






Vétoquinol: H1 2008 interim earnings



Corporate headquarters and laboratories
Lure - France



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-  **Consolidated financial statements at 30 June 2008**
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 Vétoquinol
Signe de Passion



**> Highlights
of H1 2008**



> Highlights of H1 2008

H1 2008 went according to plan:

Revenues
116.7 million euros

+5%

+6.6% on a like-for-like basis*

OPCO/Revenues

11.5%

**Net profit attributable to
shareholders of the parent**
9.1 million euros

+15.3%

Gearing

4.3%

* same perimeter and constant exchange rates



The global animal health market held up well under difficult macroeconomic conditions

 **Growth of the global market in US dollars¹: +11.7%**

- North America: +4.2%
- Western Europe: +20.4%

 **Higher revenues reported for all species**

¹Exchange rate used by Vetnosis

	<u>H1 2007</u>	<u>H1 2008</u>	
EUR/USD	1.329	1.529	+15%

¹ Source Vetnosis – Animal Health Monitor 88 – August 2008



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Vétoquinol outperformed the market in actual dollar terms in H1 2008

 **20.9% growth at same perimeter**

 **2nd highest growth rate among the world's 12 largest laboratories**



Note: 55% of Vétoquinol's revenues are made in €

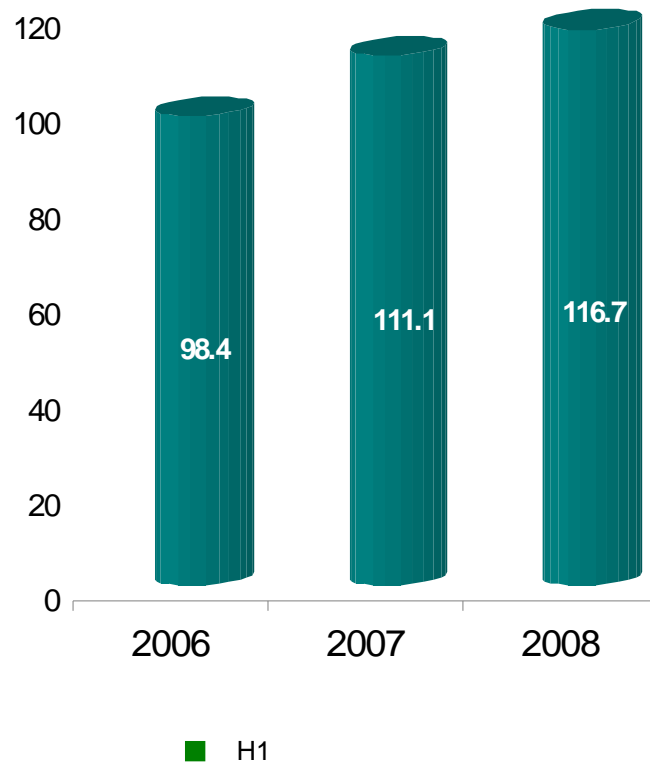
Source Vetnosis – Animal Health Monitor 88 – August 2008



> Highlights of H1 2008

Sustained growth in H1

In millions of euros



Revenue growth

- > 5% nominal increase
- > 6.6% on a like-for-like basis



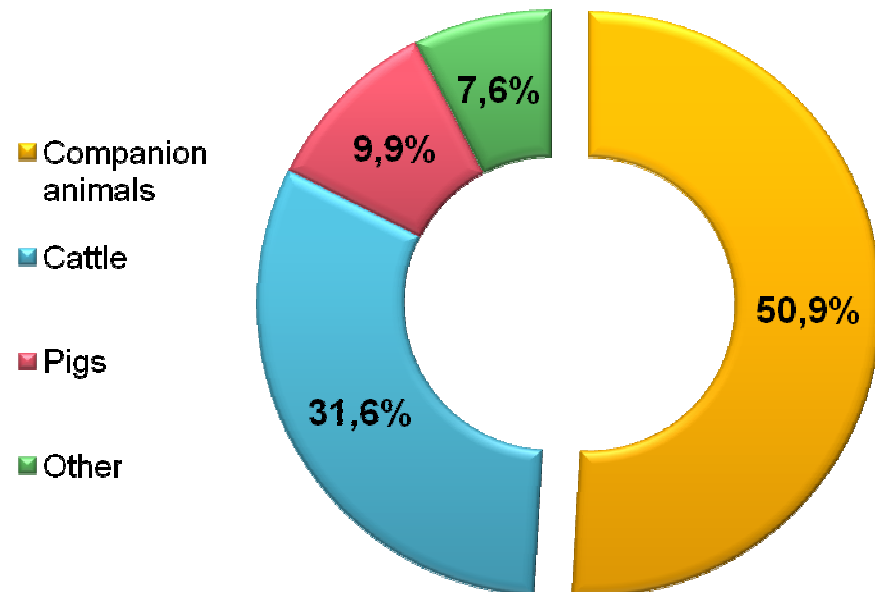
In line with our medium-term organic growth target of 4% to 5% p.a.



