	1.15%	-%
Total	**8,714,352**	**12,792,337**	**100%**	**100%**

Thresholds crossed

During the course of the year ended 31 December 2009, the company was informed that Threadneedle Asset Management Holdings Ltd. had declared that at 15 September 2009 it had crossed the threshold of 5% of the company's capital following an acquisition of shares on the market.

The number of shares and voting rights held by this company at 31 December is shown in detail in the table above.

Information that might affect a public offering

Pursuant to article L225-100-3 of the French commercial code, it should be noted that certain shares have special control rights.

The following shares carry double voting rights:

	Number of shares concerned
Dick family group	4,072,720
Company savings plan	76,519
Public	58,809

The 40,673 treasury shares do not carry any voting rights.

Outlook for 2010

2010 should see a return to growth in the global animal health market, albeit with some mixed results depending on segment. The companion animal segment remained stagnant in the first half of 2009, with a return to health in the second half of the year in both the United States and Europe. We believe that 2010 should follow this latter trend. The food producing animal segment in developed countries on the other hand should only experience very gradual growth, particularly in France where the situation in farms at the start of the year remains worrying. The outlook in this area is, however, much more favourable in the emerging countries.

We are keeping our objective of increasing market share against this generally more favourable background. In order to achieve this we are counting in particular on increased sales of Effipro® which is available throughout Europe for the start of the season for external parasiticides, on continued growth for the Iverhart® range in the USA and on business in the emerging countries, particularly India and Brazil. We will also benefit from the contribution of acquisitions completed at the start of this year in Australia (Wyeth food producing animal product ranges) and in Uruguay (acquisition of part of Santa Elena which specialises in biology), without excluding the possibility of completing other acquisitions during the year. Combined with us keeping our costs under control, this expected growth should allow us to improve profitability once again.

Risk factors

Risks relating to the Group's business activities and strategy

Risks relating to the research, development, and licensing process and to product registration

The veterinary pharmaceutical industry is highly competitive and, in order to maintain its market share and sustain its growth, Virbac must devote considerable resources each year to research and development in order to discover new products. In 2009, Virbac allocated 7.25% of sales to research and development.

The research and development process generally takes several years and involves multiple phases. Each of these phases entails a risk that goals will not be met and that a project in which significant sums have been invested will have to be abandoned.

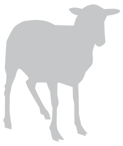
Consequently, the current investments in respect of the development and launch of future products may involve costs that will not necessarily generate additional sales for Virbac.

In parallel with its in-house R&D projects, the Group also has a policy of acquiring licences granting it access either to new products ready to be marketed, or to projects under development that it will itself pursue to a successful conclusion. In the same way as with in-house R&D projects, there is always a risk that these projects will come to nothing or that the commercial potential will prove to be less attractive than expected, possibly resulting in these assets being impaired.

Once the research and development phase is complete, Virbac, in its capacity as a veterinary pharmaceutical laboratory, must where necessary obtain all the administrative authorisations required 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, or such authorisation may be only partial, i.e. limited to certain countries or to certain indications.

Once a marketing authorisation has been obtained, products are subject to ongoing controls and their marketing may potentially be restricted, or they may be withdrawn from the market.

Virbac seeks to limit these risks by firstly employing stringent selection criteria for the research and development projects in which it invests (likelihood of success, as measured by a combination of technical, regulatory and marketing factors, of over 50%) and secondly



through the expertise of its Regulatory Affairs department, which is responsible for filing, monitoring and renewing marketing authorisations.

Risks linked to the distribution channels

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.
Although there are many types of distribution networks and they depend on the country in which the products are being marketed, the Group's products are virtually always distributed via wholesalers and buying syndicates used by veterinarians.
Throughout the world, these relationships are underpinned by contracts that are reviewed regularly; nevertheless, this form of distribution can occasionally create a certain dependency for the Group, or provide it with an insufficient degree of control over its presence and development.
Virbac seeks to reduce this risk by examining opportunities to create a distribution subsidiary where its sales attain a sufficient level in a given market. Virbac then opts for the most appropriate solution, either acquiring its distributor or establishing a new company.

Reputational risks

Product liability is a risk inherent in Virbac's line of business (pharmaceutical products).
In order to minimise these risks, Virbac has established drug monitoring procedures and stringent quality controls for all of the products the Group markets, in addition to taking out appropriate insurance.
It is nevertheless possible that Virbac may be involved in product liability suits, which could affect its reputation as well as its sales, operating result or financial position.

Risks of dependency on third parties for the supply or manufacturing of certain products

All of the raw materials and active ingredients used to manufacture Virbac's products are supplied by third parties.
In certain cases, the Group also has recourse to contract manufacturers or industrial partners with spare capacity or expertise in the use of specific technologies.
Virbac diversifies the sources of its supplies to the extent possible by establishing relationships with a number of suppliers, while ensuring that all of these various sources have the appropriate characteristics in terms of quality and reliability. Virbac is nevertheless exposed to a risk of supply shortages or price pressure on certain supplies or technologies for which diversification is difficult or impossible.
To limit these risks, the Group takes a broad approach to identifying as many diversified suppliers as possible, and may in certain cases secure its supply chain by acquiring the technologies and capacities it lacks and that create too high a dependency. An example of this was the acquisition of the intellectual property and industrial facilities for the production of the protein used to make the leading cat vaccine, Leucogen®.

Risks linked to the Group acquisition policy

Ever since its creation, Virbac has pursued an active acquisition policy which has resulted in it being present in several countries and in it having a wide range of products at its disposal.
The Group plans to pursue this policy in the future in order to strengthen either its geographic positioning or its product offering.
This decision to grow via acquisitions entails both financial and operational risks.

Virbac's previous acquisitions, both past and recent, demonstrate the company's ability to effectively manage this process and all related challenges, notably establishing expert, multidisciplinary teams when planning acquisitions, supported where necessary by outside consultants.

Industrial and environmental risks

Risks relating to the use of hazardous materials

As part of its veterinary medicine manufacturing business, Virbac uses

substances that present health, fire and/or explosion, air pollution and spillage risks during the various phases of the production process (manufacturing, storage and transport).
To minimise these risks, the Group complies with the safety measures prescribed under all prevailing laws and regulations, implements good manufacturing and laboratory practices and ensures that all its employees have been appropriately trained. Its manufacturing sites and research and development facilities are also regularly inspected by regulatory authorities.

Legal and tax risks

Risks relating to the maintenance of intellectual property rights

The Group's success is in large part due to its ability to effectively exercise and protect its intellectual property rights, and notably its formulas, technologies and patents.
Patents provide time-limited protection. Once a patent expires there is, therefore, a major risk that a greater number of competitors will launch generic products. The launch of a generic product generally results in a fall in both the price and volumes of the branded product.
In addition, patent law is constantly evolving, potentially creating uncertainties as to the patentable nature of an innovation or the scope of patent protection.
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.
Virbac's legal departments and, above all, its own patents department are responsible for managing both these rights and risks.

Risks relating to insufficient insurance

Virbac has implemented a policy of exhaustively reviewing its insurable risks and their financial coverage, and is assisted in this by a broker that is a member of an international network.
In this regard, all contracts have been reviewed and harmonised at Group level, and the parent company assists subsidiaries with the set up of local insurance polices and the monitoring of all contractual clauses relating to insurance and liability.
As a result of these initiatives, insurable risks are covered by Group insurance policies with a level of coverage that the Group considers appropriate given its circumstances, barring any wholly unforeseeable events.

Risks of legal action

In the normal course of its business activities, Virbac is exposed to the risk of being involved in legal action, mainly with respect to commercial, employment and tax-related issues.

The Group considers that the provisions for these legal actions recorded in the financial statements are sufficient to cover the financial risk that would be incurred in the event it should lose such actions.

Financial risks

Market risks

■ Exchange rate risk

Group policy consists in ensuring that it is covered against exchange rate risks when the scale of exposure and currency fluctuation risks are high. It accordingly uses various instruments available on the market and generally employs foreign exchange forwards or options.

■ Interest rate risk

Virbac's primary exposure to interest rate risk stems from the variable-rate credit facilities it has arranged in France and India. To manage these risks and optimise its borrowing cost, the Group monitors expectations regarding market rates and may decide to put in place interest rate swaps (fixed rate) that neither exceed the duration or the amount of its actual commitments.

■ Liquidity risk

A policy of pooling excess cash and financing requirements in the eurozone means that the Group's net positions can be reduced and that the management of its deposits and financings optimised, thereby ensuring that the Group has the ability to meet its financial commitments and to maintain a level of cash and cash equivalents that reflects its size and requirements.
In addition, Virbac has several credit facilities at its disposal, with the main one that had not been used at the end of 2009 amounting to €70 million and expiring at the end of 2010. Negotiations are in progress with the Group's banks to refinance this facility with a new medium-term facility.

Other financial risks

■ Hedge accounting

Hedge accounting is used to offset the impact of the hedged item against that of the hedging instrument in income. In order to qualify for hedge accounting, all hedging relationships must satisfy a series of stringent conditions in terms of documentation, likelihood of occurrence, effectiveness of the hedge and measurement reliability. The Group only proceeds with hedges used to cover actual or certain exposures, and it does not therefore create any 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.

Country risks

Virbac is an international group with operations in a large number of countries that do not suffer from political or economic instability of a kind that could have a major impact on the Group's assets or business activities.

Sustainable development

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

Human resources

The Group has 2,879 employees in 30 countries, 36 subsidiaries and seven representative offices.

Strategy

Virbac's men and women are critical to the company's success. They represent a competitive asset and embody Virbac's main strengths:

• concern for the customer;
• commitment and responsiveness;
• dedication to and trust in the company;
• the strength of human relationships.

The human resources policy is at the service of the company's strategy and its ambition is "the pursuit of excellence in people management". It involves contributing to the company's growth and to each employee's development with the same determination.

For this aim, since 2005 Virbac has been committed to a manager development programme, after which in 2007 it designed an ambitious programme aimed at strengthening its leaders' values and know-how around the world. In 2009, the Leadership programme made multicultural cooperation its number one priority for the coming years.

Since 2005, Virbac has carried out an internal survey throughout all subsidiaries globally using external partner Inergie. In 2009 the score went up significantly at all Group levels at both the main office and in the subsidiaries.

Recruitment and mobility

Virbac has a selective recruitment policy designed to continually attract animal health sales and marketing professionals as well as all the various professions involved in industrial activities and research and development.
In 2008 and 2009, the partnership with the French employment office led to 40 operators being taken on within the industrial centre.
In France, the head office recruits young interns, in order to expose the future graduates to the business world, while offering some of them the opportunity to join the company upon graduation.
This policy was broadened to cover additional professions, in particular maintenance technician in cooperation with a vocational training institute.
Particular attention is paid to the recruitment process in order to promote quality and diversity.
Finally, in 2009, Virbac equipped itself with an efficient recruitment management tool with an interface between the site www.virbac.com and employment websites in France.

Training and development

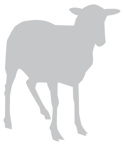
Training and development have been a real priority in the human resources strategy at Virbac since 2006. Training management has been optimised significantly with the creation of a special Virbac training offering as well as the use of a process for requirements definition that involves people and increases the sense of responsibility. Training is provided for all categories of employees and in 2008 and 2009 reached a maximum level of 1,700 participations per year.
Considerable efforts have been made to assist and train managers responsible for major change management within their organisations. The performance management process is a mandatory course for all supervisory personnel in France, with additional topics being added each year. The complete training programme has been translated into English and Spanish and has been deployed throughout the rest of the Group.

The Virbac Leadership programme, which began in 2007, has now been rolled out to some 120 managers worldwide.
This programme shows the major investment the Group has made in people, since it was designed progressively by the executive board and the Human Resources department so as to capture the major issues of the time. For 2009 the topic of multicultural cross cooperation was subject to particular examination in order for future actions to be ascertained.
This constitutes the basis of the Virbac culture, know-how and strategic expertise implemented for the company's growth.

Compensation

The Virbac group's compensation policy is directly tied to the company's performance and each person's individual contribution.

In France, the policy for manual workers, technicians and supervisory staff has a strong social focus with social benefits in excess of the sector median as well as a combined policy of general and individual salary increases that are also above average for the industry.
The policy for management personnel has evolved over the past few years and looks above all to reward individual performance whilst still linking closely to market practice. As such, performance is subject to a comprehensive analysis of job expertise, contribution over the year as well as internal and external fairness factors.



In 2009, management posts were subject to a new classification within Virbac which allows it to better account for the variety of jobs and scopes of responsibilities.
This grading system was accompanied by the implementation of consistent rules as regards all compensation policies.

Outside of France, the goal to standardise is initially being tackled at the level of Group managerial personnel who follow an international career path in order to facilitate international exchanges of expertise.

Group workforce

Workforce by geographic area	Total	%	Women	%	Men	%
Europe	1,382	48%	733	61%	649	39%
North America	267	9%	96	8%	171	10%
Latin America	254	9%	163	14%	91	5%
Pacific	155	5%	78	7%	77	5%
Asia	694	24%	85	7%	609	36%
Africa & Middle East	127	4%	45	4%	82	5%
Total	**2,879**	**100%**	**1,200**	**100%**	**1,679**	**100%**

Nearly half of the Group's workforce is located in Europe (48%), including 1,076 employees (37%) in France.

Change in workforce by geographic area	2009	2008	Change	%
Europe	1,382	1,352	30	2%
North America	267	279	-12	-4%
Latin America	254	255	-1	-%
Pacific	155	163	-8	-5%
Asia	694	699	-5	-1%
Africa & Middle East	127	132	-5	-4%
Total	**2,879**	**2,880**	**-1**	**-%**

The workforce registered at 31 December 2009 remains stable compared to that registered at 31 December 2008.

Workforce by role	2009	%	2008	%
Production	977	34%	1,011	35%
Administration	366	13%	357	12%
Sales & Marketing	1,260	44%	1,238	43%
Research & Development	276	10%	274	10%
Total	**2,879**	**100%**	**2,880**	**100%**

The breakdown of the workforce by role in 2009 is identical to that recorded in 2008.

Virbac in France

Workforce

Virbac has 1,076 employees in France.
With 56% women and 44% men, the workforce breaks down as follows in terms of classification:

Socio-professional classification	%
Managers	41%
Supervisory staff/technicians/non-manual employees	40%
Manual employees	19%

Changes to the workforce

In 2009, the number of new recruits exceeded the number of people leaving the company (+37).

Compensation

Gross compensation in 2009 amounted to €41,556,301 and social security to €20,569,886. The average gross annual salary was €41,213, up 2.8% on 2008.

Other employee benefits

In 2009, the company allocated €395,716.

Training

Training expenses this year amounted to €1,612,411, representing 3.88% of payroll. As in 2008, training expenses in 2009 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.

The reference period is annual (from 1 June to 31 May) and the duration is:

- 1,567 hours (with an additional 130 hours for managerial personnel), accompanied by working time reduction days and is set out differently according to the establishment and/or categories;
- for managerial personnel who are classified as 'autonomous' within the organisation in carrying out their responsibilities, a fixed annual basis of 213 days applies.

An agreement on part-time work allows a 3% maximum of the workforce to benefit from a reduction to 4/5th of working time.
In the event of a number of requests that exceeds this quota, stabilising criteria have been defined with social partners which are consolidated and compared at a joint commission.
Employment contract amendments are concluded at the same time as paid leave and working time reduction in order to simplify administration.

Workplace safety

In 2009, there were a total of nineteen occupational accidents which involved downtime. They resulted in 232 days lost.

Employee safety remains an ongoing concern. Virbac's industrial facilities comply with European standards and regular audits are also carried out to ensure the effectiveness of protective measures.

Furthermore, all occupational accidents are followed by an internal investigation with members of the Health, safety and working conditions committee, with implementation of proposed solutions, involvement of the line management concerned and monitoring of the action plan.

The internal training of first-aid personnel was reviewed in 2008 in order to add a "prevention assistant" role to their job remit.

In production, safety indicators (frequency rate, seriousness rate, number of accident-free days, etc.) were included in the performance monitoring of each plant and a communication space is set aside for this issue.

All the new production operators hired went through an integration process including a half-day of training and awareness regarding safety.

In 2009 a safety audit was carried out by a specialised agency with the conclusions being outlined to the management board.

This agency has since been supporting the teams in coordinating an approach for general prevention known as "Prevention reaction" with any actions and direction being validated by a steering committee made up of line managers from each department, the nurse, a member of the Health, safety and working conditions committee and a representative from Human Resources. Safety kits have been created by line managers according to Lean principles in order to facilitate the assessment and monitoring of risks and of prevention methods (collective or individual) in plants and control laboratories.

Studies with the Regional centre for sickness insurance (Cram) on preventing muscular skeletal disorders and chemical risks were started and will be continued in 2010.

In addition, in 2009 an additional resource was dedicated to managing chemical risks (including carcinogenic mutagenic or toxic to reproduction risks), in order to facilitate monitoring and training in this area.

Absenteeism

Absenteeism within the company amounted to 4.03%, and broke down as follows:

Causes	%
Occupational accident	0.22%
Maternity	0.84%
Sickness	2.85%
Accident while travelling	0.10%
Part-time medical leave	0.02%

Industrial relations

Employee representatives were re-elected in 2007 for the Economic and social unit (ESU).

A company-wide agreement was signed to set the terms of office of Works council members and employee representatives at three years.

The Works council and the ESU are comprised of seven permanent members and five substitutes. Ordinary meetings are organised monthly.

The Carros site has seven permanent employee representatives and six substitutes; there are two employee representatives (one permanent and one substitute) at Magny en Vexin and a memorandum of vacant elective office was drawn up at Verzeille.

There are two union representatives: a delegate from the CGT trade union and one from the CFE-CGC managers' union.

In 2008, Virbac Distribution joined the ESU (previously comprised of Virbac, Virbac France, Francodex Santé Animale and Alfamed) thereby enabling it to benefit from additional advantages.

Disabled workers

In France, the Virbac Group employs the equivalent of 47 people with a legally recognised disability.

Virbac and Francodex Santé Animale fulfilled their employment obligations, notably by making significant efforts to retain disabled people in the workforce (transfers and changes to work stations) and by financing the appropriate equipment.

In addition, a €24,388 contribution was made to Agefiph (an association promoting the employment of disabled people) by Virbac France plus €3,484 by Virbac Distribution who did not employ workers meeting these criteria.

