

# Vétoquinol



*Signe de Passion*



**2009  
Annual Results**

Our business: animals. Our advantage: people

Our business: animals. Our advantage: people.

## Summary

- Highlights
- 2009 consolidated financial statements
- Strategy and outlook
- Questions and answers



**Vétoquinol**  
*Signe de Passion*

## Highlights

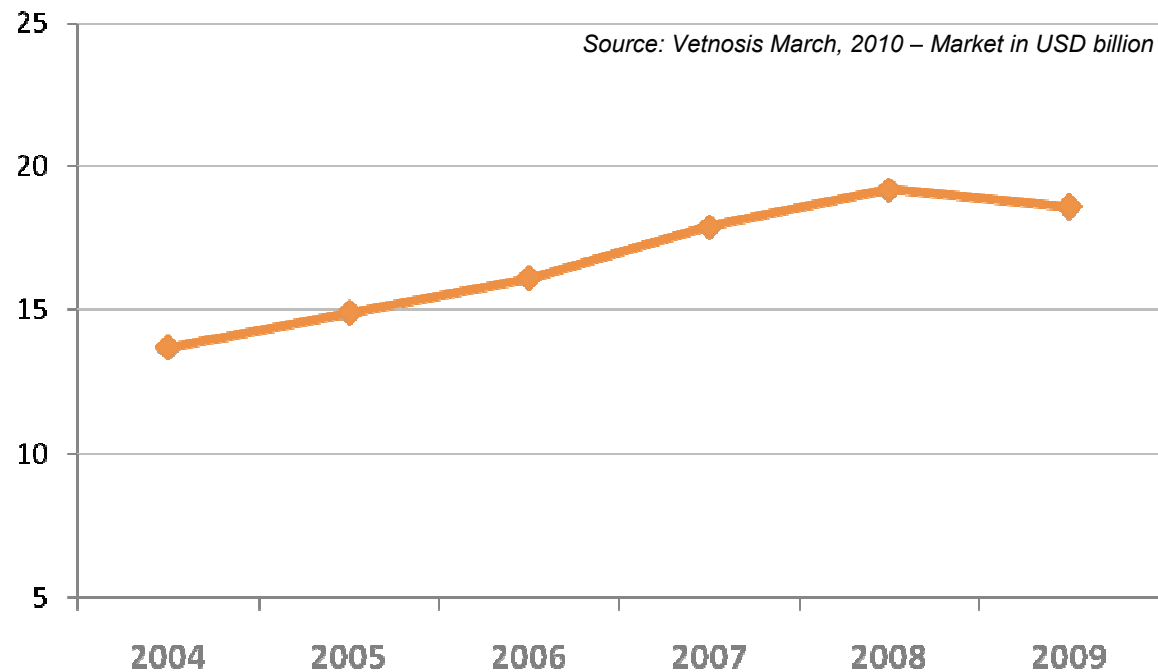
*“The Group’s fundamentals enabled Vétoquinol to adapt quickly and to cope with the recent crisis.”*

- The animal health market
- Vétoquinol’s fundamentals
- Key figures for 2009
- 2009 Sales