> Highlights of H1 2008

A balanced portfolio in terms of species

HS1 2008 revenues
116.7 million euros



Sustained growth

- > Cattle: +14%
- > Companion animals



More troubled segments

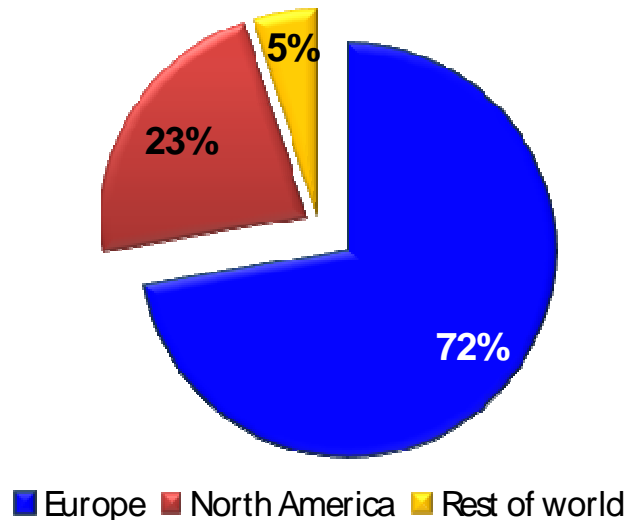
- > Crisis in the swine market in Spain, Poland and Canada



> Highlights of H1 2008

Good geographical diversification underpins our growth

H1 2008 revenues
116.7 million euros



Revenues by region

- > Sales increased well in France and the United States
- > Business was more difficult in Spain, Poland and Canada

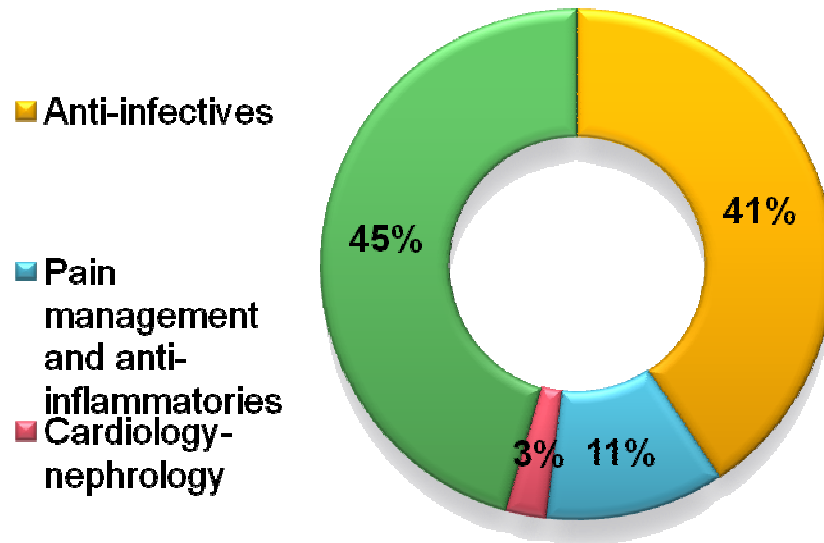


Increase in sales and marketing staff (Talents 2012 plan)

