



2008 Annual earnings

Wednesday, April 1, 2009

Summary



- Operating highlights
- Consolidated financial statements
- Strategy and outlook

Operating highlights



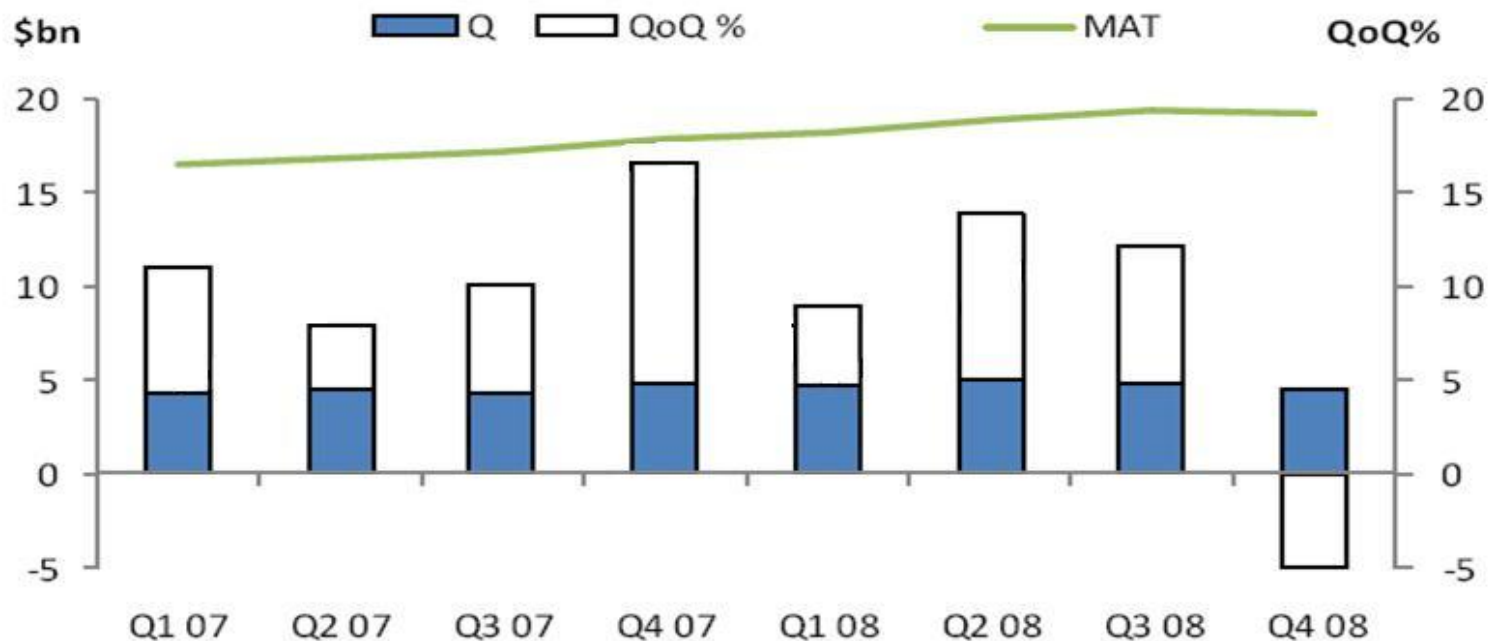
- Key figures
- Revenues
- External growth
- A strategy of product innovation

Key figures

Revenues 234.4 M€ +0.4%	OPCO/Revenues 11.8%
Net income (group share) 18.6 M€ Stable	Gearing 8%