## Global animal health market sales totaled USD 18.6 billion

- According to Vetnosis, worldwide sales declined by 2.8% in 2009

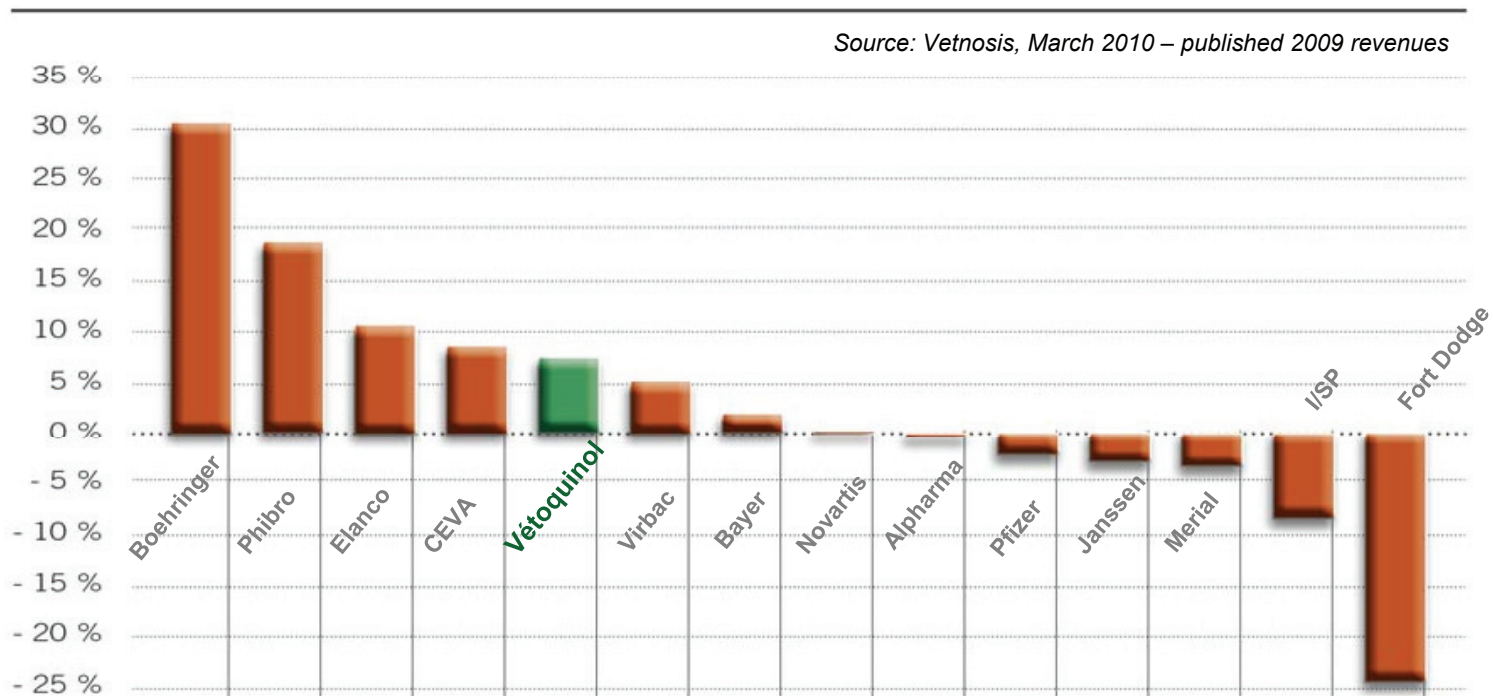




## Strong performance despite the difficult economic environment

- In 2009 Vétquinol ranked fifth worldwide in sales growth in local currency

The animal health market

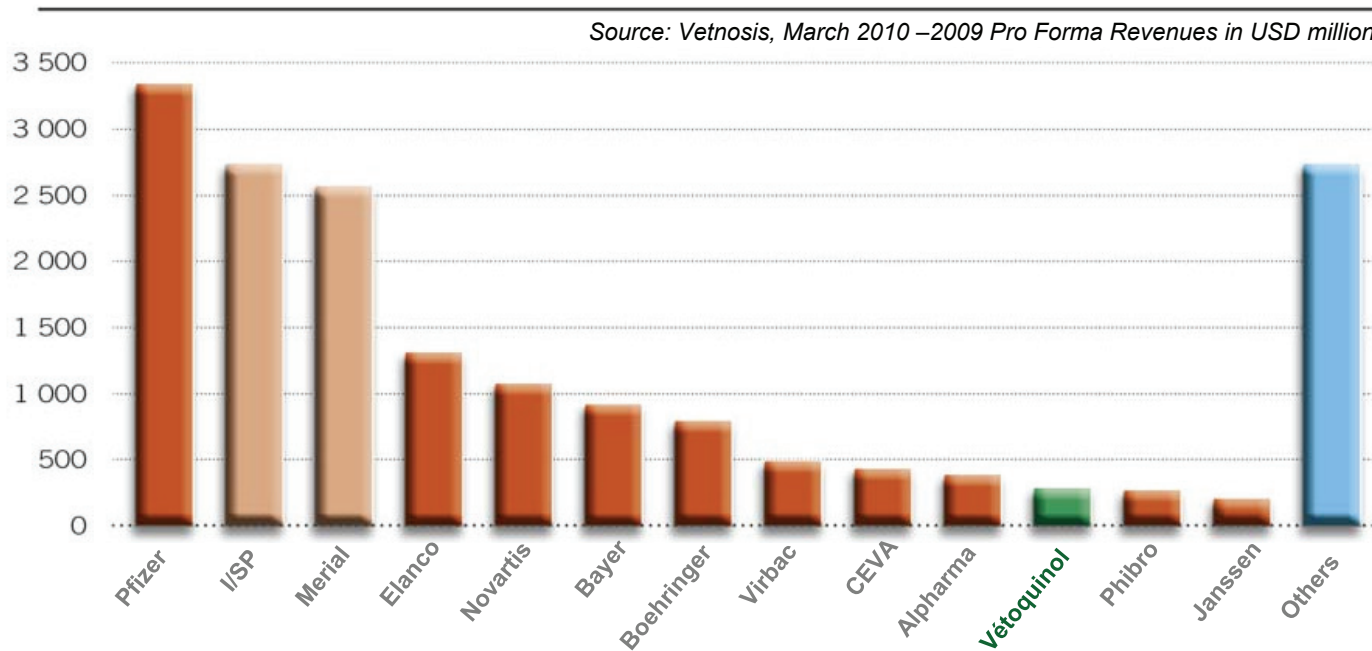




## Vétoquinol: one of the world's Top 10 animal health laboratories

- 2009 pro forma revenues in local currency

The animal health market





## Vétoquinol's strategic fundamentals

- **An independent, family-owned pharmaceutical laboratory devoted exclusively to animal health**
- **A focused strategy:**
  - 3 animal species: cattle, pigs, and companion animals
  - 3 therapeutic areas: anti-infectives, pain and inflammation, and cardiology-nephrology
  - 3 geographical regions: Europe, Americas and Asia-Pacific
- **A balance between companion animals and livestock**
- **Market-leading products with strong reputations**
- **Control of the product from development to marketing, including production**
- **Sound financial structure**
- **Controlled, profitable “hybrid” growth – combining organic and external growth**



## Professionals with a long-term vision

Vétoquinol's fundamentals



- **1933:** Joseph Frechin, a pharmacist in Lure, France, develops Vétoquinol, an antiseptic for animals
- **1968:** Etienne Frechin, son of Joseph Frechin, takes over the direction of the Group
- **2010:** Matthieu Frechin, son of Etienne Frechin, is named CEO of Vétoquinol