In 2009, Virbac agreed partnerships with centres for professional re-education and with the regional establishments and services for occupational aid (ESAT) in order to encourage the employment of disabled people by offering them training courses as well as temporary

placements at company site.
Virbac also subcontracts certain activities to ESAT (packaging, green spaces, meals, personnel placements).

Optional and compulsory profit-sharing and company savings plan

Optional profit-sharing

Two optional profit-sharing agreements were entered into in 2008.
The first agreement was signed for a period of three years (2008 to 2010) and continued on from the previous one. It covers employees in Virbac, Virbac Distribution, Virbac France, Francodex Santé Animale and Alfamed, and follows the terms of the agreement entered into in 2005, in particular the combination of two profitability ratios to calculate the profit-share:
• a profitability ratio that looks at the consolidated net profit attributable to equity holders of the parent over consolidated sales (same as previous agreement);
• a profitability ratio that looks at the Virbac group's consolidated operating result over consolidated sales.
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 result from ordinary activities).

The second agreement covers the ESU comprised of Virbac Nutrition and Dog N'Cat International.
This is a renewal of the agreement entered into in 2005, the profit-share being calculated on the basis of the profitability ratio of the ESU: net profit/sales.

For these two agreements, the beneficiaries are employees with at least three months' service in the Group at 31 December in the year to which the calculation relates.

Compulsory profit-sharing in company net profit

A new compulsory profit-sharing agreement was entered into in 2008 with the main novelty being the putting in place of a Group compulsory profit-sharing agreement covering the two ESUs:
• 1st ESU: Virbac, Virbac France, Francodex Santé Animale, Alfamed and Virbac Distribution;
• 2nd ESU: Virbac Nutrition and Dog N'Cat International.

Each company in the unit contributes to building up an overall reserve for the total amount of its own reserve, calculated using the legally prescribed formula.
Beneficiaries are employees with at least three months' service in the Group at 31 December in the year to which the calculation relates.

The profit-share may be paid in three ways: to a blocked current account, the company savings plan and the collective retirement savings plan (Perco).

Company savings plans

Monies 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 comprised of Virbac, Virbac Distribution, Virbac France, Francodex Santé Animale 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.

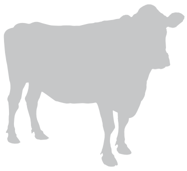
Supplier payment terms

In accordance with article L441-6-1 of the French commercial code, introduced by the act on modernising the economy, information on supplier payment terms is shown below.

in €	Outstanding	To fall due between: 0 to 30 days	31 to 60 days	Over 60 days	Total balance
Accounts payable	2,924,363	9,608,952	2,395,741	113,885	15,042,941

Fees of the statutory auditors and members of their networks paid for by the Group

in € thousands	Deloitte & Associés				Novances-David & Associés Nexia			
	Amount		%		Amount		%	
	2009	2008	2009	2008	2009	2008	2009	2008
Audit fee								
Audit committee, inspection of individual & consolidated financial statements	770.7	832.0	97%	92%	105.5	101.9	100%	100%
- Issuer	139.0	143.0	18%	16%	78.1	72.4	74%	71%
- Wholly-owned subsidiaries	631.7	689.0	80%	76%	27.3	29.5	26%	29%
Other requests and services directly linked to the audit committee's remit	-	-	-%	-%	-	-	-%	-%
- Issuer	-	-	-%	-%	-	-	-%	-%
- Wholly-owned subsidiaries	-	-	-%	-%	-	-	-%	-%
Subtotal	770.7	832.0	97%	92%	105.5	101.9	100%	100%
Other services provided by the networks to the wholly-owned subsidiaries								
Legal, fiscal, professional	23.0	75.1	3%	8%	0.3	-	-%	-%
Other	-	-	-%	-%	-	-	-%	-%
Subtotal	23.0	75.1	3%	8%	0.3	-	-%	-%
Total	**793.7**	**907.0**	**100%**	**100%**	**105.8**	**101.9**	**100%**	**100%**

Report 

on internal control procedures

Report of the chairwoman of the supervisory board on the conditions for preparing and organising the work of the supervisory board and on the internal control procedures

Article 117 of the French financial security act - article 225-68 of the French commercial code

The contents of this report are based on an analysis of the Group's position and organisation primarily carried out through a series of meetings with Virbac's executive board.

A draft report was subsequently submitted to the audit committee and its recommendations were taken into account.

In line with the provisions set forth by the act of 3 July 2008, this report was submitted to the supervisory board at its 12 March 2010 meeting and was unanimously approved.

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

Preparation and organisation of the work of the supervisory board

Responsibilities and membership of the supervisory board

The supervisory board is responsible for supervising the management activities of the executive board.

It exercises its supervisory powers by meeting every quarter especially in order to review, in particular, the company's and the 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, obtaining 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. The criterion used to define independence is wholly in line with Afep-Medef recommendations.

Supervisory board members are appointed by the share-holders' meeting for six year terms. The supervisory board is made up of two women and four men. The chair is a woman.

The offices held by supervisory board members are listed on page 57.

Meetings of the supervisory board

In line with article 15 of the articles of association, board members are notified fifteen days in advance by ordinary letter sent by courier.

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. The 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. Over the past year, the supervisory board met five times. All supervisory board members attended all meetings with the exception of Jeanine Dick who was at four out of five meetings and François Guinot who was at three out of five meetings. Supervisory board members also met informally several times during the year for work and discussion sessions.

At the 2009 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.

At its 13 March 2009 meeting, the supervisory board approved its internal bylaws covering its membership, running, responsibilities, the board's reporting procedures as well as the membership, running and responsibilities of the special committees. The supervisory board must do an annual review and a formal assessment must be carried out every three years. The supervisory board will perform its first review in March 2010.

Following Afep-Medef recommendations

The supervisory board resolved to adopt as its reference the corporate governance code for listed companies drawn up and put together by Afep-Medef (www.medef.fr) in December 2008, with a large majority of these recommendations already being followed.

Corporate governance

In order to conform to Afep-Medef recommendations, upon expiry of the current terms of office of supervisory board members (2010), the term of office, currently set at six years, will be reduced. The articles of association will be amended accordingly.

In addition, given the special manner in which it is run, namely on one hand a limited liability company governed by both an executive board and a supervisory board (the responsibilities of directors differing from those of supervisory board members) and on the other hand given the family nature of its shareholder base, the company has elected not to implement the following Afep-Medef recommendation, which requires the company to have a selection or appointment committee: the size of the company and the stability of its management and supervisory bodies mean that there is no need to set up a selection or appointment committee. The supervisory board assumes this responsibility itself.

Compensation

In terms of compensation of members of the executive board, the company follows the vast majority of measures recommended by the Afep-Medef (see letter of 23 December 2008 to the AMF published on the company's website).

At its 22 December 2008 and 13 March 2009 meetings the supervisory board set the terms of payment for severance pay as well as a few items associated with bonus share grants and the supplementary pension scheme.

The ordinary and extraordinary shareholders' meeting of 19 June 2009 approved the performance criteria associated with severance pay. Severance pay is only paid in the event of dismissal, whether associated with a change in strategy or control or otherwise, and is subject to demanding performance criteria: ratio of operating profit to sales over the twelve months prior to the departure of the senior manager equal to or greater than 7%.

Two minor points of divergence remain:

• bonus shares: the bonus shares granted to executive board members are not subject to the purchase of a specific number of shares upon vesting of the shares granted but 35% of the shares acquired by the chairman of the executive board and 25% by other corporate officers may not be transferred whilst they work for the Group. In addition, the supervisory board felt it was more appropriate to link the performance criteria to be satisfied for the granting of bonus shares to the final year prior to the grant and not, as recommended by Afep-Medef, to performance assessed over a number of consecutive years. Moreover, the performances taken into consideration are not linked to the performance of other companies or a benchmark sector as a result of a lack of reliable comparisons, with companies having similar operations to Virbac either being unlisted or divisions of major listed pharmaceutical groups;

• pensions: the supervisory board does not wish to apply the recommendations regarding the supplementary pension scheme. Virbac's policy is to only grant supplementary pensions to executive board members for two reasons: firstly the supplementary pensions thereby granted are of a controlled size and subject to the potential beneficiaries meeting several conditions, and secondly Virbac has established a well-balanced social policy for all employees in terms of welfare, voluntary profit sharing and savings (company savings plan, collective retirement savings plan, employer contribution, etc.). In addition, the company goes beyond the Afep-Medef recommendations as regards the increase in potential rights, since they only represent a limited percentage of the beneficiary's compensation including the variable component.

Special committees

Compensation committee

The membership and responsibilities of the compensation committee are set out on page 13.

The compensation committee, chaired by an independent member of the supervisory board, met twice during 2009, including one meeting with the chairman of the executive board in attendance.

Its meetings mainly dealt with the compensation of the executive board (fixed and variable components) and the granting of bonus shares to executive board members and to certain managerial personnel within the company.

Audit committee

The membership and responsibilities of the audit committee are set out on page 13.

The audit committee, chaired by an independent member of the supervisory board, met twice during 2009 with the chairman of the executive board, the chief financial officer and the statutory auditors in attendance.

During 2009, it examined the 2008 financial statements and the 2009 interim financial statements. It checked the financial information and decided upon the accounting treatment for the year's major transactions. It also noted the efforts made by the executive board to ensure the establishment and effectiveness of the internal control procedures and control risk management. In the first quarter of 2010, the audit committee will meet to confirm the financial information related to the 2009 annual financial statements.

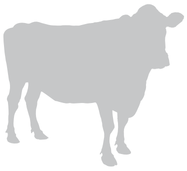
Executive board membership

The executive board has five members. At its meeting of 22 December 2008, the supervisory board reappointed all executive board members:

- **Éric Marée** became chairman of the executive board in December 1999. He directly supervises human resources, communications and IS;
- **Pierre Pagès** supervises international operations, manufacturing and quality assurance;
- **Christian Karst** supervises research and development, R&D quality assurance, marketing and strategic monitoring, licensing and acquisitions;
- **Michel Garaudet** supervises financial and legal activities;
- **Jean-Pierre Dick** is responsible for special projects.

Executive board members meet, in line with the law, in order to report quarterly to the supervisory board and whenever business so requires.

In line with act 2006-1770 of 30 December 2006 on the development of profit sharing and employee shareholding, the policies and rules for determining compensation and benefits of all kinds granted to executive board members are set out on page 60.



Special procedures regarding shareholder participation at the 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 returning officers 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 bonus shares.
Decisions of the extraordinary shareholders' meeting are taken by two thirds of the votes of shareholders present or represented.

Every shareholder, regardless of the number of shares s/he holds, is entitled to attend the meeting or to be represented by his/her spouse or by another shareholder, 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 accordance 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 at 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 s/he holds or represents 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.

Internal control system

Internal control definition and goals

The Virbac group views internal control as a set of processes established by senior executives, implemented by Group management and employees, designed to provide reasonable assurance as to the achievement of goals relating to the reliability of financial information, the performance and optimisation of operations, compliance with applicable laws and regulations and asset protection.

One of the goals of the internal control system is to prevent and control the risks stemming from the Group's business activities and risks of error or fraud, particularly in the accounting and financial fields. As with any control system, however, there can be no outright guarantee that these risks have been completely eliminated.

The internal control system in place within the Group is thus designed to:
• ensure that operations and employee conduct are in line with the guidelines laid down for the Group's activities by the management bodies, applicable laws and regulations, and the Group's internal values, standards and rules;
• ensure that the accounting, financial and management data given to the supervisory board and shareholders genuinely reflects the company's business and financial position.

Organisation of internal control

The Group's international expansion requires a sound, shared and pragmatic framework to allow for the integration of all new employees, regardless of where they are from.

The Group is organised into four decentralised international areas, each of which is headed by managers familiar with and able to apply the Group's best operational practices, and regional financial controllers responsible for, amongst other things, ensuring that the Group's internal control rules are properly applied. Each area is responsible for its operational activities following discussion and approval of strategic decisions by the executive board: this is where the Group's strategy and development goals are drawn up, subsequently broken down and applied locally.

The coordination of local actions is also carried out by specific departments and central departments reporting to executive board members.

Internal control is thus carried out in a decentralised manner by each department for all processes regardless of whether they are operational, support or management. This system thereby enables operational risks to be better assessed.

Parties involved

The organisation of the supervisory board, its membership and that of the special committees together with their responsibilities help the Group to operate in an efficient and transparent manner.

Role and running of the executive board

The executive board is primarily responsible for organising, coordinating and ensuring the proper development of the Group.
Its members have divided responsibilities as follows:

Éric Marée, 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 that.

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:
• Group Human Resources department;
• Group Information Systems department;
• Group Communications department, including financial communications in collaboration with Michel Garaudet.

Pierre Pagès, 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 *et seq.* of the French public health code. For the purposes of the company's internal organisation, he supervises the following departments:

• International Operations department, responsible operationally for the subsidiaries and export activities, covering thirty countries spread across four areas: Europe, North America, Latin America, Apisa;
• Group Industrial Operations department, responsible, in particular, for drawing up and carrying out the Group's industrial strategy, coordinating the seven manufacturing sites, the main ones being based in France, and coordinating actions designed to ensure strict regulatory compliance;
• Industrial Quality Assurance department.

Christian Karst supervises the following departments:
• Corporate 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;
• R&D Quality Assurance department;
• 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.

Michel Garaudet supervises the following departments:
• Financial Affairs department, which is responsible for the Group's financial policy, treasury management, preparing consolidated financial and accounting information, processes relating to budgetary and financial planning and financial control;
• Legal department, responsible for company law, insurance policies, negotiations, and drafting and managing contracts and lawsuits.

Jean-Pierre Dick has taken responsibility for:
• the presidency of the Fondation d'Entreprise Virbac, a corporate foundation;
• communications and raising Virbac's profile through sponsorship.

Specialised committees assisting the executive board

■ Strategic committee

The strategic committee is chaired by the chairman of the executive board and comprises the following departments, represented as follows:
• executive board members;
• area directors: Europe, North America, Latin America, Apisa;
• Group Human Resources department;
• Group Industrial Operations department;
• Corporate Products Innovation department.

The strategic committee gives its view on the Group's major strategic decisions: strategy by business, function and major project.

■ Executive committee France

The executive committee France is chaired by the chairman of the executive board and comprises the following departments, represented as follows:
• executive board members;
• Group Human Resources department;
• French Industrial Operations department;
• Corporate Products Innovation department;
• Group Communications department;
• Group Information Systems department;
• Europe department;
• Legal department.

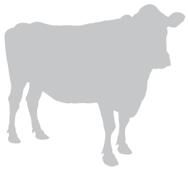
The executive committee France is primarily responsible for decision-making, coordination and reporting on all issues affecting the set of French companies and represents a platform from which information can be disseminated to the various departments.

Other parties contributing to good risk management

Building on the corporate culture, the executive board has implemented systems to anticipate and control risks within operating entities as well as action plans to limit the impact thereof. In 2007, the Group launched two parallel actions designed to improve risk management. The first action, which is preventive in nature, consists of listing and assessing risks across all Group activities and areas. This risk mapping was presented to the audit committee in 2008 and resulted in the drawing up of action plans for each major risk. The second action is designed to update risk management with regard to communications and has resulted in the crisis plan being reviewed and in key players being trained and made aware.
The internal control system is also coordinated by the functional areas specifically and directly involved in these risk detection and management processes with the ongoing aim of being proactive and preventive. The main areas affected are described below.

■ Finance

The Financial Affairs department was reorganised in December 2009 and is now structured around three departments:
• a Financial and Group Accounts Control department which supervises all the functions related to preparing and analysing financial information and to management procedures and internal control: Group financial control, consolidated accounting and accounting for French companies.
This set is made up of:
- the Accounting departments which regularly update the instructions issued to the subsidiaries concerning the reporting of accounting and financial information. These instructions are expanded upon and updated regularly in accordance with developments in IFRS standards (International financial reporting standards) adopted by the European Union and with the interpretation of these standards in Virbac's consolidated accounts.



The need for absolute transparency in all transactions in order to provide the best possible reporting in the financial statements and improved anticipation of potential risks was reaffirmed.

- Group Financial Control organised around two themes. One is centred on business (financial and budgetary, sales and marketing, R&D and manufacturing) reporting hierarchically to the Financial Control and Group Accounting department, itself part of the Financial Affairs department. The other is geographic with the presence of a financial controller functionally reporting to the Financial Affairs department in each area.
This organisation allows financial control to be positioned as a key partner for Group managers in strategic and operational decision-making in order to ensure the control of operations and to be a key player in internal control, to measure and analyse business performance, to anticipate short-term events and to act as a conduit and provide warnings with regard to identified risks (operational, financial, etc.).
The budgetary and reporting tools in addition to performance analyses and indicators developed by the Group help overall coordination.
The organisation of the Financial Control and Group Accounting department is in line with a policy of optimisation of our processes for preparing our financial information and for decision analysis, and ensures close synergy between the expertise of the accounting and financial control teams.

• a Treasury and Financing department which takes part in the prevention system through the policy developed of reviewing and optimising the management of interest rate and exchange rate risks. With regard to exposure to exchange rate risks in particular, the guidelines of the Financial Affairs department forbid speculation and only allow the hedging of positions that, whether current or future, are certain.
Since December 2009, this department has also ensured the negotiation and implementation of financing from the parent company, as well as the coordination of financing policy of the subsidiaries.

• a Risk Management department set up in December 2009 to meet the growing complexity of the environment, the multitude of constraints that Virbac must confront and to also account for the ever increasing overall presence of the Group. The responsibilities of this department are:
- to define and keep updated a mapping of risks that are either existing or potential, in whichever country or for whichever function, to assess their impact and to implement a relevant reporting system;
- to run the risk management process by seeing through appropriate audits successfully, coordinating *ad hoc* working groups and by defining and implementing Virbac "best practices";
- to compare Virbac regularly with the best companies in terms of risk management (benchmarking).

■ Communication

A mechanism for anticipating communication-related risks to handle any crisis situation that could affect the Group's image and undermine its financial standing has been in place for a number of years.
It was reviewed and updated in 2007 with, in particular, sessions covering the awareness and training of the main players within the company.
Against a background of acceleration in the opening up of sources and the worldwide circulation of information, it proved possible again in 2009 to demonstrate the effectiveness of the mechanism based on:
• the sharing of information reporting and risk assessment tools;
• the rapid mobilisation of active resources in the field;
• the application of a methodology drawn up together with professionals and documented via procedures;
• and, beyond corrective measures, the anticipation and implementation of preventive measures.

