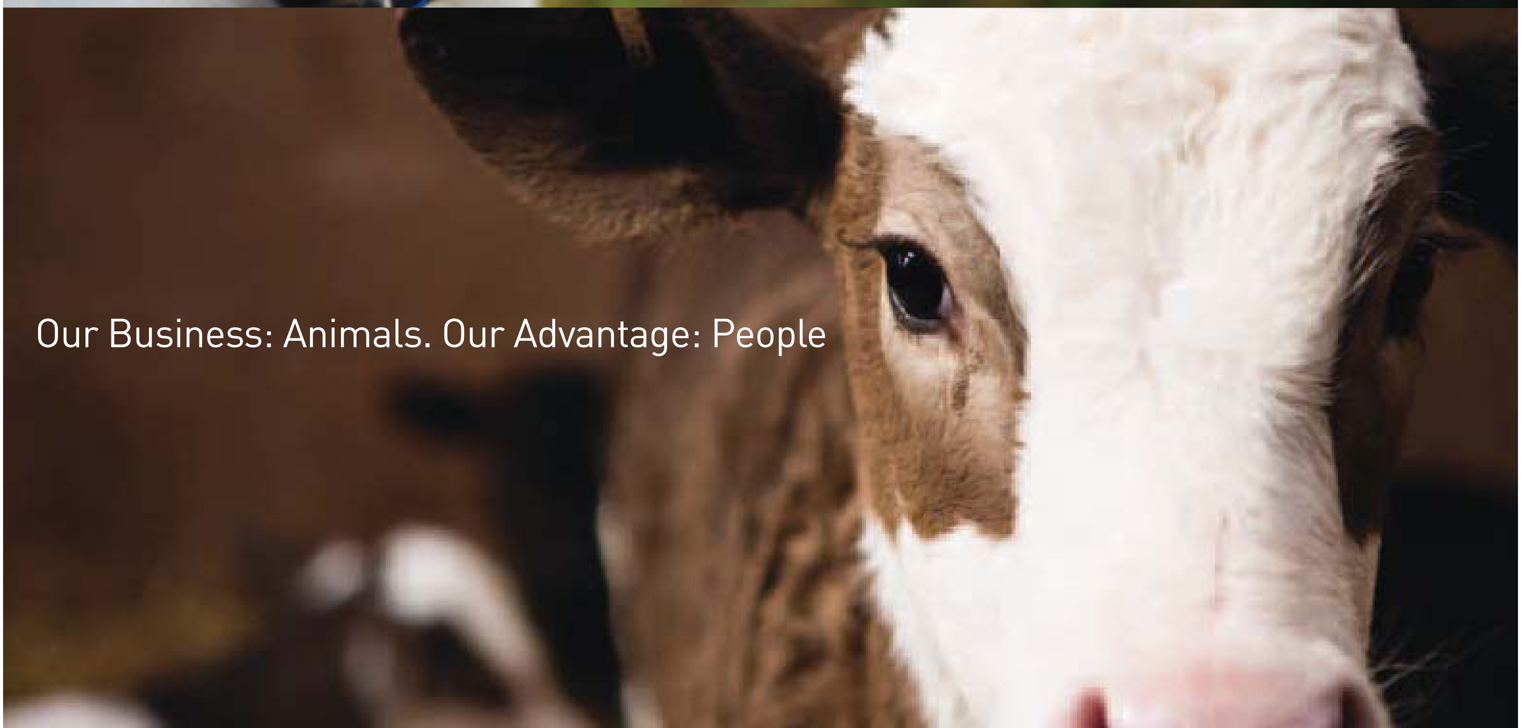
Financial statements 2011



Our Business: Animals. Our Advantage: People

Vétoquinol

a Sign of Passion

FINANCIAL STATEMENTS

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1 FINANCIAL STATEMENTS

1.1. CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2011

€000	Notes	12/31/2011	12/31/2010
Sales	1.1.8	284,137	282,041
Purchases consumed		(102,149)	(98,371)
Other purchases and external expenses	1.1.10	(61,707)	(60,491)
Staff costs	1.1.11	(80,903)	(80,096)
Taxes other than on income		(4,183)	(3,857)
Depreciation and impairment of fixed assetss	1.1.20 / 1.1.21	(12,370)	(12,612)
Provisions and write-backs		(18)	1,430
Other operating income	1.1.13	9,617	4,806
Other operating expenses	1.1.13	(605)	(699)
EBIT		**31,820**	**32,151**
Other operating income and expenses	1.1.14	0	0
OPERATING INCOME		**31,820**	**32,151**
Income from cash and cash equivalents	1.1.16	742	450
Gross cost of debt	1.1.16	(1,070)	(2,751)
NET COST OF DEBT	**1.1.16**	**(328)**	**(2,301)**
Other financial income	1.1.16	2,661	3,459
Other financial expenses	1.1.16	(2,103)	(2,982)
NET FINANCIAL ITEMS	**1.1.16**	**230**	**(1,824)**
INCOME BEFORE TAX		**32,050**	**30,326**
Tax charge	1.1.17	(9,349)	(8,065)
NET INCOME FOR THE YEAR		**22,701**	**22,261**
Attributable to:			
Shareholders of the Company		22,695	22,255
Non-controlling (minority) interests		6	6
Exchange differences on translation of foreign operations		(6,877)	10,251
Actuarial gains (losses), net of tax		31	(18)
Other comprehensive income, net of tax			
Total comprehensive income for the year, net of tax		**15,855**	**32,494**
Attributable to:			
Shareholders of the Company		15,849	32,488
Non-controlling (minority) interests		6	6
Basic EPS (€)	1.1.18	1.94	1.98