**The Frechin family, three generations at the helm of the Group**





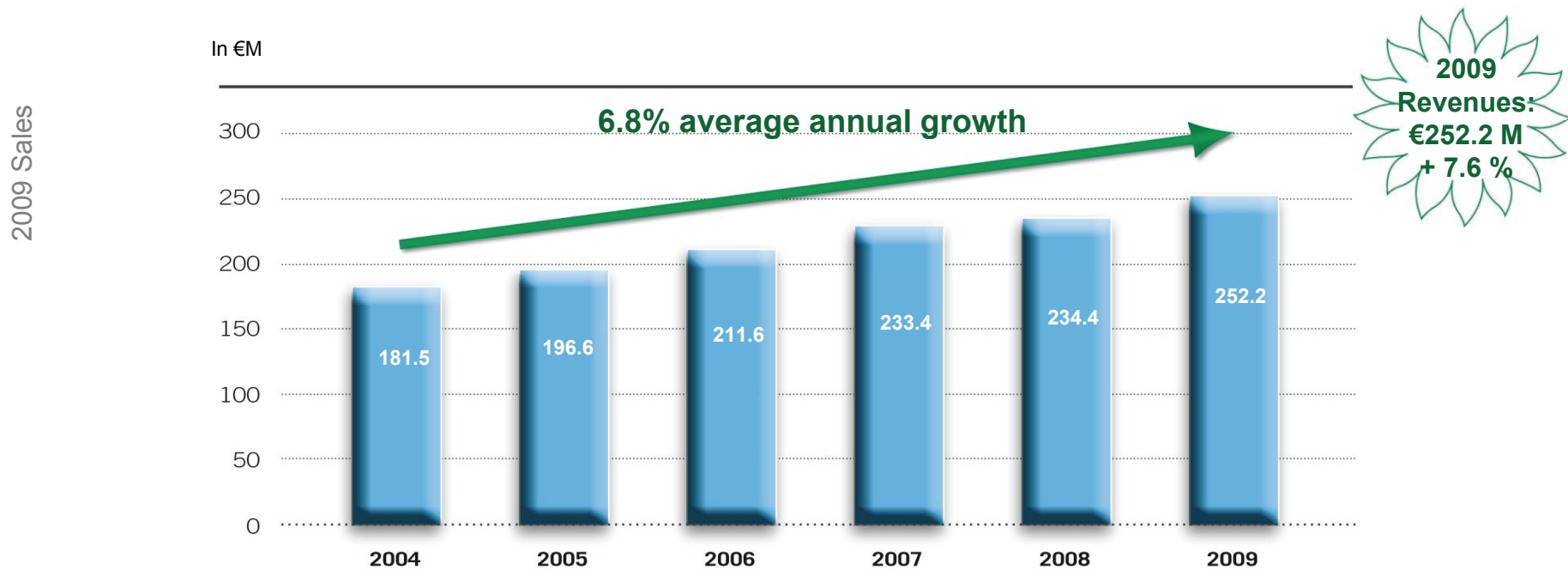
## Key figures for 2009

Key figures for 2009





## Steady revenue growth

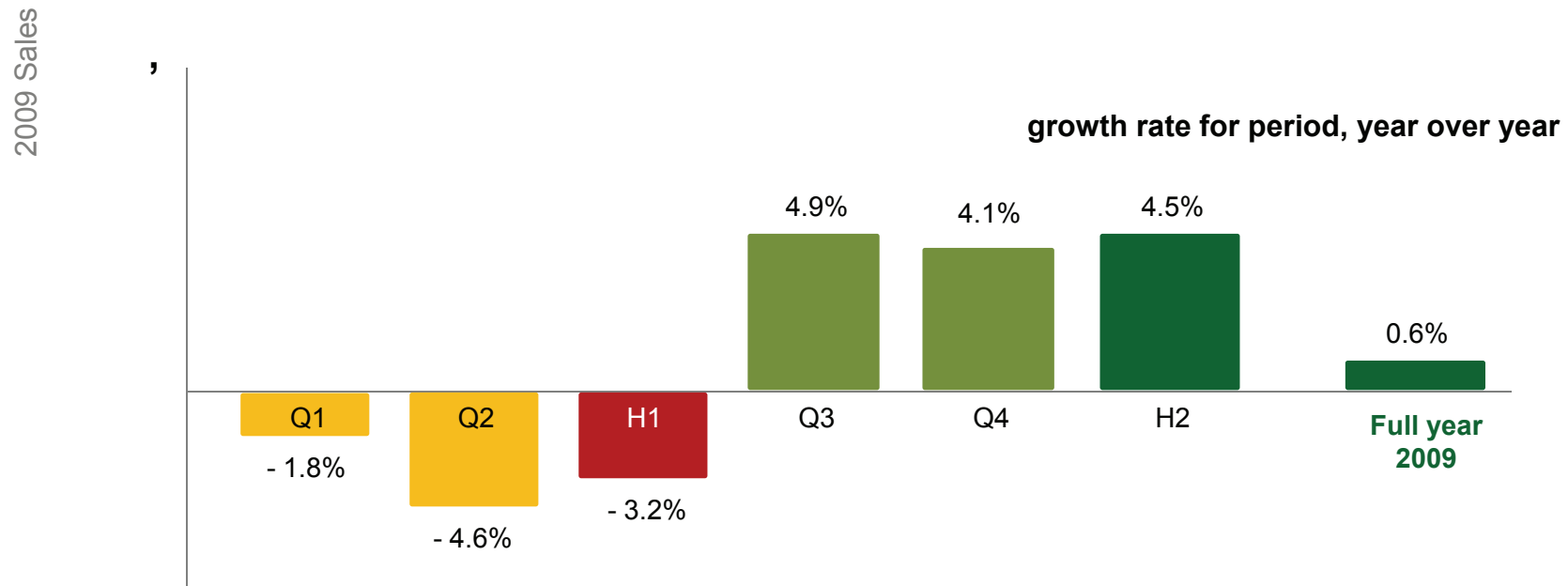


Average annual growth in the global market over the same period: 6.3% (source: Vetnosis)