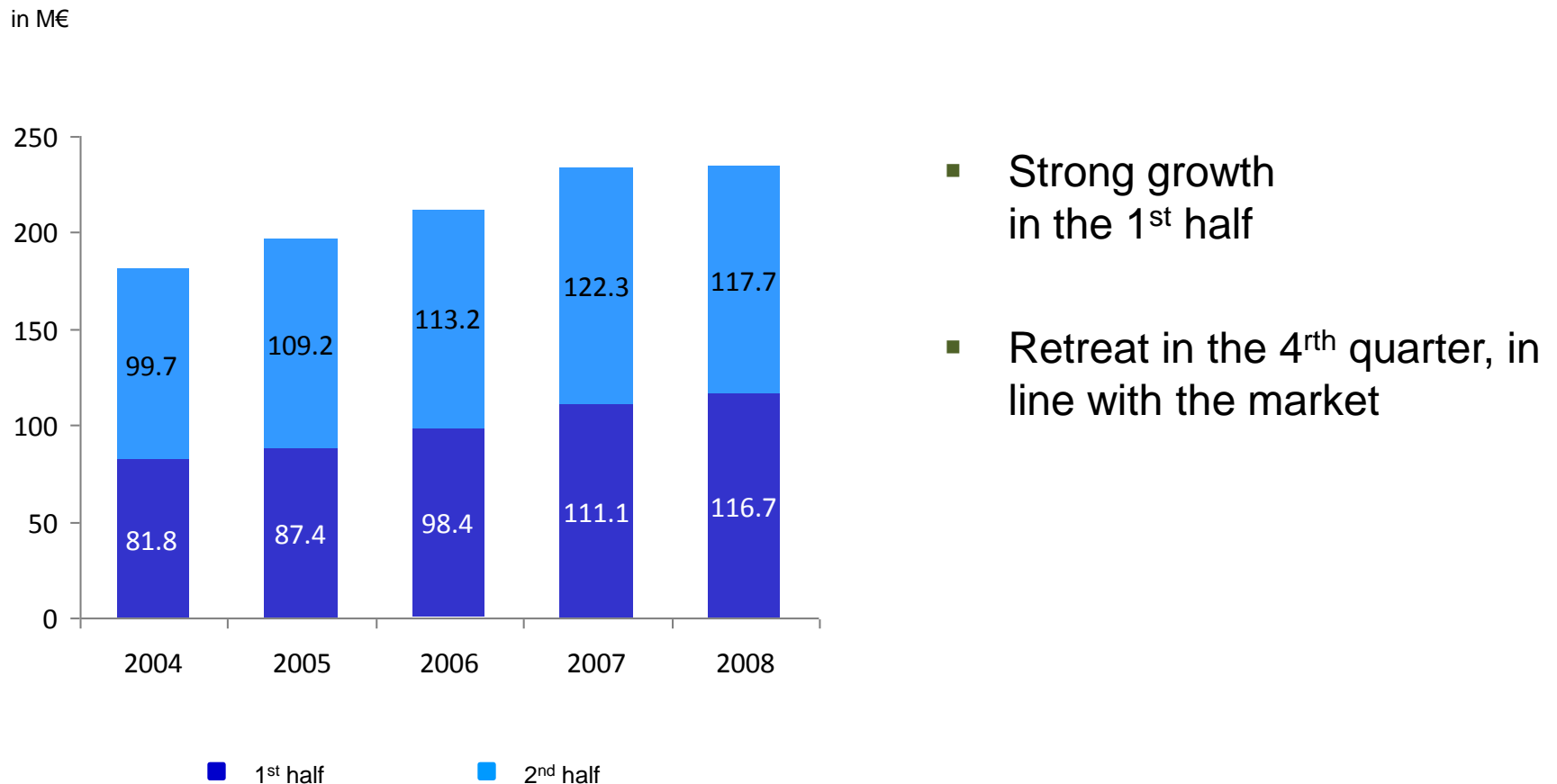
Market growth slowed in the 2nd half



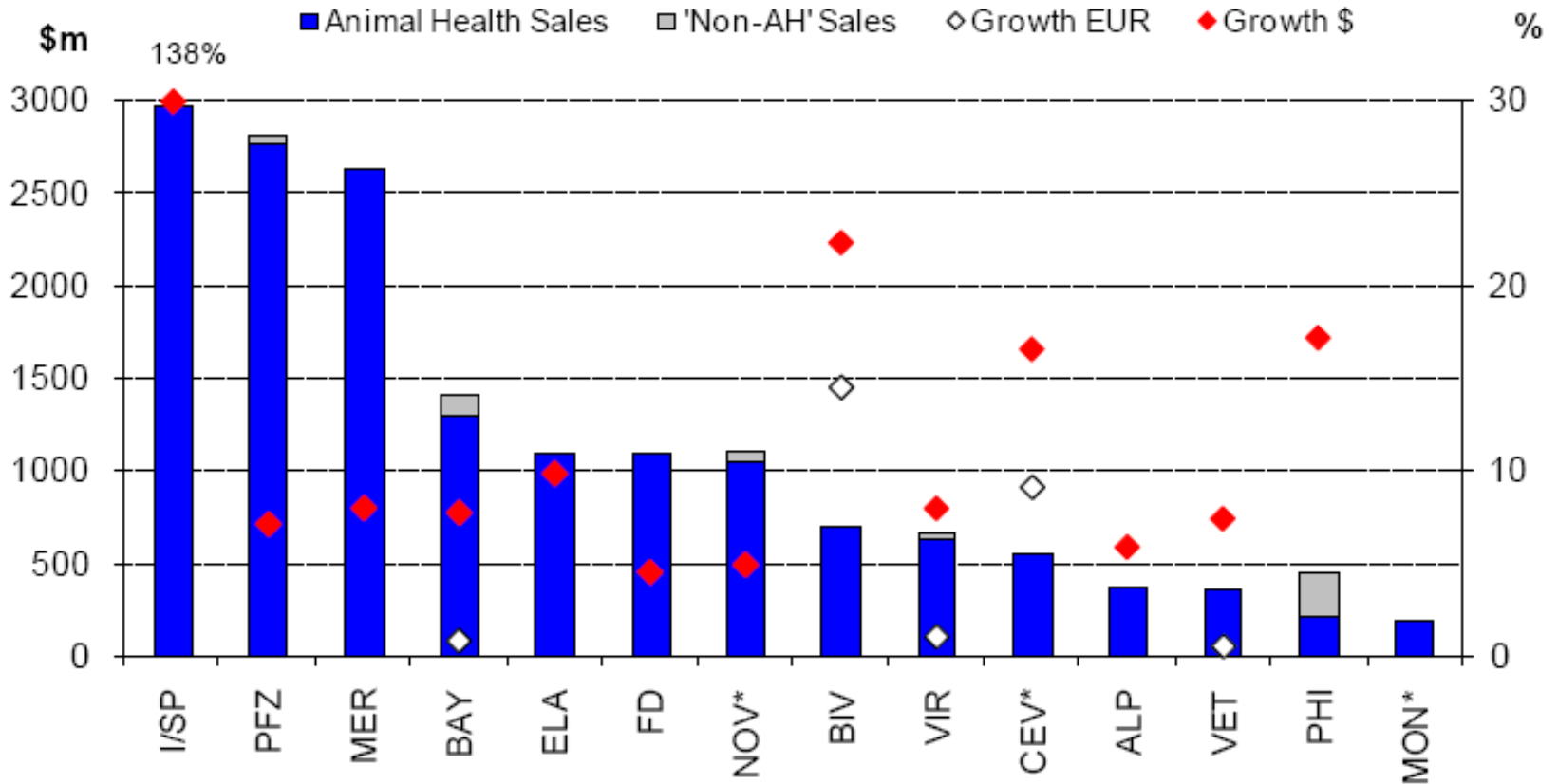
Source: Vetnosis 2009



Vétoquinol recorded a slowdown after 3 years of strong growth



2008 Revenues consistent with market performances

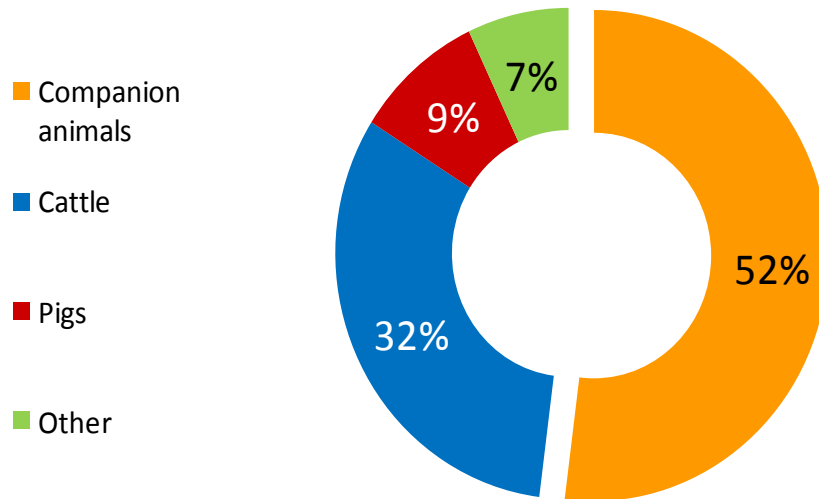


Source: Vetnosis 2009



A balanced portfolio in terms of major species

2008 revenues: 234.4 M€



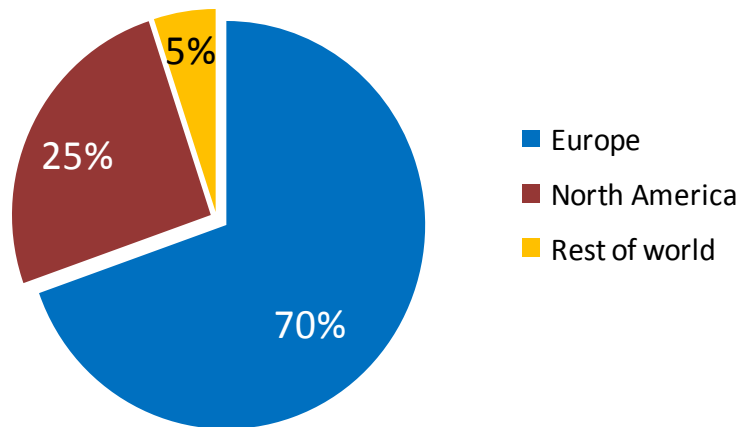
	2008/2007
Companion animals	+2%
Cattle	+9%
Pigs	-37%
Other	+28%

- Weakening of the swine market in Europe and Canada



Stable geographic breakdown

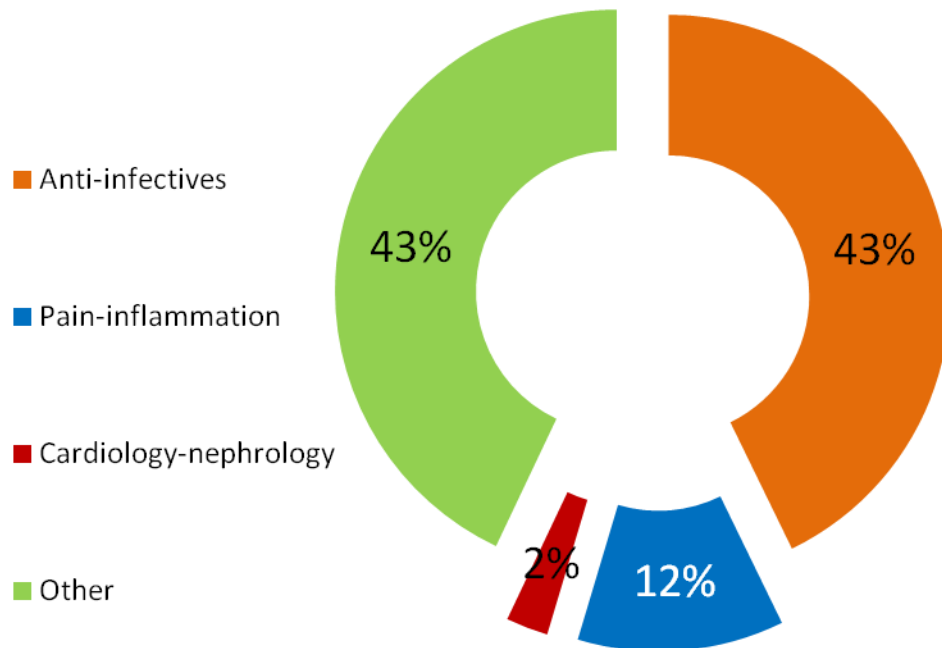
2008 revenues: 234.4 M€



- Difficult market in Spain and Poland
- Strong performance in the United States and the United Kingdom
- Stable market shares



Strong performance in the three strategic therapeutic domains



- Gradual balancing of the portfolio
- Trends by domain
 - Anti-infectives: +4%
 - Pain-inflammation: +14%
 - Cardiology-nephrology: +15%
 - Other: -6%



An active year of acquisitions

■ Scandinavia

- Acquisition of **Viavet** (2008 revenues: 1.4 M€)



■ Canada

- Acquisition of the animal product line of **Vetcom 1979 Inc** (2008 revenues: 1.5 M\$ CAD)



■ Italy

- Acquisition of the independent laboratory **Ascor Chimici** in December 2008 (2008 revenues: 20.1 M€)





Ascor Chimici (Italy)

- **Italy : 5th largest European market**

- **Acquisition of Ascor Chimici on December 1, 2008**
 - The **10th** largest actor on the Italian market (revenues of 20.1 M€ in 2008)
 - A specialist in large animals (anti-infectives agents for cattle)
 - A strong team, with 11 representatives and 38 agents

- **Rationale for the investment**
 - Potential improvement in profitability and sales
 - Solid base for marketing Vétoquinol's product lines, particularly for companion animals
 - Export synergies (products, countries, distributors)



Active product innovations

42 product launches (new products or product extensions) in 2008, including :