Insurance

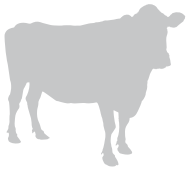
The Group's insurance policy is underpinned by a risk prevention and protection approach. The damage and business interruption insurance programme, as well as the general public liability and product liability insurance programme, cover the whole Group. The Group is also insured against environmental risks and liability linked to employment relationships. The directors' and officers' liability insurance programme protects all the Group's directors and officers.

For all its insurance programmes the Group has recourse to 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 margin for one year.

The following risks are primarily insured:
• property damage and business interruption;
• general public, product and environmental liability;
• transportation of goods or equipment;
• loss or damage caused to customers and third parties;
• motor damage.

In 2009, the Group paid around €1.3 million in insurance premiums for this umbrella coverage.



■ **Health-safety-environment**

In order to respond to increasing regulatory requirements, the HSE process covers the management of risks related to materials handling, working conditions and the environment.

The Technical Services department responsible for HSE issues sets out the goals and underlying principles to be implemented within French units and in line with the strengthening of the regulatory framework. Raising awareness and empowerment are coordinated within the subsidiaries by the corporate industrial departments normally working in the field.

The strategy of implementing a comprehensive policy covering health, safety and the environment is designed to ensure the safety of persons, the protection of property and compliance with legal obligations.

The main actions taken in 2009 were in the following areas:

• training of manufacturing supervisory staff with regard to their roles and responsibilities in terms of health and safety at work;

• continued investment in automatic fire extinguisher systems (multi-annual programme);

• creation of a position dedicated specifically to the study of chemical risk: reviews, employee training;

• employee training in the identification, protection and labelling of risks at workstations.

Frameworks

The effectiveness of the internal control system within the Group largely depends on the various policies and operating rules that have been progressively drawn up in line with the company culture. This is based on a set of strong values, encouraging initiative, trust in people and their empowerment. These operating rules and policies were drawn up in the form of guidelines, procedures and best practices in line with Group values.

The Group has, moreover, taken into account the main aspects of the framework published in January 2007 by the AMF on the general principles of internal control.

Group code of ethics

Adopted in 2004, the Virbac code of ethics is a sign of the Group's commitment to carry on its activities legally and ethically through its workforce. This code, an initiative of the executive board and distributed to all employees, is a framework guiding people in their work, in line with the Group's values and principles.

It also sets out the nature of the relationships that Virbac wishes to build with its partners: shareholders, customers, and suppliers.

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 in 2005. 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.

Delegations of powers

The Group's organisational choices are based on empowerment and operational efficiency, while having regard to economic, labour and regulatory environments affecting the business.

The Legal department is responsible for the regular monitoring and updating of authorisations and signing authority within the Group and its areas.

Similarly, authority relating to health, safety and the environment has been formalised and is regularly updated in order to improve employee safety on site and prevent Group environmental accidents.

Internal control procedures

The complex regulatory environment in which Virbac's technical and industrial functions operate has always helped to raise awareness amongst employees as to the need and importance of internal control.

The Group has, moreover, implemented within its structures internal operating rules and procedures designed to ensure high levels of internal control. Virbac organises this system through the progressive formalisation of best internal control practices, indicating the key control points with regard to the material nature and likelihood of inherent risks.

These practices, published and distributed within all Group subsidiaries are expanded upon and applied to all corporate processes as they are drawn up.

Processes involved in the preparation and processing of accounting and financial information

Accounting and financial information is drawn up by the Financial Affairs department, in cooperation with the subsidiaries. It is organised in such a way as to enable proper assessment of the financial position and effective management of the Group's business activities. The chairman of the executive board and the chief financial officer are responsible for the completeness, integrity, correctness and quality of the accounting and financial information.

The Group's consolidated financial statements are drawn up on the basis of IFRS, a summary of which is set out in the financial report and on the basis of careful planning.

The Group's decentralised structure required setting up a certain number of policies and systems to ensure the completeness and quality of the information, including the selection of an integrated international auditor network for most of its subsidiaries.

This setup helps improve the controlling of the accounting and financial information generated, thanks to the implementation of a structured and standardised approach for the carrying out and submission of reviews, while providing the Group with a high-level overview.

Management of risks relating to accounting and financial information

A system was put in place connecting the financial departments of subsidiaries and the Financial Affairs department. It is designed to identify the risks relating to the quality of the accounting and financial information. This department pays particular attention to the prevention of such risks and their control.

The procedures and best practices published by the Financial Affairs department make it possible to reduce the risk of error or fraud. They supplement the ordinary control and verification procedures. Occasional audits may be carried out independently of the traditional processes, in the event of an imminent or proven risk.

The interim and annual financial statements are subject, prior to their presentation to the audit committee, executive board and supervisory board, to a second control level and an inspection by the Financial Affairs department. When preparing these financial statements, the instructions given and the controls carried out are designed to guarantee a standard and standardised process for formalising statements and complementary analyses.

■ Monitoring of off-balance sheet commitments

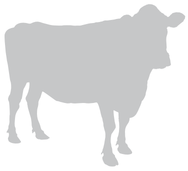
Off-balance sheet commitments come primarily from guarantees given by the company. The provision of securities, deposits and guarantees are subject to the following controls:

• in the case of the parent company, special authorisations from the supervisory board whenever such guarantees exceed the permanent authorisation given to the executive board;

• in the case of the subsidiaries, material off-balance sheet commitments must be approved in advance by the parent company.

■ Accounting and consolidation

The production of information is achieved via the consolidation process supervised by a dedicated unit within the Financial Affairs department and underpinned by accounting principles applicable to all subsidiaries and ensuring methodological consistency.



A single chart of accounts on the entire Group is used to prepare the financial statements: accounting and financial procedures are in place to guarantee the consistency and accuracy of the recognition of transactions, in line with Group rules and in compliance with local regulations. Upon transition to IFRS, these procedures were reviewed, requiring a high level of transparency for operational managers to better assess the accounting and financial treatment of transactions.

■ **Financial control**

The Financial Control department is primarily responsible for measuring corporate performance, but must also offer real support to the businesses and regions by providing them with the appropriate analytical tools and methods. In this regard, it is a veritable conduit between the Group's operational and financial departments.

The Financial Control department also coordinates the consolidation and monthly budget tracking process on the basis of information provided by the various Group departments and subsidiaries. It assesses the quality of the information received from accounting reconciliations and checks the consistency of the data.

For the preparation of financial items, the Financial Control department has recourse to the Group's rules set out in a reporting manual applicable to all subsidiaries; this manual sets out the policies and definitions of the financial statement line items and is designed to ensure that the same rules are applied across all Group subsidiaries.

A commitment monitoring tool allowing full automation of the process was installed in early 2008. The installation of this new tool has also made it possible to redefine the expense commitment process and the level of operational control of the various departments.

■ **Treasury management**

All treasury operational guidelines and procedures were reviewed and their conversion into best practices applicable across the Group completed and sent out to all Group subsidiaries. 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 the customer collection policy.

A policy of pooling excess cash and financing requirements 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 during 2008 in order to limit counterparty risks.

The Group makes a portion of its purchases in foreign currencies, in particular in dollars. Where possible, foreign subsidiaries are invoiced in their currencies in order to centralise exchange rate risk at the parent company. The Group's policy is to reduce its exposure to fluctuations and not to be engaged in speculation. It accordingly uses various instruments available on the market and generally employs foreign exchange forwards or options.

The following processes, designed to support the Group's operational processes, also help to improve the quality and the reliability of the preparation and processing of accounting and financial information.

■ Information systems

In early 2009 the Group Information Systems (DSI) teams were reorganised at head office by incorporating international skills centres apportioned by region.

These local teams allow us to deploy our Group information solutions but also to be a benchmark and leader for certain Group projects. The DSI is continuing the project developments and solution deployments planned in the strategy drawn up at the end of 2003.

To this end ERP Movex has been implemented in Group subsidiaries and in particular in 2009 a new version incorporating lean manufacturing and Group cost prices was developed and implemented (Mexico and Italy).

In addition the CRM (Customer relationship management) project that began in 2007 was completed in the French and English subsidiaries. A new version was developed and will be deployed from early 2010 in five countries.

The Group electronic document management solution has been deployed in North America.

Numerous subsidiaries have been fitted with videoconferencing systems in order to facilitate exchanges and to reduce time and costs spent on business trips.

The infrastructure has developed with greater server virtualisation and mutualisation and increased security and reliability.

■ Purchasing

Following on from the initiative undertaken by Virbac several years back, the process covers more and more activities and types of goods and services purchased.

The organisation put in place in 2008 relies on three specialist departments:

• a BOM (Bill of material) purchasing department;

• an NIP (Non inventory products) purchasing department;

• a TP (Third party) purchasing department.

This organisation, which is responsible for optimising costs, securing supply lines and monitoring purchases, has expanded to an international level in order to ensure better coordination of Group purchasing policy.

Head office and the industrial subsidiaries rely on shared reporting as well as on certain operating and financial procedures such as the investment procedure and the Group purchasing procedure, reworked as best practices to improve application within all Group subsidiaries.

In addition to covering all purchasing, the goal is also to prevent the inherent risks to which the Group may be exposed (bankruptcy of a supplier, stock shortage, etc.).

A purchasing committee meets quarterly with three members of the executive board present allowing results achieved and major trends to be discussed. In 2009, the main results achieved were as follows:

• around 50% of the amount of purchases was covered by an invitation to tender, a consultation or a negotiation;

• all purchasers from the industrial subsidiaries contributed to purchasing cost improvements;

• the streamlining of numerous operating processes.

■ Human resource management

The Virbac group's human resources strategy is defined by clear ambitious objectives:

• remaining in touch with and sensitive to the needs of operational teams, employees and managers, in order to provide them with the best possible support with their daily challenges;

• increasing efficiency, motivation and development of both employees and teams with a personalised approach for each department taking individual ambitions into account;

• training managers and making them drivers of change, and particularly making them "champions" of development for their team members;

• encouraging geographic and functional mobility in order to strengthen Group cohesion and people development, as well as Group culture and values worldwide;

• developing a style that encourages dialogue, initiative and empowerment in order to promote innovation and efficiency.

■ Legal

The Legal department assists the Group's operational departments and Group's entities with the negotiation, implementation and the management of contractual commitments. It provides them with all necessary advice and recommendations with regard to the main aspects of business law. It takes an active role in mergers and acquisitions. It is directly responsible for the analysis and the strategy to be adopted in lawsuits.

All contracts falling outside Virbac's normal operations are reviewed and signed by a member of the executive board. In the other Group entities, contracts are signed by the area director or by delegation by a subsidiary manager.

The Legal department is directly responsible for company law issues at all French companies; it supervises the proper legal observance of foreign entities.

It manages the worldwide portfolio of trademarks and domain names and assists operational departments with the selection and registration of trademarks for new projects.

Other processes involved in the management of Group operations

■ Strategy

The Group's strategy is laid down by the executive board with the support of the strategic committee; it is approved by the supervisory board and communicated (annual management meeting in France, meetings held by area directors, etc.).

Regarding domain specific strategies (R&D, manufacturing), segment strategies (biology, dermatology, etc.) and regional strategies, they are reviewed and refocused by the strategic committee. The decentralised annual three-year planning process, framed by goals laid down by the executive board, involves all regions and major subsidiaries.

Licensing activities, carried on in line with the strategy laid down by the Group and largely consisting of the acquisition or disposal of rights to active ingredients and products (finished or in development), are extensive. A database accessible to all areas provides for a dynamic exchange of information and improved responsiveness on ongoing projects. A large team is put in place to coordinate and carry out projects.

The rules governing reporting and action have been clarified and formalised as a set of best practices; the systematic approval of the executive board making it possible to monitor this activity and, for larger projects, formal approval by the supervisory board is required.

The Group also has an active acquisition policy and planned acquisitions are systematically managed by an *ad hoc* unit consisting of at least one member of the executive board plus the Financial Affairs department and the Legal department. The approval loop for planned acquisitions is the same as for licensing activities.

■ Research and development

Virbac's research and development activities are partly decentralised across the Group's operating areas. The goal is to develop product innovation and to ensure the development of projects that meet specific needs in terms of breeding and pathologies against a background of local regulatory constraints.
The Corporate Products Innovation department encourages discussion and synergies between the regional R&D centres. The work done on the basis of specific methodology provides traceable study data thanks to exhaustive documentation submitted to quality audits.
All Group R&D projects are monitored by dedicated tools making it possible to assess their progress as well as technical and commercial prospects. These tools make it possible to monitor project strategy as well as to ensure responsive decision-making in the event of major changes in parameters.

These development and registration activities are carried out under appropriate regulatory frameworks: Best laboratory practices (BLP), Best clinical practices (BCP), Best manufacturing practices (BMP) in line with the required national standards.

■ Manufacturing

The veterinary industry complies with the strict requirements of the pharmaceutical industry. The carrying out of research and development, manufacturing and distribution activities is subject to regular auditing by French and international bodies with strong sanction powers.

The Group Industrial Operations department is responsible for Group industrial strategy in line with the strategic goals, via an industrial plan.

Manufacturing operations are also aided by an ERP system chosen by the Group and progressively rolled out in Group subsidiaries with a standard and homogeneous *modus operandi*.

The Group Industrial Operations department also undertook a project to streamline and optimise manufacturing processes in order to further standardise preventive maintenance on manufacturing machinery and improve productivity through shorter switchover times.

■ **Sales and marketing**

In line with the product portfolios, operational marketing has become further regionalised. Product communication is coordinated at area level, with Corporate Marketing handling longer-term strategic marketing.

Sales and marketing initiatives are based on the Group's strategic goals set at area level and subsequently at subsidiary level, the latter enjoying significant independence with regard to the putting together of local sales and marketing policies.

The monitoring of initiatives in the field is dynamic and proactive because of the direct relationship between management, the areas and the subsidiaries. This monitoring is strengthened by the presence of a financial controller dedicated to each area: s/he reports hierarchically to the area director and functionally to the chief financial officer.

In Europe, sales and marketing efficiency has increased thanks to the gradual introduction of CRM tools that enable a real competitive advantage to be developed through enhanced customer knowledge and hence appropriate solutions more in line with their requirements.
Sales and marketing dynamics have also been strengthened with the optimisation of internal marketing procedures designed to shorten time to market.
All these measures make it possible to improve the areas' sales and marketing performance.

Items likely to have an impact in the event of a public offer

Pursuant to article L225-100-3 of the French commercial code, the items likely to have an impact in the event of a public offer are set out in the management report on page 66.

Outlook and areas for improvement in the internal control system

The strengthening of the internal control system and of its effectiveness is an ongoing process; the action plans put in place in recent years have helped significantly and new avenues for improvement are identified and followed each year. Setting up the Risk Management department in December 2009 reinforces this system and should allow overall coordination to be improved.

This improvement work helps to further empower employees within the organisation and ensure constant vigilance at all management levels. It should, moreover, encourage constructive exchanges within the Group.

These progressive changes, in line with the changes to the regulatory framework, are driven by Virbac's executive board with an eye to retaining flexibility, proactivity, responsiveness and a sense of responsibility deemed key to the strength and success of the Group.

Auditor's report on the Virbac supervisory board chairwoman's report, prepared in accordance with article L225-235 of the French commercial code.

Financial year ended 31 December 2009

Dear shareholders,

In our capacity as auditors for Virbac and in accordance with the provisions of article L225-235 of the French commercial code, we present you with our report on the report prepared by the chairwoman of your company in accordance with provisions of article L225-68 of the French commercial code for the year ended 31 December 2009.

It is the responsibility of the chairwoman to prepare and to submit for approval from the supervisory board a report confirming the internal control and risk management procedures implemented within the company providing the other information required by article L225-68, notably concerning corporate governance matters.

It is our responsibility to:
- communicate to you our observations on the information contained in the chairwoman's report concerning the internal control procedures relating to the development and treatment of accounting and financial information, and
- testify that the report includes the other information required by article L225-68 of the French commercial code, specifying that it is not our responsibility to verify the accuracy of this additional information.

We have conducted our work in accordance with professional auditing standards applicable in France.

Information concerning internal control procedures relating to the development and treatment of accounting and financial information

Professional auditing standards require the implementation of due diligence procedures to assess the accuracy of information concerning internal control procedures relating to the development and treatment of the accounting and financial information contained in the chairwoman's report. In particular, these due diligence procedures consist of:
- having knowledge of the internal control procedures relating to the development and treatment of the accounting and financial information underlying the information presented in the chairwoman's report and existing documentation;
- having knowledge of the work involved in the preparation of this information and existing documentation;
- determining if any serious internal control deficiencies relating to the development and treatment of the accounting and financial information that we have identified within the framework of our mission is appropriately disclosed in the chairwoman's report.

On the basis of this work, we have no comment on the information concerning the company's internal control procedures relating to the development and treatment of the accounting and financial information contained in the chairwoman of the supervisory board's report, prepared in accordance with the provisions of article L225-68 of the French commercial code.

Other information

We confirm that the report from the chairwoman of the supervisory board includes the other information required by article L225-68 of the French commercial code.

