

Vétoquinol

Our business, animals

Our advantage, people

Message from the President

**2008, a year
of contrasts**

Strategy

**The veterinary surgeon
in the heart of our concerns**

Prospects

**Vétoquinol,
a group turned
towards the future**

Vétoquinol



a Sign of Passion

2008 activity report

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Only one business: **animal health**



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Vétoquinol, a family-owned, independent veterinary pharmaceutical company, is exclusively devoted to animal health. Its business is voluntarily equally focussed on companion animals and livestock.

Already established in the French market, 78% of the Group's consolidated turnover (234.4 million euros in 2008) is now generated outside France. The 1,400 employees of the Group work in research & development, manufacturing, marketing and sales.

This "small business" in France is now ranked 11th in the worldwide animal health market (excluding feed). It manufactures and distributes 700 medicinal and non medicinal products in almost 100 countries throughout Europe, North America and Asia. It has subsidiaries in 22 countries and a network of 140 third-party distributors.

This expansion, +29% since 2004, is due to the judicious combination of external growth and the development of market leading products, as well as clearly focussing on:

- three main therapeutic areas: infectious diseases, pain and inflammation and cardiology-nephrology,
- three territories (Europe, North America and Asia),
- three species (companion animals, cattle and pigs).

11th pharmaceutical company in the world and 3rd dedicated to animal health

No. 2 in Poland // **No. 3** in Canada // **No. 5** in France // **No. 10** in Italy

No. 2 in anti-infectives in an oral form for companion animals in Europe

No. 3 in injectable anti-infectives for livestock in Europe

9% of market share in injectable antimicrobials in Western Europe

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Cover: Culture of a strain of *Staphylococcus aureus* (golden staphylococcus), causing human diseases as well as infections in animals, such as mastitis in cattle. This bacterial strain is haemolytic, i.e. it uses blood to grow. Its culture in a medium that contains blood gives a halo visible by light around the bacteria, after one night of growth in an oven.

“2008, a year of contrasts”

By **Étienne Frechin**, President

T

he year 2008 was marked, for Vétoquinol, by contrasting performances. The first six months were on the rise (+5%) and the following six months suffered from the worldwide economic crisis (-3.7%). The measures taken as from the 4th quarter allowed to maintain our performance in the high range of our economic model.

High profitability and financial reliability

Our OPCO/revenues ratio is kept in the range at 11.8%, according to our economic model (11 to 12%). As regards our low gearing, below 8% despite the acquisitions performed, it still allows us to resort to loans for future external growth.

New products, new territories

In 2008, Vétoquinol was very active in two major fields of its strategy: the launch of new products and external growth.

Thus, several new products were marketed in Europe and in North America and the marketing territory of a number of existing products was extended. Thanks to acquisitions, we have reinforced our positions in Canada, in Scandinavia and above all in Italy, where we now have our own subsidiary.

Progressing on the strategic directions

Vétoquinol continued in 2008 its strategy of focusing on the animal species, the therapeutic fields and the territories identified as being priorities.

The sale of our medicines for cattle and pets, accounting for 84% of our turnover, increased. The year was more difficult on the swine market, especially in Europe and Canada.

We performed well on each of our three expertise fields: anti-infectives, pain-inflammation and cardiology-nephrology. The share of the other products progressively decreases, according to our strategy.

Last, we have maintained our market shares at worldwide level. Although our subsidiaries in Spain and Poland faced unfavourable local situations, we have recorded good performances in the United States and in the United Kingdom.

2009 prospects

2009 is a complex year, with a changing economic context, which prompts us to be prudent. But the lines founding our strategy remain unchanged.

Thus, we continue our significant investments in research & development, in order to discover innovating medicines. Our research aims at facilitating the disease management and the conditions of use of the products.

As regards external growth, the administrative formalities for our installation in China are on-going. We are also examining several acquisition dossiers, especially in India and in America. We pay particular attention to the opportunities that will follow from current mergers between the major players of the market.

To conclude, Vétoquinol continues its controlled and profitable growth, guaranteeing it continuity.

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2008, A YEAR RICH IN LAUNCHES AND ACQUISITIONS



JANUARY FELINE HERPES VIRUS LAUNCH OF ENISYL®-F

After two years of successful marketing in the United States and Canada, Vétoquinol launched Enisyl®-f in Europe. In cats with FHV-1, Enisyl®-f helps to prevent disease related infections, and also reduces the symptoms and their severity. Enisyl®-f is an innovative nutraceutical, 100% natural, consisting of L-lysine in a palatable paste administered using a dial-a-dose syringe.

JANUARY PAIN-INFLAMMATION DISTRIBUTION OF VETPROFEN™ IN THE USA

This nonsteroidal anti-inflammatory based on carprofen brings relief to dogs suffering from osteoarthritis or postoperative pain. Vetprofen™ is innovative because not all nonsteroidal anti-inflammatory products are labeled for both indications. Veterinarians have a long history of experience with use of carprofen, so this launch contributes to raise Vétoquinol's profile on the American market and helps to bring more awareness to its growing range of products. A real success in only a few months!

FEBRUARY CARDIO- NEPHROLOGY AZODYL® SETS OUT TO CONQUER EUROPE



After the success of Azodyl® in North America, Vétoquinol is extending its partnership with Kibow Biotech, Inc. to the international level. Azodyl® is an innovative, patented product, 100% natural, consisting of (probiotic) bacteria, which reduces azotaemia in dogs and cats with renal insufficiency.



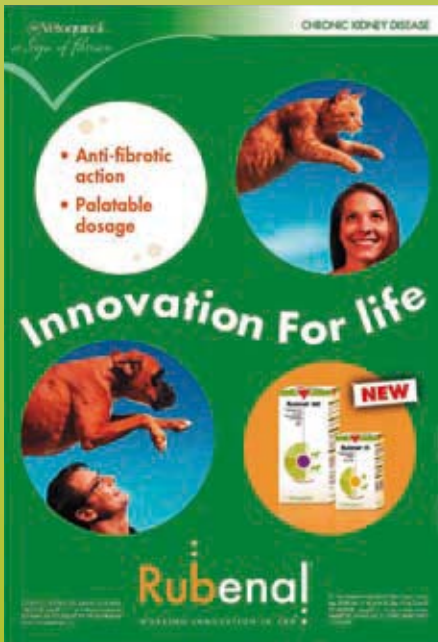
JULY EXTERNAL GROWTH ACQUISITIONS IN CANADA AND IN SCANDINAVIA

Vétoquinol continues its external growth strategy in Europe and North America. The acquisition at 100% of its Scandinavian distributor gives it a direct access to the Swedish, Danish and Norwegian markets. In Canada, the buy-back of the Vetcom range completes its presence regarding pets.