- Vetprofen[®] (pain-inflammation): North American launch
- Rubenal[®] (cardiology-nephrology): European launch
- Marbocyl S[®] (anti-infectives): European extension
- Dolpac[®] (other): European extension
- Alfaxan[®] (pain-inflammation): European extension
- Clavaseptin[®] (anti-infectives): North American extension

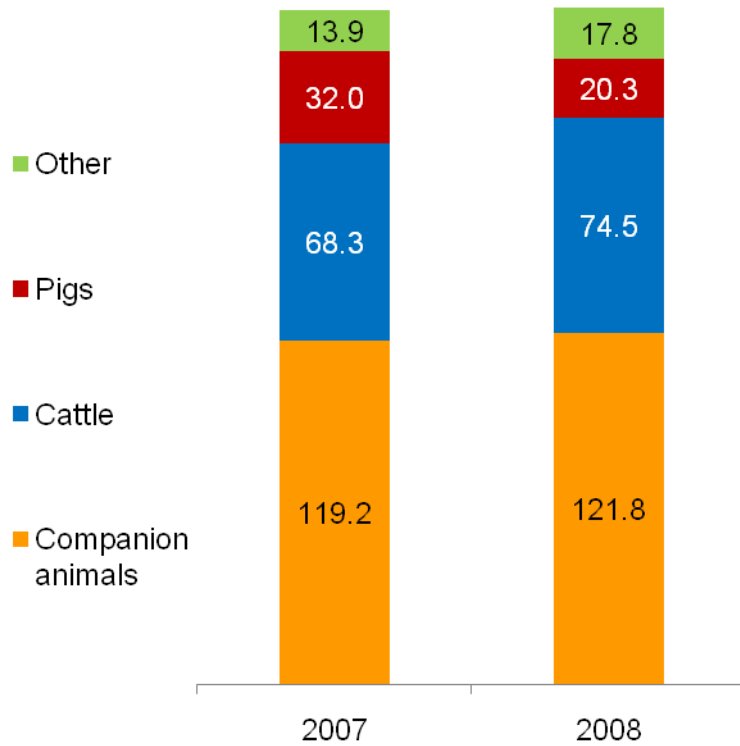




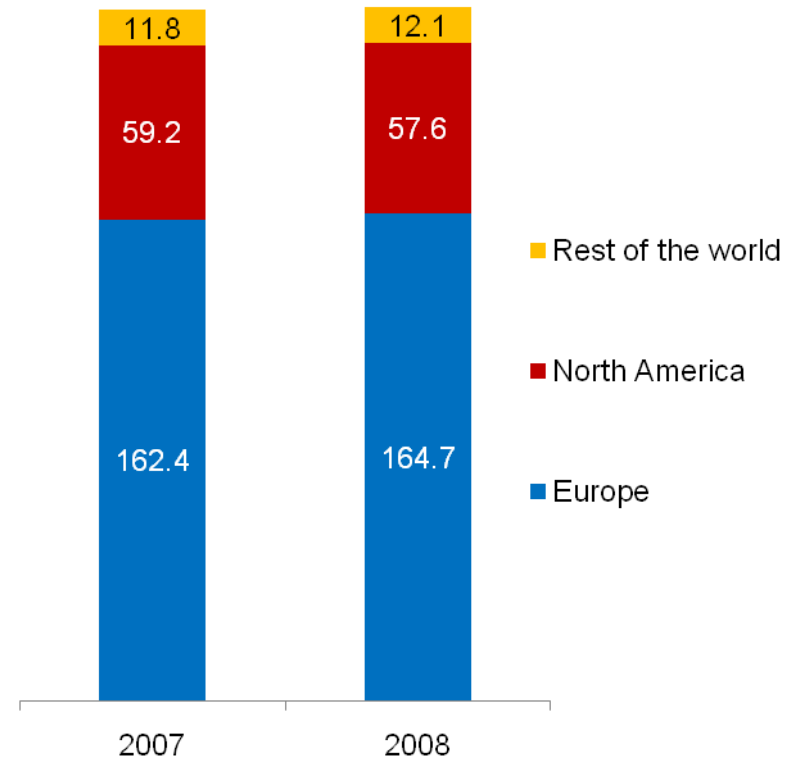
2008 Consolidated financial statements

2008 revenues: 234.4 M€

By species (in M€)



By regions (in M€)



2008 Income statement

in M€	31/12/2008	% of revenues	31/12/2007*	% of revenues	Δ %
Revenues	234.4		233.4		+0.4%
Gross profit	158.9	67.8%	156.0	66.8%	+1.9%
External purchases and expenses	(51.9)	22.1%	(52.5)	22.5%	-1.1%
Personnel costs	(68.3)	29.2%	(62.1)	26.6%	+10.0%
Taxes and duties (without income taxes)	(3.9)	1.7%	(4.3)	1.8%	-9.3%
Other operating income and expenses	3.8	1.6%	2.3	1.0%	+65.2%
D&A and provisions	(10.9)	4.6%	(8.7)	3.7%	+25.3%
Cash earnings from operations	27.6	11.8%	30.7	13.2%	-10.1%

* Research Tax Credit for 2007 has been reclassified



2008 Income statement (continued)

in M€	31/12/2008	% of revenues	31/12/2007*	% of revenues	Δ %
Cash earnings from operations	27.6	11.8%	30.7	13.2%	-10.1%
Operating profit	27.6	11.8%	29.6	12.7%	-6.8%
Pre-tax profit	24.5	10.4%	25.1	10.8%	-2.4%
Net income (group share)	18.6	7.9%	18.6	8.0%	-
<hr/>					
Net cash flows provided from operations**	32.6		33.0		-12.0%

* Research Tax Credit for 2007 has been reclassified

** OPCO – corporate income tax + D&A and provisions



Analysis of cash earnings variation

in M€	31/12/2008
Impact of the fall in the £	-1.5
Non-recurring items (change in management)	-1.2
Operating profit*	-0.4
Change in cash earnings from operations	-3.1
Operating profit*	
Change in gross margin	+4.2
Change in sales and marketing expenses	-4.6
Change in R&D expenditures	-1.4
Change in the Research Tax Credit	+1.4
	-0.4