Nice and Marseille, 26 March 2010
Statutory auditors

Novances–David & Associés
Jean-Pierre Giraud

Deloitte & Associés
Vincent Gros

Statement of financial position

€ thousands	Notes	2009	2008
Goodwills	A1	84,300	84,077
Intangible assets	A2	81,947	85,451
Tangible assets	A3	76,961	70,301
Other financial assets	A4	953	1,104
Investments accounted for by the equity method	A5	494	319
Deferred tax assets	A6	3,466	2,603
Non-current asset		248,121	243,855
Inventories and work-in-progress	A7	70,633	69,862
Trade receivables	A8	75,006	68,427
Other financial assets	A4	568	936
Other receivables	A9	26,073	21,162
Cash and cash equivalents	A10	14,069	8,414
Assets held for sale	A11	-	-
Current asset		186,349	168,801
Asset		**434,470**	**412,656**
Share capital		10,893	10,893
Reserves attributable to the owners of the parent company		222,712	187,527
Capital and reserves attributable to the owners of the parent company	A12	**233,605**	**198,420**
Minority interests		2,595	2,593
Equity		236,200	201,013
Deferred tax liabilities	A6	8,666	4,825
Provisions for employee benefits	A13	7,597	7,082
Other provisions	A14	1,475	1,203
Other financial liabilities	A15	34,533	55,140
Other payables	A16	10,691	11,209
Non-current liability		62,962	79,459
Other provisions	A14	305	319
Trade payables	A17	54,459	51,724
Other financial liabilities	A15	13,376	20,159
Other payables	A16	67,168	59,982
Current liability		135,308	132,184
Liability		**434,470**	**412,656**

Income statement

€ thousands	Notes	2009	2008	Variation
Revenue from ordinary activities	**A18**	467,418	443,355	5,4%
Purchases consumed	**A19**	-151,542	-145,046	
External expenses	**A20**	-109,793	-106,050	
Personnel costs		-124,070	-116,996	
Taxes and duties		-10,234	-9,324	
Depreciations and provisions	**A21**	-14,818	-13,049	
Other operating income and expenses	**A22**	1,329	1,626	
Current operating result		58,290	54,516	6,9%
Other non-recurring income and expenses	**A23**	-	-89	
Operating result		58,290	54,427	7,1%
Financial income and expenses	**A24**	-1,929	-4,038	
Result before tax		56,361	50,389	11,9%
Income tax	**A25**	-16,727	-14,016	
Share from company's result using the equity accounting method		42	-86	
Result for the period		**39,676**	**36,287**	**9,3%**
- attributable to the owners of the parent company		38,816	35,408	9,6%
- attributable to the minority interests		860	879	-2,2%
Result attributable to the owners of the parent company, per share	**A26**	4.48€	4, 11€	8,9%
Result attributable to the owners of the parent company, diluted per share	**A26**	4.48€	4,11€	8,9%

Statement of comprehensive income

€ thousands	2009	2008	Variation
Result for the period	39,676	36,287	9,3%
Change in asset revaluation reserve	-	-	
Actuarial gains and losses	-	-	
Conversion gains and losses	4,779	-9,171	
Gains and losses from revaluation of financial assets available for sale	-	-	
Effective portion of gains and losses on hedging instruments	346	-109	
Other items of comprehensive income (before tax)	5,125	-9,280	-155,2%
Tax on other elements of comprehensive income	-119	44	
Share from the other elements of the company's comprehensive income using the equity accounting method	-	-	
Comprehensive income	**44,682**	**27,051**	**65,2%**
- attributable to the owners of the parent company	43,848	26,183	67,5%
- attributable to the minority interests	834	868	-3,9%

Cash flow statement

€ thousands	2009	2008
Result for the period	**39,676**	**36,287**
Elimination of share of result using the equity accounting method	-42	86
Elimination of depreciations and provisions	16,200	14,003
Elimination deferred tax change	3,001	886
Elimination of gains and losses on disposalss	3	-341
Other non-cash income and expenses	-82	1,264
Cash flow	**58,756**	**52,185**
Impact of net change in inventories	1,538	-9,360
Impact of net change in trade receivables	-3,821	-5,215
Impact of net change in trade payables	3,639	458
Impact of net change in other receivables and payables	1,726	-193
Impact of change in working capital requirements	**3,082**	**-14,310**
Net financial interest paid	2,940	4,405
Net cash flow generated by operating activities	**64,778**	**42,280**
Acquisitions of intangible assets	-2,370	-4,814
Acquisitions of tangible assets	-19,827	-13,808
Disposals of intangible and tangible assets	438	2,484
Change in financial assets	146	-4
Change in debts relative to acquisitions	-	-
Acquisitions of subsidiaries or activities	-	-31,398
Disposals of subsidiaries or businesses	-	2,820
Dividends received	-	-
Net cash allocated to investments	-21,613	-44,720
Dividends paid by the parent company	-10,403	-9,487
Dividends paid to the minority interests	-828	-316
Change in treasury shares	1,373	157
Increase/decrease of capital	-	-
Debt issuance	28,950	45,324
Repayments of deb	-48,665	-32,252
Net financial interest paid	-2,940	-4,405
Net cash from financing activities	**-32,513**	**-979**
Change in cash position	**10,652**	**-3,419**

Statement of change in cash position

€ thousands	2009	2008
Cash and cash equivalents	8,414	9,941
Bank overdrafts	-15,468	-12,207
Accrued interests not yet matured	-109	-116
Opening net cash position	**-7,163**	**-2,382**
Cash and cash equivalents	14,069	8,414
Bank overdrafts	-9,675	-15,468
Accrued interests not yet matured	-35	-109
Closing net cash position	**4,359**	**-7,163**
Impact of conversion adjustments	870	-1,362
Change in cash position	**10,652**	**-3,419**

Statement of change in equity

€ thousands	Share capital	Share premiums	Reserves	Conversion reserves	Result for the periode	Equity attributable to the owners of the parent company	Minority interests	Equity
Equity at 31 December 2007	**10,893**	**6,534**	**140,753**	**-6,980**	**31,042**	**182,242**	**2,043**	**184,285**
2007 allocation of net result	-	-	31,042	-	-31,042	**-**	-	**-**
Distribution of dividends	-	-	-9,487	-	-	**-9,487**	-316	**-9,803**
Treasury shares	-	-	-194	-	-	**-194**	-	**-194**
Scope movements	-	-	-	-	-	**-**	-	**-**
Other variations	-	-	-324	-	-	**-324**	-2	**-326**
Comprehensive income	-	-	-65	-9,160	35,408	**26,183**	868	**27,051**
Equity at 31 December 2008	**10,893**	**6,534**	**161,725**	**-16,140**	**35,408**	**198,420**	**2,593**	**201,013**
2008 allocation of net result	-	-	35,408	-	-35,408	**-**	-	**-**
Distribution of dividends	-	-	-10,403	-	-	**-10,403**	-828	**-11,231**
Treasury shares	-	-	1,736	-	-	**1,736**	-	**1,736**
Scope movements	-	-	4	-	-	**4**	-4	**-**
Other variations	-	-	-	-	-	**-**	-	**-**
Comprehensive income	-	-	227	4,805	38,816	**43,848**	834	**44,682**
Equity at 31 December 2009	**10,893**	**6,534**	**188,697**	**-11,335**	**38,816**	**233,605**	**2,595**	**236,200**

*impact of derivatives from the exchange rate = €227 thousand.

Appendix
to the consolidated financial statements

General information note

Virbac is the first independent global pharmaceutical laboratory exclusively dedicated to animal health and markets a full range designed for pets and food producing animals.
The Virbac share is listed on the Paris stock exchange in section B 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 Carros. The company's current articles of association are set until 2 January 2028, subject to a new extension. 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 consolidated financial statements for the 2009 financial year were decided on by members of the executive board on 12 March 2010.

The explanatory notes below support the presentation of the consolidated financial statements and form an integral part of them.

Scope

The consolidated financial statements as at 31 December 2009 include the financial statements of the companies that Virbac controls indirectly or directly, in law and in fact. The list of consolidated companies is attached.

The changes executed in the scope during the financial year are the following:
• for reasons of operational efficiency, the Group decided to merge two Italian subsidiaries. As at 1 January 2009, Virbac SRL has absorbed Nuova ICC SRL. This operation had no impact on the Group's equity;
• on 20 January 2009, St Jon VRX Products Limited was removed from the English Trade registry. The exit of this subsidiary from the scope without activity had no impact on the consolidated result;
• as at 31 December 2009, Phavi International BV has left the scope of consolidation. The liquidation of this subsidiary without activity had no impact on the consolidated result;
• as at 31 December 2009, the Finnish company integrated using the equity method left the scope of consolidation. The liquidation of this subsidiary of which Virbac held 50% of shares had no impact on the consolidated result;
• in December 2009, the Group created a new company located in Thailand: Virbac Asia Pacific Co. Ltd. This subsidiary held at 100% of shares will serve to house the Group's Asia/Pacific regional management.

Significant events for the period

■ In January, in the United States, the Group decided to halt all industrial operations at the Fort Worth (Texas) site and transfer them to the St. Louis (Missouri) site in order to continue refocusing on the veterinary business and to increase their global profit. The restructuring costs associated with this operation were €1,182 thousand and were classified as "other current income and expenses" on the income statement.

■ In June, Virbac proceeded with the reorganisation of production activities in their Danish subsidiary. The consequence of this decision was the transfer of production activities from Denmark to French production sites. Virbac Denmark retains sales, marketing and administration functions in an organisation of 10 employees. The savings made due to this transfer of production will allow Virbac to concentrate on the development of its activity in the Danish market. The restructuring costs associated with this operation were €661 thousand and were classified as "other current income and expenses" on the income statement.

Significant events after the closing date

■ On 29 January 2010, Virbac signed an agreement with Pfizer to acquire certain veterinary products and their associated assets in Australia, in particular a production site. The transaction was for a sum of AUD 13.1 million excluding acquisition and fiscal costs. This transaction has received approval from the Australian competition and consumer commission; it forms part of the divestment of assets required by this commission following the recent acquisition of Wyeth and its Fort Dodge veterinary business by Pfizer. According to the term of this agreement, Virbac acquired the rights to a group of products previously sold in Australia by Fort Dodge for food producing animals, mainly bovine and ovine products. This consists of parasiticides (80% of sales) and vaccines (20%), which made sales amounting to AUD 37 million in 2009. This new portfolio will be integrated seamlessly as a supplement to the product range that Virbac Australia already provides to its customers. This business will make a positive contribution to Virbac Australia's results from 2010. Ascertainment of the fair value of the assets acquired as part of this agreement had not been finalised at the date of closure of the 2009 financial statements but the transaction will produce a badwill in the Group's 2010 financial statements. This acquisition constitutes a business combination within the meaning of IFRS 3 and will be consolidated following full consolidation method in the Group's 2010 financial statements.
■ In early 2010, Virbac established a strategic alliance in the food producing animal vaccine area in acquiring 30% of

Uruguayan laboratory Santa Elena for a total of USD 3.7 million. This company, which has been active in Uruguay for more than fifty years, has wide expertise in vaccine development and manufacture, particularly bovine vaccine which it sells in Uruguay and in the other Latin American countries. Its sales in 2009 were USD 7 million with a good profitability level. Virbac will have the option of acquiring all of Santa Elena in the future. Thanks to this alliance, Santa Elena will be able to rely on the solid commercial platform provided by Virbac in order to introduce its ranges of vaccines into numerous international markets. Virbac will thus benefit from the skills and know-how provided by Santa Elena in the biology area, allowing the formation of a solid base for the development and production of vaccines for food producing animals, and consequently enabling entry into this market segment. Santa Elena will be consolidated as an associate in the Group's 2010 financial statements.

Main accounting principles applied

The Virbac group's consolidated financial statements are prepared in accordance with the International accounting standards as adopted by the European Union (reference available at ec.europa.eu). 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 2009 financial year, the Group applied all standards and interpretations in force at the European level, applicable to periods beginning on or after 1 January 2009. These standards and interpretations are as follows:

- IAS 1 revised, "presentation of financial statements", adopted by the European Union on 18 December 2008;
- IAS 23 revised, "costs of loans", adopted by the European Union on 17 December 2008;
- IAS 27 amended, "cost of a share in a subsidiary, an entity controlled jointly or an associated entity", adopted by the European Union on 24 January 2009;
- IAS 32 amended, "repayable instruments and obligations in the event of liquidation", adopted by the European Union on 22 January 2009;
- IFRS 2 amended, "conditions of the acquisition of shares and cancellations", adopted by the European Union on 17 December 2008;
- IFRS 8, "operational sectors", adopted by the European Union on 22 November 2007;
- IFRIC 11, "transactions within a group", adopted by the European Union on 2 June 2007;
- IFRIC 13, "client loyalty programmes", adopted by the European Union on 17 December 2008;
- IFRIC 14, "cap on the asset: availability of economic advantages and minimal financial obligation", adopted by the European Union on 17 December 2008.

Application of the amendment of IAS 1 revised leading to the following changes in the Group's financial statements:

- the name of the balance sheet is: "Statement of financial position";
- the income statement, called "Income statement for the period" was completed by a "Comprehensive income statement" which regroups the income from the financial year and the other income and expenses recorded as equity (this information was previously presented in a table showing the variation in equity);
- the statement of changes in equity in which the items presented in the reserve and income table includes items up until the present day as well as the overall result for the period.

Application of IFRS 8 "operational sectors" had no significant effect on the presentation of the Group's financial statements (see note A27).

The application of other standards and

interpretations in force at the European level, applicable to statements opened from 1 January 2009 had no effect on the presentation of the Group's financial statements.

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 or not applicable by anticipation due to the contradictory character to the current referential:

• IAS 24 revised, "information to provide to associated parties", applicable to periods beginning on or after 1 January 2011;
• IAS 27 revised, "consolidated and individual financial statements", applicable to periods beginning on or after 1 July 2009;
• IAS 32 amended, "classification of share subscriptions", applicable to periods beginning on or after 1 February 2010;
• IAS 39 amended, "reclassification of financial assets" and "exposures eligible for hedge accounting", applicable to periods beginning on or after 1 July 2009;
• IFRS 1 revised, "first application of the IFRS", applicable to periods beginning on or after 1 July 2009;
• IFRS 1 amended, "first application of the IFRS for the first IFRS adoptions", applicable to periods beginning on or after 1 January 2010;
• IFRS 2 amended, "posting of spent treasury plans within the Group", applicable to periods beginning on or after 1 January 2010;
• IFRS 3 revised, "business combinations", applicable to periods beginning on or after 1 July 2009;
• IFRS 7 amended, "improvement of information supplied on financial instruments", applicable to periods beginning on or after 1 January 2009;
• IFRS 9, "financial instruments", applicable to periods beginning on or after 1 January 2013;
• IFRIC 12, "concessions", applicable to periods beginning on or after 29 March 2009;
• IFRIC 15, "agreements for the construction of an intangible asset" applicable to periods beginning on or after 1 January 2009;
• IFRIC 16, "hedging of a net investment in an activity abroad", applicable to periods beginning on or after 1 October 2008;
• IFRIC 17, "distribution of non-monetory assets to shareholders", applicable to periods beginning on or after 1 July 2009;
• IFRIC 18, "transfer of assets to clients", applicable to periods beginning on or after 1 July 2009;

The Group is currently performing an analysis on the practical consequences of these new texts and the effects of their application on the accounts. If applicable the Group will apply these standards to their accounts as soon as they are adopted by the European Union.

Consolidation rules

Consolidation methods

The accounts of companies under exclusive control are consolidated by global integration. The companies over which Virbac has joint control or a significant influence are consolidated using the equity method.
All companies have been consolidated on the basis of accounts as at 31 December 2009.

Conversion of financial statements

The functional currency in the Group's foreign subsidiaries is the current local currency.
The financial statements of foreign companies for which the functional currency is not the euro are converted according to the following principles:
• the balance sheet items are converted at the rate in force at the close of the period. The translation difference resulting

from the application of a different exchange rates on opening equity is shown as equity in the consolidated statement of financial position;

• 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 statement of financial position.

Elimination of operations between the Group's companies

All reciprocated transactions consolidated between the Group's companies by global integration are eliminated.

Relating to other intra-group transactions:

• the benefits included in the stocks and fixed assets bought from other companies in the Group are eliminated;

• the intra-group dividends received are recorded in the reserves on a gross basis.

Accounting principals and methods

Goodwill

The goodwill posted as an asset on the statement of financial position corresponds to the surplus of the acquisition costs of shares from acquired companies, acquisition fees included, share of the Group at the fair value of assets, liabilities and potential indentifiable acquired liabilities. They also include the total intangible assets acquired.

In accordance with provisions of IAS 36 "depreciation of assets" the value of goodwill is tested at least once per year, during the second quarter, independently from any impairment loss index and as soon as events or new circumstances indicate an impairment loss.

For the purposes of this test, the values of the assets are grouped by cash generating unit (CGU). In the case of goodwill, it is the legal entity which is taken as CGU. In the implementation of goodwill impairment tests, the Group uses an approach based on estimated future cash flow (estimation value in use). In the market value approach, the Group compares the net book value of the CGUs with multiples of operating result generated by the latter. In cases where there is an impairment loss risk for a CGU, an estimated future cash flow approach is used. This approach consists of determining the value of the CGU utility through updating of the estimated future cash flow. When the utility value of the CGU is revealed to be less that the net book value, a goodwill impairment loss is recorded in order to restore the net book value of the CGU assets to their recoverable value, defined as the higher of their net fair value and utility value.

Evaluations carried out during the goodwill impairment loss tests are sensitive to assumptions held relating to the sale price and future costs, but also relating to the perpetuity growth rate. The future cash flow used for impairment tests is calculated on the basis of estimations of between five and eight years. The choice of the duration of the cash flow projections takes into account the useful life of products in the veterinary industry, which is very long and generally exceeds five years. For cash flow projections, the Group retains a perpetuity growth rate ranging from between 0% and 3% depending on the products and market growth expectations. For its calculations, the Group also uses a discount rate of 9.5% based on the weighted average cost of capital, before tax.

Intangible assets

In accordance with criteria set out in IAS 38, an intangible asset is recorded on the statement of financial position if it is likely that the future economic benefits attributable to the asset will go to the Group.

The intangible assets, the useful lives of which cannot be defined, are subject to an annual review so as to ensure that their useful life has not ended.

The intangible assets that have reached the end of their useful lives are subject to a linear depreciation from when the asset is ready to be used:

• concessions, patents, licenses and marketing authorisations: depreciation throughout the period of usefulness;

• standard software (office tools etc.): depreciation over a three or four-year period;

• ERP: depreciation over a five to ten-year period.

During the useful life of an intangible asset, it may 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 fixed asset is re-examined and if the useful life of the asset is different from previous estimations, the depreciation period is consequently modified.

The research and development costs are registered to the asset from the moment when they satisfy the criteria set out by 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 authorization. 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 "depreciation of assets", the potential impairment loss of intangible assets is examined each year. A test is carried out during the second quarter of each year on assets with an indefinite useful life, independently from any impairment loss index and as soon as events or new circumstances indicate a loss of value for assets with a defined useful life. For the purposes of this test, the Group takes into account sales generated by the intangible asset acquired. In the implementation of impairment tests on intangible assets, the Group combines a market value approach (estimation of fair value) and an estimated future cash flow approach (estimation of the value in use). The future cash flow used for impairment tests is calculated on the basis of estimations of between five and twenty years. The Group uses for its calculations, a discount rate of 9.5% based on the weighted average cost of capital, before tax.