## Resumption of organic growth

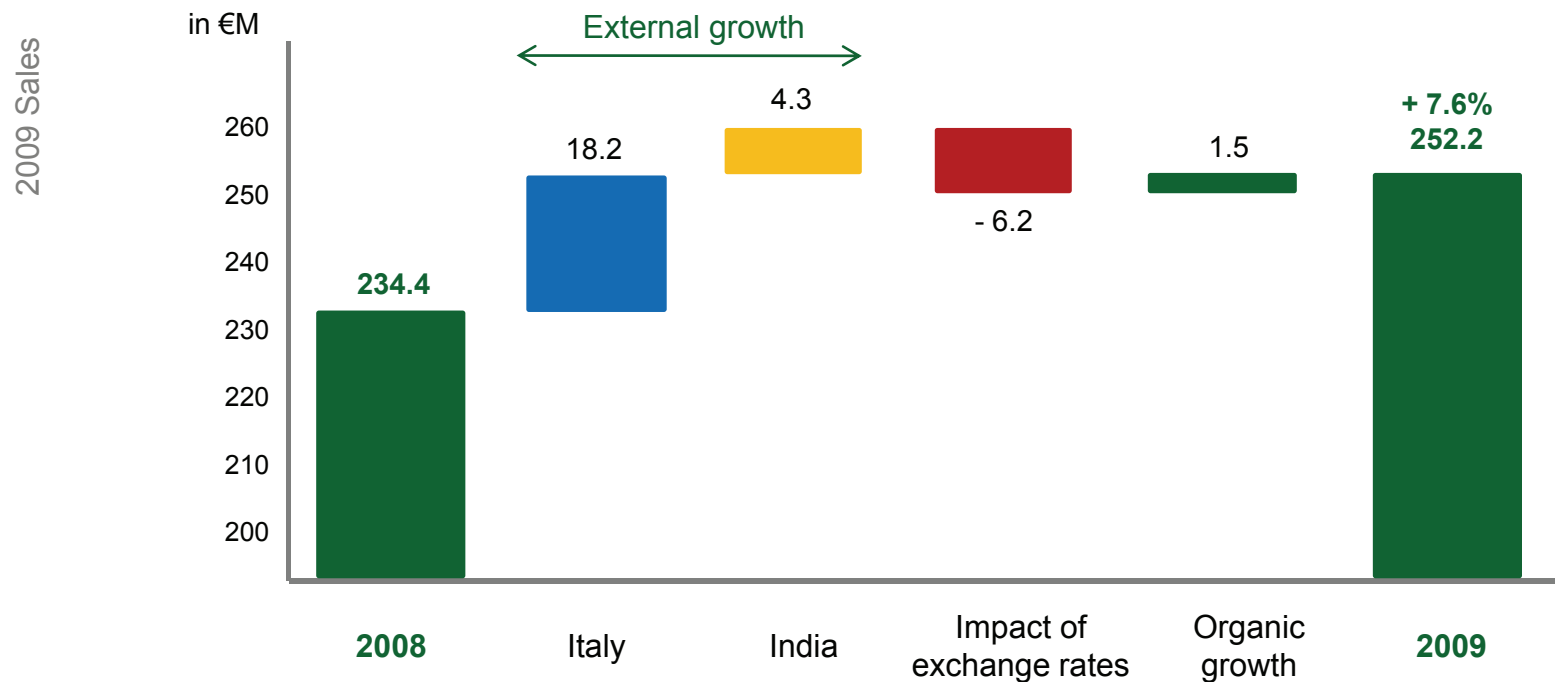
- 1<sup>st</sup> half, penalised by an unfavourable base effect
- 2<sup>nd</sup> half, return to organic growth





## Impact of business scope on 2009 sales

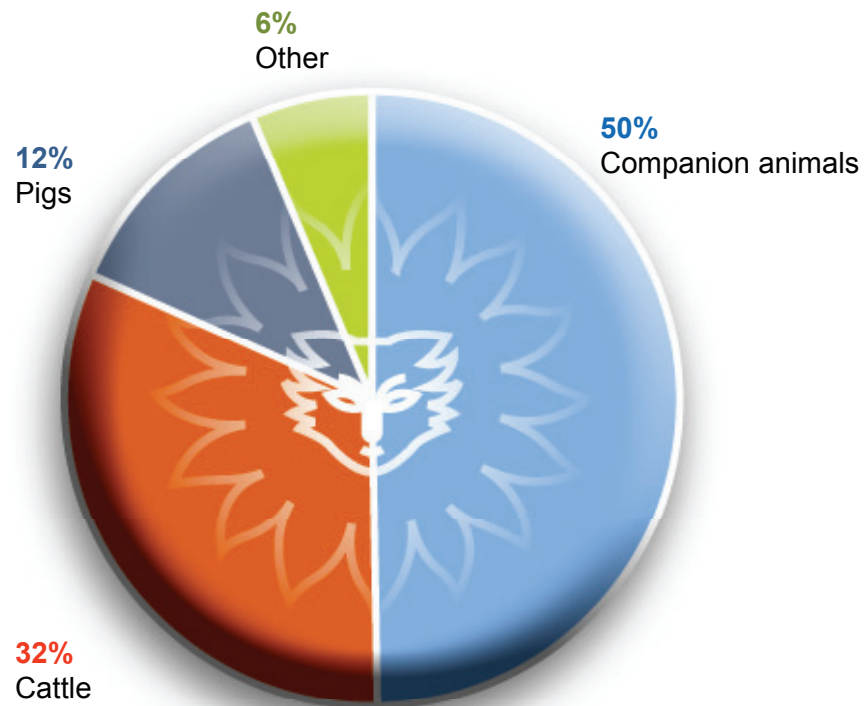
- Strong contribution of external growth





## A balanced portfolio

2009 Sales



### ■ Trends by species

- Companion animals: + 4.4%
- Cattle: + 5.2%
- Pigs: + 10.2%
- Other: + 2.5%

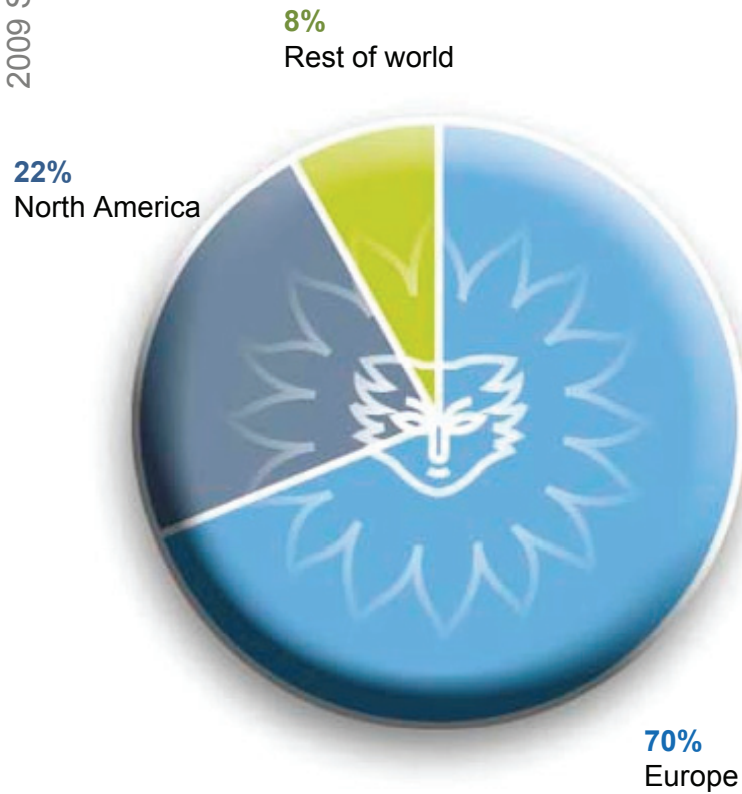
### ■ Commentary

- Improved position in livestock as the result of acquisitions (Italy/India)