Diluted EPS (€)	1.1.18	1.97	2.00

STATEMENT OF FINANCIAL POSITION

€000	Notes	12/31/2011	12/31/2010
ASSETS			
Goodwill	1.1.19	51,783	45,055
Other intangible assets	1.1.20	36,339	41,196
Property, plant and equipment	1.1.21	44,064	41,867
Available-for-sale financial assets	1.1.22	0	0
Other financial assets	1.1.23	585	580
Deferred tax assets	1.1.17	9,045	12,193
Total non-current assets		**141,817**	**140,891**
Inventories	1.1.25	53,428	48,929
Trade and other receivables	1.1.26	59,473	60,244
Income tax receivables		4,227	1,802
Other current assets	1.1.26	1,601	1,753
Cash and cash equivalents	1.1.27	57,765	55,829
Total current assets		**176,494**	**168,558**
TOTAL ASSETS		**318,311**	**309,449**
SHAREHOLDERS' EQUITY			
Capital stock and additional paid-in capital	1.1.28	70,831	60,831
Reserves		117,726	101,153
Net income for the year		22,695	22,255
Equity attributable to shareholders of the Company		**211,252**	**184,239**
Non-controlling (minority) interests		40	34
Shareholders' equity		**211,291**	**184,273**
LIABILITIES			
Non-current financial liabilities	1.1.29	16,311	14,070
Deferred tax liabilities	1.1.17	2,051	2,203
Provisions for employee benefits	1.1.30	4,641	4,585
Other provisions	1.1.31	233	205
Other long-term liabilities		7	7
Government loans	1.1.32	951	951
Total non-current liabilities		**24,194**	**22,021**
Trade and other payables	1.1.33	63,035	63,121
Current income tax liabilities		4,183	5,564
Current financial liabilities	1.1.29	15,259	33,785
Other provisions	1.1.31	56	458
Other current liabilities	1.1.33	293	227
Government loans (portion due in less than 1 year)	1.1.32	0	0
Total current liabilities		**82,856**	**103,155**
Total liabilities		**107,020**	**125,176**
TOTAL EQUITY AND LIABILITIES		**318,311**	**309,449**