DECEMBER
EXTERNAL GROWTH
ACQUISITION IN ITALY

Vétoquinol reinforces its position in Italy, the 5th European market, by purchasing Ascor Chimici. This specialist in livestock employs 63 people and achieved sales of 20.8 million euros in 2008. The company manufactures and markets antibiotic medicines intended for cattle, pigs and poultry, as well as medicated pre-mixtures. Ascor Chimici also distributes pharmaceutical products.



NOVEMBER
CARDIO-
NEPHROLOGY
LAUNCH OF RUBÉNAL®

Rubenal® is a feed supplement intended to support the kidney function in dogs and cats in case of chronic kidney failure. It limits the development of kidney fibrosis, thus contributing to the life quality of the animals affected. Its divisibility and its excellent palatability (taste) facilitates its administration.



SEPTEMBER
PAIN-INFLAMMATION
LAUNCH OF ALFAXAN®
IN EUROPE

After its success in the United Kingdom in 2007, Alfaxan® is launched in Europe. This anaesthetic, specially developed for pets, acts rapidly, allows for quick recovery and is quickly eliminated. Easy and safe anaesthesia.



**76 YEARS IN THE SERVICE
OF ANIMAL HEALTH P.08**



**THE ANIMAL HEALTH
MARKET P.10**



**A FOCUSING
STRATEGY P.12**

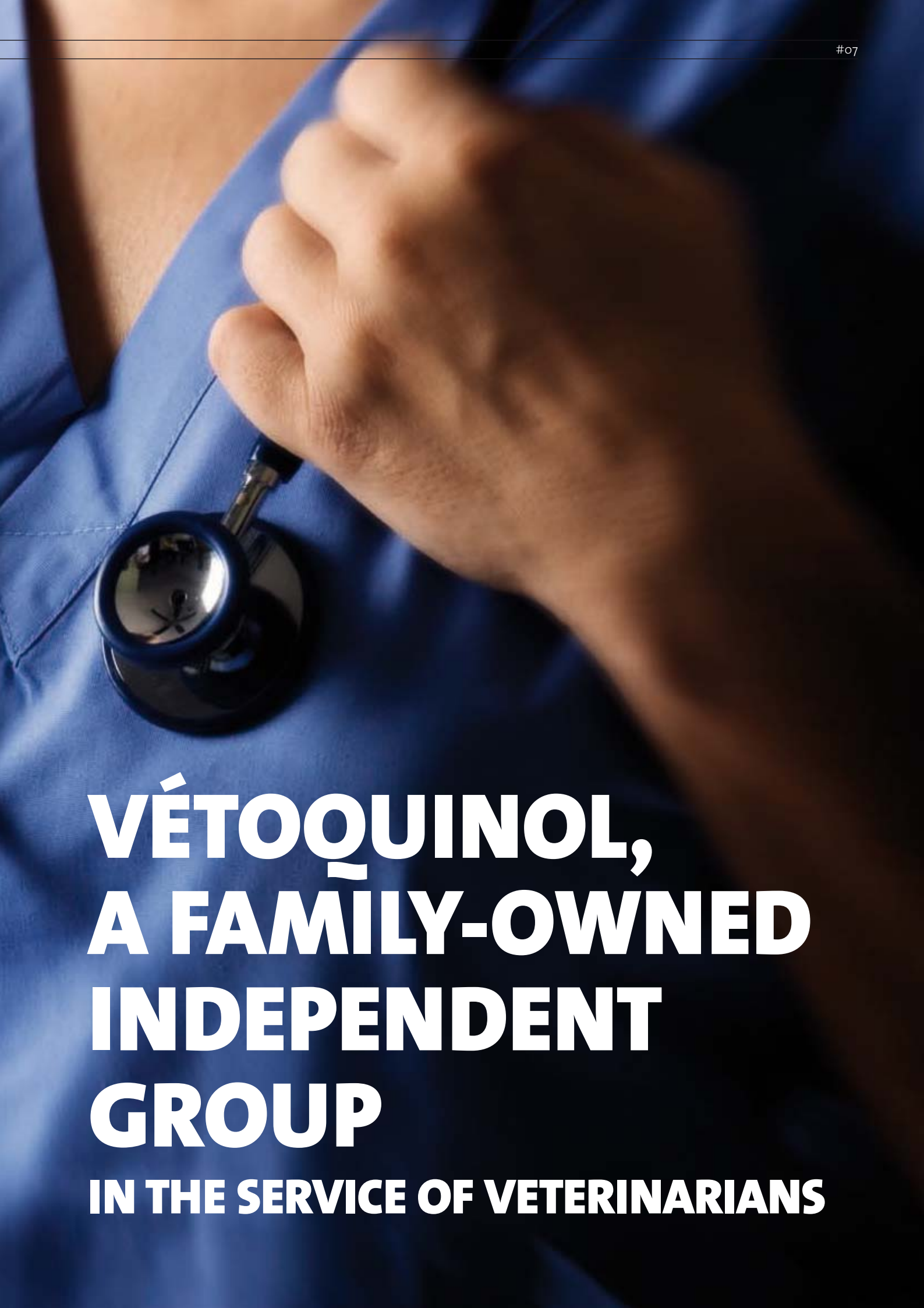


**A PROVEN GROWTH
STRATEGY P.14**



**BEING THERE
FOR VETERINARIANS
ON A DAILY BASIS P.16**





**VÉTOQUINOL,
A FAMILY-OWNED
INDEPENDENT
GROUP**

IN THE SERVICE OF VETERINARIANS

76 years in the service of animal health

Vétoquinol wants to be a perennial, international and independent company in the animal health industry, acting for the protection and well-being of animals and people and recognized as a leader on targeted markets: Europe and North America.