Cash flow statement

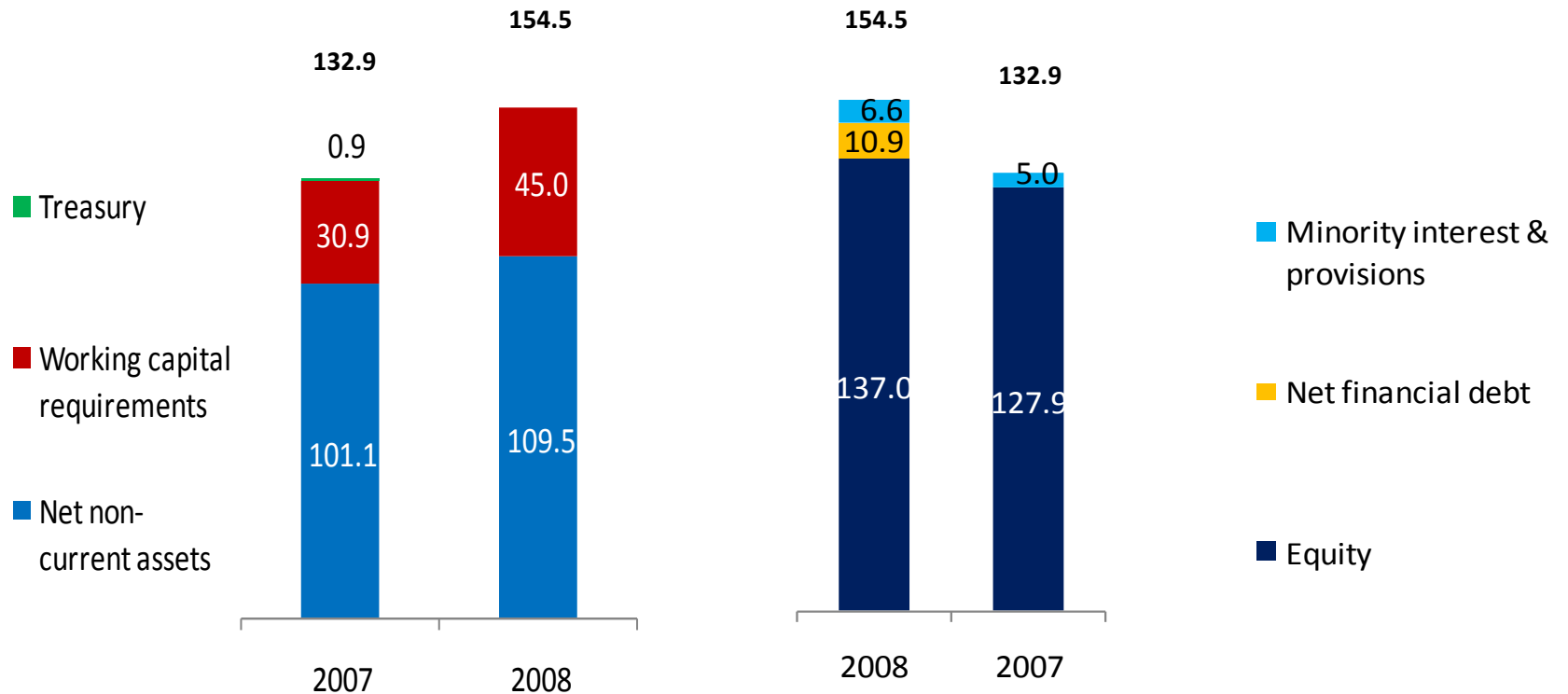
in M€	31/12/2008	31/12/2007
Cash flow used by operating activities	21.9	37.2
Cash flow used by investment activities	(26.3)	(8.7)
Cash flow used by financing activities	(9.6)	(6.5)
Impact of changes in exchange rates	(1.1)	(0.9)
Change in cash and cash equivalents	(15.1)	21.1



Strong financial structure

Assets (in M€)

Liabilities (in M€)



Analysis of working capital requirements

in M€	31/12/2008 Constant business scope	31/12/2007
Inventories	39.9	39.3
Receivables	46.7	48.7
Payables	(49.3)	(57.1)
Working capital requirements	37.3	30.9

- Slight increase in inventories
- Decrease in trade receivables
- Decrease in trade payables



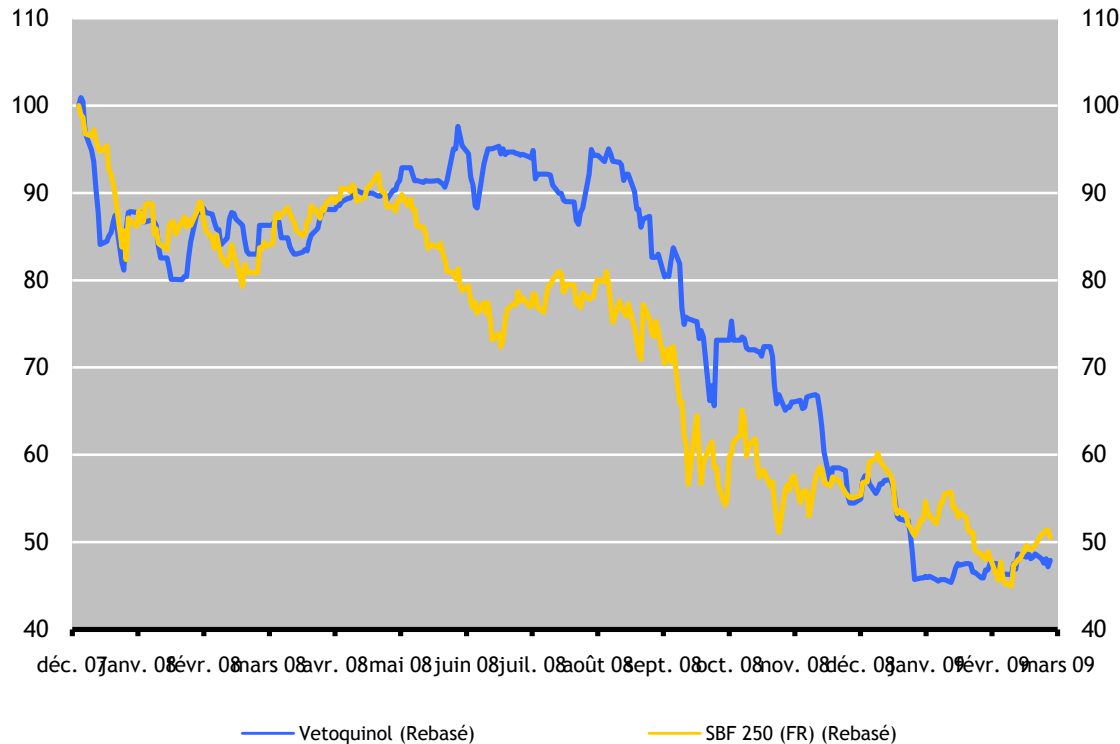
Strong financial structure (continued)