CONSOLIDATED STATEMENT OF CASH FLOWS

€000	Notes	12/31/2011	12/31/2010
Consolidated net income		**22,701**	**22,261**
Elimination of non-cash items			
Net depreciation, impairment and provisions		12,426	12,478
Tax charge	1.1.17	9,349	8,065
Interest expense		383	2,326
Provisions for employee benefits		115	108
Impairment of available-for-sale financial assets			
Capital gains (losses) on sales, net of tax		(195)	8
Other items with no impact on cash flow		0	0
Income and expenses from share-based payments		313	224
Cash flows from operating activities		**45,090**	**45,469**
Tax paid		(10,172)	(6,369)
Change in working capital		(4,926)	(4,740)
Net cash flow from operating activities		**29,992**	**34,360**
Purchase of intangible assets		(2,390)	(1,600)
Purchase of PP&E		(7,230)	(6,157)
Purchase of available-for-sale assets		0	0
Purchase of other financial assets			
Income from sale of assets		48	38
Loan repayments / income from other financial assets		(38)	(149)
Net cash flow from business combinations	1.1.7.2	(11,517)	0
Net cash flow from investing activities		**(21,127)**	**(7,869)**
Proceeds from capital increase		10,000	0
Net (purchase) / disposal of treasury stock		(243)	0
Issuance of debt and other financial liabilities		15,083	644
Repayment of financial liabilities		(19,662)	(21,809)
Interest paid		(608)	(1,342)
Dividends paid to parent company shareholders	1.1.28.5	(3,546)	(3,257)
Dividends paid to non-controlling (minority) interests		0	0
Investment subsidies and government loans			
Other cash flows from financing activities			
Net cash flow from financing activities		**1,024**	**(25,764)**
Exchange gains (losses)		(1,704)	832
Net change in cash		**8,185**	**1,559**
Opening net cash and cash equivalents		**44,907**	**43,348**
Change in cash and cash equivalents		8,185	1,559
Closing net cash and cash equivalents	**1.1.27**	**53,092**	**44,907**

STATEMENT OF CHANGE IN CONSOLIDATED EQUITY

€000	Capital stock & additional paid-in capital (note 1.1.28)	Translation reserve	Actuarial gains (losses)	Other reserves	Total reserves	Net income for the year	Total equity - attributable to parent company shareholders	Minority interests (NCI)	Total shareholders' equity
December 31, 2009	**60,831**	**(1,434)**	**274**	**77,040**	**75,880**	**18,207**	**154,918**	**28**	**154,946**
2010 net income						22,255	22,255	6	22,261
Other comprehensive income, net of tax		10,251	(18)		10,233		10,233		10,233
2010 comprehensive income		**10,251**	**(18)**		**10,233**	**22,255**	**32,488**	**6**	**32,494**
Appropriation of earnings				18,207	18,207	(18,207)	0		0
Stock options exercised							0		
Treasury shares				(24)	(24)		(24)		(24)
Dividends paid by the parent company				(3,257)	(3,257)		(3,257)		(3,257)
Other				113	113		113		113
December 31, 2010	**60,831**	**8,817**	**255**	**92,080**	**101,153**	**22,255**	**184,239**	**34**	**184,273**
2011 net income						22,695	22,695	6	22,701
Other comprehensive income, net of tax		(6,877)	31		(6,846)		(6,846)		(6,846)
2011 comprehensive income		**(6,877)**	**31**		**(6,846)**	**22,695**	**15,849**	**6**	**15,855**
Appropriation of earnings				22,255	22,255	(22,255)	0		0
Stock options exercised				313	313		313		313
Bond conversions	10,000			4,666	4,666		14,666		14,666
Treasury shares				(288)	(288)		(288)		(288)
Dividends paid by the parent company				(3,546)	(3,546)		(3,546)		(3,546)
Other				19	19		19		19
December 31, 2011	**70,831**	**1,941**	**286**	**115,498**	**117,725**	**22,695**	**211,252**	**40**	**211,291**

NOTES TO THE 2011 CONSOLIDATED FINANCIAL STATEMENTS

1.1.1. Overview of the Vétoquinol Group

Vétoquinol is an independent veterinary pharmaceutical laboratory serving both the companion and production animal markets. This family-owned group, dedicated exclusively to animal health, is the 10th largest animal healthcare company in the world. More than 80% of its revenues are generated outside France. Vétoquinol's business includes research and development, production and marketing of medicinal and non-medicinal products. Vétoquinol has positioned itself in the curative sector and has developed expertise in three therapeutic fields: anti-infectives, pain/inflammation and cardio-nephrology. The Group currently distributes its products in more than one hundred countries throughout Europe, North America and Asia/Pacific, with subsidiaries in 23 countries and a network of 140 distribution partners. The Company has more than 1,750 employees worldwide.