## Increasing importance of the Asian market

2009 Sales



### ■ Trends by region

- Europe: + 6.8%
- North America: - 1.4%
- Rest of world: + 61.2%

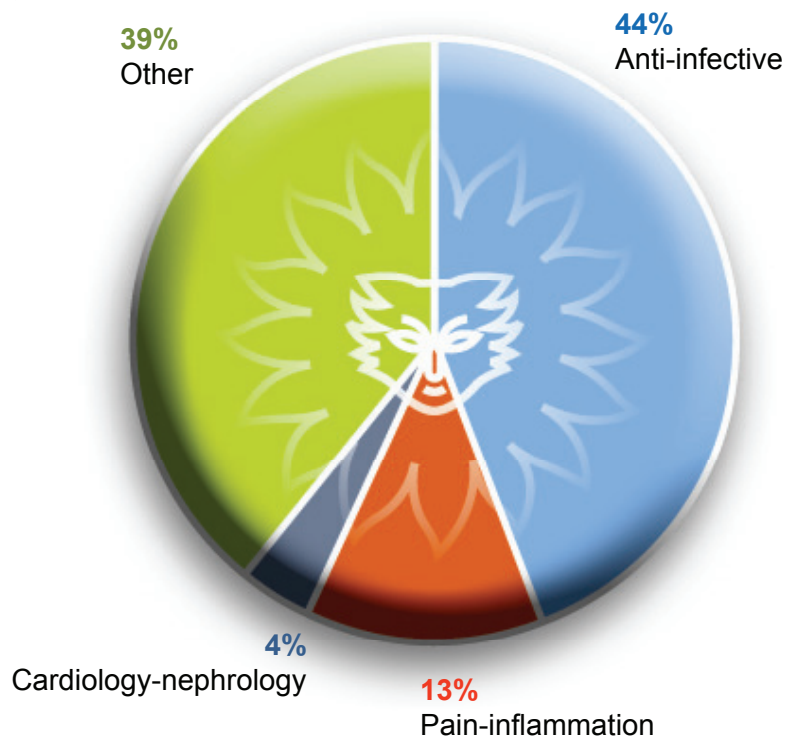
### ■ Commentary

- Acquisition in India
- Resilience in Europe
- Decline in North America linked to sales of penicillin and injectable iron



## Strong performance in Vétoquinol's strategic classes

2009 Sales



### ■ Trends by therapeutic area

- Anti-infective: + 6,8%
- Pain-inflammation: + 8,1%
- Cardiology-nephrology: + 17,3%
- Other: + 7,4%

### ■ Commentary

- Strong performance in all three strategic classes
- Gradual rebalancing of strategic classes



## 2009, a year of renewed growth

- **Expansion in India: acquisition of the Animal Health Division of Wockhardt Ltd**
- **Improvement at subsidiaries that had been having problems**
- **23 geographical product extensions and 17 product introductions**
  - Introduction of Zentonil® Plus and Zentonil® Advanced
  - Exclusive distribution agreement for Surolan® in the United States
- **4 drug application filings (AMM)**
- **Creation of an Asia-Pacific division**
- **Partnership with REQUEST, an expert group formed to develop guidelines for the use of quinolones**
- **Creation of a handicapped workshop at Vétoquinol's headquarters in Lure**








## Tailored communications and product marketing to support our strategic objectives

2009 Sales

- The 3 dimensions of our passion





## 2009 Consolidated financial statements

*“Vétoquinol’s financial statements for 2009 show strong cash flow generation.”*

- Income statement
- Cash flow statement
- Financial structure
- Working capital requirements
- Shareholdings and dividends



## 2009 Income statement

Income statement

| in € million                                    | 31/12/2009   | % of revenues | 31/12/2008   | % of revenues | Δ %         |
|---|--------------|---------------|--------------|---------------|-------------|
| <b>Revenues</b>                                 | <b>252.2</b> |               | <b>234.4</b> |               | <b>7.6%</b> |
| <b>Gross margin</b>                             | <b>166.4</b> | <b>66.0</b>   | <b>158.8</b> | <b>67.8</b>   | <b>4.8%</b> |
| External charges                                | (55.2)       | (21.9)        | (51.9)       | (22.1)        | 6.4%        |
| Personnel costs                                 | (70.1)       | (27.8)        | (68.3)       | (29.2)        | 2.5%        |
| Taxes and duties                                | (4.8)        | (1.9)         | (3.9)        | (1.7)         | 23.3%       |
| Other income and expenses                       | 4.5          | 1.8           | 3.8          | 1.6           | 19.1%       |
| Depreciation, amortisation and provisions       | (11.9)       | (4.7)         | (10.9)       | (4.6)         | 9.3%        |
| <b>Operating profit from current operations</b> | <b>28.9</b>  | <b>11.5</b>   | <b>27.6</b>  | <b>11.8</b>   | <b>4.9%</b> |



## Pro forma 2008 and 2009 income statements\*

Income statement

| in € million                                    | 31/12/2009*  | % of revenues | 31/12/2008*  | % of revenues | Δ %           |
|---|--------------|---------------|--------------|---------------|---------------|
| <b>Revenues</b>                                 | <b>228.3</b> |               | <b>232.3</b> |               | <b>(1.7%)</b> |
| <b>Gross margin</b>                             | <b>157.0</b> | <b>68.8</b>   | <b>158.0</b> | <b>68.0</b>   | <b>(0.7%)</b> |
| External charges                                | (50.8)       | (22.3)        | (51.5)       | (22.2)        | (1.3%)        |
| Personnel costs                                 | (66.9)       | (29.3)        | (68.2)       | (29.3)        | (1.9%)        |
| Taxes and duties                                | (4.8)        | (2.1)         | (3.9)        | (1.7)         | 23.0%         |
| Other income and expenses                       | 4.9          | 2.2           | 3.8          | 1.6           | 30.3%         |
| Depreciation, amortisation and provisions       | (11.2)       | (4.9)         | (10.8)       | (4.7)         | (3.7%)        |
| <b>Operating profit from current operations</b> | <b>28.2</b>  | <b>12.4</b>   | <b>27.4</b>  | <b>11.8</b>   | <b>2.9</b>    |