- **Gearing ratio less than 8%**
- **No constraints from loan covenants, operating far below triggers**
- **Optimisation of trade receivables**



Stock price trend

Price of Vétoquinol (FR) in EUR,
indexed to December 2007=100



- Very attractive valuation compared to the sector

FACTSET



Dividend

The Board of Directors will recommend to the shareholders Annual Meeting on May 12, 2009:

- > A dividend of **0.27 €** per share
- > Representing a pay-out of **16.4%**



Strategy and outlook



- Short term measures
- Market developments
- Vétoquinol's strategy
- Outlook

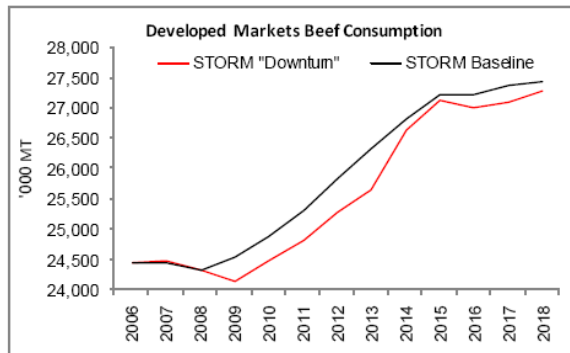
Adjustment to the 2008-2009 economic outlook

- **Freeze in the creation of new positions**
- **Cost-reduction programme in all segments except R&D and marketing, where spending levels will be maintained**
- **Strict control of investments**
- **Adaptation of production**
 - Re-integration of subcontracted production (re-integration of margin) and production for third parties
 - Reduction in the use of temporary workers

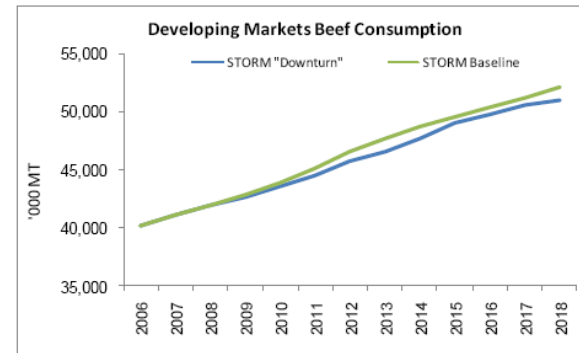


Market fundamentals remain strong

- **Food-producing animals: increase in global demand for animal protein (for example, beef)**



Source: Vetsosis 2009



- **Companion animals**

- Growing population of companion animals in developing markets
- Rising level of care in mature markets
 - Spin-offs from innovation in human health care



The crisis will have a limited impact in 2009

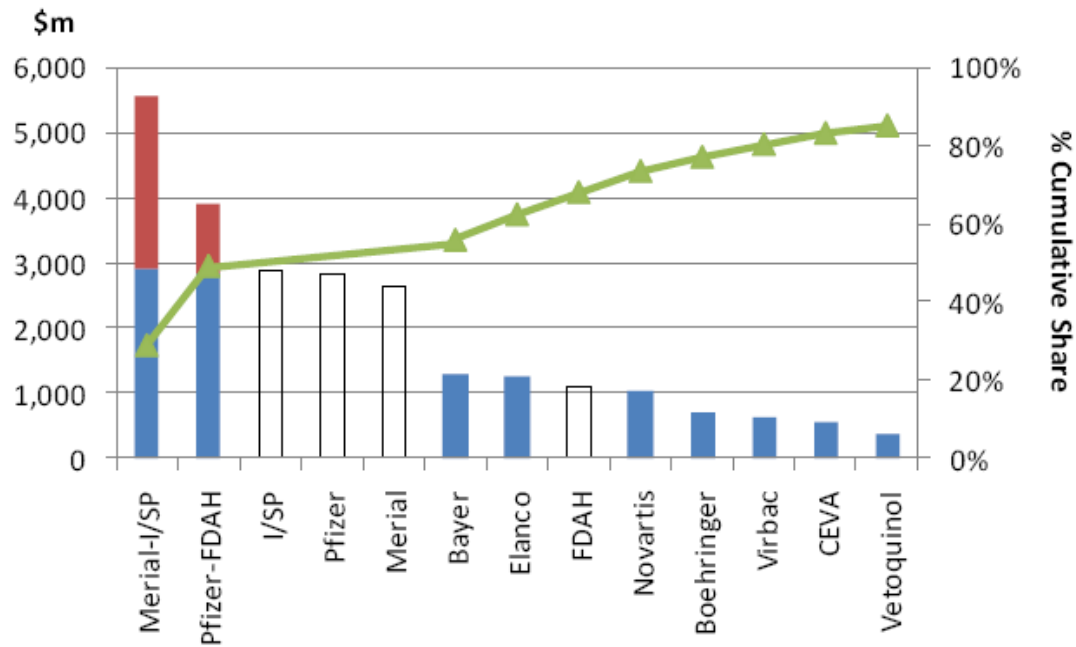
Animal Health Market by Species

Species	2009	YoY %		Share
	\$m	Nominal	Real	%
Cattle	5,055	-1.6	0.7	26.8
Sheep	870	-5.4	0.5	4.6
Pigs	3,090	-1.4	1.6	16.4
Poultry	2,060	-0.2	1.7	10.9
Companion Animal/Other	7,770	-2.1	2.0	41.2
Total	18,845	-1.8	1.5	100.0