The parent company, Vétoquinol SA, is a French public limited company (société anonyme) with its head office at Magny-Vernois, 34 rue du Chêne-Sainte-Anne, 70204 Lure Cedex.

Vétoquinol SA, the Group parent company, is controlled by Soparfin.

The Vétoquinol Group consolidated financial statements were approved by the Board of Directors on March 26, 2012. They will be submitted for shareholder approval at the next Ordinary General Meeting, due to be held on May 24, 2012.

1.1.2. Key events

1.1.2.1. Conversion of the Tranche B bonds into shares

This bond issue, having a par value of €20 million divided into two equal tranches, was subscribed in February 2003 by two financial investors before being fully sold to Soparfin in August 2006. In response to market conditions, on February 28, 2010 Vétoquinol SA repaid Tranche A for a total cost of €15.8 million including non-conversion premiums.

Soparfin SCA (the Etienne Frechin family holding company), which held 61.2% of Vétoquinol's capital stock as of December 31, 2010, decided to convert the 58,927 Tranche B bonds, each having a par value of €169.70. As each convertible bond, when converted, entitles the holder to ten Vétoquinol shares, the 58,927 Tranche B bonds resulted in the issue of 589,270 new shares on February 28, 2011.

1.1.2.2. Commercial dispute

As part of the action taken to defend the interests of the Group, Vétoquinol is involved (as plaintiff) in a commercial dispute. On June 30, 2011, the appeals court ordered the defendant to pay the Group 5 (five) million euros as an advance on the compensation claimed by Vétoquinol. This accrued income was posted in the 2011 Group financial statements, having been received during the second half of 2011.

A court expert investigation is under way in order to determine the definitive amount of the loss incurred by Vétoquinol. No future potential asset has been recognized in addition to the aforementioned 5 (five) million euros.

1.1.2.3. Acquisition of a company in Brazil on June 1, 2011

Farmagricola SA, located in the State of Sao Paulo, posted 2010 sales of around BRL 18 million (c. €7.7 million), up more than 10% on the previous year. Farmagricola primarily sells anti-infectives and parasiticides and earns most of its revenues from livestock (cattle).

It has about one hundred employees. The sales network consists of around forty sales agents deployed throughout the main cattle-breeding areas. It has a production center with facilities for manufacturing liquid, semi-liquid and solid injectables.

This acquisition has allowed the Group to establish a presence in Brazil and to acquire a strategic position in the world's second largest animal health market, a market heavily geared towards livestock. The Brazilian market grew strongly in 2010, including in the pet sector.

This acquisition is a perfect example of our acquisition strategy and will allow us to continue our geographical diversification. It is destined to become the springboard from which we will develop our business on a huge market with enormous growth potential. Farmagricola also offers us attractive future growth prospects. The Group financed this new acquisition by taking out a new, three-year floating rate loan for €15 million on June 30, 2011. The loan was swapped for fixed rate during the second half of 2011.

1.1.3. Accounting principles

1.1.3.1. General principles and accounting standards

The 2011 consolidated financial statements were prepared in accordance with international accounting standards as published by the IASB and adopted by the European Union as of December 31, 2011. These international standards include IAS (International Accounting Standards), IFRS (International Financial Reporting Standards) and SIC and IFRIC interpretations. The IFRS adopted by the European Union as of December 31, 2011 may be consulted in the section entitled "IAS/IFRS Standards and Interpretations" on the following website: http://ec.europa.eu/internal_market/accounting/ias/index_en.htm.

The financial statements have been prepared on a historical cost basis, except for available-for-sale financial assets, which are measured at fair value and for which adjustments are recognized in other comprehensive income, and financial assets and liabilities, which are measured at fair value and for which adjustments are recognized in profit or loss (including derivatives). Preparation of IFRS financial statements requires the use of certain fundamental accounting estimates, the most important of which are described in Note 1.1.6.