\* Excluding India and Italy



## Income statement (cont'd)

| Income statement  | in € million                                    | 31/12/2009  | % of revenues | 31/12/2008  | % of revenues | Δ %           |
|---|---|-------------|---------------|-------------|---------------|---------------|
|   | <b>Operating profit from current operations</b> |             | <b>28.9</b>   | <b>11.5</b> | <b>27.6</b>   | <b>11.8</b>   |
| Operating profit  |   | 28.9        | 11.5          | 27.6        | 11.8          | 4.9%          |
| Financial income  |   | (4.0)       | (1.6)         | (3.1)       | (1.3)         | 26.7%         |
| Pre-tax profit  |   | 25.0        | 9.9           | 24.5        | 10.4          | 2.1%          |
| Income tax  |   | (6.7)       | (2.7)         | (5.9)       | (2.5)         | 14.6%         |
| <b>Net profit attributable to parent company shareholders</b> |   | <b>18.2</b> | <b>7.2</b>    | <b>18.6</b> | <b>7.9</b>    | <b>(1.9%)</b> |
| <b>Net cash flows provided (used) by operating activities</b> |   | <b>34.1</b> |               | <b>32.6</b> |               | <b>4.6</b>    |



## Cash flow statement

Cash flow statement

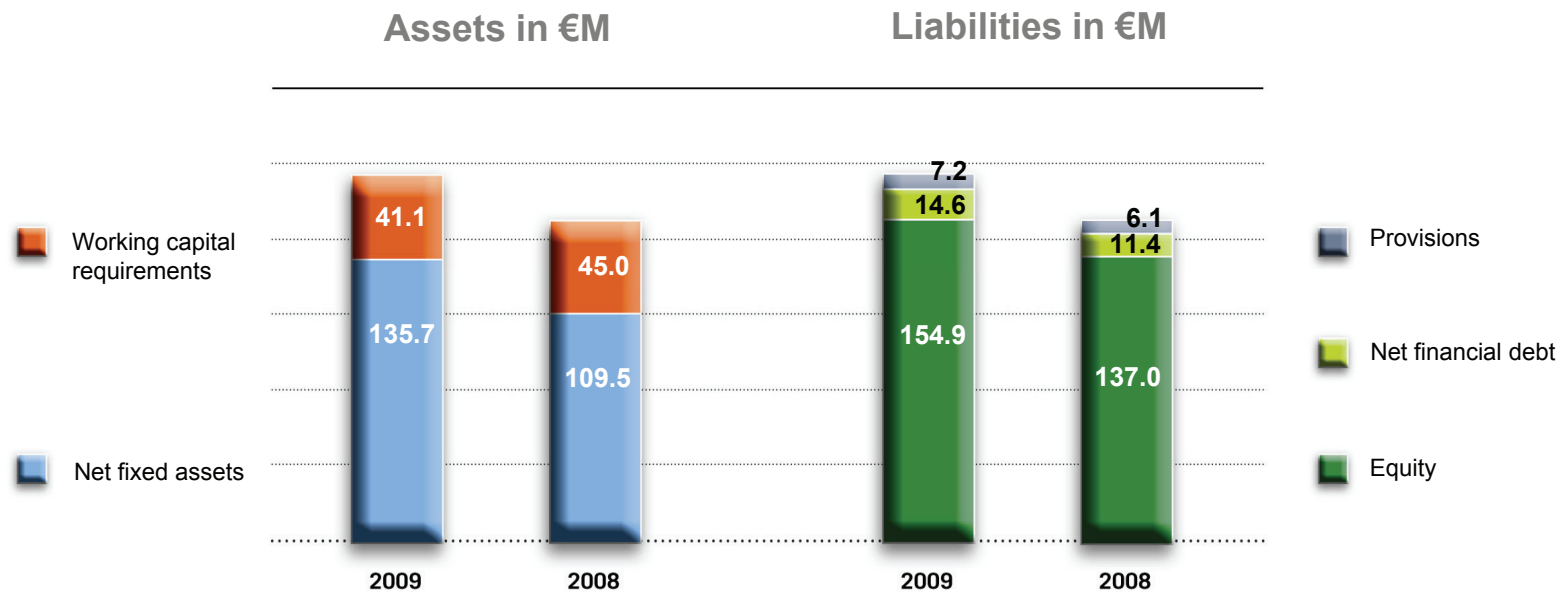
| in € million                                | 31/12/2009    | 31/12/2008* |
|---|---------------|-------------|
| Cash flow generated by operating activities | <b>40.0</b>   | 23.4        |
| Cash flow used by investment activities     | <b>(35.1)</b> | (26.3)      |
| Cash flow used by financing activities      | <b>17.6</b>   | (11.1)      |
| Impact of changes in exchange rates         | <b>(0.4)</b>  | (1.1)       |
| Change in cash and cash equivalents         | <b>22.1</b>   | (15.1)      |

\* Pro forma: reclassification of financial interests from cash flow generated by operating activities to cash flow used by investment activities.



## Sound financial structure

Financial structure



- Gearing ratio of 9.5%



Working capital requirements

## Working capital requirements

| in € million                           | 31/12/2009  | 31/12/2008  |
|--|-------------|-------------|
| Inventories                            | 40.0        | 43.0        |
| Trade receivables and related accounts | 53.7        | 52.6        |
| Trade payables and related accounts    | (53.8)      | (51.1)      |
| Other elements of WCR                  | 1.2         | 0.5         |
| <b>Working capital requirements</b>    | <b>41.1</b> | <b>45.0</b> |

- Improvement in WCR due to reduction in inventories and sound management of receivables





