



Vétoquinol *a Sign of Passion*

**Initial public offering:  
Eurolist  
of Euronext Paris**



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## Vétoquinol, world's 13<sup>th</sup> largest veterinary laboratory

- One business: animal health
- 2005 turnover of **€197 million**
- **77%** of 2005 turnover outside France
- **1,100** employees working in **17** countries
- An extensive range of drugs and nutraceuticals distributed in around **100** countries



## **Animal health**

**Global market: \$15 billion**

**Develop, produce and market  
animal **drugs, nutraceuticals**  
and **medicinal feed additives** for animals**

**One core mission: human and animal safety and welfare**



## Summary

- 1. The animal health market**
- 2. Vétoquinol: a logic of choices**
- 3. Vétoquinol: key figures**
- 4. Strategy: a managed and profitable growth**
- 5. The initial public offering (IPO)**

A close-up photograph of a pig's head and shoulders, facing left. The pig has light brown, slightly wavy fur and large, upright ears. Its snout is prominent and pinkish-red. The background is a bright blue sky and a green field of grass.

# 1. Animal health

- A fragmented market
- A growth market
- A market that caters to professionals



**1. Animal health, a fragmented market**

## The global market is valued at \$15 billion

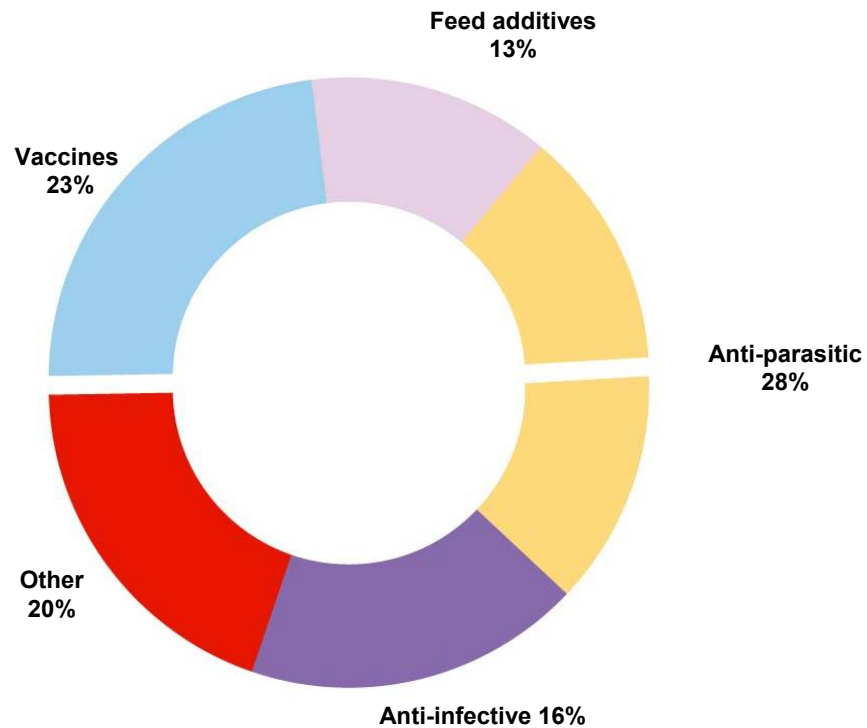


Source: Wood Mackenzie - 2005



## 1. Animal health, a fragmented market

# Two therapeutic approaches



### → Prevention

- Vaccines
- Medicinal feed additives
- Anti-parasitic

### → Treatment

- Anti-infective
- Anti-parasitic
- Other
  - Anti-inflammatory
  - Cardio - nephro
  - Rehydration
  - Hygiene, etc.