- 1933** • First quinoline-based veterinary product, Vétoquinol, developed by Joseph Frechin, Doctor of Pharmacology
- 1962** • Founding of Vétoquinol S.A., devoted to animal health
• Arrival of Étienne Frechin, son of Joseph Frechin, current President
- 1980** • Research & development center opened
- 1987** • Tolfedine[®], first marketed (anti-inflammatory)
- 1995** • European launch of Marbocyl[®] (anti-infective)
- 1999** • Acquisition of J.Webster in Canada (40 employees)
- 2001** • Acquisition of Swiss-based group Chassac and subsidiaries in Europe (401 employees)
- 2002** • Evsco and Tomlyn ranges bought from IGI Inc. in the USA
• Prilium[®] launched (canine cardiology)
- 2003** • New premises at Lure double the amount of space for research & development
- 2004** • Choice to concentrate exclusively on the development of curative products
• Sales office opened in Shanghai, China, for Asia-South Pacific
- 2005** • Launch of Clavaseptin[®] (anti-infective)
- 2006** • Lure manufacturing site modernised and production capacity increased
• Acquisition of Semyung Vet in South Korea and Vet Solutions in the USA
• Listed on Paris stock market
• Launch of Marbocyl[®] S (antibiotic), Dolpac[®] (antiparasitic) and Flexadin[®] (chondroprotective agent)
- 2007** • Subsidiary established in Portugal
• Launch of Alfaxan[®] (anaesthetic)
- 2008** • Development unit established in Canada
• Acquisition of Viavet in Scandinavia
• Purchase of the Vetcom range in Canada
• Launch of Vetprofen[™] and Rimifin[®] (anti-inflammatories)
• Launch of Rubenal[®] (nutritional support for renal function)
• Acquisition of Ascor Chimici in Italy





IN 2008, VÉTOQUINOL CELEBRATED ITS 75 YEARS. ON THAT OCCASION, ALL ITS COLLABORATORS WORLDWIDE WERE GIVEN A SOUVENIR BOOK.

THROUGH THE GREAT STAGES OF THE GROUP HISTORY, IT PAYS TRIBUTE TO MEN AND WOMEN WHO MADE AND MAKE OF VÉTOQUINOL WHAT IT IS NOW.

PRODUCED FROM TESTIMONIES OF EMPLOYEES – RETIRED OR IN ACTIVE LIFE – AND WITH NUMEROUS PHOTOGRAPHS AND ARCHIVE DOCUMENTS, THIS BOOK WAS EDITED IN FOUR LANGUAGES.





THE ANIMAL HEALTH MARKET

The animal health market is a fragmented, growing market and becoming increasingly specialised, like the human health market.



Animal health is closely linked to the protection of human health, so it is governed by manufacturing, scientific and environmental legislation and regulations which are constantly changing, becoming more and more rigorous and complex.

A worldwide market

The global animal health market is about 19 billion euros in 2008 and is very concentrated.

Thirteen international groups, the largest of whom are pharmaceutical companies operating in both human and animal health, hold 81% of the world market. The regular mergers between the biggest market players generate opportunities to purchase product ranges, for pharmaceutical companies like Vétquinol.

The remaining 19% are owned by a myriad of local players who are looking to make alliances now or in future, in view of increasingly heavy investments.

The market is split into two main areas:

- The mature markets, North America and Western Europe, are characterised by strong growth, particularly in the “companion animals” sector.
- The developing markets in Asia-Pacific, South America and Eastern Europe are characterised by the growing need for animal protein and the emerging companion animals market.

If we only take into account the therapeutic fields and areas where Vétquinol has chosen to operate, its relevant market share is about 5%.

Two lines of treatment: preventive and curative

Preventive treatment covers vaccines, medicinal feed additives and some antiparasitic agents. It applies mainly to bulk treatments.

Curative treatment includes anti-infectives, other antiparasitic agents, anti-inflammatories and therapeutic categories in cardiology, nephrology, rehydration, hygiene etc. It is geared more towards treatment of individual animals. Vétquinol focuses on this segment.

Animal species: 2 sectors, 2 dynamics

Animal species are traditionally divided between livestock (cattle, pigs, poultry and sheep) and companion animals (cats, dogs, horses, exotics). These two sectors have different dynamics.

The “livestock” sector which represents 60% of the international market is a high-volume market guided by economic concerns that has to meet the growing demand in animal protein requirements in mature and developing countries.

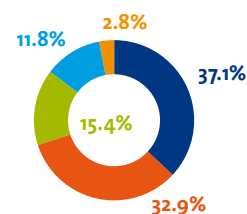
The “companion animals” sector, with 40% of the international market, is characterised by regular growth and greater added value. It is guided by owners’ feelings and is at the same time, in some countries, linked to changes in their purchasing power.

A growing market

In 2008, the worldwide animal health market increased by 2.8% in volume. In 2009, Vétquinol plans a rise of 1.5%, still in volume.

As a yearly average on the 2008-2012 period, the expected growth – in March 2008 - was 2.2% in volume (same source).

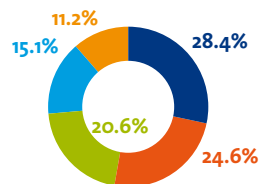
World market by geographic area



- Europe
- North America
- Asia-Pacific
- Latin America
- Rest of the world

Source: Vétquinol, March 2009

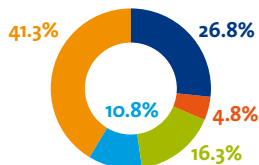
World market by therapeutic category



- Antiparasitic agents
- Vaccines
- Other
- Anti-infectives
- Medicinal feed additives

Source: Vétquinol, March 2009

World market by species



- Cattle
- Sheep
- Pigs
- Poultry
- Companion animals

Source: Vétquinol, March 2009





A FOCUSING STRATEGY

Animal species, therapeutic fields and geographical areas:
Vétoquinol makes clear choices

Vétoquinol has elected to strike a balance between livestock and companion animals, favouring profitability over risks.

Of the species which Vétoquinol knows best, it opts for species with the most potential, striking a balance between companion animals and livestock. This strategic choice allows the company to minimise the cyclical risks which affect the livestock sector and cash in on the fast-moving companion animals segment.

COMPANION ANIMALS: DOGS, CATS, EXOTICS

Emotions play a crucial role in this sector. Owners want treatments which are effective, quick and easy to administer for their companion animals. The animal's well-being and the quality of its relationship with humans must be taken into account. There is considerable potential in this growing market in terms of products and geographic areas. As with humans, the range of successfully treated diseases is expanding all the time. Therapeutic innovations are contributing to the development of this market, in the same way as the increasing provision of medical care and growth of the animal population are. As well as supplying the products, Vétoquinol offers its veterinary customers training opportunities in fast-moving scientific areas.