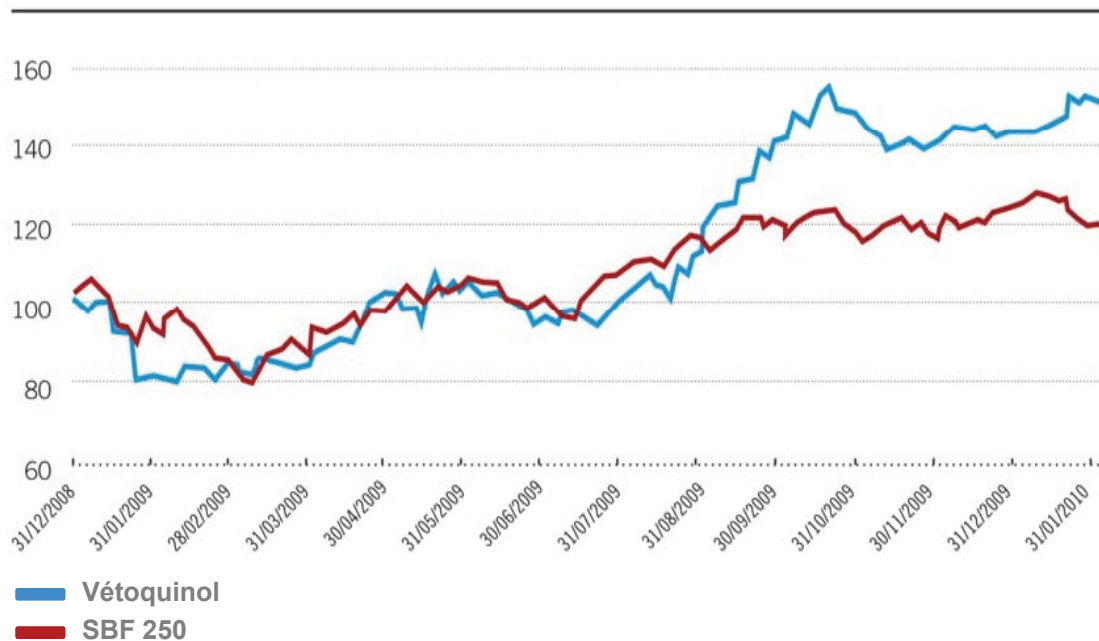
## Redemption of tranche A convertible bonds (Soparfin)

- **Decision not to convert tranche A convertible bonds**
  - Tranche A matured on February 27, 2010
  - Redemption totalling €15.9 million, including non-conversion premium
  - Tranche B will mature on February 27, 2011
  
- **Consequences:**
  - **€1.5 million** reduction in financial charges for the full year and **€1.3 million** reduction in 2010



## Stock price trends

Shareholders and dividends



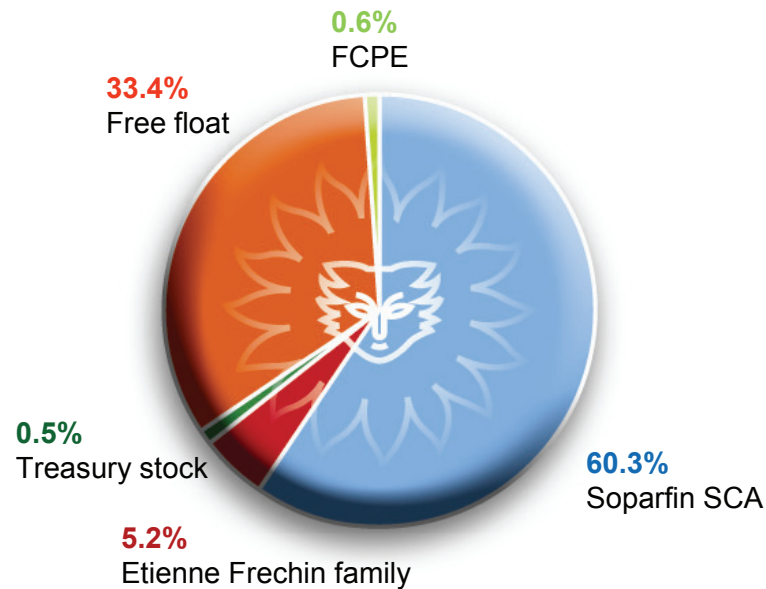
### ■ Vétoquinol shares

- In 2009, Vétoquinol's share price rose by **43.9%**
- The current valuation corresponds to 1 x revenues
- Strong potential for stock price appreciation



## Shareholders and dividends

- **Group shareholders as of March 1, 2010**



- **At the General Meeting of May 7, 2010, the Board of Directors will propose:**

- A dividend of **€0.29** per share, an increase of **7.4%**
- Corresponding to a pay-out of **18%**

Our business: animals. Our advantage: people.

## Strategy and outlook

*“The four pillars of the Group,  
motors for future growth”*

- **Organic growth in Europe**
- **External growth**
- **Continuing improvement in profitability**
- **Innovation**



## Pursuing organic growth in Europe

Internal growth in Europe

- **Phase 1: Successful integration of Ascor Chimici (Italy)**
  - Sales and profitability in line with initial expectations
  - Gradual integration of the product lines marketed by our distributor
  - Production facility (Forli) brought up to standards and optimised
  - Higher profitability through an improved product mix
  - Successful anniversary celebration (160 guests)
  
- **Phase 2: Strong potential for higher profitability within three years**





## Pursuing organic growth in Europe

Internal growth in Europe

- **Other European countries**
  - Product introductions and extensions
    - **13** product launches
    - **5** extensions
    - Development of a complementary Marbocyl® product line
  - Confirmation that our Spanish subsidiary is recovering
  - Final preparations for major product launches in 2011
  - Development of an international training programme for our sales network



## Developing the business of the Group in expanding markets...

External growth

- **India: the first six months**
  - Creation of Vétoquinol India, the 6<sup>th</sup> largest animal health company in the local market
  - Sales and income in line with our expectations
  - Preparations for registering Vétoquinol products for marketing in India
  - Continuous innovation and product launches
  - Opening of new offices
- **China: the other market of major interest**
- **Latin America: initial investigations**





## ... and take advantage of the consolidation of the market

- **Strengthen our position in Europe and North America**

- Look for opportunities in these strategic regions, with particular emphasis on:
  - the United States
  - the United Kingdom
  - Germany
  - Spain