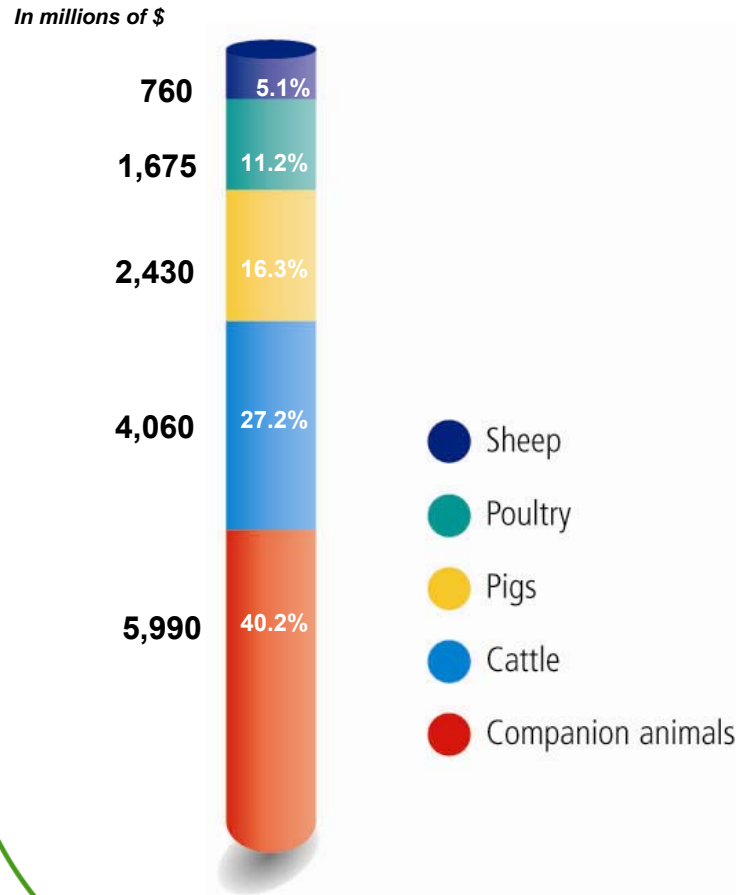
Source: Wood Mackenzie – March 2006





## 1. Animal health, a fragmented market

# Two species, two dynamics



### → Food producing animals

- 60% of the market
- Demand is driven by breeders' profitability

### → Companion animals

- Sustained growth
- Demand is driven by pet owner's emotions

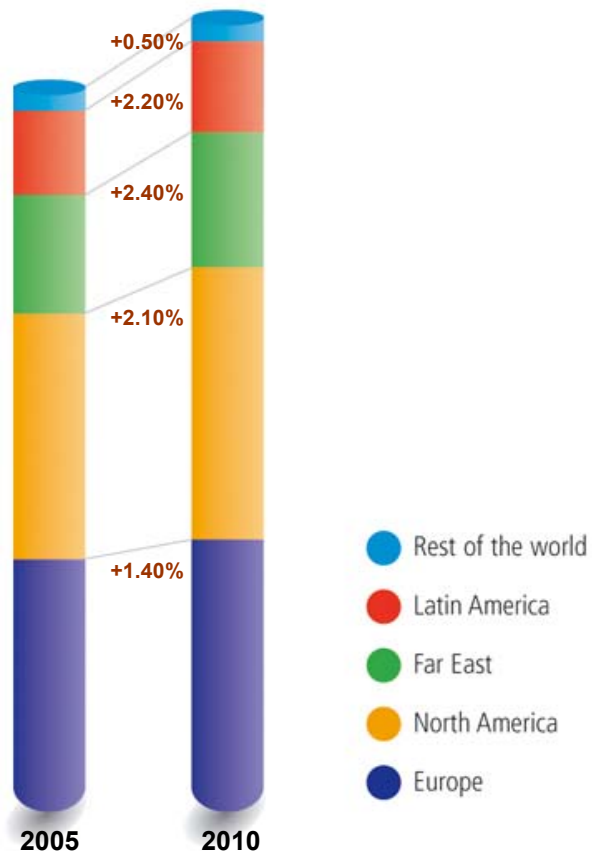
Source: Wood Mackenzie – March 2006



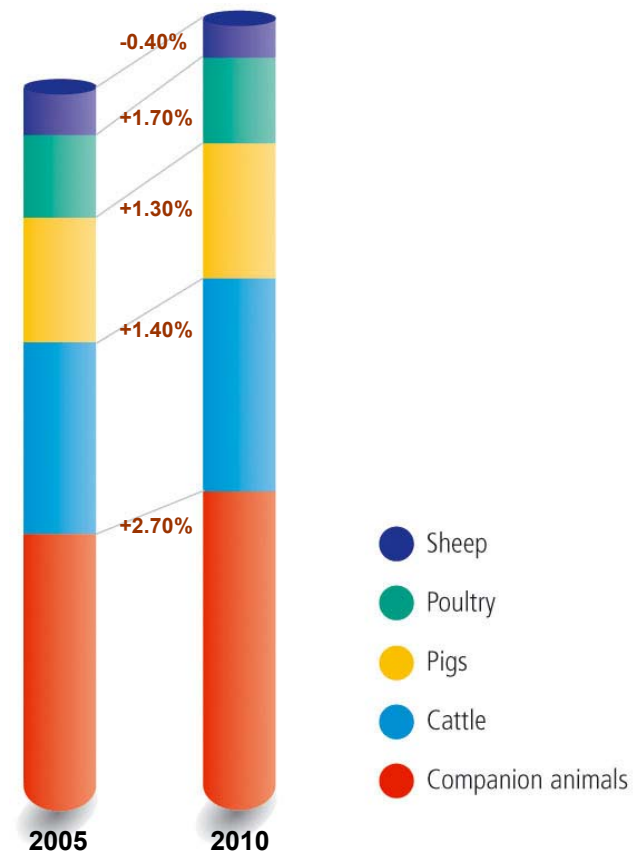
1. Animal health, a growth market

# The global market is growing...

Market by geographic region



Market by species



**Average growth of 1.9% per annum in terms of volume  
(estimated, 2006-2010)**

Source: Wood Mackenzie – March 2006



**1. Animal health, a growth market**

## ...impacted by 3 factors

### → Regulations

- Legal constraints evolve constantly

### → Protein needs (food producing animals)

- Growth in demand from developing countries

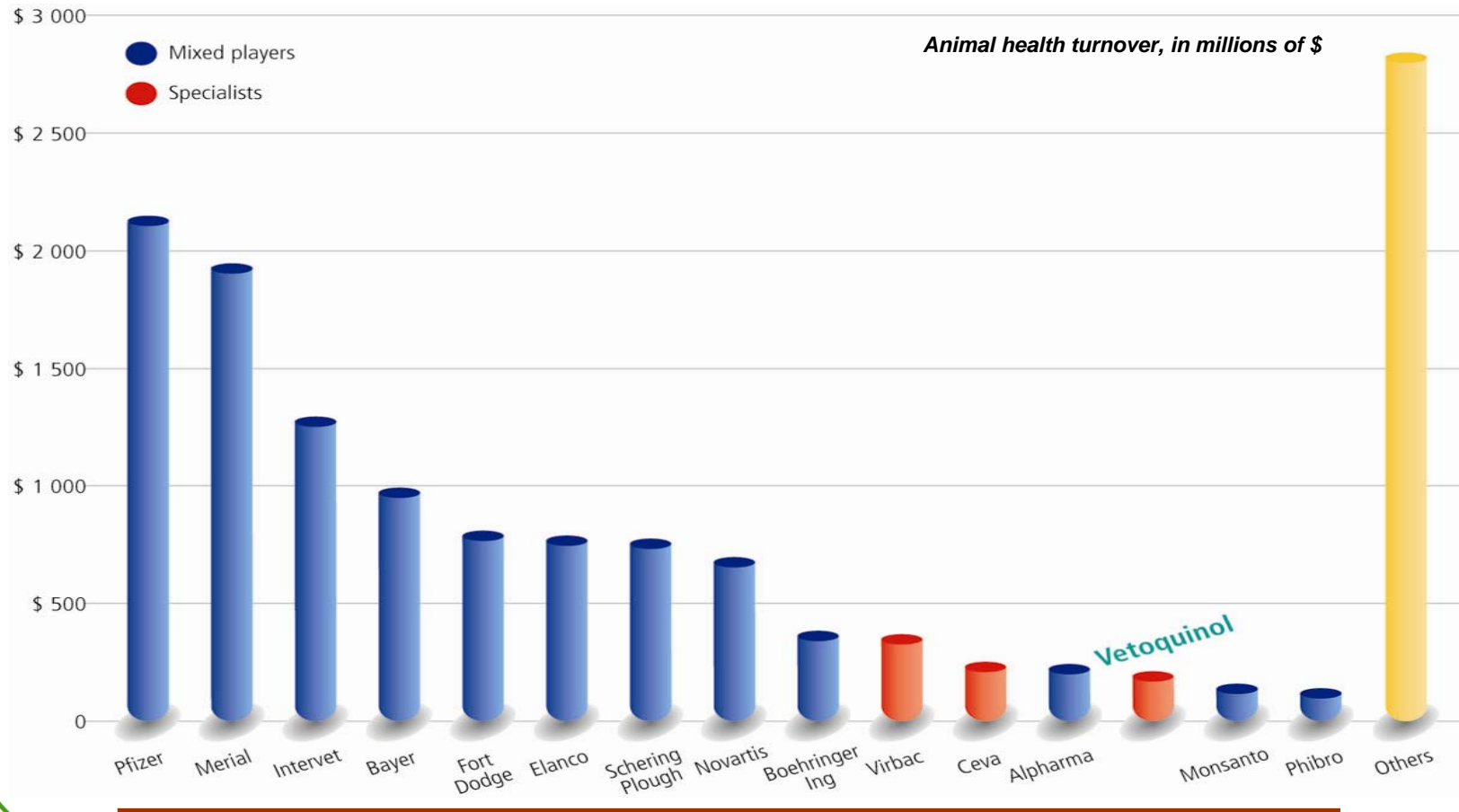
### → Affect (companion animals)