LIVESTOCK: CATTLE, PIGS

This market represents the largest volume in terms of production. By keeping a substantial proportion of its business in this sector, Vétoquinol is able to optimise the operating rate of its production facilities. In order to satisfy the demands of economics, which are of prime importance in this sector, Vétoquinol is constantly innovating and providing more effective treatments with both animal and consumer in mind. By targeting cattle and pigs, Vétoquinol is able to minimise any fluctuations in their respective markets whilst continuing to produce bulk quantities.

Vétoquinol is focussing on the treatments of three types of diseases.

INFECTIOUS DISEASES

Vétoquinol develops different families of antibiotics, with protocols adapted for different species. This approach combines effective treatments and respect for the environment and the consumer. In the European market, Vétoquinol is no. 2 in the segment of topical ear products for companion animals, no. 2 in oral anti-infectives for companion animals and no. 3 in injectable anti-infectives.

Launched in 1995 and source of successive innovations, Marbocyl® – the Group's flagship product – is one of the five most popular brands of anti-infectives in Europe. This antibiotic with numerous indications treats both livestock and companion animals.

Aurizon® and Oridermyl®, prescribed for treating otitis in dogs and cats, are also among the market leaders in Europe.

Launched more recently, other brands such as Clavaseptin® and Enisyl®-f make a considerable contribution to the Group's growth in the anti-infective sector.

PAIN AND INFLAMMATION

Alleviating an animal's pain is a double challenge: an ethical challenge for the wellbeing of the animal, which is more and more important in our lives, as well as a medical challenge since pain has detrimental effects on health and the ability of the animal to recover.

Vétoquinol range in this area is therefore aimed at preventing pain, particularly during surgery, reducing it when it appears and eventually managing chronic situations by improving the animal's comfort, for example in cases of osteoarthritis.

Vétoquinol satisfies these various needs thanks to a complete range of products and services for veterinarians:

- for surgery, analgesics and anaesthetics - including the recent launch of Alfaxan®, specifically developed for companion animals, - and the distribution of a range of surgical equipment,
- for the management of acute pain and inflammation, several nonsteroidal anti-inflammatories (NSAID) : Tolfedine® for dogs and cats, Tolfine® for livestock, Rimifin® in Europe and Vetprofen™ in the United States for pets,
- for the management of chronic pain, especially in case of osteoarthritis : Flexadin® and Caniviton®.

CARDIOLOGY AND NEPHROLOGY

Cardiac and renal insufficiency are the most common chronic diseases affecting respectively elderly dogs and cats. Vétoquinol has developed some innovative treatments in this fast-growing sector.

Prilium®, a product for dogs with cardiac insufficiency, has an innovative galenic formulation: the only one in its category to be marketed in a liquid form. It is available in most European countries, Canada, Australia and New Zealand.

The rest of the range is dedicated to treating renal insufficiency with particularly innovative brands: Rubénal®, Ipakitine® / Epakitin® and Azodyl® in Canada and North America. The Group is also consolidating its position as experts in this area, in particular by offering training tools such as Vétoquinol Academia.

Vétoquinol focuses on three geographical areas.

Europe constitutes a sound historical basis and a source of profitability for Vétoquinol. North America is the first market in the world for pets. Last, Asia presents with interesting growth prospects.





A PROVEN GROWTH STRATEGY

Ever since it came into being, Vétoquinol has pursued a policy of sustained expansion, both organic and external. Controlled and profitable, growth has been achieved in a regular, targeted way at a pace which matches its financial resources and its ability to absorb acquisitions. The Group has extended its international network, consolidated certain therapeutic categories and recouped its research costs, while spreading the risk.

4

Four priorities in the next four years

CONSOLIDATING ITS PRESENCE IN EUROPE

The place where the Group first began, Europe now represents 70% of its sales. Vétoquinol's market shares in Europe are contrasting, according to country. The prospects for market growth by 2012 promise renewed development potential. As well as adding to the sales, technical and marketing teams in its subsidiaries, Vétoquinol is constantly improving coverage of the European territory with its existing ranges of products.

INNOVATING

- Capitalising on existing products. In fact, Vétoquinol is making the most of the existing range, by expanding the sales regions and developing new indications or targeting new species.
- Developing innovative products which are the result of its own research. Vétoquinol believes that the ongoing projects in its expertise areas will contribute to its future growth.
- Adding to and changing the product range with distribution-in products. Two agreements with American and Australian partners got geographical extensions in 2008.

CONTINUING EXTERNAL GROWTH

Vétoquinol has a proven capacity for organic growth, coupled with real expertise in acquiring and incorporating companies. With innovation, external growth is still an important mainstay of the Group's future growth.

- **Europe.** In 2008, Vétoquinol carried through its project of direct representation in Scandinavia and Italy. It is also interested in countries with potential, such as Spain, Germany and the UK.
- **North America.** In Canada, acquiring the up-market ophthalmic anti-infectives of Vetcom reinforced the position of Vétoquinol in pets in 2008. In the USA, the sales network aimed at veterinarians is now close to its envisaged size of 40 representatives.
- **China.** There is very great potential both for livestock and companion animals in this huge market. The aim is to acquire a local laboratory so that Vétoquinol products can be gradually introduced. In 2009, concrete expression should be given to an agreement, signed in December 2008 with a Chinese animal nutrition group.

IMPROVING ALL THE TIME

The operation which began a few years ago is continuing in a more structured way and will affect all departments of the company. For example:

- Centralising stocked purchases at Group level in order to reduce manufacturing costs.
- Setting up a shared information system (ERP – Enterprise Resource Planning) at all the Group's companies in order to reduce stocks and improve the real indicators that will help to steer the company.
- Optimising the supply at every stage to give customers the right quality and quantity of product, on time. All at a retail price which is right for the market, and always with the Group's profitability in mind. This process ensures that distribution flow, which will become more complex as the Group takes on an even more international dimension, is regulated and enables the subsidiaries to focus on their sales objectives.
- Continuing with training of sales networks and introducing common methods.





BEING THERE FOR VETERINARIANS ON A DAILY BASIS

As an expert in diseases and a major actor in the prescription process, the veterinarian is pivotal to animal health. Vétoquinol's goal is to provide him/her with real solutions.

Vétoquinol's vocation is animal health, which means helping veterinarians in their day-to-day work. In concrete terms, Vétoquinol is developing original, safe, effective drugs and products for veterinarians with practical galenic formulations: drugs and non medicinal products which represent real progress.

Our close links with veterinarians are evident from the personal, lasting relations maintained by the sales representatives of the Group.