The principal accounting principles and policies applied in the preparation of the consolidated financial statements are presented below.

These principles are identical to those used by the Group in 2010, with the exception of standards, interpretations and amendments adopted by the European Union and applicable for accounting periods beginning on or after January 1, 2011, without these having any impact on the Group's financial statements for the year ended December 31, 2011:

- IAS revised – Related party disclosures;
- Amendments to IAS 32 – Classification of rights issues;
- IFRIC 19 – Extinguishing financial liabilities with equity instruments;
- Amendments to IFRIC 14 – Prepayments of a minimum funding requirement;
- Annual improvements to IFRS, published in May 2010.

The Group has elected not to apply in advance the standards and interpretations adopted by the European Union, the application of which was not required as of January 1, 2011.

1.1.3.2. Consolidation and business combinations

1.1.3.2.1. Consolidation scope

The consolidated financial statements include those of Vétoquinol SA and those of its subsidiaries in which the Company directly or indirectly holds a majority of the voting rights. Together, they comprise the Vétoquinol Group.

The subsidiaries comprise all entities over which the Group exercises exclusive control, i.e. has the power to govern their financial and operational policies in order to benefit from their activities. Such control is deemed to exist when the Group holds more than half of the voting rights, either directly or indirectly via its subsidiaries. Potential voting rights are taken into consideration when assessing the control exercised over another entity by the Group when such rights are derived from instruments exercisable or convertible at the time of the assessment. The financial statements of subsidiaries are fully consolidated, with non-controlling interests calculated as the percentage of the equity interest not held by the parent company.

A company is included in the consolidation scope from the date on which the Group acquires control thereof, and is deconsolidated as of the date on which the Group ceases to exercise control over it.

Acquisitions of subsidiaries are recognized using the acquisition method. The cost of an acquisition is equal to the total fair value of the assets obtained, liabilities incurred or assumed and equity instruments issued by the acquirer as of the acquisition date, plus any costs directly attributable to the acquisition. The identifiable assets acquired and the identifiable and contingent liabilities assumed in a business combination are initially measured at fair value as of the acquisition date, irrespective of the amount of minority interests. The excess of the acquisition cost over the Group's interest in the fair value of the recorded assets, liabilities and contingent liabilities is recognized as goodwill (Note 1.1.19). Conversely, if the share of assets, liabilities and contingent liabilities at fair value exceeds the acquisition cost, the excess is posted immediately to income.

The non-controlling shareholders' interests are shown on the balance sheet within a specific category of other comprehensive income. The amount of their share of consolidated net income is presented separately in the income statement. All inter-company balances and transactions, including gains and losses, as well as dividends, are eliminated on consolidation.
The Group is composed solely of Vétoquinol SA and its subsidiaries. It has no joint ventures or associated companies.
Group companies are presented on page 126 "Group Companies".

1.1.3.3. Business combinations

With regard to business combinations carried out on or after January 1, 2004, in compliance with IFRS 1, the Group has applied the so-called acquisition method as set forth in IFRS 3. From January 1, 2010, the Group has applied IFRS 3 revised, the main provisions of which are as follows: goodwill represents the fair value of the consideration transferred (including the fair value of any previously held equity interest in the acquired company) plus the amount recorded for any non-controlling interest in the acquired entity, less the net amount recognized (generally the fair value) for identifiable assets acquired and liabilities assumed, all of which are valued as of the acquisition date. In some cases, pursuant to the provisions of IFRS 3 revised, when the consideration paid constitutes payment for a transaction that is separate from the business combination, such as future services, it is excluded from the cost of the business combination.

Acquisition expenses, other than those from the issuance of debt or equity securities, incurred as a result of a business combination, are expensed as they are incurred.
Within a period of one year from the date of acquisition:

- changes in fair value due to events and circumstances that existed as of the acquisition date result in adjustments to the cost of the business combination;
- changes in fair value that are explicitly linked to events occurring after the acquisition date are posted to income;
- following this period, any adjustment to the price of the business combination is recognized in income.