- Correlation with owner purchasing power



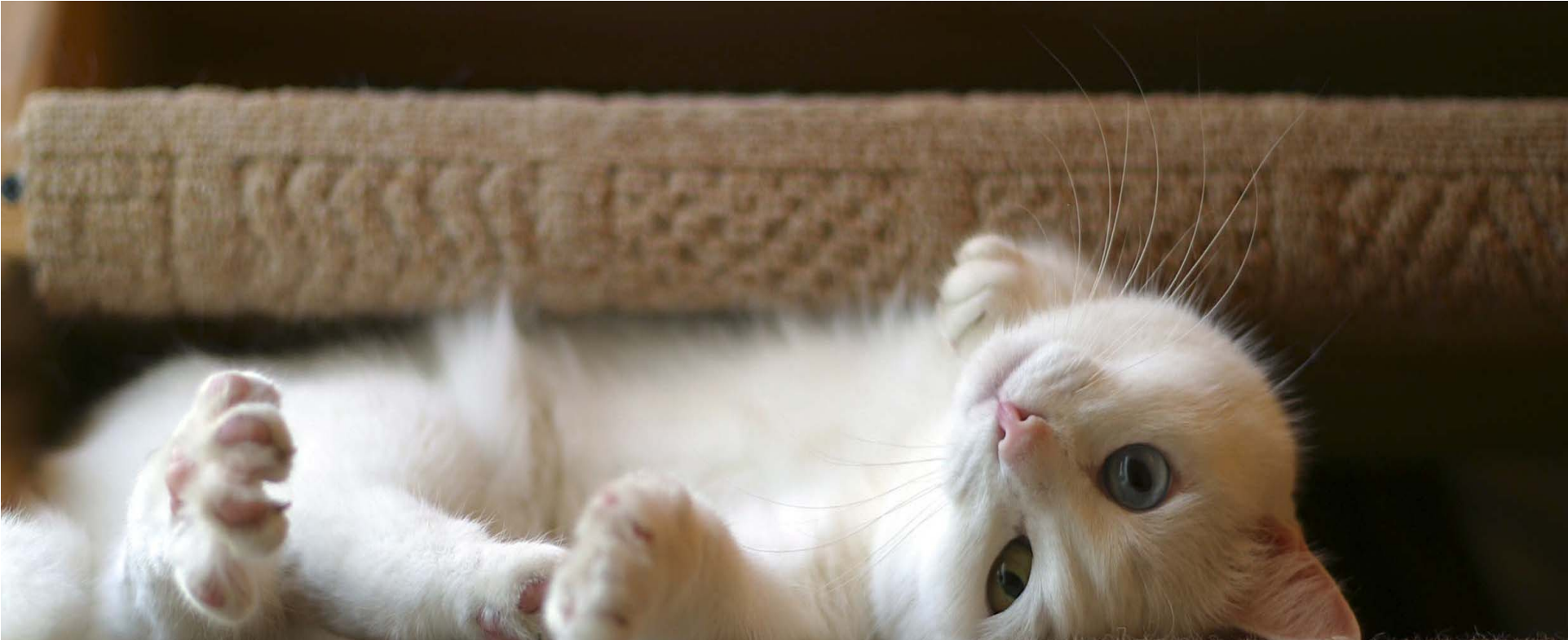
1. Animal health, a market that caters to professionals

# Growing concentration of market players



15 players account for 80% of world market

Source: Wood Mackenzie – March 2006

A white cat with blue eyes is lying on a brown carpeted staircase. The cat is looking up and to the right, with its front paws raised. The background is dark, making the cat and the carpet stand out.

## 2. Vétuquinol, a logic of choices

- People
- Animal health
- International presence
- Core activities
- R&D
- Focus



**2. Vétoquinol, the choice to put people first**

## 1. A human size laboratory...

### → A family-run group

- 3 generations of professionals
- Involved in day-to-day operations, to serve a long-term vision
- Long-term value-driven management

### → 1,100 motivated employees

- High level of engagement
- Strong values: *audacity, genuineness, commitment, team spirit, open-mindedness and performance*
- Bold and pragmatic managers

**Built to last**



2. Vétoquinol, the choice to put people first

## ...to serve professionals: veterinarians

### → Vétoquinol is organized around the vet

- Main source of prescription
- Personalized relationship with Vétoquinol reps
- Sharing knowledge: **Vétoquinol Academia**
- Humanitarian initiatives: partnership with AVSF, etc.

### → Close, daily

- Distribution channels adapted to each region
- 16 sales subsidiaries
- Nearly 200 Vétoquinol reps

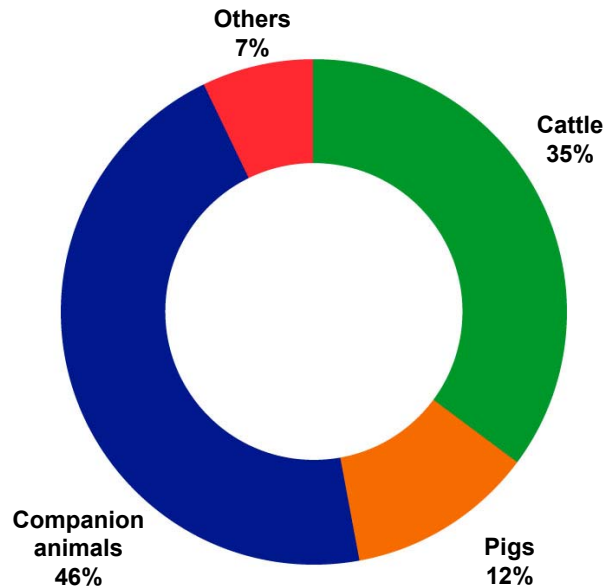
**A dense and efficient sales network**



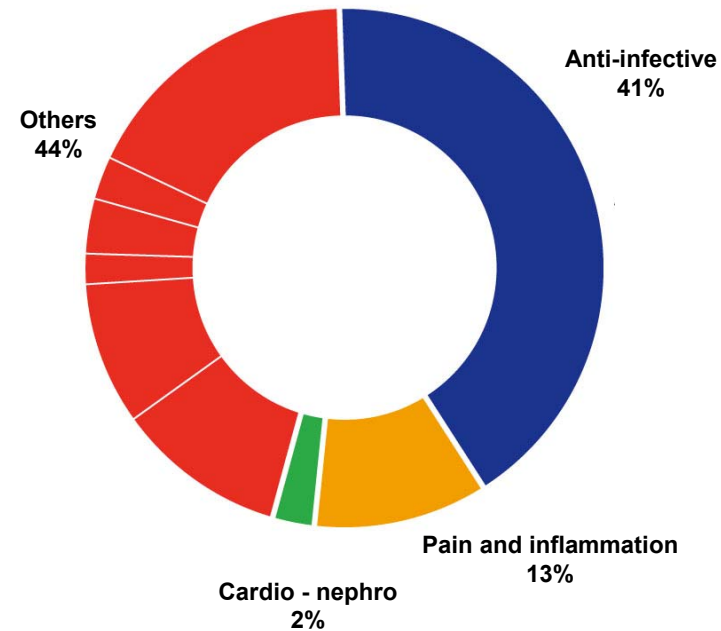
2. Vétoquinol, the choice of animal health