- > 36 new hires since January 1st



Sharp increase in the Cardiology-Nephrology and Pain management-Anti-inflammatories segments



 Growth across all therapeutic classes

 Sharp increase

- > Cardiology-nephrology: +19%
- > Pain management and anti-inflammatories: +18%



Active growth policy



Agreements and acquisitions

- Agreement with Kibow Biotech Inc.
Worldwide extension of the exclusive veterinary licence for Azodyl®
- Agreement with Jurox Pty. Ltd.
Extension of Alfaxan® in Europe
- Acquisition in Canada of Vetcom 1979 Inc.'s ophthalmic range
- Acquisition of Viavet in Scandinavia



13 launches, new products and extensions



European extension agreement for Alfaxan

- ☀ An innovative product in a growing market segment
- ☀ Leader in its original markets
- ☀ Already introduced by Vétoquinol in the United Kingdom
- ☀ Extension to all of Europe on September 1st





NOUVEAU

Un pas de plus vers l'anesthésie idéale

Alfaxan[®]

en toute confiance

Alfaxan[®]

Properties of an ideal anaesthetic		
HIGH-QUALITY ANESTHESIA	Fast-acting High-quality sleep Fast, high-quality awakening Optimal muscular relaxation	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>
PERFECTLY SAFE ANESTHESIA	Perfectly safe, even for animals at risk and in the event of over-dosage Minimal impact on the cardiovascular and respiratory system No accumulation or prolongation of awakening following repeated injections	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>
EASY TO USE	May be administered by any means of injection (IV, IM, SC, etc.) Does not irritate tissue / Absence of pain at point of injection	IV only <input checked="" type="checkbox"/>
FLEXIBILITY OF PROTOCOLES	Can be used for all anaesthesias, regardless of duration Compatible with many commonly-used drugs	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/>



Product launches in H1 2008

13 launches, extensions and new products, including:

- **Vetprofen[®]** (Pain management and anti-inflammatories): USA
- **Rubenal[®]** (Cardiology-nephrology): France
- **Marbocyl S[®]** (Anti-infectives): extension to Europe
- **Dolpac[®]** (Other): extension to Europe



Innovative progress in the treatment of renal dysfunctions: *Rubenal*[®]

Vétoquinol, expert in nephrology

- 2000: Launch of Ipakitine[®] → used to treat hyperphosphatemia
- 2003: Prilium[®] → used to treat glomerular hypertension
- 2007: Azodyl[®] → improves quality of life (dialysis-like)

Rubenal[®], a new arm in our strategic cardiology-nephrology segment

Treatment of chronic kidney disease (CKD)

- Common ailment in older cats and dogs
- Progressive loss of the functional units of the kidney, and hence renal functioning
- Problem: this is a silent ailment, as clinical symptoms appear only once three-fourths of all nephrons have already been destroyed!



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Rubenal[®]
L'INNOVATION EN MARCHÉ DANS LE
SOUTIEN DE LA FONCTION RÉNALE



In 2008, Vétoquinol innovates and launches RUBENAL[®], a *Rheum officinale*-based medicine

- 1st product to fight inflammation and renal fibrosis
- Slows the progression of CKD and improves animals' general condition
- Administered in the initial stages of the pathology
- Appetizing, divisible tablets for better compliance over a long-term treatment
- More than **2,000** French clinics have already been won over!