The Group has a period of 12 months from the acquisition date within which to finalize the accounting of the business combination in question.

1.1.3.4. Foreign currency translation

1.1.3.4.1. Functional currency and presentation currency

The items included in the financial statements of each Group entity are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in euros, the Company's presentation currency.

1.1.3.4.2. Transactions, assets and liabilities

Among the Group companies, transactions in foreign currency are translated into the functional currency at the prevailing exchange rate at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate.

Non-monetary items measured at historical cost are translated using the prevailing exchange rate as of the date of the transaction, whilst those measured at fair value are translated using the prevailing rate on the date when the fair value is determined.

Exchange gains and losses resulting from these transactions are recognized in income, except for:

- those related to gains or losses recognized directly in other comprehensive income, which are recorded in equity, and
- those arising from the translation of net investments in subsidiaries, which are recorded in other comprehensive income, then taken to income when the investment is sold.

1.1.3.4.3. Translation of Group company financial statements

Group company financial statements denominated in functional currencies (excluding hyperinflationary economies) other than the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate as of the relevant balance sheet date;
- income statement items are translated at the annual average exchange rate or, in the case of material transactions, at the exchange rate applicable as of the date of the transaction;
- all resulting exchange differences are recorded as a separate item in other comprehensive income.

When a foreign operation is sold, such exchange differences initially recognized in other comprehensive income are recognized in the income statement under gains or losses on disposal, except for exchange differences recognized before January 1, 2004 that are transferred to consolidated reserves as part of the changeover of Group accounting to IFRS.

1.1.3.5. Revenue recognition

Income from ordinary operations corresponds to the fair value of the consideration received or receivable for goods sold and services rendered in the normal course of the Group's business.

Revenue arises from the sale of goods to third parties, net of trade discounts and volume rebates granted to final customers, as well as cash discounts and after elimination of inter-company transactions.

Revenue arising from the sale of goods is recognized when all of the following conditions have been fulfilled:

- the company has transferred to the buyer the material risks and benefits inherent to ownership of the goods;
- the company retains neither continuing managerial involvement, to the degree usually associated with ownership, nor effective control over the goods sold;
- the income amount from the economic activities associated with the transaction will flow to the Company;
- the costs incurred or to be incurred in respect of the transaction may be reliably measured.

1.1.3.6. Segment reporting – IFRS 8

Pursuant to IFRS 8, segment information reported is established on the basis of internal management data communicated to the Group's Executive Committee, which takes the Group's main operating decisions. Operating segments are monitored individually through internal reporting. The first and only operating segment of the Group is a geographical segment.

A geographical segment is a group of assets and operations engaged in providing products or services within a particular economic environment and which is exposed to risks and returns that are different from the risks and returns of other economic environments in which the Group operates.

The Group's worldwide organizational structure is divided into three regions defined by the location of the Group's assets and operations:

- Europe;
- the Americas;
- Asia Pacific, rest of world.

Although the Group also has two marketing segments, the companion animal and livestock segments, they cannot be deemed to form a separate reportable operating segment, for the following reasons:

- nature of the products: most of the therapeutic segments are common to companion animals and livestock (antibiotics, parasiticides, etc.);
- manufacturing processes: the production lines are common to both segments and there is no significant differentiation in terms of sources of supply;
- type or category of customers: distinction is made between the ethical sector (veterinarians) and the OTC market (general public);
- distribution methods: the main distribution channels depend more on the legislation of the country than on the marketing segment. Sales forces can, in some cases, be common to both marketing segments;
- nature of the regulatory environment: the regulatory bodies responsible for product approvals are the same for both segments.

For this reason, the Group will only report a single segment.

Transfer prices between regions are the prices that would have been fixed under arm's length conditions, as in the case of a third-party transaction.

1.1.3.7. Earnings per share

Basic earnings per share is calculated by dividing Group share of net income by the weighted average number of shares outstanding during the period, adjusted for the number of shares held as treasury shares.

The calculation of diluted earnings per share takes into account share equivalents having a potentially dilutive effect and excludes share equivalents having no potentially dilutive effect. Net income is adjusted for interest charges related to convertible bonds, net of tax.