## 2. One business: animal health

Turnover by species



Turnover by therapeutic class



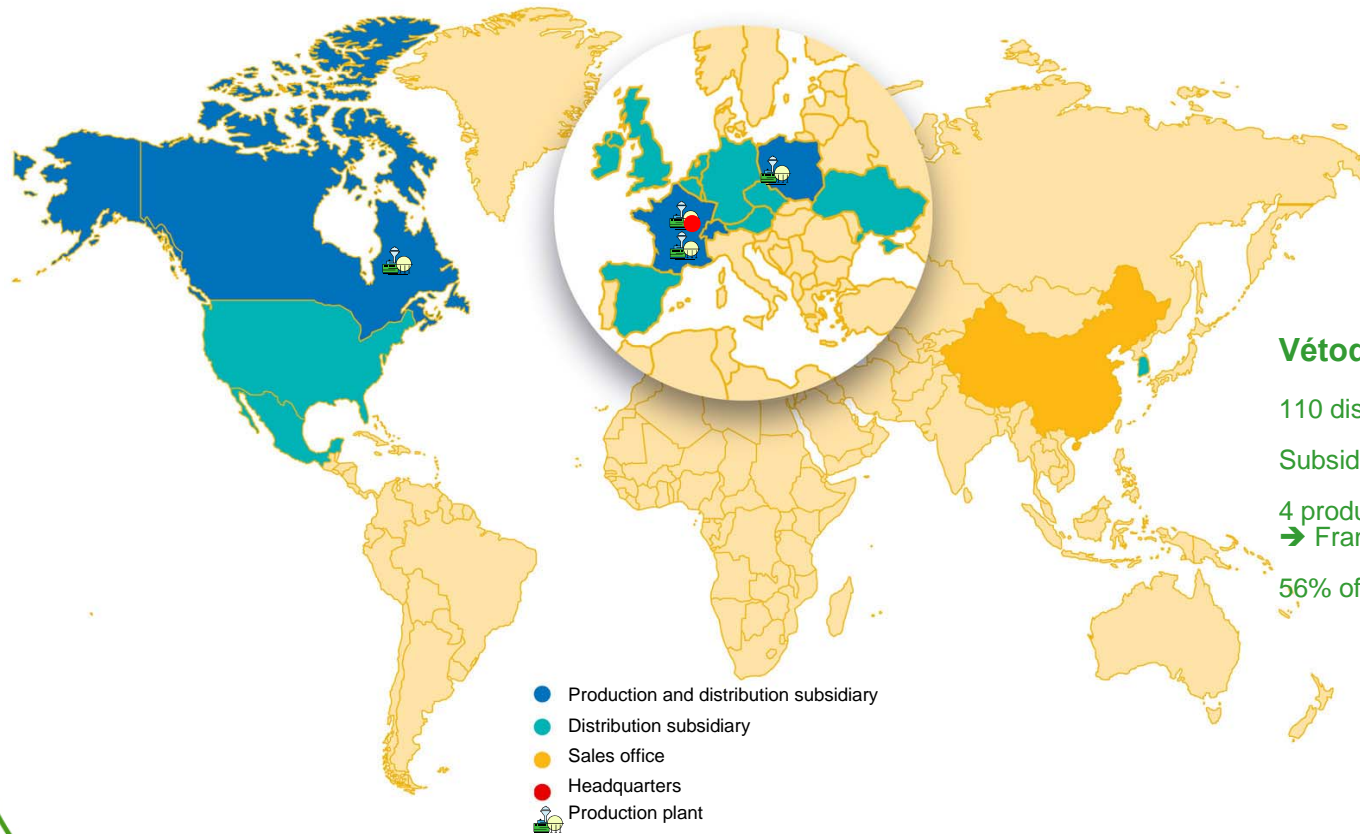
**Balance in species, dynamics of products**





## 2. Vétoquinol, the choice of a global presence

# 3. An international group



### Vétoquinol in brief:

110 distributors in 80 countries

Subsidiaries in 16 countries

4 production plants:  
→ France (2), Poland, Canada

56% of workforce located abroad

**Extend product coverage  
and capitalize on new sources of growth**



*2. Vétoquinol, the choice of full command*

## 4. Full command of core activities, from development to sales and marketing





2. Vétoquinol, the choice of R&D

## 5. R&D: pragmatic and high performance

### → 4 axes of development

- New molecules
- Adapted galenic forms
- New indications and species
- Nutraceuticals

### → Dedicated resources

- 7% of turnover allocated to R&D
- A world-class research center (100 people)

### → Rigorous and optimized management of the innovation process

**More than 60% of turnover is generated by products issued by Vétoquinol's R&D**



## 2. Vétoquinol, the choice of R&D

# Product leaderships

**Marbocyl<sup>®</sup>** (anti-infective) leader in France, Spain and the UK, number two in Europe.

**Tolfédine<sup>®</sup>** (Non-Steroidal Anti-Inflammatory drug), used to treat inflammation and pain in dogs and cats. This product is among the top three in its category in most European markets where it is sold.

**Aurizon<sup>®</sup>** (anti-infective) leading product in the European markets, prescribed for the treatment of bacterial and fungal infections of the outer ear in dogs. One of the three active ingredients in Aurizon<sup>®</sup> is marbofloxacin.

**Prilium<sup>®</sup>** (cardiology) for dogs that suffer from cardiac insufficiency. Vétoquinol has a clear lead in this market, where Prilium<sup>®</sup> is the only liquid ACE inhibitor.

**Clavaseptin<sup>®</sup>, Ipakitine<sup>®</sup>, Propalin<sup>®</sup>, Zentonyl<sup>®</sup>, etc.**

**The ability to develop and build on innovative molecules**



2. Vétoquinol, the choice of a clear focus

## 6. A clear focus

→ **3 animal species**

Balance between:

- 2 food producing species: cattle and pigs
- Companion animals (cat/dog)