- **Seize opportunities created by recent mergers**

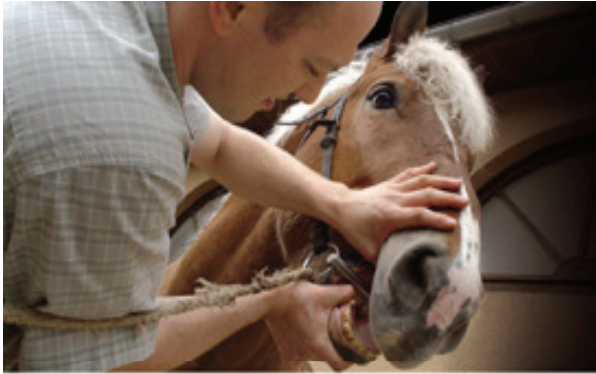
- Contacts for product acquisitions in all of our strategic regions

- **Take advantage of Vétoquinol's substantial financing capacity**

- Debt capacity (at 100% gearing) of €140 million
- Potential for revenue growth of 30%

External growth





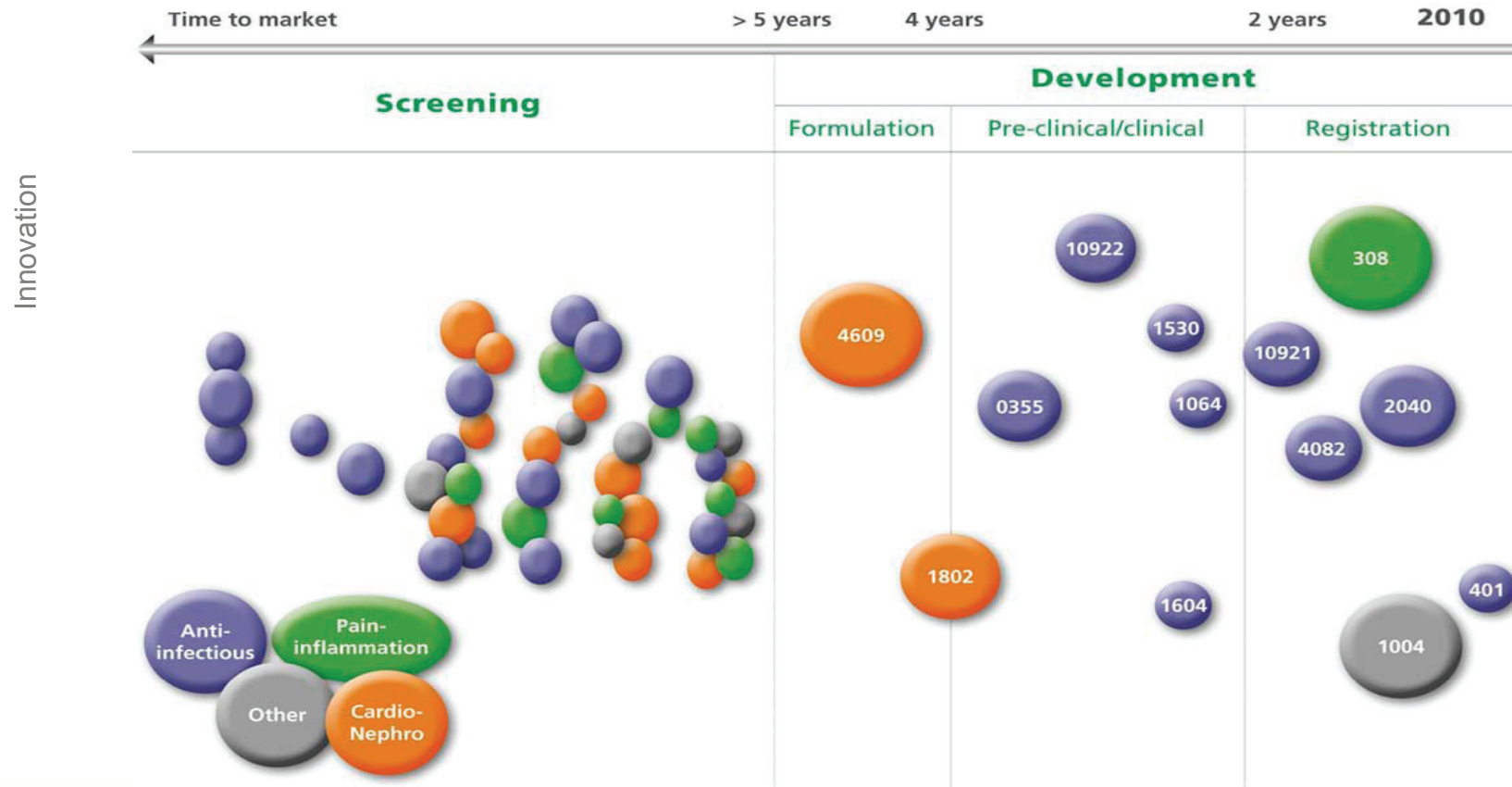
## Increasing profitability through continuous improvement

Continuous improvement

- **In 2009, the improvement programme resulted in gains in:**
  - Purchasing
  - Supply chain
  - VIP programme
  - Productivity
  
- **Which enabled us to increase our financing for:**
  - Marketing + 5%
  - Sales network + 8%
  - Research and innovation + 10%
  
- **And the improvements continue!**



## Innovating and remaining in step with the market





## Preparing for product launches in 2011



Innovation



|                   | €€€ > 10 M<br>€€ 5 - 10 M<br>€ < 5 M | Companion animals | Livestock                   |
|-------------------|--------------------------------------|-------------------|-----------------------------|
| Anti-infective    |                                      |                   | € <sup>(1)</sup> €€   €   € |
| Pain-inflammation |                                      | €€€               |                             |
| Other areas       |                                      | €€                |                             |

(1) Launch scheduled for end 2010



## Outlook: sources of medium-term growth

### ■ Organic growth

- Strong growth in India, the United States and Italy
- Recovery in Spain
- New product launches and geographical extensions
- Continued optimisation of marketing structures and resources



### ■ External growth

- Develop new regions through targeted acquisitions
- Participate in the consolidation of the market, particularly mergers in progress

**“Hybrid” growth to generate cash flow**



## Calendar

- April 22 1<sup>st</sup> quarter 2010 revenues
- May 7 Annual Shareholders Meeting
- June 4 Dividend announcement
- July 20 1<sup>st</sup> half 2010 revenues
- August 31 2010 Interim results
- October 19 3<sup>rd</sup> quarter 2010 revenues



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Our advantage: people.**