Source: Vetnosis 2009



Market consolidation will create opportunities in 2009

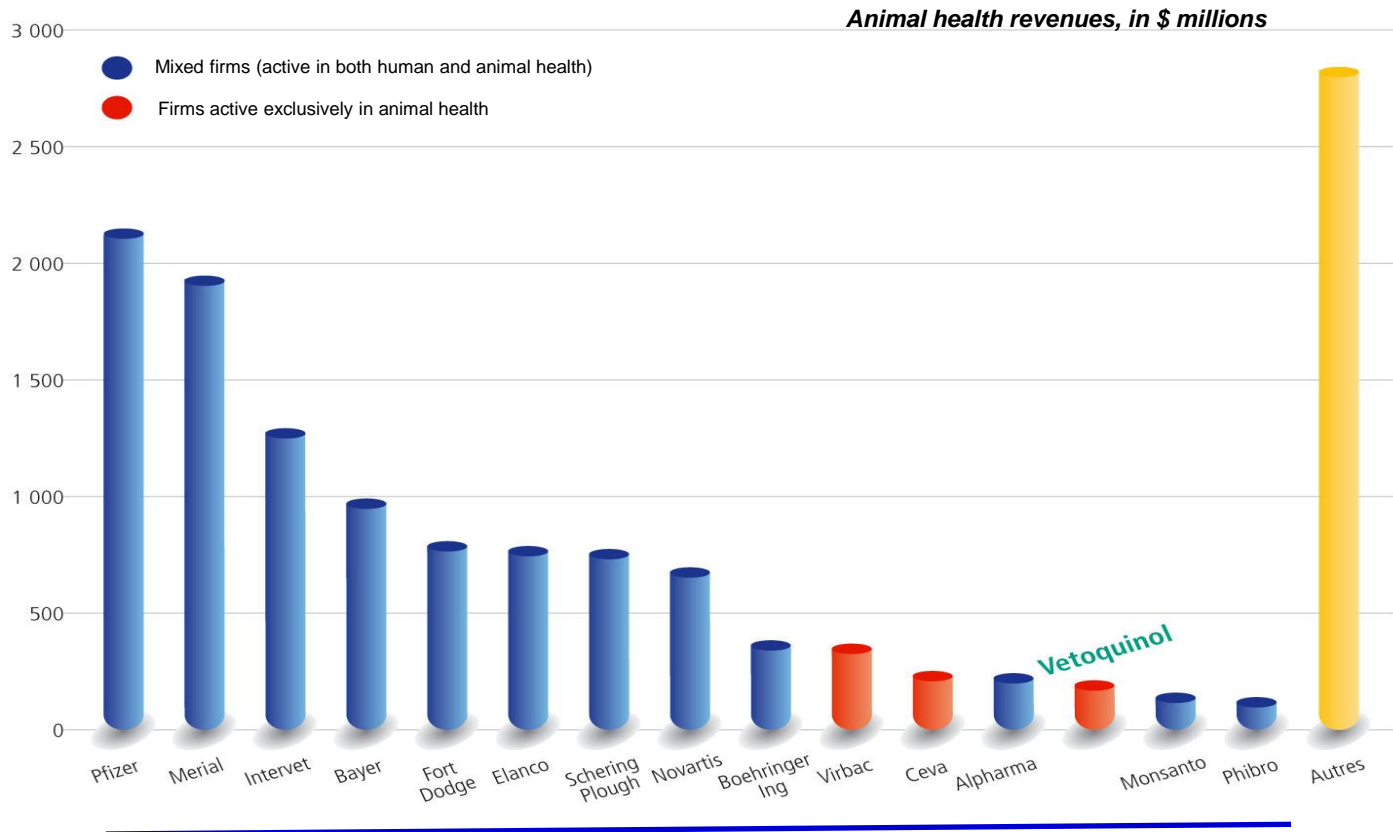


Source: Vethosis 2009

- Vétquinol to rank 9th in its industry worldwide
- Increased competition in the “major” sectors
- Mergers currently in process create opportunities for asset sales
- 20% of the market consists of small firms



The industry structure in 2006



15 firms represent 80% of the global market

Source: Vetnosis – mars 2006



01/04/2009 2008 Annual results

Market conditions do not alter Vétoquinol's strategy

- **A strategy that remains focused**

- 3 animal species: cattle, pigs, and companion animals
- 3 therapeutic domains: anti-infectives, pain-inflammation and cardiology-nephrology
- 3 geographical regions: Europe, North America, and Asia

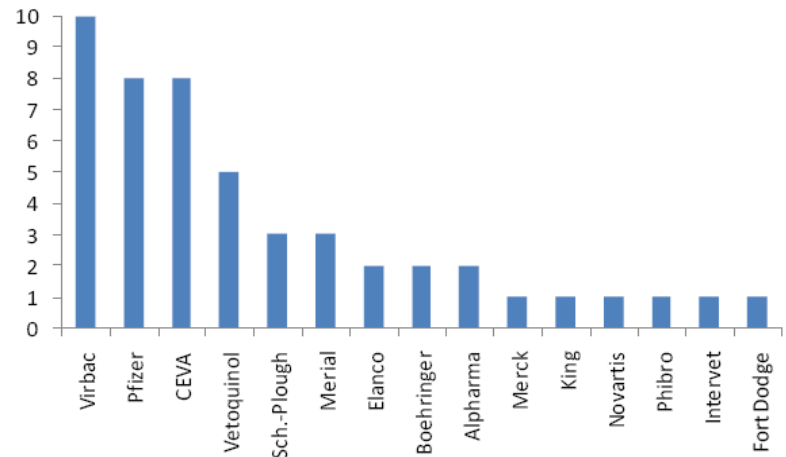
- **Four pillars**

- Leadership in innovation
- Pursuit of external growth
- While maintaining internal growth in Europe
- And always, continuous improvement



