Vétoquinol
a Sign of Passion

# VÉTOQUINOL: 2008 RESULTS EXPECTED TO BE IN LINE WITH OBJECTIVES

*Lure, 26 August 2008* - At its meeting of 25 August 2008, the Board of Directors of Vétoquinol S.A. reviewed the Group's operations and approved the financial statements for the first half of 2008.

| *In millions of euros* | **H1 2008** | **H1 2007**[1] | **Change** |
|---|---|---|---|
| Revenues<br>*On a like-for-like basis* | **116.7** | 111.1 | +5.0%<br>*+6.6%* |
| Operating profit from continuing operations (OPCO)<br>*% of revenues* | **13.4**<br>*11.5%* | 14.4<br>*13.0%* | -6.9% |
| Operating profit<br>*% of revenues* | **13.4**<br>*11.5%* | 13.5<br>*12.2%* | -0.7% |
| Net profit attributable to parent company shareholders | **9.1** | 7.9 | +15.3% |

## Vétoquinol reports good sales

The Group increased revenues by 5% to 116.7 million euros in the first half of 2008 (6.6% on a like-for-like basis). Despite economic uncertainties related notably to the pork crisis in certain European countries and in Canada, Vétoquinol's revenue growth outpaced the market, making it the world's second[2] fastest-growing veterinary pharmaceutical laboratory at same scope and in nominal dollar terms. These good performances are attributable notably to the dynamic balance of the Group's business mix between the companion animal and livestock sectors, its geographic distribution in upward-trending markets and focus on therapeutic categories in which it has been able to develop leading products.

## Active innovation and development strategy

Vétoquinol remained highly active throughout the first half, as evidenced notably by:

- The signature of two extension agreements: one with Kibow Biotech, for the exclusive worldwide distribution of Azodyl® (cardiology and nephrology), and a second with Jurox Pty, to extend the distribution of Alfaxan® (pain management and anti-inflammatories) to all of Europe;
- The extension of Dolpac® (anti-parasitics) and Marbocyl S® (anti-infectives) in Europe, and the launch of two new products: Vetprofen® (pain management and anti-inflammatories) in the United States and Rubenal® (cardiology and nephrology) in France.

[1] Like most companies in its sector, on 1 January 2008 Vétoquinol began to include the French research tax credit in operating profit from continuing operations (OPCO). OPCO for 2007 has been restated on a pro-forma basis.
[2] Source: Vetnosis: Animal Health Monitor 88 – August 2008

The Group also acquired its Scandinavian distributor Viavet, and the Canadian company Vetcom 1979 Inc.'s portfolio of ophthalmic products, whose specialties cover 65% of the Canadian market.

Vétoquinol's fundamental scientific research activities resulted in the Company's being classified by Oseo Innovation as innovative in June 2008, making it eligible for inclusion in the mandatory compartment of FCPI-type new technologies funds.

**Net profit attributable to parent company shareholders rose by 15.3%**

In order to substantiate its growth strategy, the Group has significantly increased its investments in R&D and marketing. The Group also incurred additional expenses in relation to its expansion of the sales force. The Company was able to invest in its future while keeping OPCO/revenues in line with its medium term objectives (11% to 12%), despite the recognition of 1.2 million euros in non-recurring expenses related to changes among the Group's management personnel. Operating profit from continuing operations was buoyed by the improvement of the gross margin and the increase in the research tax credit, which had previously been reported as a deduction against income tax expense.

Net profit attributable to parent company shareholders increased by 15.3% to 9.1 million euros, thanks notably to favourable tax positions in Europe during the half.

The good level of cash flow generated by operations allowed the Group to post a debt ratio of 4.3% after financing the acquisitions carried out in the first half. Vétoquinol therefore has more than enough financial wherewithal to actively pursue its acquisition strategy.

**Outlook remains in line with the Group's objectives**

Despite the more uncertain economic conditions, Vétoquinol has confirmed the revenue and profitability objectives for 2008 incorporated in its business plan. "In spite of the economic slowdown, the animal health sector continues to trend favourably and the well-balanced structure of our business in terms of species, regions and products allows us to confirm our objectives for 2008. The initiatives we undertook to beef up our sales network and expand the number of our locations and our fairly intense new product launch campaign will also contribute to achieving our targets" declared Etienne Frechin, Chairman of the Board of Vétoquinol.

During the second half, Vétoquinol will remain highly active in external growth, pursuing negotiations with an Italian laboratory and a Chinese laboratory that are expected to be finalised within six months. The Group also expects to launch two new anti-infectives, and to conclude various extensions in pain management and anti-inflammatories and cardiology and nephrology products.

<u>Next press releases</u>: 6 November 2008: Q3 2008 revenues
23 January 2009: 2008 annual revenues

***About Vétoquinol***

*Vétoquinol, which is celebrating its 75th anniversary in 2008, is an independent veterinary pharmaceutical laboratory serving both the companion animal and livestock markets. This family-owned group specialized in animal health is the 11th largest laboratory in the world, and nearly 80% of Vétoquinol's revenues come from outside France.*

*Vétoquinol engages in the research and development, production and marketing of medical and dietary products. Vétoquinol has positioned itself in the curative sector, and has developed expertise in three major therapeutic fields: anti-infectives, pain management and anti-inflammatories, and cardiology and nephrology.*

*The Group currently distributes its products in one hundred countries throughout Europe, North America and Asia, with subsidiaries in 21 different countries and a network of 110 distributor partners. The Company has 1,350 employees worldwide.*

***Additional information: www.vetoquinol.com.***

**OUR BUSINESS: ANIMALS. OUR ADVANTAGE: PEOPLE.**

For any additional information, contact:

**VÉTOQUINOL**
Finance department
Pierre Konareff
Tel: +33 (0)3 84 62 59 88
relations.investisseurs@vetoquinol.com

**KEIMA COMMUNICATION**
Investor relations
Emmanuel Dovergne
Tel: +33 (0)1 56 43 44 63
emmanuel.dovergne@keima.fr

Media relations
Alix Heriard Dubreuil
Tel: +33 (0)1 56 43 44 62
alix.heriard@keima.fr