→ **3 therapeutic classes in curative range**

- anti-infective
- pain and inflammation
- cardio - nephro

→ **3 territories**

- Europe
- North America
- Asia

**A pragmatic approach**



*2. Vétoquinol, the choice of a clear focus*

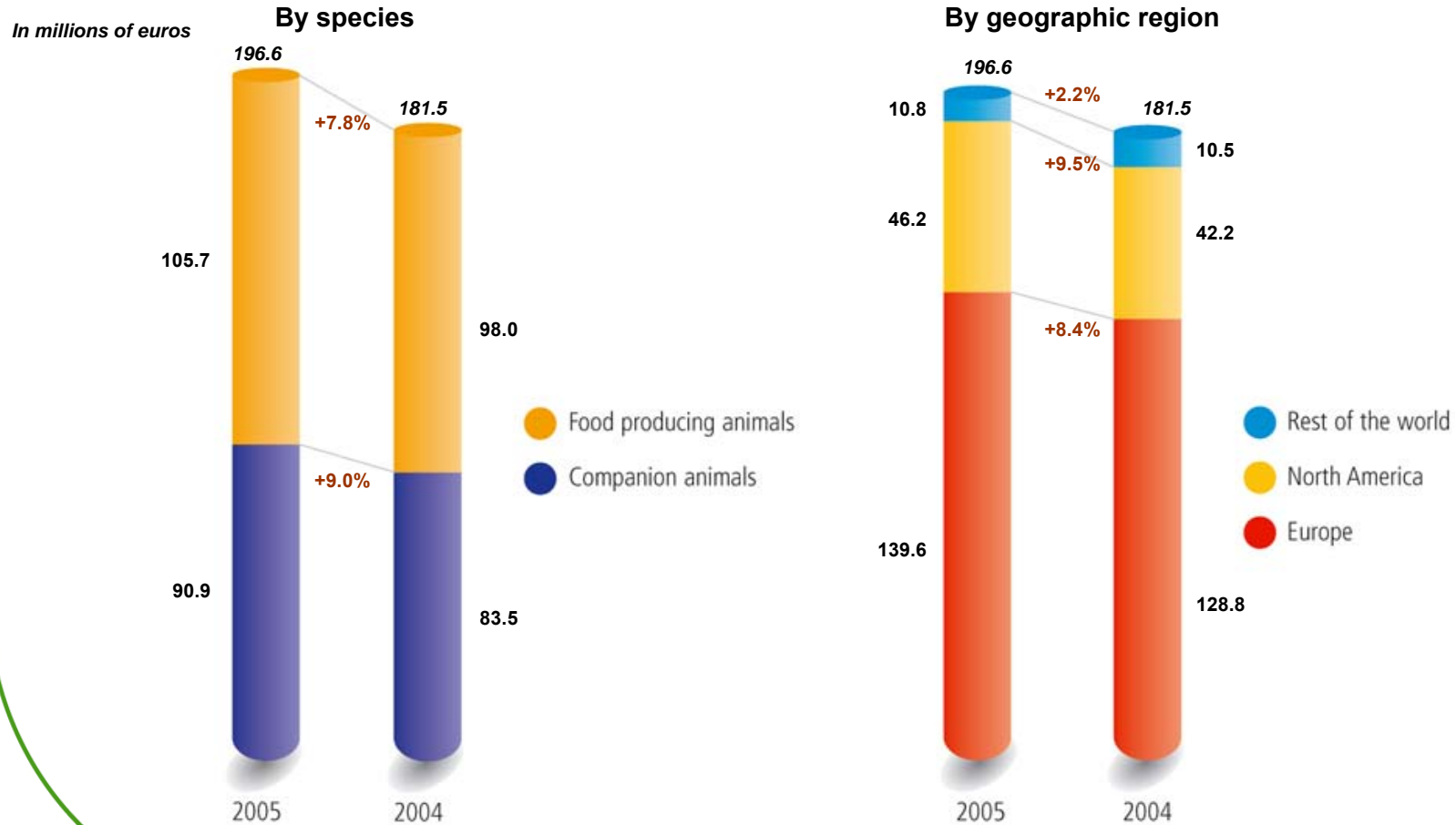
## Strong competitive positioning

- **13th** laboratory worldwide and 3rd dedicated to animal health
- Relevant market share of around **5%**
- **8%** of the market for anti-infective drugs in Western Europe for food producing animals
- **Leader** in anti-infective drugs for companion animals in Europe
- **Number 1** in Poland and **Number 2** in Canada
- **Number 6** in France

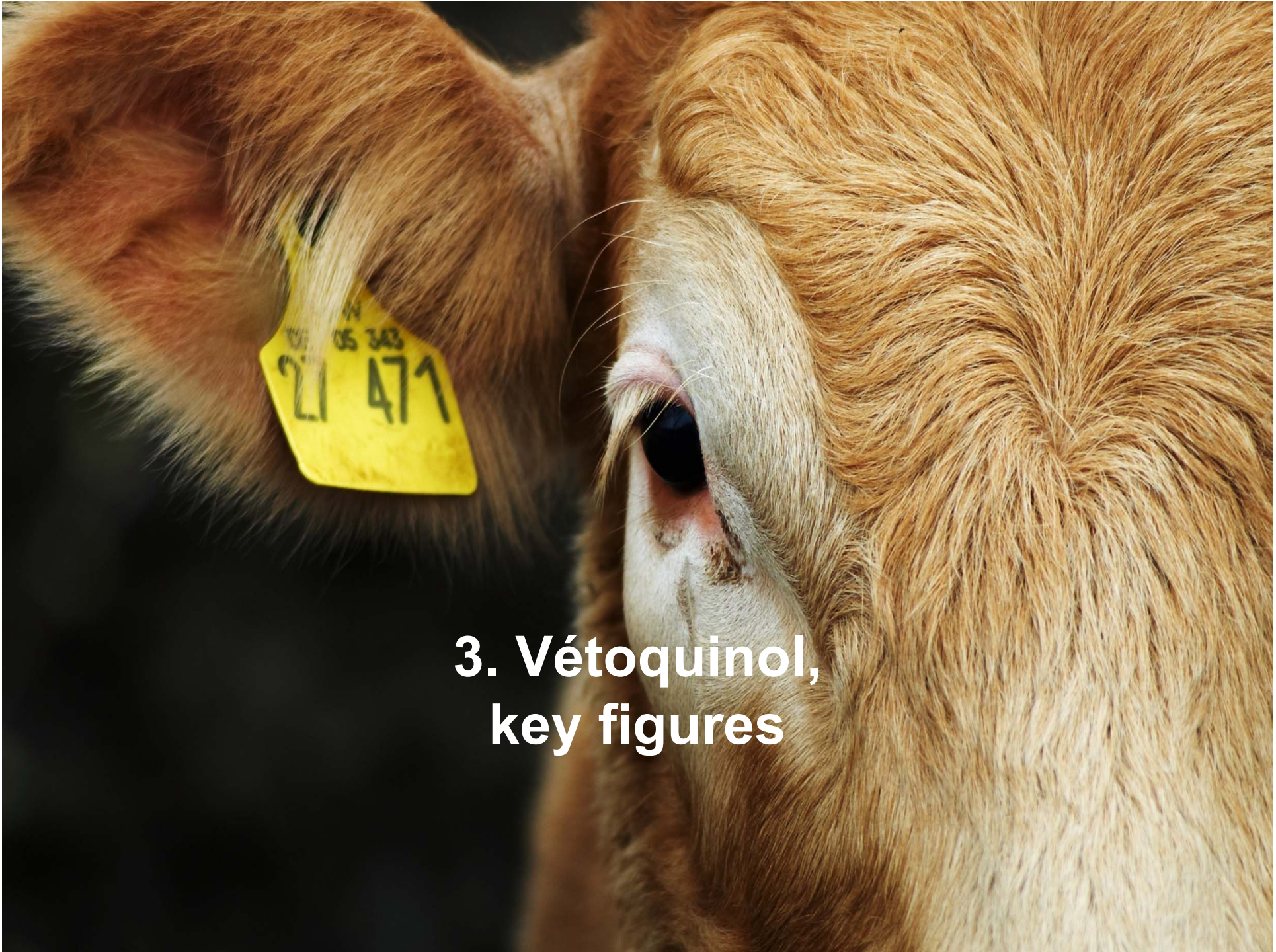


2. Vétoquinol, for balanced growth

# Balanced business growth



**Organic growth outperforms the relevant market**



**3. Vétoquinol,  
key figures**





### 3. Vétoquinol, key figures

## Income statement

<i>In millions of euros</i>	<b>2005</b>	<i>% Turnover</i>	<b>2004</b>	<i>% Turnover</i>	<i>% Change</i>
Turnover	196.6		181,5		+8.3
Gross margin	128.5	65,4	116,5	64,2	+10.3
External expenses	(42.4)	21,5	(38,9)	21,4	+8.9
Salaries	(53.4)	27.2	(51.8)	28.5	+3.2
Tax	(3.2)	1.7	(2.9)	1.6	+12.1
Other income and expenses	1.1	0.6	2.3	1.3	-49.9
D&A	(7.5)	3.8	(7.4)	4.1	+1.9
<b>EBIT</b>	<b>23.1</b>	<b>11.8</b>	<b>17.9</b>	<b>9.9</b>	<b>+29.2</b>