1.1.3.8. Employee benefits

1.1.3.8.1. Liabilities for pensions and other long-term employee benefits

The schemes put in place to provide for these benefits are either defined contribution plans or defined benefit plans.

Defined contribution plans: in accordance with the laws and customs specific to each country, Vétoquinol pays contributions based on employee salaries to national bodies in charge of pension and health insurance plans. There is no actuarial liability in this respect. Vétoquinol's payments to such plans are recognized as expenses in the period in which they are incurred. Defined benefit plans for post-employment benefits: the amount recognized as a liability on the balance sheet is the present value of the defined benefit plan obligation at the balance sheet date, less any adjustments for past service cost not yet recognized. The costs of the benefits are estimated using the projected credit unit method. Under this method, the benefits are attributed to periods of service under the plan's benefit formula, using a straight line approach if the rate at which the employee accrues benefits varies in respect of later periods of service. The amount of future employee benefit payments is estimated using actuarial assumptions as to future salary levels, age at retirement and mortality, then discounted to present value by reference to interest rates on high quality long-term corporate bonds.

Actuarial gains and losses related to pensions and post-employment benefits, arising from adjustments due to revised actuarial assumptions and to experience, are recognized in other comprehensive income net of deferred taxes in the period in which they occur.

1.1.3.8.2. Share-based payments

Six stock option plans have been available to employees since June 1999. During the implementation of plans 5 and 6, Vétoquinol SA decided that exercised stock options shall be exchanged as consideration for its own shares. The fair value of services rendered by employees in exchange for the grant of options is posted to expenses. The total amount expensed over the vesting period is determined by reference to the fair value of the stock options granted, without taking into account the terms and conditions under which the options were granted, which are not market conditions.

The amounts received when stock options are exercised are credited to the "Capital stock" (par value) and "Additional paid in capital" accounts, net of any directly attributable transaction costs.

A bonus share allocation plan has been put in place: see Note 1.1.12.

1.1.3.9. Leases

1.1.3.9.1. Operating leases

Operating lease payments are recognized as an expense in the income statement on a straight line basis over the lease term.

1.1.3.9.2. Finance leases

For finance leases entered into by the Group as a lessee, an asset and a liability are recognized in the balance sheet at the lower of fair value of the leased property or the present value of the minimum lease payments (at the interest rate implicit in the lease agreement). The payments are divided between interest expense and reduction of the lease liability. Property, plant and equipment acquired under finance leases is depreciated over the useful life of the assets or, if shorter, over the lease term.

1.1.3.10. Intangible assets

1.1.3.10.1. Goodwill

Goodwill represents the excess of the cost of an acquisition of a subsidiary over the fair value of the Group's share in the subsidiary's net identifiable assets as of the acquisition date. Under IAS 36, goodwill is allocated to cash-generating units for purposes of impairment testing as described in Note 1.1.3.12. Goodwill is subject to testing for impairment at least once a year – and more frequently if there are any indicators of impairment – and is carried at cost less any accumulated impairment losses. Impairment losses are irreversible.

1.1.3.10.2. R&D expenses

Under IAS 38, research costs are expensed as incurred, whereas internal development costs are capitalized as intangible assets, but only if all six criteria set forth in IAS 38 are met. Owing to the risks and uncertainties associated with regulatory approvals and the research and development process, the capitalization criteria are not deemed to have been met until the Group obtains marketing approvals for its drugs.
However, amounts paid in consideration of the grant of licenses and marketing rights for molecules, processes or information of a scientific nature are recognized in the balance sheet as intangible assets. These amounts are generally paid in the start-up phase and during the course of a research project, until marketing approval has been obtained. They are amortized over periods ranging from 5 to 12 years.

1.1.3.10.3. Other intangible assets

Intangible assets are stated in the balance sheet at historical cost and systematically amortized over their useful lives, with the exception of some trademarks (e.g. Equistro®) which have an indefinite useful life; an impairment test is conducted at least once a year to determine whether the assets should be written down.