Tangible assets

In accordance with IAS 16, tangible assets are evaluated at the historic acquisition or initial manufacture cost, less accumulated depreciation and if necessary less any impairment loss.

In accordance with revised IAS 23, loan costs are incorporated into the acquisition costs of eligible assets. No eligible asset was identified during the financial year ended 31 December 2009.

In accordance with IAS 17, the goods acquired through capital leases are intangible when the lease contracts have transferred to the Group almost all risks and advantages inherent to the ownership of these goods.

The assets are broken down, each component having a specific depreciation period, in line with the depreciation period for assets of the same nature.

Tangible assets are depreciated following the useful life estimations shown below:

• buildings:
- structure: 40 years;
- components: from 10 to 20 years;

• materials and industrial equipment:
- structure: 20 years;
- components: from 5 to 10 years;

• IT equipment: from 3 to 4 years;

• other tangible assets: from 5 to 10 years.

Other financial assets

The Group's other financial assets include mainly loans, other capitalised receivables and other operating receivables.

Loans (mainly relates to personnel loans)

At the time of their initial recording, the loans are measured at their fair value increased by transaction costs. A provision is recorded as profit when there is an objective impairment loss indication, from an event taking place after the initial inclusion of the asset.

Other capitalised receivables (advance rents, deposits etc.)

They are recognised and recorded at the initial loan amount.

Other operating receivables

They are recognised and posted at the initial loan amount.

Inventory and work in progress

Inventory and work in progress are accounted for at the lowest value of the cost of the net realizable value.

The inventory costs include all acquisition costs, transformation costs and other costs incurred in order to bring the stocks to the place and in the condition they are found. The acquisition costs of inventory 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.

The raw material inventory and supplies are evaluated according to the "weighted average cost" method and those of end products according to the "first in, first out" method. The acquisition cost of raw material inventory 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 legal fees; the inclusive margin in these inventories is cancelled in the consolidated financial statements taking into account the complete average production cost stated by the Group's selling company.

The inventory of spare parts is also evaluated at closure.

An impairment loss is recorded in order to return the stocks to their net realizable value, when the products become damaged or unusable or even according to sales perspectives of the products appreciated depending on the market.

Trade receivables

Trade receivables are classified as current assets insofar as they are part of the normal operating cycle of the Group.

Trade receivables are recognised and recorded in the initial invoice total, with deductions made for depreciation. An estimation of the total doubtful receivables is made when it becomes unlikely that the full amount will be recovered. Irrecoverable receivables are recorded as losses when they are identified as such.

Cash and cash equivalents

The cash is broken down into 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 from the parent company which are held by themselves or by one of the consolidated subsidiaries (that are classified as financial assets or marketable securities in the corporate financial statement) are recorded as a deduction from equity, for their acquisition cost. The result from selling these shares is directly attributed (net of tax) as equity and does not contribute towards the financial year result.

Conversion reserves

This item represents the share of foreign currency translation of net positions for opening foreign companies, which arises from the differences between the conversion rate at the date of entry into the consolidation and closure rates of the period and other translation adjustments recorded on the profit for the period, from differences between the conversion rate of the income statement (average rate) and the closure rate for the period.

Reserves

This represents the share attributable to owners of the parent company in the reserves accumulated by the consolidated companies, since their entry into the scope of consolidation.

Minority interests

This item represents the share of the shareholders outside the Group in the equity and the income of consolidated companies.

Derivative instrument 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 applies hedge accounting to offset the impact of the hedged item and the hedging instrument in the income account, 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 debts are accounted for at depreciated cost.

Retirement plans, end-of-career payments and other benefits relating to employment

Defined benefit retirement plans

The advantages associated with the 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. The evaluation of these obligations takes place on each closing date. The actuarial information is provided by external consultants. The actuarial assumptions used to determine the obligations take into account the economic conditions prevailing in the country. The Group's obligations are subject to a provision of their net amount of the fair value of hedging assets. The actuarial differences are immediately recorded as income.

Other provisions

A provision is recognised for 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 accounted for as a provision is the best estimation of the necessary expenditure for the removal of the current obligation at the closing date and is updated when the effect is significant.

Taxes

The Group's subsidiaries record a current tax depending on the fiscal regulations applicable locally. The parent company and its main French subsidiaries are part of a fiscally integrated group. The Fiscal integration convention states that each integrated company records its tax as if it were taxed separately.

The Group records a deferred tax when there is a temporary difference between the book value and the fiscal value of an asset or a liability. The fiscal 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 sell 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 held for sale when its book value will be recovered mainly through a sale and not from continued use.
As at 31 December 2009, no asset was classified as an asset held for sale.

Turnover

The turnover, corresponding to the income from ordinary activities, is valued at fair value of the consideration received or to be received, net of commercial discounts or rebates and taxes relating to sales.
Sales are accounted for as follows:

- the sales of goods are recorded at the time of delivery of goods and the transfer of risks and benefits;
- transactions implying provisions of services are recorded in the period during which the services are provided.

Personnel costs

In particular, these include the cost of retirement plans (distribution of services passed under the new retirement plan and cost of services rendered during the period). The actuarial differences are recorded immediately as personnel costs on the income statement.

Other non-recurring income and expenses

These are income or expenses for which the total is particularly significant and which are carried out within the framework of an unusual operation. They are presented on a separate line in the income statement in order to help provide the reader of the accounts with an understanding of the current operational performance.

Other financial income and expenses

This mainly includes interest and other assimilated income and expenses.
They also include exchange gains and losses which are systematically recorded on the income statement.

Result per share

The net result per share is calculated by dividing the Group's net income by the total number of shares issued and outstanding at the close of the period (that is net of treasury shares).
The net result diluted per share is calculated by dividing the Group's net income by the total number of shares issued and outstanding to which we add, in the event of the issue of dilutive instruments, the maximum number of shares likely to be issued (at the time of conversion to ordinary shares of the instruments allowing deferred access to Virbac capital).

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 price

Some acquisition contracts relating to company regrouping 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 financial year, the acquisition price based on the most realistic assumptions for achieving these objectives.

Goodwill and other intangible assets

The Group has on its balance sheet intangible assets bought or acquired through business combination transactions, and the resulting goodwill.
As indicated in the "accounting principles and methods" section, the Group performs at least one test annually on impairment of goodwill and intangible assets, the useful life of which

cannot be defined. These impairment tests are based on an evaluation of future cash flow for a period of five to twenty years. The evaluations made at the time of these tests are sensitive to assumptions held relating to the sale price and future costs, but also in terms of discount rates and growth. These sensitivity calculations allow for measuring if the Group has been exposed to significant variations in growth rates.
In the future, the Group may depreciate certain fixed assets, in the event of deterioration in earning prospects for these assets or if there is a loss index value for one of these assets. As at 31 December 2009, the net total of goodwill was €84,300 thousand and the value of intangible assets was €81,947 thousand.

Deferred tax

The deferred taxes recorded as income are a result of the reportable fiscal deficits and the temporary deductible differences between the fiscal and book values of assets and liabilities. The assets relating to carried forward tax losses are recognised only if it is likely that the Group will use the future taxable income to which these fiscal losses can be imputed, which is based on a significant assumption.
At each balance sheet date, the Group must analyse the cause of the losses for each taxing entities concerned and reassess the amount of deferred tax assets depending on the likelihood of achieving sufficient future taxable profits.

Provisions for retirement and other post-employment benefits

As indicated in note A13, the Group has established retirement plans as well as other post-employment benefits. The corresponding commitment is based on the actuarial calculations based on assumptions such as the earnings base of beneficiaries of the scheme and the probability that the persons concerned will be able to benefit from the scheme, as well as on the discount rate. These assumptions are updated annually. The actuarial differences are recorded as income immediately.
The total commitments relating to personnel benefits is €7,597 thousand as at 31 December 2009.

Other provisions

The various risks are the subject of provisions, the total of which is estimated by management depending on the information available at year-end accounts. The total amount of provisions is €1,780 thousand as at 31 December 2009.

A1.Goodwill

The evolution of goodwill by CGU is as follows:

in € thousands	Gross value as at 31/12/2008	Impairment of value as at 31/12/2008	Accounting value as at 31/12/2008	Increases	Disposals	Impairment of value	Transfers	Conversion gains and losses	Accounting value as at 31/12/2009
Virbac	724	-274	450	-	-	-	-	-	450
Virbac France	634	-634	-	-	-	-	-	-	-
Virbac Nederland BV	1,877	-272	1,605	-	-	-	-	-	1,605
Virbac SRL	-	-	-	-	-	-	1,585	-	1,585
Virbac do Brasil Industria e Comercio Ltda	21	-	21	-	-	-	-	-	21
Virbac Danmark A/S	4,643	-	4,643	-	-	-	-	-	4,643
Virbac Nutrition	7	-	7	-	-	-	-	-	7
Dog N'Cat International	43	-	43	-	-	-	-	-	43
Bio Véto Test	6,177	-	6,177	-	-	-	-	-	6,177
Francodex Santé Animale	1,677	-1,677	-	-	-	-	-	-	-
Virbac Hellas SA	1,268	-	1,268	-	-	-	-	-	1,268
Animedica SA	90	-	90	-	-	-	-	-	90
Virbac Korea Co. Ltd	130	-	130	-	-	-	-	-	130
Bio Solution International Co. Ltd	211	-	211		-	-	-	36	247
Virbac Colombia Ltda	387	-	387	-	-	-	-	-	387
Virbac Japan Co. Ltd	352	-	352	-	-	-	-	-	352
Laboratorios Virbac Costa Rica SA	11	-	11	-	-	-	-	-	11
Virbac de Portugal Laboratorios Lda	249	-62	187	-	-	-	-	-	187
Virbac Vietnam Co. Ltd	139	-41	98	-	-	-	-	-4	94
Virbac RSA (Proprietary) Ltd	467	-234	233	-	-	-	-	53	286
Virbac Animal Health India Private Limited	16,555	-	16,555	-	-	-	-	276	16,831
Nuova ICC SRL	1,585	-	1,585	-	-	-	-1,585	-	-
Virbac Corporation	50,295	-2,947	47,348	-	-	-	-	-514	46,834
Virbac (Australia) Pty Ltd.	3,046	-370	2,676	-	-	-	-98	350	2,928
Virbac New Zealand Ltd.	-	-	-	-	-	-	98	26	124
Goodwill	**90,588**	**-6,511**	**84,077**	**-**	**-**	**-**	**-**	**223**	**84,300**

No goodwill depreciation has been recorded since the opening balance.

Following the merger of two Italian companies, the goodwill of Nuova ICC SRL was reclassified as that of Virbac SRL.

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.

	Concessions, patents, licenses and brands		Other intangible assets	Total
in € thousands	Undefined life	Defined life	Defined life	
Gross value as at 31/12/2008	51,247	40,064	32,811	124,122
Acquisitions	-	614	1,556	**2,170**
Disposals	-960	-361	-94	**-1,415**
Changes in scope	-	-	-	**-**
Transfers	-	1,372	-910	**462**
Conversion gains and losses	-	-153	595	**442**
Gross value as at 31/12/2009	50,287	41,536	33,958	125,781
Depreciation as at 31/12/2008	-7,362	-14,327	-16,982	-38,671
Allowances	-	-2,946	-2,838	**-5,784**
Reversals	960	40	91	**1,091**
Changes in scope	-	-	-	**-**
Transfers	-	-29	-271	**-300**
Conversion gains and losses	-	169	-339	**-170**
Depreciation as at 31/12/2009	-6,402	-17,093	-20,339	-43,834
Net value as at 31/12/2008	**43,885**	**25,737**	**15,829**	**85,451**
Net value as at 31/12/2009	**43,885**	**24,443**	**13,619**	**81,947**

The increase in intangible assets corresponds to the fixed assets acquired. No asset has been generated internally.
In 2009, an abandoned project was posted as an expense, for the sum of €960 thousand. The provision, which had previously been established for the same amount, has been included for the financial year.
The Group also proceeded with a review of the useful lives of IT costs associated with ERP. Depreciation for the ERP has been extended to December 2016 and the impact on allowances for the period amounts to €670 thousand.

Concessions, patents, licences and brands

The reduction in the post is mainly related to the impairment of intangible assets acquired last year from Schering-Plough.

Other intangible assets

In this post, the acquisitions essentially correspond to the implementation of the ERP Movex in several subsidiaries.

A3. Intangible assets

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

As at 31 December 2009, the gross value of goods acquired under leasings restated as tangible assets, in accordance with standard IAS 17, totalled €8,979 thousand. The net book value of these goods was €4,362 thousand.

The main assets constituting the Group's tangible assets are:

• land;

• constructions, which includes:

- buildings;

- development of buildings;

• technical facilities, materials and industrial equipment;

• other tangible assets, which notably include:

- IT equipment;

- office furniture;

- vehicles.

in € thousands	Land	Constructions	Technical facilities, materials and industrial equipment	Other tangible assets	Total
Gross value as at 31/12/2008	5,026	77,142	60,945	20,907	164,020
Acquisitions	-	3,895	4,616	8,704	17,215
Disposals	-	-296	-1,309	-1,029	-2,634
Changes in scope	-	-	-	-	-
Transfers	-12	3,357	1,732	-6,168	-1,091
Conversion gains and losses	63	416	429	607	1,515
Gross value as at 31/12/2009	5,077	84,514	66,413	23,021	179,025
Depreciation as at 31/12/2008	-	-40,610	-41,761	-11,348	-93,719
Allowances	-	-3,415	-4,864	-1,600	-9,879
Reversals	-	255	1,162	862	2,279
Changes in scope	-	-	-	-	-
Transfers	-	-82	-102	268	84
Conversion gains and losses	-	-117	-324	-388	-829
Depreciation as at 31/12/2009	-	-43,969	-45,889	-12,206	-102,064
Net value as at 31/12/2008	**5,026**	**36,532**	**19,184**	**9,559**	**70,301**
Net value as at 31/12/2009	**5,077**	**40,545**	**20,524**	**10,815**	**76,961**

A4. Other financial assets

in € thousands	2008	Increases	Decreases	Changes in scope	Transfers	Conversion gains and losses	2009
Loans and other capitalised receivables	**877**	54	-199	-	-	6	**738**
Derivative foreign currency exchange and interest rate instruments	**-**	-	-	-	-	-	**-**
Restricted cash	**222**	-	-5	-	-	-7	**210**
Others	**5**	-	-	-	-	-	**5**
Other non-current financial assets	1,104	54	-204	-	-	-1	953
Loans and other capitalised receivables	**-**	-	-	-	-	-	**-**
Derivative foreign currency exchange and interest rate instruments	**936**	538	-936	-	-	-	**538**
Restricted cash	**-**	-	-	-	-	-	**-**
Others	**-**	-	-	-	30	-	**30**
Other current financial assets	936	538	-936	-	30	-	568
Other financial assets	**2,040**	**592**	**-1,140**	**-**	**30**	**-1**	**1,521**

A5. Share in companies accounted for by the equity method

in € thousands	Company's individual accounts using equity method				Consolidated financial statements	
	Total assets	Total liabilities	Sales	Result	Share of equity	Share of result
German company	1,632	1,632	4,601	158	494	38
South African company	-	-	-	-	-	4
Finnish company	-	-	-	-	-	-
Share in companies using equity method					**494**	**42**

Virbac owns approximately 24% of the shares in a German company whose integration into the consolidation was performed using the equity method of accounting.

Virbac also holds 20% of shares in a South African company through the subsidiary Virbac South Africa.

The Finnish company in which Virbac had joint control has been liquidated.

As authorised by IAS 31, the Group has opted for integration using the equity method of this subsidiary within the scope of consolidation.

A6. Deferred tax

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.

Deferred taxes broken down by type

As at 31 December 2009, the deferred tax assets and liabilities were as follows:

in € thousands	Deferred tax assets
Margin on inventory	4,220
Retirement and end-of-career severance commitments	2,726
Reportable deficits	1,451
Sales adjustments (IAS 18)	500
Inventory adjustments (IAS 2)	348
Other non-deductible provisions	1,760
Other proceeds taxed in advance	1,192
Impact of compensation by fiscal entity	*-8,731*
Deferred net tax assets	**3,466**

in € thousands	Deferred tax liabilities
Pre-consolidation adjustments on intangible assets	10,245
Pre-consolidation adjustments on tangible assets	1,946
Pre-consolidation adjustments on fiscal provisions	3,758
Activation of expenses linked to acquisitions	1,086
Pre-consolidation adjustments on leases	362
Other charges deducted in advance	-
Impact of compensation by fiscal entity	*-8,731*
Deferred net tax liabilities	**8,666**

As at 31 December 2008, the deferred tax assets and liabilities were as follows:

in € thousands	Deferred tax assets
Margin on inventory	4,890
Retirement and end-of-career severance commitments	2,022
Reportable deficits	2,193
Sales adjustments (IAS 18)	553
Inventory adjustments (IAS 2)	318
Other non-deductible provisions	2,315
Other income taxed in advance	1,046
Impact of compensation by fiscal entity	*-10,734*
Deferred net tax assets	**2,603**

in € thousands	Deferred tax liabilities
Pre-consolidation adjustments on intangible assets	9,048
Pre-consolidation adjustments on tangible assets	2,156
Pre-consolidation adjustments on fiscal provisions	2,937
Activation of expenses linked to acquisitions	1,086
Pre-consolidation adjustments on leases	332
Other expenses deducted in advance	-
Impact of compensation by fiscal entity	*-10,734*
Deferred net tax liabilities	**4,825**

Variation in deferred taxes

in € thousands	2008	Variations	Changes in scope	Transfers	Conversion gains and losses	2009
Deferred tax assets	**13,337**	-1,206	-	-53	224	**12,302**
Deferred tax liabilities	**15,559**	1,795	-	119	29	**17,502**
Deferred tax offset	**-2,222**	**-3,001**	**-**	**-172**	**195**	**-5,200**

A7. Inventory and work in progress

in € thousands	Raw material and supplies	Work in progress	Finished goods and merchandise	Total
Gross value as at 31/12/2008	22,773	4,139	46,400	73,312
Variations	-156	2,185	-2,592	**-563**
Changes in scope	-	-		**-**
Transfers	-1	-	-22	**-23**
Conversion gains and losses	696	15	1,800	**2,511**
Gross value as at 31/12/2009	23,312	6,339	45,586	75,237
Depreciation as at 31/12/2008	-1,308	-140	-2,002	-3,450
Allowances	-856	-932	-2,215	**-4,003**
Reversals	897	140	1,991	**3,028**
Changes in scope	-	-	-	**-**
Transfers	-	-	6	**6**
Conversion gains and losses	-49	-	-136	**-185**
Depreciation as at 31/12/2009	-1,316	-932	-2,356	-4,604
Net value as at 31/12/2008	**21,465**	**3,999**	**44,398**	**69,862**
Net value as at 31/12/2009	**21,996**	**5,407**	**43,230**	**70,633**

The amount of reversals for provisions for impairment of inventory corresponds to the inventory written off as losses during the financial year.