The sales networks and channels of product distribution are organised to fit in with the practices and culture of each market country and to address customers' concerns more satisfactorily.

Apart from the organisational aspects, Vétoquinol is introducing various initiatives which really put the veterinarian first.

Listening to customers

Vétoquinol regularly conducts satisfaction surveys of veterinarians in its main markets.

Conducted by an agency to guarantee objectivity, these surveys cover five major areas: product range, representatives, services, business conditions and communication. As a result of the "Customer's Voice" programme, improvements have been made. Result: since 2003, there has been an increase in Vétoquinol customer satisfaction in most of the countries surveyed.



High-quality international symposia...

- **2002 - Prague**
First international symposium on cardiology in companion animals.

- **2004 - Naples**
The first European summit on mastitis, attended by experts and practitioners.

- **2005 - Madrid**
Symposium on the treatment of *Actinobacillus pleuropneumoniae* – a bacterium which causes respiratory diseases in pigs.

- **2006 - Paris**
Symposium on "innovations in antibiotic treatment for companion animals".

- **2006 - Lisbon**
Symposium on "the treatment of urinary infections in sows".

- **2007 - Nice**
Symposium on "state of the art in nephrology".

- **2008 - Brussels**
Symposium on "best practices in surgery".

- **2008 - Lisbonne**
Symposium about "new developments in antibiotic treatment for companion animals"...

and numerous national seminars...

From theory to practice for veterinarians: Vétoquinol Academia

Vétoquinol has founded Vétoquinol Academia, a combination of training, information and aids for veterinarians in their daily work. Under this name, Vétoquinol organises scientific meetings and training programmes that are recognised throughout the world and supported by acknowledged experts in their field. International symposia are then available at a local level. Due to the high standard of these events, satisfaction scores are always high with many positive comments.

AVSF: a renewed commitment

To build further on its commitment to veterinarians, Vétoquinol supports the work of Agronomes et Vétérinaires Sans Frontières (AVSF). After a profit-sharing campaign in 2005 and providing financial backing for the book "Histoires sans faim" in 2006, Vétoquinol has committed itself for three years (2007-2009), supporting two animal health projects conducted by the association in Mali.

As an international solidarity association, AVSF has been intervening for 30 years with 60 projects in developing countries, in Africa, South America and Asia. AVSF works with the poorest peasant families, to develop their agriculture and rearing, and to implement long-lasting solutions to the food crisis.





**R&D: INNOVATION
AND EFFICACY P.20**



**VÉTOQUINOL, PEOPLE
AND VALUES P.22**



**INTERNATIONAL:
STRATEGIC
SETTLEMENTS P.24**



**VÉTOQUINOL AND THE
STOCK MARKET P.26**



**2008, A YEAR
OF TRANSITION P.28**



A close-up photograph of a person wearing white nitrile gloves operating a piece of stainless steel laboratory equipment. The person is holding a cylindrical component of the machine. In the background, there are several clear plastic bottles with blue caps on a metal tray. The setting appears to be a cleanroom or a laboratory. The overall lighting is bright and clinical.

VÉTOQUINOL, A GROUP TURNED TOWARDS THE FUTURE



R&D: INNOVATION AND EFFICACY

Vétoquinol's expertise and excellence in Research and Development (R&D) enable the company to offer its customers, veterinary surgeons, increasingly adapted therapeutic solutions.

Around one hundred scientists and 17 million Euros invested every year

Producing new medicine is the fruit of a long and complex process, led by scientists specialised in a number of sectors. Vétoquinol R&D relies on 110 employees working on three separate sites: one main centre in France, a development unit in Canada and a ten-strong team in Poland. The skills and expertise of the R&D teams along with rigorous and optimised management of the development process contribute to creating internationally renowned medicines.

A portfolio to match the challenge

Vétoquinol's innovative portfolio provides the means for the company to reinforce its position as leader in anti-infectives and to further develop its two further areas of expertise. A number of applications should be submitted to the health authorities by 2011. Around twenty products are currently under development, including:

- Anti-infectives: within the context of the marbofloxacin life cycle, innovative treatment for two major pathologies affecting pigs,
- Pain-inflammation: a project relating to chronic and acute pain in pets is currently being finalised,
- Cardiology-nephrology: a product for canine heart failure.

Research & development is a stake in the future. By investing in R&D and by pledging to an organisation focused on innovation, Vétoquinol offers increasingly adapted therapeutic solutions and unprecedented medicines.



Innovation at the heart of R&D

Vétoquinol began reorganising its research structure in 2008 to make innovation and effectiveness its primary objectives.

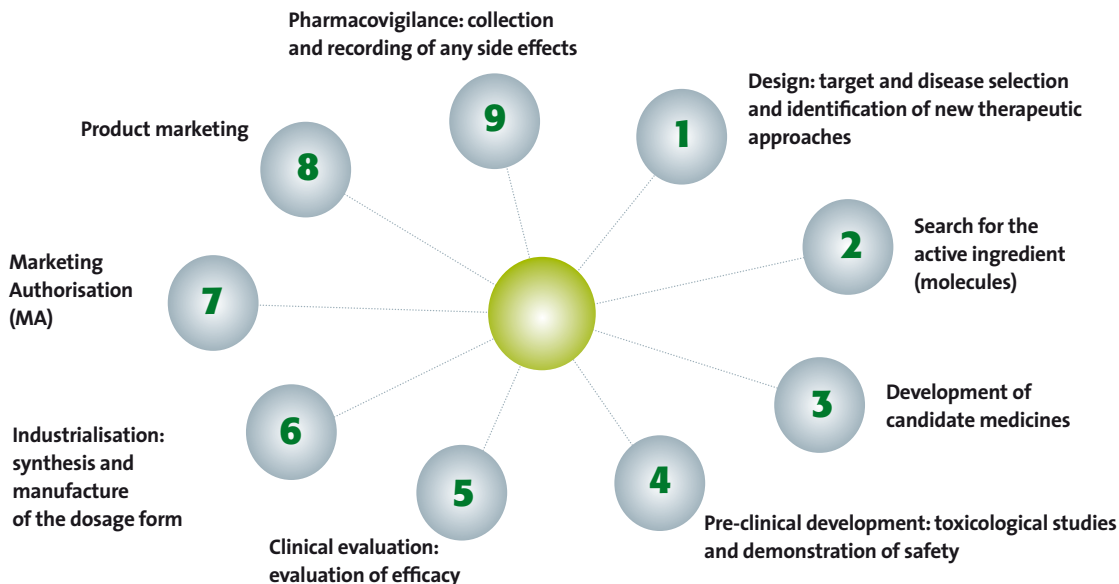
To be able to propose therapeutic solutions that improve treatment efficacy, intake of medicines and animal well-being, the Vétoquinol R&D teams are exploring several development approaches.