 Vétoquinol
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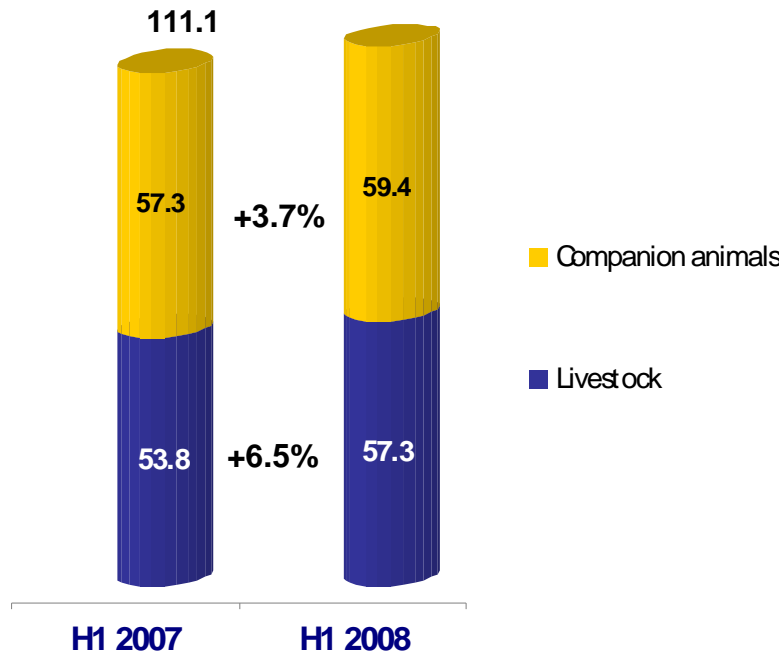
> Consolidated financial statements at June 30, 2008



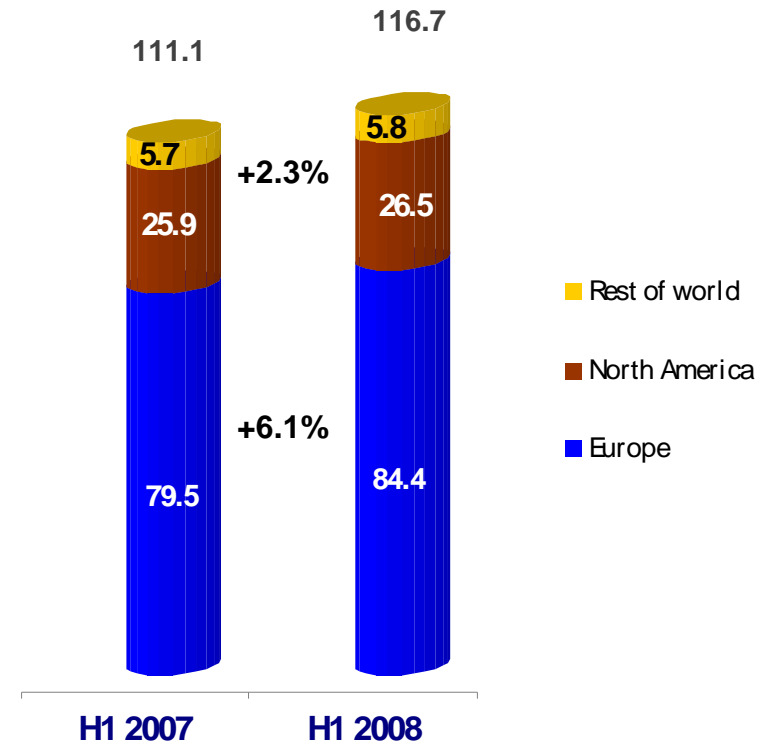
> Consolidated financial statements at 30 June 2008

H1 2008 revenues were higher

*By species
 (in millions of euros)*



*By region
 (in millions of euros)*





> Consolidated financial statements at 30 June 2008

Income statement

In millions of euros	June 2008	% of revenues	June 2007*	% of revenues	Δ%
Revenues	116.7		111.1		+5.0%
Gross margin	79.7	68.3	75.5	68.0	+5.6%
External charges	(25.8)	22.1	(24.1)	21.7	+7.1%
Personnel costs	(34.6)	29.6	(30.8)	27.7	+12.3%
Taxes and duties	(2.1)	1.8	(2.2)	2.0	-4.5%
Other income and expenses	1.9	1.6	1.2	1.1	+58.3%
Depreciation, amortisation and provisions	(5.7)	4.9	(5.2)	4.7	+9.6%
Operating profit from continuing operations	13.4	11.5	14.4	13.0	-6.9%

- ☼ Good control over purchasing → 0.3 point increase in gross margin
- ☼ Increase in sales force (36 people) and marketing expenditures
- ☼ 1.2 million euros in non-recurrent costs
- ☼ Research tax credit (RTC) reinvested in R&D