## Rigorous management



3. Vétoquinol, key figures

## Income statement (cont'd.)

<i>In millions of euros</i>	2005	% Turnover	2004	% Turnover	Δ %
EBIT	23,1	11,8	17,9	9,9	+29,2
Operating profit	18,8	9,6	16,9	9,3	+11,2
Earnings before tax	16,5	8,4	12,4	6,8	+33,6
<b>Net income (group share)</b>	<b>12,4</b>	<b>6,3</b>	<b>10,0</b>	<b>5,5</b>	<b>+24,7</b>
<b>Operating cash flow*</b>	<b>26,6</b>		<b>22,9</b>		

\* EBIT – TAX + D&A

## The logic of profitable growth



### 3. Vétoquinol, key figures

## Cash flow statement

<i>In millions of euros</i>	2005	2004
Cash flow from operations	30.0	20.7
Cash flow from investments	(9.1)	(7.0)
Cash flow from financing	(8.0)	(4.6)
Impact of currency fluctuations	(0.7)	(0.1)
<b>Change in cash flow</b>	<b>12.2</b>	<b>9.0</b>

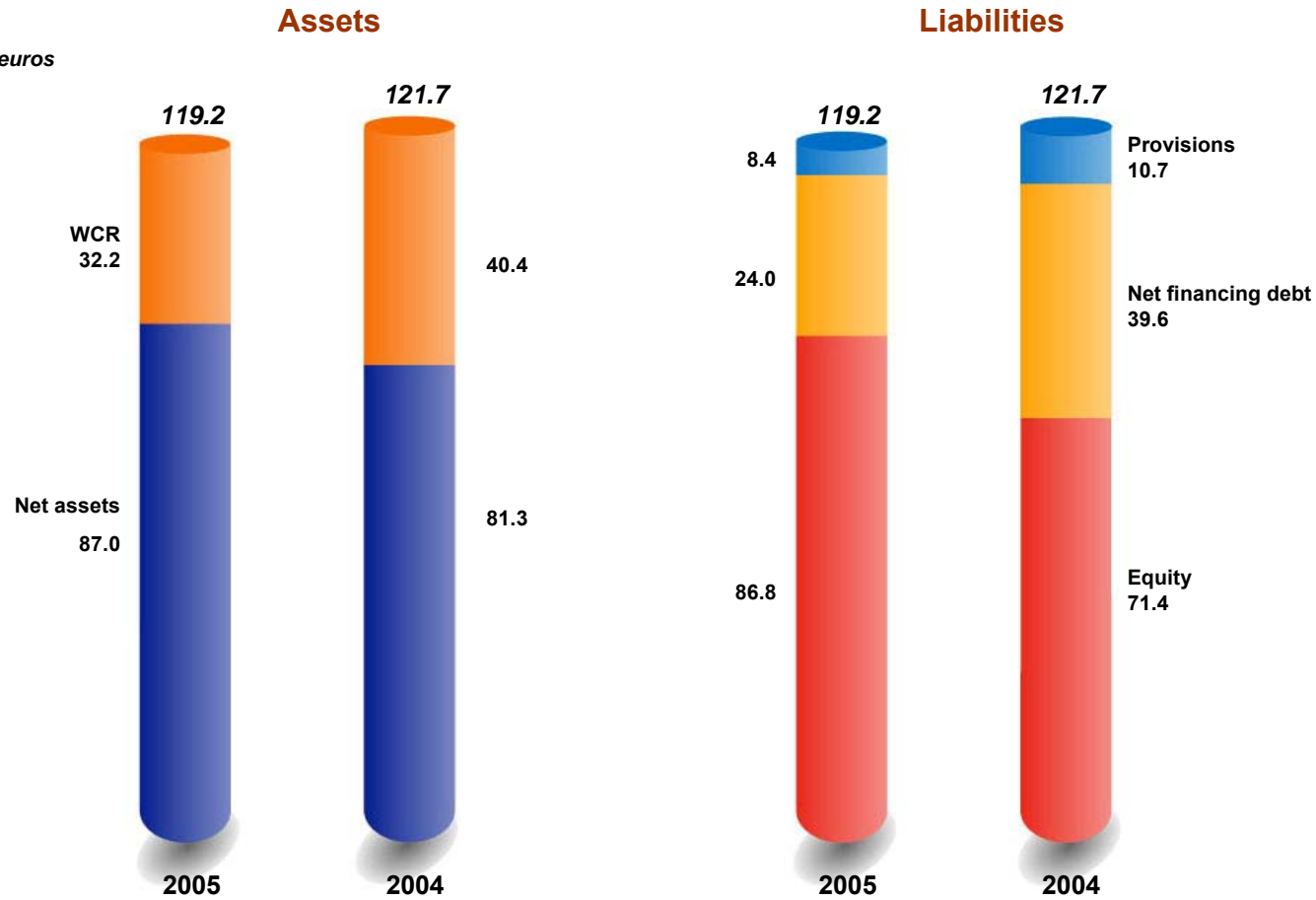
**Solid cash flow generation**



3. Vétoquinol, key figures

## A sound financial structure

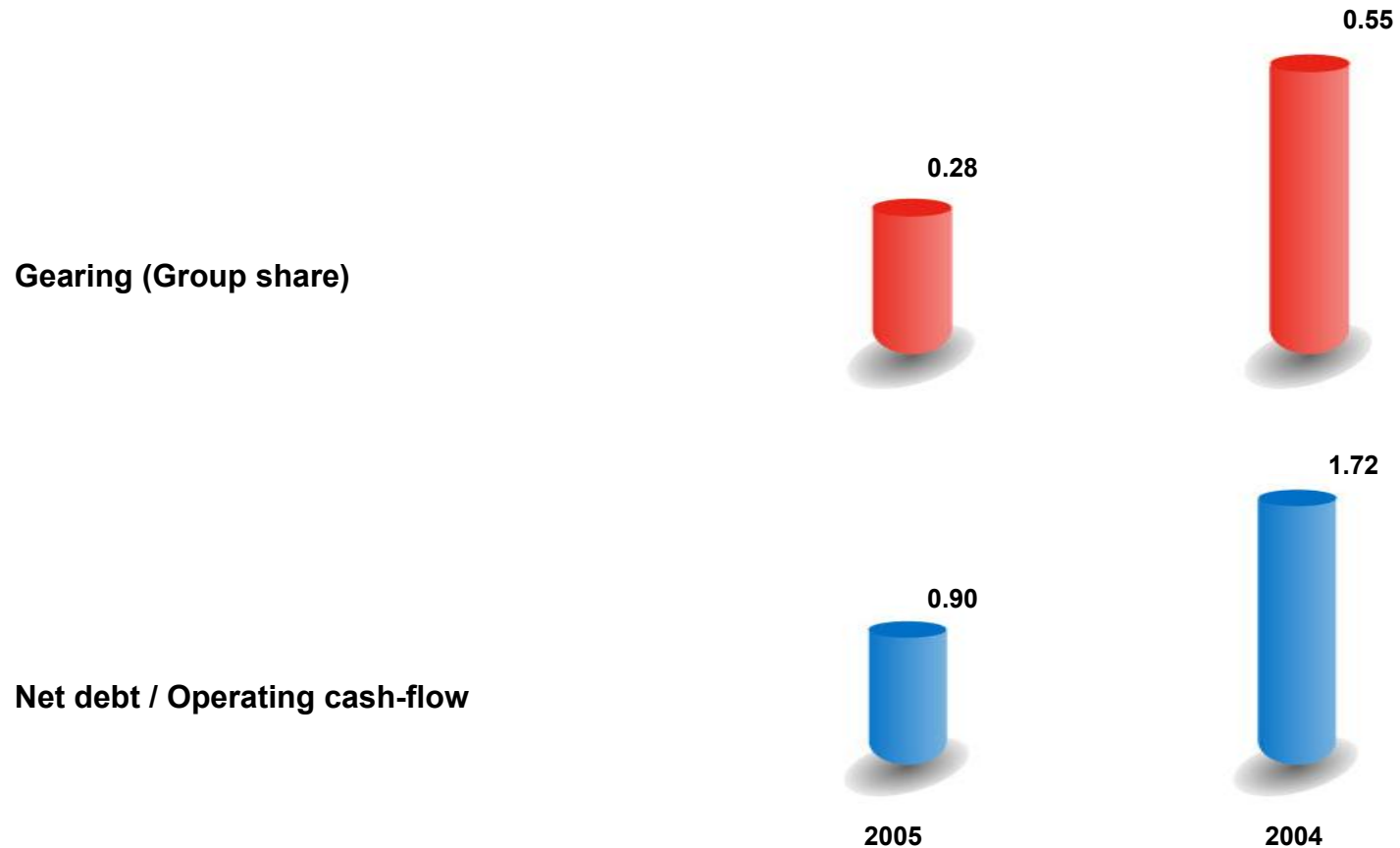
In millions of euros





3. Vétoquinol, key figures

## Balance sheet – Financial ratios





### 3. Vétoquinol, key figures

## Income statement, H1 2006

<i>In millions of euros</i>	<b>H1 2006</b>	<i>% Turnover</i>	<b>H1 2005</b>	<i>% Turnover</i>	<i>% change</i>
Turnover	98.4		87.4		+12.5
Gross margin	57.4	58.4	54.9	62.8	+4.5
External expenses	(21.0)	21.3	(20.1)	23.0	+4.3
Salaries	(29.2)	29.7	(26.6)	30.5	+9.5
Tax	(1.5)	1.6	(1.5)	1.7	+4.8
Other income and expenses	6.6	6.7	4.4	5.0	+52.2
D&A	(4.1)	4.2	(4.8)	5.5	-14.7
<b>EBIT</b>	<b>8.2</b>	<b>8.3</b>	<b>6.2</b>	<b>7.1</b>	<b>+32.6</b>



### 3. Vétoquinol, key figures

## Income statement, H1 2006

<i>In millions of euros</i>	H1 2006	% Turnover	H1 2005	% Turnover	% Change
EBIT	8.2	8.3	6.2	7.1	+32.6
Operating results	8.1	8.3	4.8	5.5	+70.0
Earnings before tax	5.9	6.0	4.0	4.6	+48.0
<b>Net income (group share)</b>	<b>4.0</b>	<b>4.1</b>	<b>2.8</b>	<b>3.2</b>	<b>+43.1</b>



### 3. Vétoquinol, key figures

## Our economic model

- Organic growth between 4 and 5%
- EBIT / Sales between 11 and 12%
- Cash flow generation
- A payout ratio of 15%
  
- External growth is our choice



A young girl with blonde hair in pigtails and a small, fluffy white dog are sitting on a sandy beach. The girl is wearing a yellow shirt and is smiling. The dog is also smiling. In the background, several people are sitting on the sand, and the ocean is visible. A yellow bucket is next to the girl.

## 4. A managed and profitable growth strategy

- Capitalize on R&D
- Extend geographic coverage
- Improve profitability



4. Strategy: capitalize on R&D

## Regular product development

- ➔ Capitalize on existing products (new countries, indications, species, etc.)
- ➔ Complement the range through distribution of “imported” products
- ➔ Develop innovative products

In all, around 20 promising research projects, including:

Anti-infective	Pain and inflammation	Cardiology and nephrology
Optimize the life cycle of marbofloxacin ➔ Market clearance obtained for France ➔ On the market in 2006	Treat chronic and acute pain in companion animals ➔ On the market in 2010	Support for renal function in companion animals ➔ On the market in 2007/2008