A8. Trade receivables

in € thousands	Trade receivables
Gross value as at 31/12/2008	71,399
Variations	3,472
Changes in scope	-
Transfers	59
Conversion gains and losses	2,770
Gross value as at 31/12/09	77,700
Depreciation as at 31/12/2008	-2,972
Allowances	-553
Reversals	902
Changes in scope	-
Transfers	-2
Conversion gains and losses	-69
Depreciation as at 31/12/2009	-2,694
Net value as at 31/12/2008	**68,427**
Net value as at 31/12/2009	**75,006**

The credit risk of trade receivables and other receivables is presented in note A28.

A9. Other receivables

in € thousands	2008	Variations	Changes in scope	Transfers	Conversion gains and losses	2009
Income tax receivables	**1,405**	-4,122	-	5,805	-13	**3,075**
Social receivables	**405**	97	-	-	5	**507**
Other receivables to the State	**7,934**	1,339	-	11	-6	**9,278**
Advances and prepayments on orders	**919**	-35	-	-	3	**887**
Depreciation on various other receivables	**-46**	-5	-	27	-	**-24**
Prepaid expenses	**2,332**	594	-	-2	6	**2,930**
Other various receivables	**8,213**	6,855	-	-5,630	-18	**9,420**
Other receivables	**21,162**	**4,723**	**-**	**211**	**-23**	**26,073**

The amount transferred from various other loans to the income tax loan corresponds to the reclassification of the Research tax credit (CIR).

A10. Cash and cash equivalents

in € thousands	2008	Variations	Changes in scope	Transfers	Conversion gains and losses	2009
Available funds	**6,373**	3,320	-	-	758	**10,451**
Marketable securities	**2,041**	1,543	-	-	34	**3,618**
Cash and cash equivalents	8,414	4,863	-	-	792	14,069
Bank overdrafts	**-15,468**	5,715	-	-	78	**-9,675**
Accrued interest liabilities not yet matured	**-109**	74	-	-	-	**-35**
Closing net cash position	**-7,163**	**10,652**	**-**	**-**	**870**	**4,359**

A11. Assets classified as held for sale

As at 2008, no asset was classified as held for sale during the 2009 financial year.

A12. Equity

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;
- distribute new shares; or
- 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.

in € thousands	2009	2008
Capital	10,893	10,893
Premiums linked to capital	6,534	6,534
Legal reserve	1,089	1,089
Other reserves and retained earnings	157,550	140,383
Consolidation reserves	30,058	20,253
Conversion reserves	-11,335	-16,140
Result for the period	38,816	35,408
Equity attributable to the owners of the parent company	233,605	198,420
Other reserves and retained earnings	1,975	1,928
Conversion reserves	-240	-214
Result for the period	860	879
Minority interests	2,595	2,593
Equity	**236,200**	**201,013**

Treasury shares

Virbac held shares intended primarily to supply the stock option plans and allocation of performance shares. The amount of these treasury shares is posted as a reduction of equities. Certain plans due for payment during the financial year, employees have exercised their options. As at 31 December, the number of treasury shares totalled 40,673 (compared with 101,246 shares as at 31 December 2008) for a total of €2,477 thousand.

A13. Personnel benefits

Change in provisions

in € thousands	2008	Allowances	Reversals	Changes in scope	Transfers	Conversion gains and losses	2009
Severance pay	**4,447**	394	-143	-	-	-25	**4,673**
Defined benefit retirement plans	**1,191**	200	-	-	-	-	**1,391**
Other severance compensation	**862**	68	-131	-	-25	9	**783**
Medical cover	**582**	34	-	-	-	134	**750**
Provisions for employee benefits	**7,082**	**696**	**-274**	**-**	**-25**	**118**	**7,597**

Retirement plans and end-of-career compensation

Commitments for end-of-career compensation

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.

■ Acquisition of rights

• executives and similar: 12/100 per year of service;

• non-executives: 10/100 per year of service;

• discount rate: 4.5%;

• company charge rate: 46%;

• rate of personnel rotation: determined depending on the category, the age of the employee and his seniority.

■ Other parameters

The calculation of commitments takes into account the changes made by the 2007 Finance and social security act, namely in terms of payroll taxes which will be generated on the retirement of employees under 65 years old.

	Executives	Managerial staff	Employees	Workers and technicians
Retirement age	64 years old	64 years old	62 years old	60 years old
Rate of wage increases	2.5%	2.5%	1.5%	1.0%

Retirement commitments

Virbac has recorded a provision for the defined benefit retirement plan, implemented in 2003 for the executive board members. The total provision was €1,391 thousand as at 31 December 2009.
The company has proceeded at the end of 2009 with various payments totalling €1,480 thousand, within the framework of prefinancing the system. This amount, increased by investment income, constitutes a hedging asset and is therefore deducted from the provision. At the time of implementing this new retirement plan, the total commitment relating to services from previous years was spread over the period to fulfill the conditions of the plan. As at 31 December 2009, the commitment was fully established. On 31 December 2008, a total of €117 thousand remained in respect of prior years; this amount was taken into account for the period's income.

A14. Other provisions

in € thousands	2008	Allowances	Reversals – Amounts used	Reversals – Amounts not used	Changes in scope	Transfers	Conversion gains and losses	2009
Trade disputes and industrial tribunals	**809**	492	-388	-	-	-	-	**913**
Fiscal disputes	**-**	-	-	-	-	-	-	**-**
Various risks and charges	**394**	492	-324	-	-	-	-	**562**
Other non-current provisions	1,203	984	-712	-	-	-	-	1,475
Trade disputes and industrial tribunals	**160**	15	-80	-	-	-	38	**133**
Fiscal disputes	**120**	37	-37	-	-	-36	-	**84**
Various risks and charges	**39**	13	-	-	-	36	-	**88**
Other current provisions	319	65	-117	-	-	-	38	305
Other provisions	**1,522**	**1,049**	**-829**	**-**	**-**	**-**	**38**	**1,780**

The other provisions mainly concerned disputes and commercial risks in France of €1,073 thousand and in Brazil for €125 thousand, as well as the severance of commercial agents in Italy totalling €382 thousand.

A15. Other financial liabilities

Details of other financial liabilities

in € thousands	2008	Increases	Decreases	Changes in scope	Transfers	Conversion gains and losses	2009
Loans	**51,885**	28,000	-47,392	-	-	111	**32,604**
Bank overdrafts	**-**	-	-	-	-	-	**-**
Accrued interest liabilities not yet matured	**-**	-	-	-	-	-	**-**
Debt relating to leasing contracts.	**2,231**	801	-265	-	-1,166	186	**1,787**
Shareholding	**377**	8	-	-	-376	-1	**8**
Derivative foreign currency exchange and interest rate instruments	**525**	20	-525	-	-	-	**20**
Others	**122**	-	-22	-	-	14	**114**
Other non-current financial liabilities	55,140	28,829	-48,204	-	-1,542	310	34,533
Loans	**2,482**	2	-274	-	-	38	**2,248**
Bank overdrafts	**15,468**	-	-5,715	-	-	-78	**9,675**
Accrued interest liabilities not yet matured	**109**	-	-74	-	-	-	**35**
Debt relating to leasing contracts.	**749**	82	-572	-	659	47	**965**
Shareholding	**71**	61	-184	-	376	1	**325**
Derivative foreign currency exchange and interest rate instruments	**1,280**	128	-1,280	-	-	-	**128**
Others	**-**	-	-	-	-	-	**-**
Other current financial liabilities	20,159	273	-8,099	-	1,035	8	13,376
Other financial liabilities	**75,299**	**29,102**	**-56,303**	**-**	**-507**	**318**	**47,909**

The decrease in other financial assets corresponds mainly to the debt reduction recorded by Virbac through cash flow generation. There was no drawdown as of 31 December 2009, on the overall credit limit of €70 million.

The investments for the period were financed by additional loans totalling €28 million.

Other financial liabilities classified according to their maturity

As at 31 December 2009

in € thousands	Payments less than 1 year	Payments from 1 to 5 years	Payments more than 5 years	Total
Loans	2,248	32,604	-	**34,852**
Bank overdrafts	9,675	-	-	**9,675**
Accrued interest liabilities not yet matured	35	-	-	**35**
Debt relating to leasing contracts.	965	1,787	-	**2,752**
Shareholding	325	8	-	**333**
Derivative foreign currency exchange and interest rate instruments	128	20	-	**148**
Others	-	114	-	**114**
Other financial liabilities	**13,376**	**34,533**	**-**	**47,909**

As at 31 December 2008

in € thousands	Payments less than 1 year	Payments from 1 to 5 years	Payments more than 5 years	Total
Loans	2,482	51,885	-	**54,367**
Bank overdrafts	15,468	-	-	**15,468**
Accrued interest liabilities not yet matured	109	-	-	**109**
Debt relating to leasing contracts.	749	2,231	-	**2,980**
Shareholding	71	377	-	**448**
Derivative foreign currency exchange and interest rate instruments	1,280	525	-	**1,805**
Others	-	91	31	**122**
Other financial liabilities	**20,159**	**55,109**	**31**	**75,299**

A16. Other payables

in € thousands	2008	Variations	Changes in scope	Transfers	Conversion gains and losses	2009
Income tax payables	-	-	-	-	-	-
Social payables	-	-	-	-	-	-
Other fiscal payables	-	-	-	-	-	-
Advances and prepayments on orders	-	-	-	-	-	-
Prepaid income	2,407	-200	-	-	-74	2,133
Various other payables	8,802	-241	-	-	-3	8,558
Other non-current payables	11,209	-441	-	-	-77	10,691
Income tax payables	1,472	1,162	-	8	38	2,680
Social payables	19,550	2,264	-	-	51	21,865
Other fiscal payables	4,686	235	-	12	90	5,023
Advances and prepayments on orders	561	247	-	-	33	841
Prepaid income	885	185	-	-	-8	1,062
Various other payables	32,828	3,496	-	-660	33	35,697
Other current payables	59,982	7,589	-	-640	237	67,168
Other payables	**71,191**	**7,148**	**-**	**-640**	**160**	**77,859**

A17. Trade payables

in € thousands	2008	Variations	Changes in scope	Transfers	Conversion gains and losses	2009
Current trade payables	46,596	3,639	-	99	1,772	52,106
Payables on intangible assets	1,378	-200	-	-	-	1,178
Payables on tangible assets	3,750	-2,612	-	-	37	1,175
Trade payables	**51,724**	**827**	**-**	**99**	**1,809**	**54,459**

A18. Revenue from ordinary activities

in € thousands	2009	2008	Variation
Sales of finished goods and merchandise	515,462	488,175	5.6%
Services	43	88	-51.1%
Additional income from the activity	994	1,143	-13.0%
Royalties received	424	362	17.1%
Gross sales	516,923	489,768	5.5%
Discounts, rebates and refunds on sales	-40,615	-37,548	8.2%
Expenses deducted from sales	-6,138	-5,515	11.3%
Settlement discounts	-2,123	-2,065	2.8%
Provision for returns	-629	-1,285	-51.1%
Expenses deducted from sales	-49,505	-46,413	6.7%
Revenue from ordinary activities	**467,418**	**443,355**	**5.4%**

A19. Purchases consumed

in € thousands	2009	2008	Variation
Stocked purchases	-136,664	-142,065	-3.8%
Non-stocked purchases	-11,323	-12,753	-11.2%
Supplementary charges on purchases	-2,329	-1,192	95.4%
Discounts, rebates and refunds obtained	312	656	-52.4%
Purchases	-150,004	-155,354	-3.4%
Change in gross inventory	-563	10,475	-105.4%
Allowance for depreciation of inventory	-4,003	-2,824	41.7%
Reversal of depreciation of inventory	3,028	2,657	14.0%
Net variation in inventory	-1,538	10,308	-114.9%
Purchases consumed	**-151,542**	**-145,046**	**4.5%**

A20. External expenses

Within this item, the research and development costs recorded during the 2009 financial year totalled €9,027 thousand, compared to €7,068 thousand during the 2008 financial year.

A21. Depreciations and provisions

in € thousands	2009	2008	Variation
Allowance for depreciation of intangible assets	-5,784	-4,793	20.7%
Allowance for depreciation of tangible assets	-9,879	-8,981	10.0%
Reversal of depreciation of intangible assets	963	14	6,778.6%
Reversal of depreciation of tangible assets	102	-	-
Depreciations	-14,598	-13,760	6.1%
Allowance of provisions for risks and charges	-1,049	-904	16.0%
Reversal of provisions for risks and charges	829	1,615	-48.7%
Provisions	-220	711	-130.9%
Depreciations and provisions	**-14,818**	**-13,049**	**13.6%**

A22. Other current income and expenses

in € thousands	2009	2008	Variation
Royalties paid	-2,031	-1,781	14.0%
Grants received (including research tax credit)	5,057	4,628	9.3%
Allowance for depreciation of receivables	-558	-748	-25.4%
Reversal of depreciation of receivables	929	831	11.8%
Bad debts	-643	-677	-5.0%
Net book value on transferred assets	-1,642	-4,563	-64.0%
Income from disposal of assets	438	4,904	-91.1%
Other income and expenses	-221	-968	-77.2%
Other current income and expenses	**1,329**	**1,626**	**-18.3%**

The amount of research tax credit posted as profit for the financial year ended 31 December 2009 increased to €4,870 thousand.

A23. Other non-recurring income and expenses

No other non-recurring income or expenses were recorded during the 2009 financial year.

As at 31 December 2008, this item included the following elements:

in € thousands	2008
Proceeds from the disposal of the Consumer brand division (CBD)	4,673
Net book value and expenses to the disposal of the CBD	-4,670
Revaluation of Pharmalett stocks (purchase accounting method)	-92
Other non-recurring income and expenses	**-89**

A24. Other financial income and expenses

in € thousands	2009	2008	Variation
Gross cost of financial debt	-3,439	-4,479	-23.2%
Income from cash and cash equivalents	499	74	574.3%
Net cost of financial debt	-2,940	-4,405	-33.3%
Foreign exchange losses	-1,825	-2,217	-17.7%
Positive foreign exchange losses	1,522	2,919	-47.9%
Changes in foreign currency derivatives and interest rate	912	-965	-194.5%
Other financial charges	-110	-53	107.5%
Other financial income	512	683	-25.0%
Other financial income and expenses	1,011	367	175.5%
Financial income and expenses	**-1,929**	**-4,038**	**-52.2%**

A25. Income tax

in € thousands	2009 Base	2009 Tax	2008 Base	2008 Tax
Result before tax	**56,361**		**50,389**	
Adjustment of CIR (Research tax credit)	-4,870		-4,628	
Result before tax, adjusted for the CIR	**51,491**		**45,761**	
Current tax for French companies		-216		-700
Current tax for foreign companies		-13,510		-12,430
Current tax		**-13,726**		**-13,130**
Deferred tax for French companies		-963		1,080
Deferred tax for foreign companies		-2,038		-1,966
Deferred tax		**-3,001**		**-886**
Total recorded tax		**-16,727**		**-14,016**
Effective tax rate		**32.49%**		**30.63%**
Theoretical tax rate		34.43%		34.43%
Theoretical tax		**-17,728**		**-15,756**
Difference between theoretical tax and recorded tax		**-1,001**		**-1,740**

The difference between theoretical tax and recorded tax as of 31 December 2009 is explained essentially by the differential tax rates abroad up to €919 thousand.

A26. Result per share

	2009	2008
Result attributable to the owners of the parent company	€38,815,780	€35,407,675
Total number of shares	8,714,352	8,714,352
Impact of dilutive instruments	N/A	N/A
Number of treasury shares	40,673	101,246
Outstanding shares	8,673,679	8,613,106
Result attributable to the owners of the parent company, per share	**€4.48**	**€4.11**
Result attributable to the owners of the parent company, diluted per share	**€4.48**	**€4.11**

A27. Operational sectors

In accordance with IFRS 8, the Group provides industry information as used internally by the chief operating decision maker.

The Group's industry 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 pets and food producing animals but the latter is not considered as an industry information level for the following reasons:

- nature of the products: the majority of therapeutic segments are common to pets and food producing animals (antibiotics, parasiticides, etc.);
- manufacturing procedures: the production lines 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 area. At the Group level there is no responsibility for segment marketing;
- distribution methods: the main distribution channels depend more on the country than the segment marketing. The sales capacities can be, in some cases, common to both marketing segments;
- nature of the environmental regulations: the regulatory bodies governing marketing authorisations are identical regardless of the segment.

In the information presented below, the sectors correspond to geographic zones (areas where the Group's assets are located).

in € thousands	France	Europe (excluding France)	Latin America	North America	Asia	Pacific	Africa & Middle East	Total
Revenue from ordinary activities	124,344	146,747	28,362	66,672	50,820	29,131	21,342	**467,418**
Operating result	8,386	20,378	3,652	16,220	5,717	1,247	2,690	**58,290**
Result attributable to the owners of the parent company	6,095	14,121	2,918	9,286	3,597	1,014	1,785	**38,816**
Minority interests	-4	721	-	-	143	-	-	**860**
Consolidated result	**6,091**	**14,842**	**2,918**	**9,286**	**3,740**	**1,014**	**1,785**	**39,676**

A28. Financial instruments

Financial assets

The different categories of financial assets are the following:

• as at 31 December 2009

in € thousands	Assets available for sale	Loans and receivables	Financial assets at fair value through income	Financial assets at fair value through equity	Total
Non-current derivative financial instruments	-	-	-	-	**-**
Other non-current financial assets	-	953	-	-	**953**
Trade receivables	-	75,006	-	-	**75,006**
Other receivables*	-	20,068	-	-	**20,068**
Current derivative financial instruments	-	-	188	350	**538**
Other current financial assets	-	30	-	-	**-**
Cash and cash equivalents	-	10,451	3,618	-	**14,069**
Financial assets	**-**	**106,508**	**3,806**	**350**	**110,634**

*excluding prepaid expenses and income tax debt.