* Restated for the 2007 research tax credit



> Consolidated financial statements at 30 June 2008

Operating profit from continuing operations (OPCO) variation

In millions of euros

Gross margin	+4.2
Production costs (labour and overheads)	-1.4
Increase in R&D	-1.5
Research tax credit (RTC)	+0.9
Net increase in R&D, including RTC	-0.6
Increase in sales and marketing expenses	-2.3
Administrative and other costs	+0.3
Mon-recurring items (Management changes)	-1.2
Net change	-1.0



> Consolidated financial statements at 30 June 2008

Income statement (cont'd)

In millions of euros	June 2008	% of revenues	June 2007**	% of revenues	Δ%
Operating profit from continuing operations	13.4	11.5	14.4	13.0	-6.9%
Operating profit	13.4	11.5	13.5	12.2	-0.7%
Pre-tax profit	11.7	10.0	11.5	10.4	+1.7%
Net profit attributable to parent company shareholders	9.1	7.8	7.9	7.1	+15.3%
Net cash flows provided (used) by operating activities*	16.5		16.1		



0.96 million euro favourable income tax impact, primarily in Europe

* OPCO – Income tax + net additions to depreciation, amortisation and provisions

** Restated for the research tax credit (RTC)



> Consolidated financial statements at 30 June 2008

Cash flow

In millions of euros	June 2008	June 2007
Cash flow provided by operating activities	4.9	10.3
Cash flow used by investing activities	(6.8)*	(4.6)
Cash flow used by financing activities	(5.4)**	(4.6)
Impact of changes in exchange rates	(0.2)	(0.3)
Net change in cash and cash equivalents	(7.5)	0.8

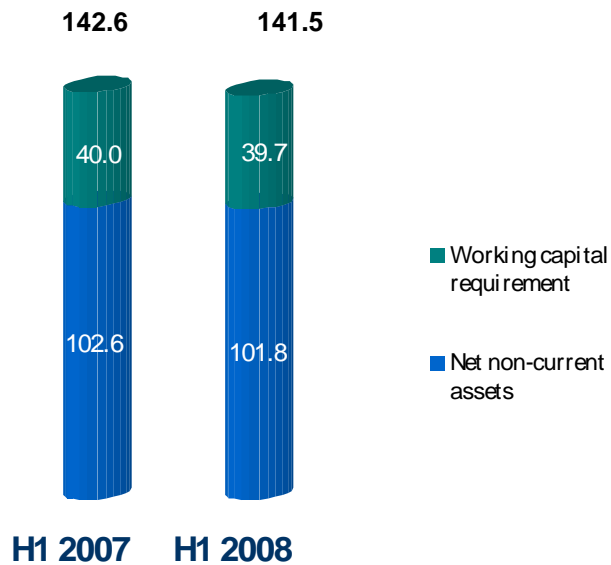
- ☼ **Change in working capital requirement and increase in income taxes**
- ☼ *** Including financing of the acquisition of Viavet and of Vetcom's ophthalmic range**
- ☼ ****Dividends and share repurchases: 3.9 million euros**



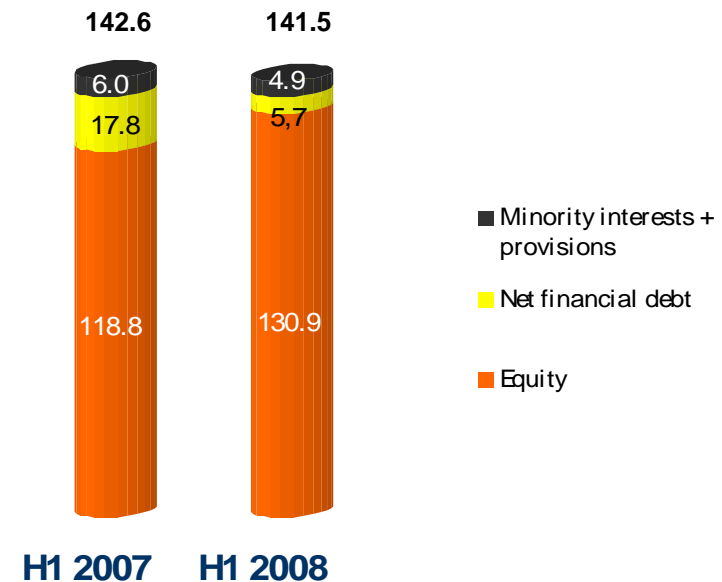
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Balance sheet structure