Single treatment for 2 serious diseases that affect ovine	Surgical treatment for companion animals ➔ On the market in 2008	Cardiac Insufficiency in dogs ➔ On the market in 2011
Oral anti-infective for production animals		

**Continue to extend and renew product ranges**



**4. Strategy: extend geographic coverage**

## Geographic expansion

→ **Increase our penetration of the US market**

→ **Gain a foothold in the Chinese market**

- Food producing animals
- Companion animals

→ **Consolidate our presence in Europe**

- Italy, Portugal...

... mainly through **acquisitions**

**Develop Vétoquinol in promising growth markets**



**4. Strategy: increase profitability**

## Continuous improvement is our goal

- **Purchasing**
- **ERP – Caribou project**
- **Supply chain**
- **Sales forces**
- **R&D**

**Optimize profitability**



**4. A profitable and managed growth strategy**



A close-up photograph of two brown cows nuzzling each other in a field. The cow on the left has a white patch on its forehead. The background is a clear blue sky and a blurred field.

## 5. The Initial Public Offering (IPO)



## 5. Initial Public Offering (IPO)

# Why an IPO?

- Increase equity to seize significant external growth opportunities
  
- Build awareness of Vétoquinol brand to
  - facilitate partnerships with labs and biotechs
  - promote alliances
  - attract new talents
  
- Share even more group success with its employees



## 5. Initial Public Offering (IPO)

# Our IPO partners



→ ODDO ET CIE

- Lead manager and of the IPO



→ Keima

- Communications agency





## 5. Initial Public Offering (IPO)

# The terms of our initial public offering

- ➔ **Number of shares offered prior to extension and over-allotment option, i.e. a maximum of 1 524 899 shares including:**
  - 1 028 766 existing shares
  - 496 133 shares created through new equity issue

The number of new shares floated may be reduced to bring the issue to around €10 M
  
- ➔ **Extension clause**
  - Up to 228 735 additional existing shares
  
- ➔ **Over-allotment option**
  - Up to 157 895 new shares floated
  
- ➔ **Offering price range: €19.40 to €22.40 per share**



## 5. Initial Public Offering (IPO)

# The terms of our initial public offering

### → Size of the offering at median-point in the indicative range (€20.90 / share)

- Before extension and before exercise of over-allotment option: a maximum of €31.9 M
- After extension and before exercise of over-allotment option: a maximum of €36.7 M
- After extension and after exercise of over-allotment option: a maximum of €40.0 M

### → Structure of the offering

- A Public Offering in France, in the form of an OPO (Open Price Offer) intended for physical persons (i.e. individual investors)
- A Global Placement intended for institutional investors in France and abroad, with the exception of some countries (in particular, the US, Canada, Japan and Australia)