Upstream of the process, the Innovation Division is focusing on cutting-edge technologies and services. The Group's scientists are developing original medicines that represent major progress in terms of treatment management. These medicines are developed from new molecules deriving from biotechnologies or from copyright-free molecules.

Innovation is concentrated within the areas of expertise and is completed by the establishment of preferred partnerships with international experts and research bodies.

Vétoquinol R&D encourages innovation for conquering new horizons.

The main phases of veterinary medicine development





VÉTOQUINOL, PEOPLE AND VALUES

On a day-to-day basis, Vétquinol relies on strong values which help to motivate and energise the Group: audacity, genuineness, commitment, team spirit, open-mindedness and performance.

V

Vétoquinol's values are reference points which guide the behaviour of each individual in his/her daily work. They enable colleagues with different aspirations to work together harmoniously, throughout the world and also help to ensure that actions and decisions are more consistent.

Audacity

Daring, innovating, putting forward alternative solutions, advancing with determination and pragmatism. At Vétoquinol, a sense of risk combines courage and realism.

Genuineness

Growing but staying true to oneself: we are a Group where the human aspect counts. Genuineness means simplicity, frankness and quality of relationships, both within the company and with our customers, our partners and our suppliers.

Commitment

Putting all the Group's energy and resources into promoting its vocation, by taking responsibility and using all the Group's skills.

Team spirit

Sharing success and overcoming obstacles together. The success of Vétoquinol products is the outcome of a complex blend of various specialist skills – veterinarians, pharmacists, scientists, technicians as well as sales, administrative, manufacturing and logistical staff.

Open-mindedness

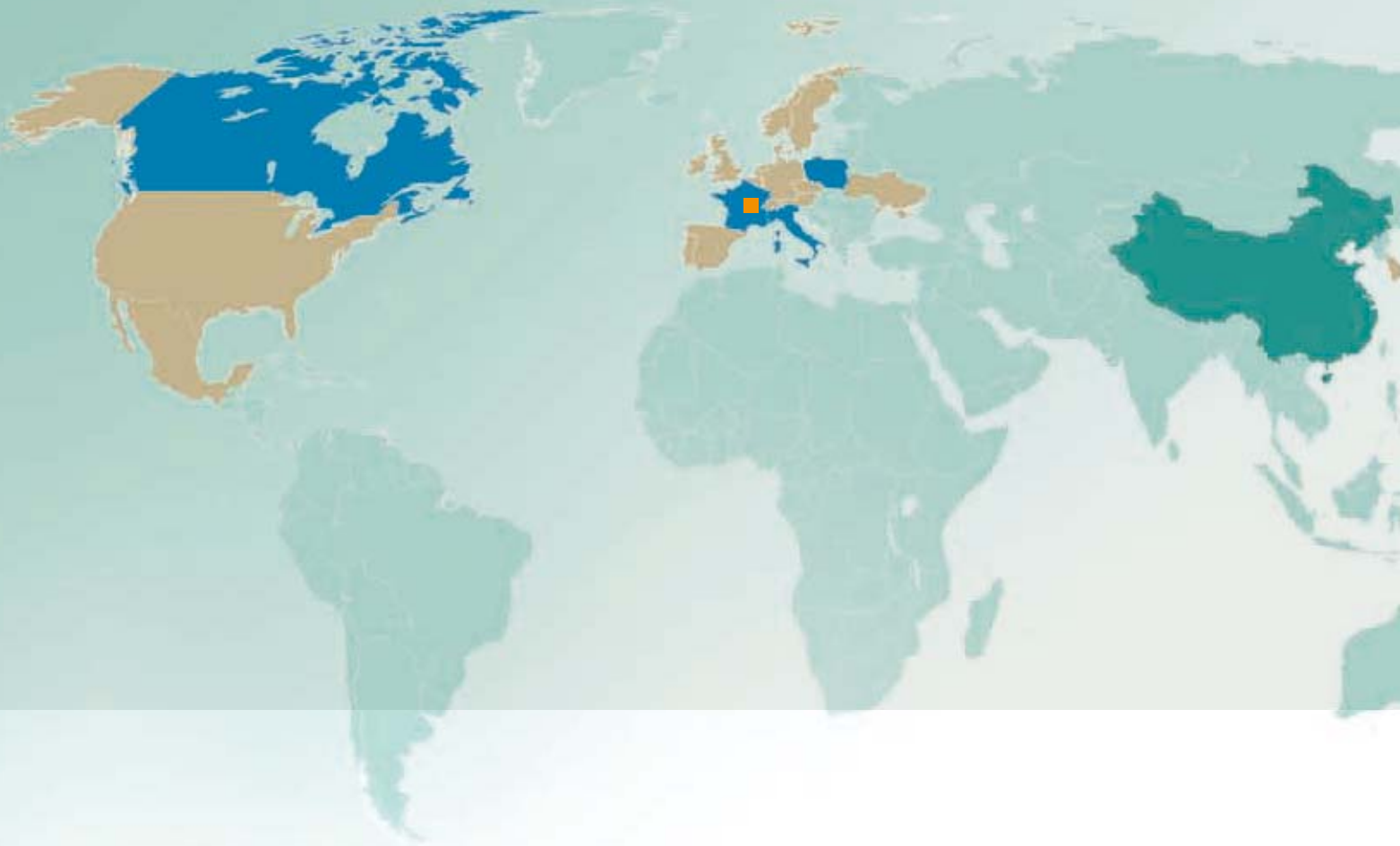
Being curious, keeping in touch with the market, welcoming diversity without prejudice. By being open, we can develop ideas, improve working methods and compare ourselves with the best.

Performance

Achieving controlled, profitable growth whilst delivering what the customer wants.



The in-house satisfaction survey conducted by Ipsos for Vétoquinol showed the solid foundations on which the Group can rely: company loyalty, support for its values, high level of personal commitment. 86% of salaried staff say they are proud of their company. 93% are highly committed to their work. Finally, salaried staff agree with the Group's values which are the same as their own values, in 9 cases out of 10. The results showed where improvements can be made. Wherever necessary, action plans have been drawn up and are implemented progressively.