Assets
(in millions of euros)



Equity and liabilities
(in millions of euros)



Good control over working capital requirements



Debt structure is optimal, in spite of the Group's acquisitions



> Consolidated financial statements at 30 June 2008

Share price evolution



€ 25.20

Reminder: November 2006 IPO priced at €21 per share



> Strategy and outlook



> Strategy and outlook

“Talents 2012”

Implementation of the 2008-2012 strategic plan



Group’s strategy remains highly focused

- 3 animal species: cattle, pigs and companion animals
- 3 therapeutic segments: anti-infectives, pain management and anti-inflammatories, cardiology-nephrology
- 3 regions: Europe, North America and Asia



Four pillars

- Expand our capacity for innovation
- Intensify our external growth
- Increase our organic growth initiatives in Europe
- Maintain our continuous improvement policy



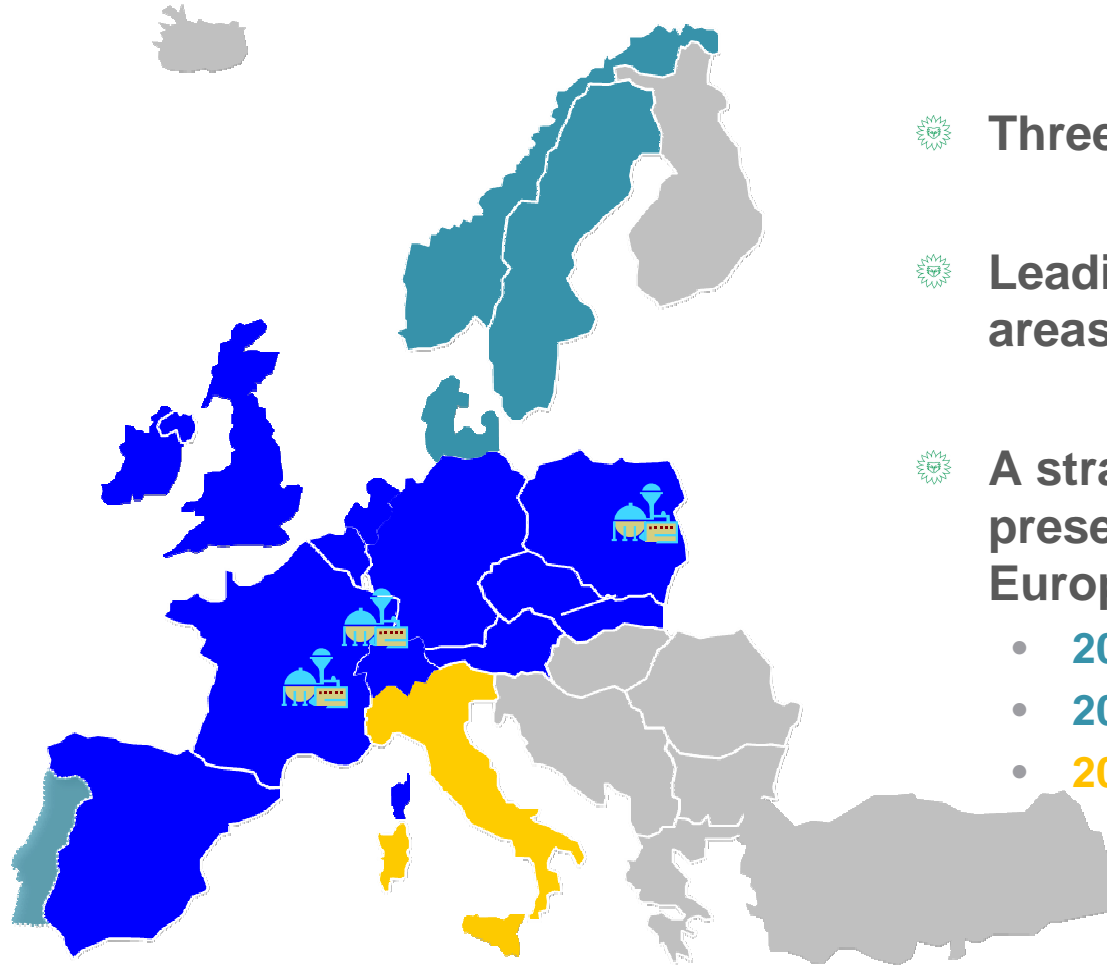
An established external growth-oriented culture