Pursuit of external growth

- A culture of external growth
- One of the most active players in the market
 - Semyung Vet (2006) - Asia
 - VetSolutions (2006) - USA
 - Viavet (2008) - Europe
 - Vetcom (2008) - North America
 - Ascot (2008) - Europe



Source: Vetrinosis 2009

Contribution to 2009 revenues estimated at more than 15%



Ambitious goals

- **14 candidates currently being studied or actively monitored**
 - Asia: several targets
 - USA : increase market share in the companion animal segment
 - Latin America: identify opportunities?

- **Acquisition criteria**
 - Multiples of 1 to 2 times revenues and 11 to 14 times EBIT minus debt
 - Strong team in place
 - Strong market position and attractive product line
 - Profitable activity



Innovation

- **Objective**
 - Satisfy unmet needs in our strategic domains
- **Main lines of research**
 - Facilitate the treatment of illnesses
 - Improve ease of use
- **Expanded resources**
 - Increased R&D expenditures
 - Dedicated organisation
- **Building a balanced portfolio**
 - Risk/maturity/domains/species



A rich portfolio of innovations

Time to market

>5 years

4 years

2 years

2009

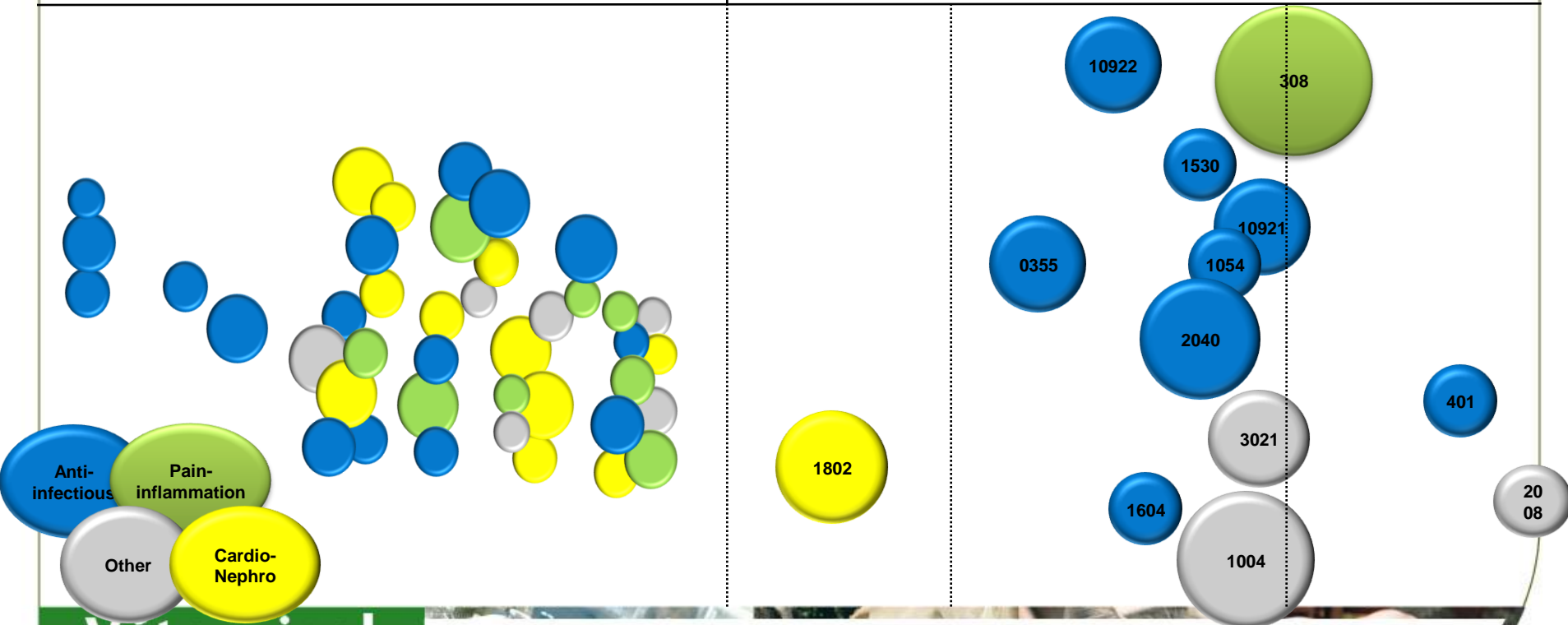
Screening

Development

Formulation

Pre-clin/clinical

Registration



01/04/2009 2008 Annual results



Vétoquinol is determined to launch promising products emerging from R&D at regular intervals

Marbocyl®

Dolpac®

1802

2105

1989

1996

2002

2006

2011

2014

>2015

Tolfine®

Prilium®

Clavaseptin®

308

4037

4206



Outlook

- **Mixed outlook for 2009**
- **Effective cost controls will permit Vétoquinol to come close to meeting its medium-term earnings goals**
- **Ambitious goals for**
 - External growth
 - Product innovation
- **Solid financial structure**



Upcoming events and releases



April 9, 2009 - 2009 1st quarter revenues

May 12, 2009 - Annual shareholders meeting

June 5, 2009 - Dividend payment

July 16, 2009 - 2009 half-year revenues

September 1, 2009 - 2009 half-year earnings

October 14, 2009 - 2009 3rd quarter revenues

Questions