INTERNATIONAL: STRATEGIC SETTLEMENTS

Vétoquinol covers the major world markets, and is well-established in more mature markets and also in fast-growing areas: Western Europe, North America and Asia.

The manufacturing sites

LURE (France)

Products: essentially pharmaceutical

Forms: sterile liquids, non sterile liquids and creams, tablets, granules, powders

Market: worldwide

GORZÓW (Poland)

Products: pharmaceutical and non-pharmaceutical

Forms: granules, powders, sterile (for injection) and non sterile liquids, insecticides, liquids, tablets

Market: Central and Eastern Europe

PRINCEVILLE (Canada)

Products: pharmaceutical and non-pharmaceutical

Forms: liquids and pastes, powders and solutions, penicillin powders and solutions

Market: essentially North America

TARARE (France)

Products: non pharmaceutical

Forms: powders, granules, liquids and pastes

Market: essentially Europe, marginally America

FORLI (Italy)

Products: pharmaceutical and non-pharmaceutical

Forms: powders, liquids, specialising on premixes and micro-encapsulation

Market: Italy and export

■ Sales offices

■ Head office

■ Manufacturing and distribution subsidiary

■ Distribution subsidiary

There are two economic reasons for setting up overseas:

- to obtain a return on expensive products, particularly in terms of research, over a wider area,
- to gain access to the most buoyant markets in terms of the Group's sectors – companion animals such as dogs and cats versus livestock such as cattle and pigs.

Firmly established in Europe, the Group has opened up the North American market – ranked 3rd in Canada and, more recently, the Asian market – South Korea in 2006.

In most countries, the sales networks are responsible for different species and deal with specific market features in each market.

Producing near the markets

As Vétoquinol develops internationally, it ensures that the markets are well supplied. The production strategy relies on five sites; they tend to be specialized by pharmaceutical form. To optimise logistics costs and improve reactivity, each site serves the markets located in its continent as a priority, but may also deliver to all the worldwide markets.

Expanding whilst adhering to its values

The main method of international expansion is by acquisition. Making the most of its partners' expertise – an important selection criterion for Vétoquinol – the Group's policy is to retain existing teams. Vétoquinol grants them autonomy and resources in order to satisfy the particular economic and cultural characteristics of their individual market. Vétoquinol positions its workforce as closely as possible to its customers, both geographically and professionally.

Vétoquinol will continue to expand internationally through further acquisitions, favouring collaboration with trade and industry and stepping up its presence in areas of high-consumption, particularly in Asia.

Today, Vétoquinol remains receptive to partners who are resourceful, whether they be existing products, developments or business partnerships, in order to consolidate its areas of strength and step up its international development.

VÉTOQUINOL AND THE STOCK MARKET

A commitment to sharing information

Vétoquinol is pursuing its policy of sharing information in a dynamic, transparent way. Available in both French and English, our web site, www.vetoquinol.com, gives privileged access to the Group: news, activities, products, financial information...

About the general meeting

The General Shareholder Meeting will be held on May 12th.

Any Vétoquinol shareholder, regardless of how many shares he has, can attend and vote at the General Meeting. Each share entitles the holder to vote. For more information about attending the General Meeting either in person or by proxy (postal vote), visit the web site or contact the company directly.

Vétoquinol shares

Vétoquinol's capital on 31 December 2008 comprised 11,290,332 shares with a nominal value of 2.5 euros, fully paid, registered or bearer, according to preference.

Vétoquinol shares are listed on Euronext Paris – Compartment B..

ISIN.....	FR0004186856
Reuters.....	VETO.PA
Bloomberg.....	VETO.FP
Share price on 31/12/2008.....	€15.75
Market capitalisation on 31/12/2008.....	177.8 M€
Share price on 22/04/2009.....	€14.78
Market capitalisation on 22/04/2009.....	166.9 M€

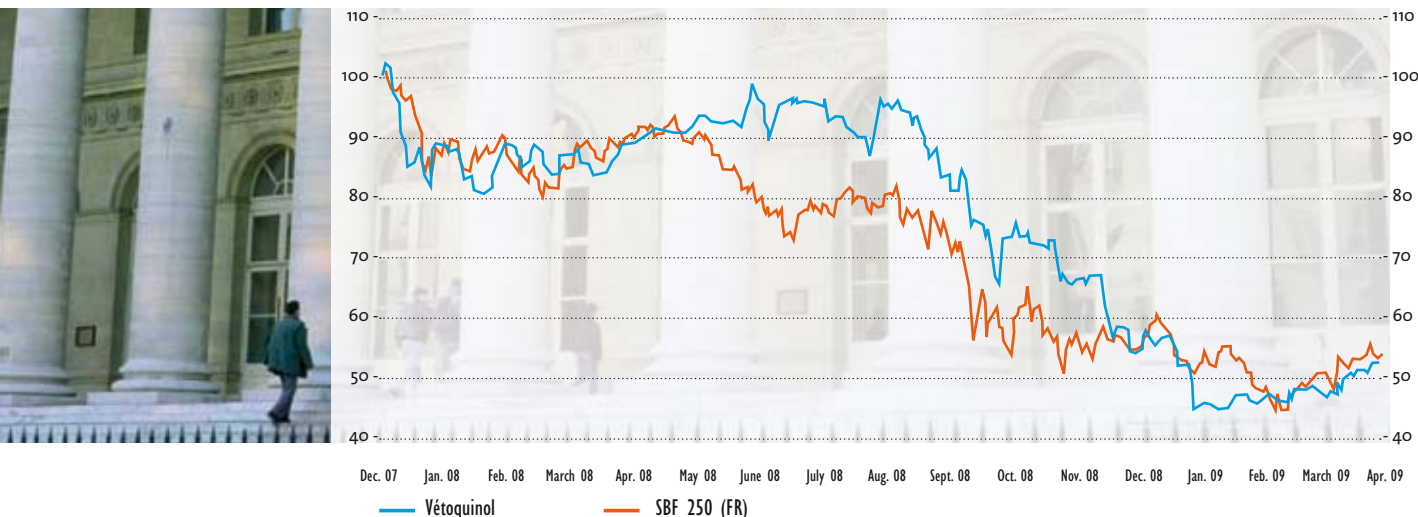
Financial dates for 2008

- 12 May 2009 – General Shareholder Meeting
- 16 July 2009 – Half-yearly turnover 2009
- 1 September 2009 – Half-yearly results 2009
- 14 October 2009 – Turnover 3rd quarter 2009

Shareholders' contact

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Vétoquinol share price trends (EUR), base 100 (22/04/2009)



CORPORATE GOVERNANCE



A family-owned company with relevant Committees.