• as at 31 December 2008

in € thousands	Assets available for sale	Loans and receivables	Financial assets at fair value through income	Financial assets at fair value through equity	Total
Non-current derivative financial instruments	-	-	-	-	**-**
Other non-current financial assets	-	1,104	-	-	**1,104**
Trade receivables	-	68,427	-	-	**68,427**
Other receivables*	-	17,425	-	-	**17,425**
Current derivative financial instruments	-	-	86	850	**936**
Other current financial assets	-	-	-	-	**-**
Cash and cash equivalents	-	6,373	2,041	-	**8,414**
Financial assets	**-**	**93,329**	**2,127**	**850**	**96,306**

*excluding prepaid expenses and income tax debt.

Assets available for sale

In particular, this category of assets includes non-consolidated stock certificates and marketable securities which do not fit into any of the other financial asset definitions. The gain or unrealised losses on this category of assets are recorded as equity until their disposal.
At the end of 2009, the Group held no assets in this category.

Loans and receivables

Loans and receivables are non-derivative financial assets, of determined or determinable payments, which are not measured. The elements in this category are described hereafter.

Loans and other capitalised receivables

These are mainly security deposits and other advance payments, escrow accounts, as well as agreed loans (notably to personnel).

Trade receivables

They are recognised and recorded at the initial invoice total, deductions being made for deprecation.

Current receivables

These are mainly debts to the fiscal administration (excluding company tax) and social organisations, as well as advances and payments on orders.

Cash and cash equivalents

These are mainly deposits to bank accounts and cash and frozen bank accounts.

Financial assets at fair value by the income statement

These are classified as financial assets at fair value by the income accounts, rate of exchange instruments that Virbac have chosen to not qualify for hedging and for which the changes are stated immediately as income. Also included in this category are marketable securities that Virbac has acquired to be sold or redeemed in the short term. They are evaluated at fair value on closure and the variations in fair value are recorded as income. The fair values of marketable securities are mainly determined with reference to the market price (bid or offer depending on the case).

Assets held to maturity

These are financial assets, other than loans and debts, having a fixed maturity and for which payments are determined or determinable. Virbac does not hold any shares that meet the definition of securities held to maturity.

Financial liabilities

The different categories of financial liabilities are the following:

• as at 31 December 2009

in € thousands	Loans and debts	Financial liabilities at fair value through income	Financial liabilities at fair value through equity	Total
Non-current derivative financial instruments	-	20	-	**20**
Other non-current financial liabilities	34,513	-	-	**34,513**
Trade payables	54,459	-	-	**54,459**
Other payables*	71,984	-	-	**71,984**
Current derivative financial instruments	-	54	74	**128**
Bank overdrafts and accrued interest not yet matured	9,675	35	-	**9,710**
Other current financial liabilities	3,538	-	-	**3,538**
Financial liabilities	**174,169**	**109**	**74**	**174,352**

*excluding prepaid income and income tax debt.

• as at 31 December 2008

in € thousands	Loans and debts	Financial liabilities at fair value through income	Financial liabilities at fair value through equity	Total
Non-current derivative financial instruments	-	-	525	**525**
Other non-current financial liabilities	54,615	-	-	**54,615**
Trade payables	51,724	-	-	**51,724**
Other payables*	66,427	-	-	**66,427**
Current derivative financial instruments	-	826	454	**1,280**
Bank overdrafts and accrued interest not yet matured	15,468	109	-	**15,577**
Other current financial liabilities	3,302	-	-	**3,302**
Financial liabilities	**191,536**	**935**	**979**	**193,450**

*excluding prepaid income and income tax debt.

As at 31 December 2009, the interest on loans was €3,176 thousand. At 31 December 2008, it represented €4,480 thousand.

A29. Management of risks linked to financial instruments

The Group holds derivative financial instruments solely to reduce its exposure to rate or exchange risks on balance sheet items and firm or highly probable commitments.
Regarding cash flow hedging, it is expected that the cash flow will have an effect on income during the 2010 financial year.

Credit risk

As at 31 December 2009, the Group's maximum exposure to credit risk is €75,006 thousand, which is the amount of client post receivables in the consolidated financial statements.

The sales risk between the Group's companies is not significant, insofar as Virbac can assure the financial structure of their subsidiaries allowing them to honour their debts.
Concerning debts with third parties, the Group considers that it is not exposed to significant counterparty risk given the quality of the main counterparty and the wide dispersion of its clients across the world. The Group's companies have implemented a mechanism for monitoring debts paid, allowing them to limit the amount of bad debts. In addition, the Group has set up an agreement with Coface, which allows the subsidiaries to benefit from hedging their credit risk at a local level.
The following statements provide a breakdown of receivables:

• as at 31 December 2009

in € thousands	Receivables due	Receivables overdue for				Depreciated receivables	Total
		< 3 months	3-6 months	6-12 months	> 12 months		
France	21,601	775	43	2	-	250	**22,671**
Europe (excluding France)	22,821	1,124	-	-	-	1,398	**25,343**
Latin America	7,473	420	109	-	-	650	**8,652**
North America	5,580	18	-	-	-	16	**5,614**
Asia	5,252	341	27	-	-	354	**5,974**
Pacific	6,506	84	-	-	-	15	**6,605**
Africa & Middle East	2,830	-	-	-	-	11	**2,841**
Trade receivables	**72,063**	**2,762**	**179**	**2**	**-**	**2,694**	**77,700**

• as at 31 December 2008

in € thousands	Receivables due	Receivables overdue for				Depreciated receivables	Total
		< 3 months	3-6 months	6-12 months	> 12 months		
France	22,327	804	45	-28	-	366	**23,514**
Europe (excluding France)	17,697	2,151	1,259	23	112	1,550	**22,792**
Latin America	7,248	87	81	23	5	520	**7,964**
North America	3,030	-	-	-6	-	36	**3,060**
Asia	5,236	213	120	34	1	479	**6,083**
Pacific	5,090	288	-	-	-	21	**5,399**
Africa & Middle East	2,587	-	-	-	-	-	**2,587**
Trade receivables	**63,215**	**3,543**	**1,505**	**46**	**118**	**2,972**	**71,399**

Receivables due and not paid are analysed periodically and classified as doubtful receivables if there appears to be a risk that the receivable will not be recovered in full. The provision amount recorded at closure is defined depending on the age of the receivable and if necessary criteria relating to the debtors. Unrecoverable receivables are recorded as losses when they are identified as such.

Counterparty risk

This relates to other financial assets and notably potential availabilities, the cash surplus of subsidiaries are transferred to the parent company which assures centralised management, in the form of short-term remunerated deposits. The Group only works with top-level banking counterparties.

Liquidity risk

A centralisation policy of cash surpluses and financial needs in the European, North American and Pacific zones refines the Group's net positions and optimises the management of securities and financing, in addition to ensuring the Group's capacity to meet financial commitments and maintain an availability level compatible with its size and needs.

Virbac uses a variable rate credit limit, expiring at the end of 2010, carrying a total amount of €70 million, the duration and amount of which are sufficient to ensure financing of the Group and its development projects. There was no drawdown as at 31 December 2009, on the overall credit limit of €70 million whereas €45 million had been withdrawn as at 31 December 2008.
The financial obligations set out in the opening of credit contracts (agreed) were met as at 31 December 2009.

Market risks

Exchange risk

Virbac deals with activities in currencies other than the euro, its benchmark currency. The exchange rate risk is monitored using a client risk summary from the IT system (ERP). The positions are updated from the *ad hoc* restitution statements. The majority of the Group's exchange risk is centralised on the parent company, which sends invoices to subsidiaries in their local currency. For sales to exotic currency countries, invoices are sent in euros or in American dollars.

Given the purchases and sales in currencies, the Group is exposed to an exchange risk mainly in the following currencies: American dollar, pound sterling, Swiss franc and various currencies from the Asian and Pacific zones.
Given the Group's exposure to exchange risks, the fluctuation of currencies has a noticeable effect on the income account, as much on the conversion risk plan as that of the transaction.
In order to protect itself against unfavourable variations in different currencies in which sales, purchases, or some specific transactions are made, fixed-term contracts in foreign currencies are used to hedge the exposure to exchange risk.
The Group systematically hedges its significant and certain (loans, debts, dividends, intra-group loans) exchange positions. It hedges future sales and purchases (closed orders from clients and suppliers) estimated when their size and fluctuations in currencies warrant it.

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

in € thousands	2009	2008
Fair value hedges	-	-
Cash flow hedges	276	176
Net investment hedges	-	-
Derivatives not qualifying for hedging	133	-520
Derivative financial exchange instruments	**409**	**-344**

The Group's policy consists of ensuring the hedging of exchange risks when the size and risks of currency fluctuations are higher. To this effect, they use various instruments available on the market and mainly practice forward or optional exchange transactions.
Due to the documentation constraints relating to hedging, the derivative instruments held at closure do not all qualify for hedging in the consolidated financial statements. In such case, value variations directly impact the income for the period.

Interest rate risk

The exposure to rate risks for the Virbac group mainly results from the variable rate credit limit implemented in France for a total maximum amount of €70 million. This

limit is indexed on Euribor. The localised loans to Virbac India to finance the acquisition of the veterinary division of GlaxoSmithKline are at a fixed rate revised annually for the first half and every three years for the second half.

The current amount on the credit limit is the following:

in € thousands	2009		2008	
	Average real interest rate	Book value	Average real interest rate	Book value
India	7.500%	1,492	8.810%	4,874
India	6.392%	2,797	10.460%	3,848
India	9.100%	2,424	-	-
Others	ND	139	ND	645
Fixed rate debt		**6,852**		**9,367**
France	1.407%	10,000	5.540%	25,000
France	1.417%	10,000	5.371%	20,000
France	1.073%	8,000	-	-
Variable rate debt		**28,000**		**45,000**
Bank overdrafts		9,675		15,468
Loans and bank overdrafts*		**44,527**		**69,835**

*excluding debt relating to leasing contracts.

Derivative financial interest rate instruments are presented below, at market value:

in € thousands	2009	2008
Fair value hedges	-	-
Cash flow hedges	20	525
Net investment hedges	-	-
Derivatives not qualifying for hedges	-	-
Derivative financial rate instruments	**20**	**525**

To manage the risks and optimise the cost of its debt, the Group follows market rate anticipations and can implement interest rate swaps (fixed rate) not exceeding the duration and amount of actual commitments.
As at 31 December 2009 the swap rate does not qualify for hedging. It was qualified for hedging as at 31 December 2008.

Specific impacts from hedging exchange and interest rate risks

The derivative financial exchange instruments in relation to the hedging of cash flows generally have a maximum maturity of one year.

The derivative financial interest rate instruments are used to hedge the credit limits or loans and therefore have a maturity over a number of years, compatible with the hedged cash.

As at 31 December 2009, the unrealised exchange gains and losses in equity for the period was €217 thousand. The ineffective share recorded as income for this cash flow hedging was €100 thousand.

in € thousands	Nominal		Positive fair value		Negative fair value	
	2009	2008	2009	2008	2009	2008
Forward exchange contract (sale)	11,352	7,865	70	946	81	157
Forward exchange contract (purchase)	20,341	19,227	467	77	17	1,153
Over the counter options exchange	1,974	4,527	-	68	30	127
Exchange instruments	**33,667**	**31,619**	**537**	**1,091**	**128**	**1,437**
Swap rate	10,000	45,000	-	-	20	525
Interest rate options	-	-	-	-	-	-
Interest rate instruments	**10,000**	**45,000**	**-**	**-**	**20**	**525**
Derivative financial instruments	**43,667**	**76,619**	**537**	**1,091**	**148**	**1,962**

Raw material risks

The raw materials and some principal assets that go into the composition of products made by Virbac are supplied by third parties. In certain cases, the Group also uses contract manufacturers or industrial partners who have skills or mastery of particular technologies.

A 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 price pressure. To reduce these risks, the Group widens its research of diversified suppliers as much as possible and does, in some cases, secure its supply by acquiring those technologies and skills which it lacks that generate a higher independence. This, for example, was the case with the acquisition of industrial property and production tools for the protein material used in the main vaccine for cats.

A30. Composition of Virbac share capital

	2008	Increases	Decreases	2009
Number of authorised shares	8,714,352	-	-	8,714,352
Number of shares issued and fully paid	8,714,352	-	-	8,714,352
Number of shares issued and not fully paid	-	-	-	-
Outstanding shares	8,613,106	155,526	-94,953	8,673,679
Treasury shares	101,246	94,953	-155,526	40,673
Nominal value of shares	€1.25	-	-	€1.25
Virbac share capital	**€10,892,940**	**-**	**-**	**€10,892,940**

A31. Stock option plans and performance shares allocation

Stock options

The executive board, in accordance with authorisation from the shareholders' meeting, granted the option to purchase company shares for certain Virbac employees and managerial personnel and those of its subsidiaries.

Each option grants the right to purchase a Virbac share at a price set in advance, called the purchase price. The beneficiaries are subject to a freeze period and could not exercise their options until two years after their attribution for 50% of them and after three years for the remaining 50%.

The validity of the option expires if it is not exercised within a period of six months from the attribution date or if the beneficiary leaves the Group during the freeze period. The shares exercised are only transferable after a period of four years from the opening date of the plans.

Fair value on current stock option plans

In accordance with IFRS 2, only those plans granted after 7 November 2002 and where the assets were not acquired by 1 January 2007 are valued and posted in the Virbac consolidated financial statements of 31 December 2009.

Stock option plans still in force as at 31 December 2009 are:

Plan	Starting point for exercising options	Option price	Original balance	Exercised	Cancellations/ transfers	Balance as at 31/12/2009	Expiry date
27/07/2002	27/07/2004		60,000	-59,400	-600	-	27/07/2008
14/04/2003	14/04/2005		58,000	-58,000	-	-	14/04/2009
Current stock option plans			**118,000**	**-117,400**	**-600**	**-**	

Allocation of performance shares

The executive board, in accordance with authorisation from the shareholders' meeting, granted an allocation of company performance shares for certain Virbac employees and managerial personnel and those of its subsidiaries.

Fair value of performance share plans

In accordance with IFRS 2, these plans are valued in the Virbac consolidated financial statements based on the fair value of the shares allocated on the date of their allocation, i.e.:

- for the 2007 plan, €881,820 corresponding to 13,800 shares at €63.90. This amount has been spread over a vesting period of 30 months. The impact on the income account as at 31 December 2009 is €352,728 representing 12/30th of the total expenses;
- for the 2008 plan, €854,240 corresponding to 14,050 shares at €60.80. This amount has been spread over a vesting period of 33 and a half months. The impact on the income account as at 31 December 2009 is €305,996 representing 12/33.5th of the total expenses.
- For the 2009 plan, €796,195 corresponding to 14,450 shares at €55.10. This amount has been spread over a vesting period of 30 and a half months. The impact on the income account as at 31 December 2009 is €169,681representing 6.5/30.5th of the total expenses.

A32. Dividends

In 2009, the company distributed a dividend of €1.20 per share for the 2008 financial year.

For the 2009 financial year, it will be suggested to the shareholders' meeting that a net dividend of €1.32 per nominal share of €1.25 is allocated.

A33. Workforce

Evolution of workforce by geographic area

Geographic area	2009	2008	Variation
Europe	1,382	1,352	2.2%
Latin America	254	255	-0.4%
North America	267	279	-4.3%
Asia	694	699	-0.7%
Pacific	155	163	-4.9%
Africa & Middle East	127	132	-3.8%
Workforce	**2,879**	**2,880**	**-**

The virtually stagnant workforce corresponds in reality to negative variations (principally linked to the closure of the Bio Solution International site in Thailand) and positive variations (principally in India).

Distribution of workforce by role

Role	2009		2008	
Production	977	33.9%	1,011	35.1%
Administration	366	12.7%	357	12.4%
Commercial	1,260	43.8%	1,238	43.0%
Research & Development	276	9.6%	274	9.5%
Workforce	**2,879**	**100%**	**2,880**	**100%**

A34. Information relating to DIF

Individual entitlement to training (*Droit individuel à la formation*, DIF) hours accumulated since 01/01/2005	DIF hours used between 2005 and 2009	Available DIF hours as at 31/12/2009
95,244	19,097	76,147

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

A35. Information on related parties

Executive compensation

Executive board members in €	Fixed compensation (including fringe benefits)	Compensation linked to terms of office for administrators in the Group's companies	Variable compensation	Total compensation
Éric Marée	279,063	63,400	142,000	**484,463**
Pierre Pagès	186,460	59,900	86,000	**332,360**
Christian Karst	181,492	38,000	73,000	**292,492**
Michel Garaudet	169,057	13,000	45,000	**227,057**
Jean-Pierre Dick	35,373	-	15,000	**50,373**
Total	**851,445**	**174,300**	**361,000**	**1,386,745**

Compensation paid in the 2009 financial year corresponds to the fixed compensation paid in 2009, to the compensation linked to the terms of office for administrators in the Group's companies paid in 2009, to the variable compensation paid in 2010 for 2009, and to the fringe benefits conferred in 2009 (company cars).

Variable tax base criteria

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

- growth in turnover;
- growth in current operating result;
- as well as specific operating objectives.

Other benefits

In addition to the various elements of compensation, the executive board members receive the benefits described below.

Retirement

A supplemental defined benefit retirement plan (12.5% of the reference

salary and 22% in the event of more than 30 years of service) of which the conditions of allocation are as follows:
• more than 10 years' service in the Group (including nine years as a member of the executive board);
• at least 60 years of age;
• end their career with the Group.

Severance pay

The commitments made by the company and the companies that it controls for the benefit of its directors in the event of revocation are as follows:
• Éric Marée: €483 000;
• Pierre Pagès: €404 000;
• Christian Karst: €326 000.

Stock options

Between 2000 and 2003, the Virbac executive board, in accordance with authorisation from the shareholders' meeting, granted options to purchase shares for certain Virbac employees and directors and those of its subsidiaries.
Each option grants the right to purchase a Virbac share at a price set in advance, called the purchase price. The beneficiaries are subject to a freeze period and can only exercise their options two years after their attribution for 50% of them and after three years for the remaining 50%. The validity of the option expires if it is not exercised within a period of six months from the attribution date or if the beneficiary leaves the Group during the freeze period. The shares taken are only transferable after a period of four years from the opening date of the plans.
No stock option plan has been opened since that of 2003.