- ☀ **A long history of successful acquisitions**
- ☀ **Proven expertise**
- ☀ **A recognised competitive advantage...**
- ☀ **... to ensure a direct presence in key markets**
- ☀ **While respecting and supporting the team in place**



> Strategy and outlook – External growth

Europe, Vetoquinol's largest strategic market



- ☀ Three production facilities
- ☀ Leading products in our specialty areas
- ☀ A strategy of maintaining a direct presence in all of the major European markets
 - 2007: Portugal
 - 2008: Scandinavia
 - 2008/09: Italy (project)



> Strategy and outlook – external growth

Successful recent start-ups of new locations in Europe

Portugal

- Created 15 February 2007
- Steady revenue growth
- Several products have already been launched

Scandinavia

- Acquisition in early 2008
- Market consists of 3,500 veterinarians
- Livestock constitute a significant share of the market
- Implementation of the integration process



> Strategy and outlook – External growth

European development projects in 2008/2009



New location in Italy

- Europe's 4th largest market
- Signature of an LOI in July 2008
- Due diligences are underway



Identification of acquisitions to reinforce existing locations

- Germany
- United Kingdom
- Spain



> Strategy and outlook – External growth

A specialised player in North America



- ☀️ **Third largest player in Canada, with one production facility**
- ☀️ **Business is voluntarily focused on companion animals in the United States**
- ☀️ **We now have an established position in the world's largest market**



> Strategy and outlook – External growth

Vétoquinol USA: Successful integration of Vet Solutions

 Sustained growth

 A consolidated network of 39 exclusive agents (reps)

 Major launches

- Vetprofen[®] (pain management and anti-inflammatories) - New
- Lysine Chews[®] (anti infectives) - New galenic formulation
- Rubenal[®] (cardiology-nephrology) - New



Build-up in North America

Canada

- Acquisition of Vetcom 1979 Inc.'s ophthalmic range in July
 - CAD 1.5 million in revenues
 - Market-leading products : 65% market share
- Enhancement of the companion animals network

United States

- Expansion of the network of reps

Mexico

- Expansion of the reps network
- External growth considered



Asia



A new threshold crossed in China

- Project Agreement signed in July



Next step

- A long administrative process with Chinese authorities



Timing

- Conclusion expected by the end of the (Chinese) year





Vétoquinol confirms its official classification as an innovative business



A clearly reaffirmed strategy

- Strong, steady stream of product innovations
- Improved resources and organisation



An investment policy that is consistent with the Group's strategy

- R&D is outpacing the increase in the research tax credit



OSÉO (French agency for innovation) has classified Vétoquinol as an “innovative business”

- Due to the innovative scientific research it is undertaking
- Making it eligible for inclusion in the mandatory compartment of FCPI-type new technologies funds



> Strategy and outlook

Outlook for 2008

 **A dynamic balance, under challenging economic conditions**

 **Upcoming product launches**

- Two launches (anti-infectives for companion animals)
- Several geographical extensions, notably in pain management and anti-inflammatories and in cardiology-nephrology

 **External growth opportunities**

- Europe (Italy)
- Asia (China)





 **While driving continuous improvement**

Continued confidence for 2008



> Strategy and outlook

2008-2012: Confirmation of the business model

-  Organic growth of 4% to 5% p.a.
-  Confirmed commitment to external growth
-  OPCO/Revenues of 11% to 12%
-  Strong cash flow generation



> Strategy and outlook

Vétoquinol 2008

75 years of passion

Proof of our strength and sustainability



> Strategy and outlook

Next press releases

 **November 6, 2008: Q3 2008 revenues**

 **January 23, 2009: 2008 annual revenues**