### → Promise to maintain shares

- For ceding financial investors, on the latest of the following dates:
  - March 31, 2007 or
  - The date on which the Company publishes its annual financial statements for the year ended December 31, 2006



## 5. Initial Public Offering (IPO)

# The terms of our initial public offering

→ **Listing on Eurolist of Euronext Paris, Compartment B**

→ **Timetable**

- November 6, 2006      OPO opens  
Global Placement opens
- November 15, 2006      OPO closes (at 5 pm)
- November 16, 2006      Global Placement closes (at noon – barring early close)  
Pricing of the Offer  
Initial listing of Vétoquinol shares
- November 17, 2006      Trading begins on Eurolist of Euronext Paris
- November 21, 2006      Settlement and delivery of shares offered through the Offering
- December 15, 2006      Last day to exercise over-allotment option



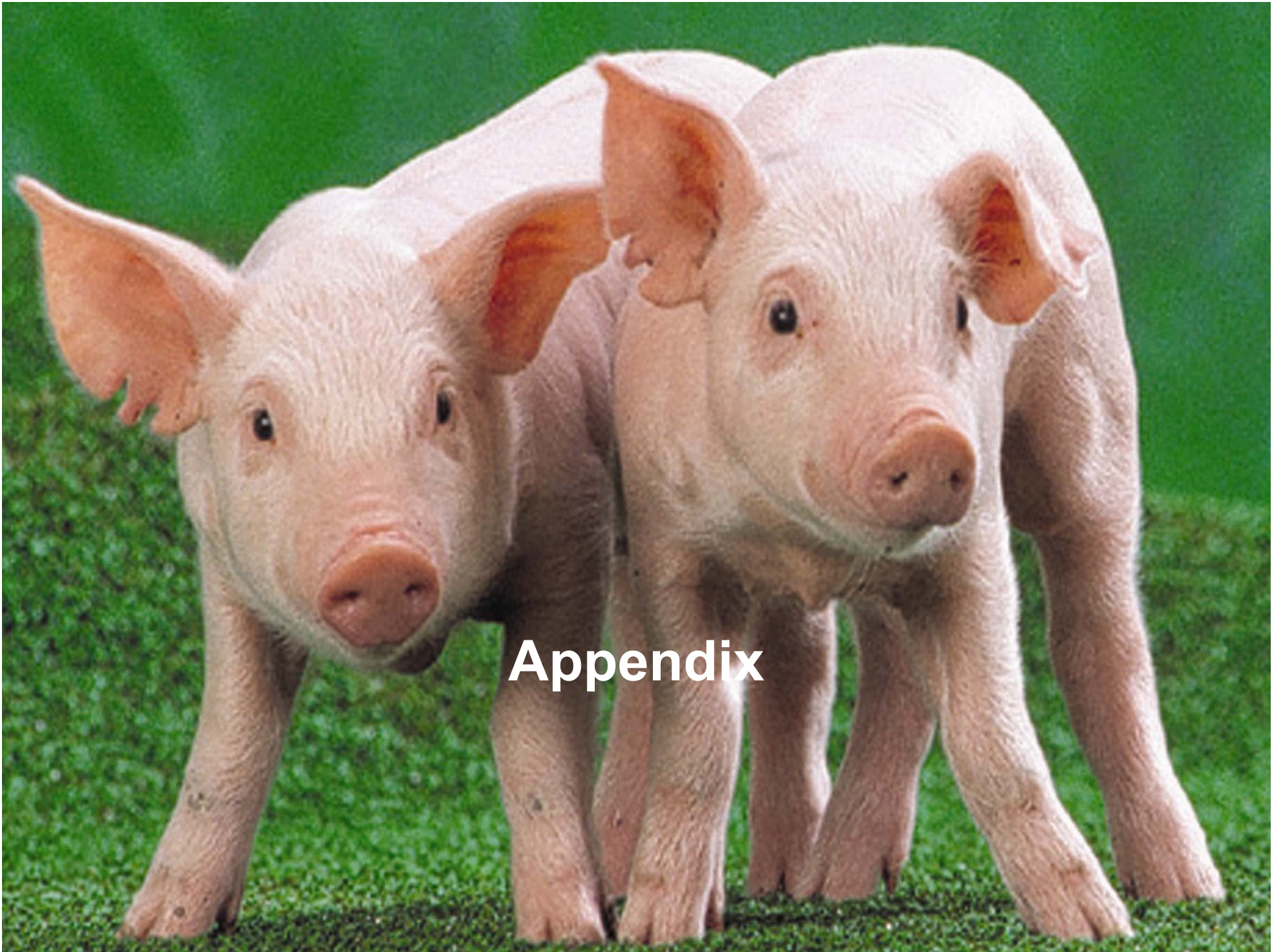
## 5. Initial Public Offering (IPO)

# The terms of our initial public offering

→ Change in equity or distribution of equity (capital ownership/voting power)

	Before IPO	After IPO and before exercise of the extension clause and over-allotment option	After IPO and exercise of extension clause and before exercise of over-allotment option	After IPO, after exercise of extension clause and after exercise of over-allotment option
	% Capital	% Capital	% Capital	% Capital
Soparfin	61.52%	54.94%	54.94%	54.16%
Close family of Etienne Frechin	9.43%	9.01%	9.01%	8.88%
Other members of the Frechin family	10.69%	10.21%	10.21%	10.07%
Middle Market Fund II	7.81%	4.72%	3.68%	3.63%
3i Solutions	7.81%	4.72%	3.68%	3.63%
Employees	2.74%	2.62%	2.62%	2.58%
<b>Total, historical shareholders</b>	<b>100.00%</b>	<b>86.21%</b>	<b>84.14%</b>	<b>82.96%</b>
<b>New shareholders</b>	<b>0.00%</b>	<b>13.79%</b>	<b>15.86%</b>	<b>17.04%</b>
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

	Before IPO	After IPO and before exercise of the extension clause and over-allotment option	After IPO and exercise of extension clause and before exercise of over-allotment option	After IPO, after exercise of extension clause and after exercise of over-allotment option
	% Voting power	% Voting power	% Voting power	% Voting power
Soparfin	61.99%	59.25%	60.62%	60.14%
Close family of Etienne Frechin	9.97%	9.86%	10.09%	10.01%
Other members of the Frechin family	11.29%	11.17%	11.43%	11.34%
Middle Market Fund II	7.07%	4.83%	3.21%	3.18%
3i Solutions	7.07%	4.83%	3.21%	3.18%
Employees	2.61%	2.51%	2.57%	2.55%
<b>Total, historical shareholders</b>	<b>100.00%</b>	<b>92.46%</b>	<b>91.12%</b>	<b>90.40%</b>
<b>New shareholders</b>	<b>0.00%</b>	<b>7.54%</b>	<b>8.88%</b>	<b>9.60%</b>
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>



**Appendix**



Appendix

# Vétoquinol: a logic of choices

1933  
Vétoquinol's  
foundation

1977  
1<sup>st</sup> setting  
abroad



42 M€

Tolfédine®

Marbocyl®

Aurizon®

Prilium®

Clavaseptin®

1990

2005

€197 M

Geographic development

Product innovations