Allocation of performance shares

The Virbac executive board, in accordance with authorisation from the shareholder's meeting, granted in 2006, 2007 and 2008 the allocation of performance shares to certain Virbac employees and directors and those of its subsidiaries.
These allocations are subject to meeting a performance target linked to the profitability and net debt of the Group, to be found respectively at the end of the 2008, 2009 and 2010 financial years.
The performance shares allocated under the plans for 2006, 2007 and 2008 amounted to 17,050 shares, 13,800 shares and 14,050 shares, respectively.
The allocation of performance shares to the executive board in 2006, 2007 and 2008 are as follows:

Executive board members	Number of shares 2007 Plan	Number of shares 2008 Plan	Number of shares 2009 Plan
Éric Marée	1,800	1,800	1,800
Pierre Pagès	1,300	1,300	1,300
Christian Karst	1,200	1,200	1,200
Michel Garaudet	800	800	800
Total	**5,100**	**5,100**	**5,100**

A36. Operating lease agreements

in € thousands	France	Europe (excluding France)	Latin America	North America	Asia	Pacific	Africa & Middle East	Total
Land & buildings	239	234	432	417	476	341	91	**2,230**
Industrial equipment	1,010	25	-	67	-	14	-	**1,116**
IT equipment	484	-	25	-	-	12	-	**521**
Office equipment and furniture	78	309	5	23	126	-	7	**548**
Transport equipment	1,137	675	-	25	60	398	7	**2,302**
Lease payments	**2,948**	**1,243**	**462**	**532**	**662**	**765**	**105**	**6,717**

A37. Off-balance sheet commitments

As at 31 December 2009, the off-balance sheet commitments correspond to agreed deposits to Sanofi/Navetco for Virbac Vietnam, totalling €76 thousand.

A38. Scope of consolidation

Business name	Locality	Country	Control as of 31/12/2009	Control as of 31/12/2008
Virbac (parent company)	Carros	France	100%	100%
Interlab	Carros	France	100%	100%
Virbac France	Carros	France	100%	100%
Virbac Belgium SA	Wavre	Belgium	75.27%	75.27%
Virbac Nederland BV*	Barneveld	Netherlands	75.28%	75.28%
Virbac (Switzerland) AG	Glattbrugg	Switzerland	100%	100%
Virbac Ltd.	Bury St. Edmunds	United Kingdom	100%	100%
Virbac SRL	Milan	Italy	100%	100%
Virbac do Brasil Industria e Comercio Ltda	São Paulo	Brazil	100%	100%
Virbac Danmark A/S	Kolding	Denmark	100%	100%
Inomark AG	Glattbrugg	Switzerland	100%	100%
Virbac Mexico SA de CV	Guadalajara	Mexico	100%	100%
Laboratorios Virbac Mexico SA de CV	Guadalajara	Mexico	100%	100%
Virbac Pharma Handelsgesellshaft mbH	Bad Oldesloe	Germany	100%	100%
Virbac Tierarzneimittel GmbH	Bad Oldesloe	Germany	100%	100%
Soparlic	Carros	France	100%	100%
Virbac Distribution	Wissous	France	100%	100%
Virbac Nutrition	Vauvert	France	100%	100%
Phavi International BV	Amsterdam	Netherlands	-	100%
Dog N'Cat International	Vauvert	France	100%	100%
Bio Véto Test	La Seyne sur Mer	France	100%	100%
Francodex Santé Animale	Carros	France	99.60%	99.60%
Virbac Hellas SA	Agios Stefanos	Greece	100%	100%
Animedica SA	Agios Stefanos	Greece	100%	100%
Virbac España SA	Barcelona	Spain	100%	100%
Virbac Österreich GmbH	Vienna	Austria	100%	100%
Virbac Korea Co. Ltd	Seoul	South Korea	100%	100%
Bio Solution International Co. Ltd	Bangkok	Thailand	100%	100%
Virbac (Thailand) Co. Ltd	Bangkok	Thailand	100%	100%
Virbac Taiwan Co. Ltd	Taipei	Taiwan	100%	100%
Virbac Colombia Ltda	Bogota	Columbia	100%	100%
Virbac Philippines Inc.	Pasig City	Philippines	100%	100%
Virbac Japan Co. Ltd	Osaka	Japan	100%	100%
Laboratorios Virbac Costa Rica SA	San José	Costa Rica	100%	100%
Virbac Asia Pacific Co. Ltd	Bangkok	Thailand	100%	-
Virbac de Portugal Laboratorios Lda	Almerim	Portugal	100%	100%
Virbac Vietnam Co. Ltd	Ho Chi Minh City	Vietnam	75%	75%
Virbac RSA (Proprietary) Ltd*	Centurion	South Africa	100%	100%
Alfamed	Carros	France	99.70%	99.70%
Virbac (HK) Limited	Kowloon	Hong Kong	100%	100%
Virbac Animal Health India Private Limited	Mumbai	India	100%	100%
Nuova ICC SRL	Milan	Italy	-	100%
St Jon VRX Products Limited	Bury St. Edmunds	United Kingdom	-	100%
Virbac Corporation	Fort Worth	United States	100%	100%
PP Manufacturing Corporation	Framingham	United States	100%	100%
Virbac (Australia) Pty Ltd*	Milperra	Australia	100%	100%
Virbac New Zealand Ltd	Auckland	New Zealand	100%	100%
Number of companies consolidated by global integration			44	46
German company	-	-	23.99%	23.99%
Finnish company	-	-	-	50%
Number of companies consolidated by the equity method			1	2
Number of companies incorporated in the consolidation			**45**	**48**

*pre-consolidated levels.

Report of the statutory auditors on the consolidated financial statements

Financial year ended 31 December 2009

Dear shareholders,

In performance of the responsibilities entrusted to us by your shareholders' meeting, we hereby present our report on the financial year ended 31 December 2009, on:
- the audit of Virbac's consolidated financial statements, as they appear attached to this report
- the basis for our assessment
- the specific check required by law.

The consolidated financial statements were approved by the executive board. Our role is to express an opinion on these financial statements on the basis of our audit.

Opinion on the consolidated financial statements

We carried out our audit on the basis of professional standards applicable in France. These standards require us to carry out the audit in such a manner as to obtain reasonable assurance that the consolidated financial statements do not contain any material misstatements. An audit consists of checking, through sampling or any other means of selection, the items underlying the amounts and information in the consolidated financial statements. It also consists of assessing the accounting policies applied, the material estimates used and the overall presentation of the financial statements. We consider that the items we collected provide a sufficient and appropriate basis for our opinion.

We certify that the consolidated financial statements are, with respect to the IFRS accounting basis as adopted by the European Union, reasonable and accurate and give a true and fair view of the assets and liabilities, financial position and earnings of the Group consisting of the companies and entities within the scope of consolidation.

Without casting doubt on the conclusion expressed above, we would draw your attention to the «Main accounting principles applied» note, which outlines the changes to accounting methods resulting from the application, from 1 January 2009, of the new standards and interpretations.

Basis for our assessment

The financial crisis that is progressively being followed by an economic crisis impacts companies in a number of ways, in particular in terms of their revenue and financing. The major volatility in the financial markets that remained active, the scarcity of transactions in the financial markets that became inactive as well as the lack of future visibility created special conditions this year regarding the preparation of the financial statements, particularly with regard to the accounting estimates that are required when applying accounting policies. These conditions are described in the "Main sources of uncertainty relating to estimations" note to the financial statements.

It is against this background that we made our assessments that we hereby set out pursuant to the provisions of article L823-9 of the French commercial code.

The goodwill and intangible assets with indefinite lives (the net amounts for which appear in the balance sheet on 31 December 2009, respectively amounting to €84.3 million and €43.9 million) were subject to impairment tests in accordance with the process described in the "Accounting principals and methods" note to the consolidated financial statements. We reviewed the process for carrying out these tests based on the value in use and monitored the assumptions held using provisional data from strategic plans drawn up for each activity or division under the Group's control and verified that the "Accounting principals and methods" note to the consolidated financial statements provides appropriate disclosures.

These assessments form part of our audit of the consolidated financial statements as a whole and thus contributed to the formation of the audit opinion expressed in the first section of this report.

Specific check

In accordance with professional standards applicable in France, we also carried out the specific check required by law in respect of the disclosures on the Group in the management report.

We have no observations regarding their fairness and consistency with the consolidated financial statements.

Nice and Marseille, 26 March 2010
Statutory auditors

Novances–David & Associés
Jean-Pierre Giraud

Deloitte & Associés
Vincent Gros

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, 15 March 2010

Éric Marée, chairman of the executive board

Observations of the supervisory board

The executive board submitted to the supervisory board, who has read them, the financial statements for the year ending 31 December 2009 as well as the management report relating to this financial year.

The Group's consolidated turnover of €467.4 million, increased by 5.4% over 2008, or 5.8% at constant exchange rates in 2009 and 4.4% on a like-for-like basis, thus constituting an above-market growth.
The current operating result of €58.3 million rose by 6.9% over 2008, whilst the net result of €38.8 million is an increase of 9.6% over 2008.
The Group's net debt as of 31 December increased to €33.8 million, representing 14.5% of equity.

The value of shares at closing was €72.73 at the end of 2009, an increase of 26% compared with 1 January, demonstrating a good performance.
It will be proposed at the shareholders' meeting that a dividend of €1.32 per share be distributed, a 10% increased distributed result per share over 2008.
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. Both the audit committee and the compensation committee each met twice.
Following the company's decision to refer to the Corporate governance code prepared by the Afep-Medef, it will be proposed at the next shareholders' meeting (which will meet in extraordinary form) that the terms of office for members of the supervisory board be reduced from six to three years.
Furthermore, the supervisory board has undertaken a self-assessment of its operation throughout the year.

The supervisory board wishes to thank not only the members of the board, the management teams, and all Virbac employees throughout the world for the work completed, but also the shareholders for their loyalty to the Group.

Resolutions submitted to the ordinary and extraordinary shareholders' meeting of 15 June 2010

Within the competence of the extraordinary shareholders' meeting

First resolution
(modification of the terms of office of the members of the supervisory board)

The shareholders' meeting, in accordance with *quorum* and majority requirements for extraordinary shareholders' meetings, after having heard the reading of the report from the executive board, decides to reduce to three years the terms of office of the members of the supervisory board, effective immediately.

Second resolution
(amendment of article 14 of the articles of association)

The shareholders' meeting, in accordance with *quorum* and majority requirements for extraordinary shareholders' meetings, as a consequence of the foregoing resolution, decides to amend article 14 of the articles of association as follows:

"The members of the supervisory board are appointed for a term of three years terminating at the end of each ordinary shareholders' meeting, which will pronounce on the financial statements for the elapsed financial year and will be held in the year in which their tenure expires.

Members of the supervisory board, individuals or legal persons, are elected by the ordinary shareholders' meeting, among its members, in a simple majority, for a three-year period."

The remainder of the article is unchanged.

Third resolution (powers)

The shareholders' meeting, in accordance with *quorum* and majority requirements for extraordinary shareholders' meetings, confers all powers to the bearer of an original, copy, or extract of these minutes in order to complete all required deposits, formalities and advertising.

Within the competence of the ordinary shareholders' meeting

Fourth resolution
(approval of statutory financial statements)

The shareholders' meeting, in accordance with *quorum* and majority requirements for ordinary shareholders' meetings, after having reviewed the reports of the executive board, the supervisory board, the chairwoman of the supervisory board, and the statutory auditors, approves, as presented thereto, the statutory financial statements for the financial year ended 31 December 2009, showing a net result of €30,591,708.49, as well as transactions reflected in these accounts or summarized 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 €124,718.

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.

Fifth resolution
(approval of consolidated financial statements)

The shareholders' meeting, in accordance with *quorum* and majority requirements for ordinary shareholders' meetings, after having reviewed the reports of the executive board, the supervisory board, and statutory auditors for the financial year ended 31 December 2009, approves, as presented thereto, the consolidated financial statements for the said financial year reflecting a net result for the Group of €38,815,780.

The meeting also approves the transactions reflected in said financial statements or summarized in said reports.

Sixth resolution (net result allocation)

The shareholders' meeting, in accordance with *quorum* and majority requirements for ordinary shareholders' meetings, decides to allocate the net result for the year as follows:

Net result for the period		€30,591,708.49
Retained earnings carried forward	+	€55,043,758.41
Distributable result	=	€85,635,466.90
Distribution of dividends		€11,502,944.64
Balance carried forward		€19,088,763.85

The dividend allocated to each share with a nominal value of €1.25 is €1.32. The dividend to be distributed will be detached from the share on 19 July 2010 and will be payable on 22 July 2010.

The shareholders' meeting decides that in accordance with 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 fiscally resident in France, the dividend is eligible for a 40% reduction (article 158-3-2 of the French general tax code). Rather than opting for progressive income tax, individual beneficiaries may elect to have tax withheld at a fixed rate of 18% provided for in article 117 *quater* of the French general tax code.

In accordance with article 243 *bis* of the French general tax code, it is recalled that distributions made for the three previous financial years, were as follows:

Financial year	Dividend per share	Revenue eligible for abatement pursuant to article 158-3-2 of the French general tax code	Overall distribution
2006	€0.80	€0.80	€6,886,402
2007	€1.10	€1.10	€9,471,454
2008	€1.20	€1.20	€10,404,230

Seventh resolution (regulated agreements)

The shareholders' meeting, in accordance with *quorum* and majority requirements for ordinary shareholders' meetings, after having reviewed the special report of the statutory auditors with regard to the agreements referred to in articles L225-86 *et seq.* of the French commercial code, approves the report and the agreement referred to therein.

Eighth resolution (reappointment of Marie-Hélène Dick as a member of the supervisory board)

The shareholders' meeting, in accordance with *quorum* and majority requirements for ordinary shareholders' meetings, renews the term of office of Marie-Hélène Dick, as a member of the supervisory board, for a further period of three years.

The term of office of Marie-Hélène Dick as a member of the supervisory board will expire at the end of the shareholders' meeting held to pronounce on the financial statements for the financial year ending 31 December 2012.

Ninth resolution (reappointment of Jeanine Dick as a member of the supervisory board)

The shareholders' meeting, in accordance with *quorum* and majority requirements for ordinary shareholders' meetings, renews the term of office of Jeanine Dick, as a member of the supervisory board, for a further period of three years.

The term of office of Jeanine Dick, as a member of the supervisory board will expire at the end of the shareholders' meeting held to pronounce on the financial statements for the financial year ending 31 December 2012.

Tenth resolution (reappointment of Philippe Capron as a member of the supervisory board)

The shareholders' meeting, in accordance with *quorum* and majority requirements for ordinary shareholders' meetings, renews the term of office of Philippe Capron, as a member of the supervisory board, for a further period of three years.

The term of office of Philippe Capron, as a member of the supervisory board will expire at the shareholders' meeting held to pronounce on the financial statements for the financial year ending 31 December 2012.

Eleventh resolution (reappointment of the company Asergi as a member of the supervisory board)

The shareholders' meeting, in accordance with *quorum* and majority requirements for ordinary shareholders' meetings, renews for a further period of three years the term of office of the company Asergi, as a member of the supervisory board, represented by Pierre Madelpuech.

The term of office of the company Asergi as a member of the supervisory board will expire at the end of the shareholders' meeting held to pronounce on the financial statements for the financial year ending 31 December 2012.

Twelfth resolution (reappointment of the company XYC as a member of the supervisory board)

The shareholders' meeting, in accordance with *quorum* and majority requirements for ordinary shareholders' meetings, renews for a further period of three years the term of office of the company XYC, as a member of the supervisory board, represented by Xavier Yon.

The term of office of the company XYC, as a member of the supervisory board, will expire at the end of the shareholders' meeting held to pronounce on the financial statements for the financial year ending 31 December 2012.

Thirteenth resolution (reappointment of statutory auditors and a deputy statutory auditor)

The shareholders' meeting, in accordance with *quorum* and majority requirements for ordinary shareholders' meetings, decides to renew the terms of office of:

- David & Associes, as statutory auditors and acknowledges their change of name to Novances-David & Associes;
- Deloitte & Associes, as statutory auditors;
- Beas, as deputy statutory auditors;

for a period of six years, that is until the shareholders meeting which will pronounce on the financial statements for the financial year ending 31 December 2015.

Fourteenth resolution (appointment of a deputy statutory auditor)

The shareholders' meeting, in accordance with *quorum* and majority requirements for ordinary shareholders' meetings, decides to appoint Laurent Gilles, located at Parc de Crécy, 13 rue Claude Chappe 69771 Saint Didier au Mont D'Or as deputy statutory auditor for a period of six years, that is until the shareholders' meeting which will pronounce on the financial statements for the financial year ending 31 December 2015.

Fifteenth resolution (determination of overall attendance fees)

The shareholders' meeting, in accordance with *quorum* and majority requirements for ordinary shareholders' meetings, resolves to allocate, for the current year, a sum of €110,000 as attendance fees which will be shared between the members of the supervisory board.

Sixteenth resolution (authorisation granted to the executive board for the purposes of trading in company shares)

The shareholders' meeting, in accordance with *quorum* and majority requirements for ordinary shareholders' meetings, after having reviewed the report of the executive board, authorises the executive board, with the option of subdelegation, in accordance with provisions of articles L225-209 *et seq.* of the French commercial code, to purchase company shares representing up to a maximum of 5% of the company's capital on the date of this meeting.

The acquisitions may be made 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);
- proceed with the allocation of performance shares under the provisions of articles L225-197-1 *et seq.* of the French commercial code.

The maximum purchase price may not exceed €110 per share.

The maximum amount of the transaction, net of the 45,297 shares already held as of 28 February 2010 is thus set at €42,946,200.

In the event of an increase in capital through incorporation of reserves and allocation of performance shares as well as in the event of division or grouping of the shares, this amount will be adjusted by a multiplier coefficient equal to the difference between the number of shares making up the capital before the transaction and the number after the transaction.

This authorization which cancels and supersedes any previous similar authorization, and in particular, that granted by the shareholders' meeting of 19 June 2009 under the ninth resolution, is granted for a period of eighteen months as from the date of this meeting.

All powers are granted to the executive board, with the power to further delegate, to place orders, conclude all agreements, carry out all formalities and declarations with any entities, in particular the French financial markets authority (Autorité des marchés financiers) and in general, to do whatever is necessary for the purposes of carrying out transactions made in accordance with this authorization.

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