The Managing Director, who is also Chairman of the Board, is responsible for the Group's general management, assisted by the Deputy Managing Directors.

The Board of Directors, headed by its Chairman, sets the direction of the company's business and ensures that it is followed through. The Chairman of the Board supervises the work of the Board and reports on this at the General Meeting. He ensures that the company's bodies work properly and that the administrators are able to fulfil their duties. The Board of Directors comprises eight members, including two independent administrators.

The compensation committee examines compensation packages for the company's directors and, if relevant, for employees in the Group's companies. There are three people on the Compensation Committee.

The strategic committee formulates recommendations to the Board of Directors with regard to strategy, opportunities and prospects for growth.

The audit committee is in charge of giving its views on half-yearly and yearly, consolidated and corporate financial statements.

The Strategic Committee:

- **Étienne Frechin**
(President)
- **Dominique Henryon**
(Deputy Managing Director)
- **Matthieu Frechin**
(Deputy Managing Director - Strategy and Development)
- **Alain Chaptal**
(Group Director - Industrial and Quality)
- **Pierre-Yves Colin**
(Group Director - Information Systems)
- **Alain Cosnier**
(Group Director - Innovation)
- **Didier Peoc'h**
(Group Director - Research & Development)
- **Hans Hollegien**
(Group Director - Strategy and Customer Relation)
- **Pierre Konareff**
(Group Director - Finance and Legal)
- **Isabelle Proust-Cabrera**
(Group Director - Human Resources)
- **Tom Robitaille**
(Group Director - America)
- **Dan Tasli**
(Group Director - International Development)

2008, A YEAR OF TRANSITION

Vétoquinol's revenue for 2008 reached 234.4 millions euros. With a constant perimeter and at a constant exchange rate, growth is 1.4%.

Modest increase in 2008 revenues, in a market that weakened in the fourth quarter

Mirroring the overall market for animal health, Vétoquinol's sales were uneven in 2008, with strong growth (+5%) in the first half and weaker performance in the second half, particularly in October and November.

The slowdown in the fourth quarter was due primarily to reductions in the inventories of certain wholesalers in France and Canada and the crisis in the pig market in Spain and Poland.

Revenues for the year were nevertheless 0.4% higher than in the previous year, despite the impact of the sharp decline in the pound sterling and the weakening of the U.S. and Canadian dollars. With exchange rates held constant, the growth in annual revenues was 2.9%.

In the course of the year, Vétoquinol increased its market share in Europe and the United States.

The acquisitions made during the year – the Scandinavian company Viavet in January, assets of Vetcom 1979 Inc. in Canada in July, and the Italian company Ascor Chimici in December – accounted for 1.5 percentage points of the growth in revenues.

In terms of major geographical region, with the scope of business and exchange rates held constant, revenues in Western Europe and North America grew by approximately 4%, while revenues in Eastern Europe declined by 10% due to problems in the Polish market.

In terms of species, revenues for companion animals increased by 2.2% and revenues for cattle increased by 9%, while revenues for pigs declined by 37%.

Cash earnings from operations consistent with forecasts: 11.8% of revenues

Despite the sales decline in the second half of the year, the impact of the fall in the pound Sterling (1.5 million euros), and non-recurring costs associated with changes in management (1.2 million euros), cash earnings from operations totalled 27.6 million euros, or 11.8% of revenues. This was 3.1 million euros less than the previous year.

Strong financial structure, with a gearing ratio below 8%

After financing external growth in 2008 (19.0 million euros), the net financial debt of the group totalled 10.9 million euros at the end of the year. The gearing ratio stands at 8%, and the group remains well below all of the triggers of its loan covenants, after having obtained medium-term financing of 25 million euros in January 2009.

This balance sheet strength enables Vétoquinol to continue pursuing its strategy of external growth.

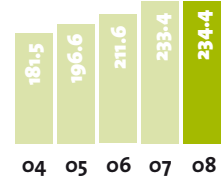
Simplified nominal accounts in M€

	2008	2007*	Change
Revenue	234.4	233.4	+0.4%
<i>Constant exchange rate and scope</i>			+1.4%
Cash earnings from operations	27.6	30.7	-10.1%
<i>As a % of revenue</i>	11.8%	13.2%	
Adjusted earnings from operations, after non-recurring items	27.6	29.6	-6.8%
Net income (group share)	18.6	18.6	-

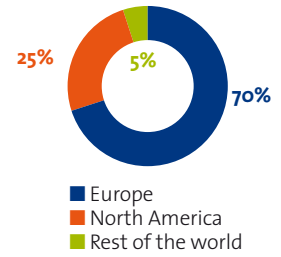
* Reclassification of the Research Tax Credit: the figures for 2007 were adjusted to make them comparable with the figures for 2008.



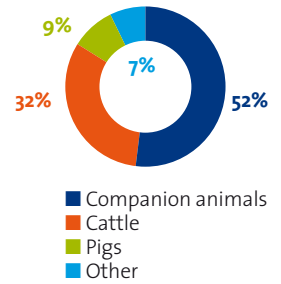
Evolution of Vétoquinol's revenue in M€



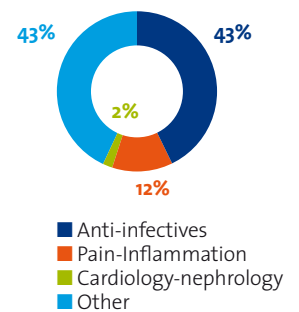
2008 turnover by geographic area



2008 turnover by species

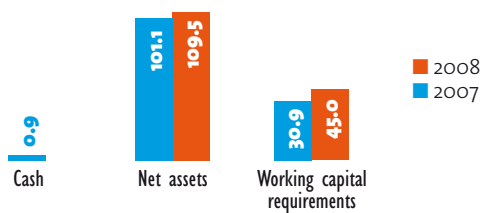


2008 turnover by therapeutic categories

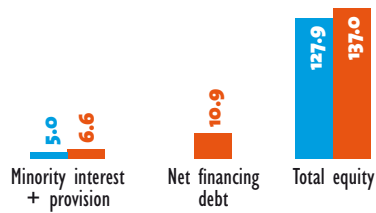


Financial structure in M€

ASSETS



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