The same amortization periods are used throughout the Group:

Categories	Method	Period
Licenses and patents	Straight line	5 to 10 years
Software	Straight line	1 to 5 years
Trademarks	Straight line	7 to 10 years
Other	Straight line	10 years

1.1.3.11. Property, plant and equipment

Property, plant and equipment is carried at acquisition cost (initially the purchase price, plus any ancillary expenses and purchase-related costs) or at production cost, less accumulated depreciation. Straight line depreciation is the method considered to be most economically justifiable. The Group has not opted for revaluation at fair value. Land is not depreciated. The Group uses the following depreciation periods for property, plant and equipment:

Categories	Method	Period
Buildings	Straight line	15 to 40 years
Fixtures	Straight line	10 to 20 years
Production equipment	Straight line	6 to 10 years
Vehicles	Straight line	5 years
Office equipment	Straight line	5 years
R&D equipment	Straight line	5 years
Furniture & furnishings	Straight line	8 to 10 years
Other PP&E	Straight line	5 years

1.1.3.12. Impairment of assets

In accordance with the requirements set forth in IAS 36, the Group assesses whether there is any indication that an asset may have suffered an impairment loss. If any such indication exists, the Group estimates the recoverable value of the asset. In addition, the Group annually tests intangible assets with an indefinite useful life and intangible assets not yet ready to be put into service for impairment, by comparing the carrying amount to the recoverable amount.

An impairment loss equal to the excess of the carrying amount over the asset's recoverable value is recognized. The recoverable amount of an asset represents the higher of its fair value less costs to sell and its value in use.

For the purposes of assessing impairment, assets are grouped together in cash-generating units (CGU), which represent the lowest level that generates independent cash flows. The CGUs defined for the Vétoquinol Group are the following entities: USA, Canada, France, UK, Belgium, Switzerland, Czech Republic, Austria, Poland, Ireland, Germany, Italy, India and Scandinavia.

Non-financial assets (excluding goodwill) that have incurred impairment losses are reviewed for possible reversal of those losses at each annual or interim closing. Impairment losses are first charged against goodwill. The balance is allocated to the assets of the CGU.

1.1.3.13. Available-for-sale financial assets

Available-for-sale financial assets are essentially composed of unconsolidated equity investments, which are measured in the balance sheet at fair value. Changes in fair value are recorded in other comprehensive income. If an objective indication of impairment of a financial asset exists (notably a material or permanent decline in the value of the asset), an irreversible impairment loss is recognized in income. Changes in fair value recognized in other comprehensive income are transferred to income upon the derecognition/disposal of the assets in question.

1.1.3.14. Other financial assets

Other financial assets mainly consist of deposits and guarantees paid. Because they are treated as receivables, they are measured at amortized cost.

1.1.3.15. Derivatives

To hedge its currency and interest rate exposure, the Group sometimes enters into derivative contracts. Such derivatives are used only as part of centralized head office cash management for the purpose of hedging risk. The main currency hedge instruments used are the purchase of currency options or forward contracts on the British pound expiring in less than one year. To hedge interest rate exposure, the Group uses primarily swaps and vanilla options (caps). For significant hedging transactions, the Group applies hedge accounting as prescribed under IAS 39, i.e. derivatives are measured at fair value as of the balance sheet date based on how the hedge is classified:

- with a cash flow hedge, any change in the fair value of the derivative is recorded in a separate equity account called "Cash flow hedge reserve" that is transferred to the income statement as the risk crystallizes (in respect of the effective portion of the hedge; while the ineffective portion is recognized in the income statement);
- with a fair value hedge, any change in the fair value of the derivative is recorded in the income statement, as is any change in the fair value of the hedged item.

When the transaction is not material, or when the conditions for applying hedge accounting have not been met, any change in the fair value of the derivative is credited to or charged against income for the period. At each balance sheet date, the fair value of the instruments used is determined by reference to market value. If no market value is available, an expert assessment is obtained.

Note 1.1.4.1 below provides quantified details on the use of these instruments.

1.1.3.16. Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted average unit cost method.

The cost of work in progress and of finished goods held in inventories includes raw materials, direct labor and an appropriate portion of variable and fixed production costs and overheads, the latter being allocated on the basis of normal operating capacity. Net realizable value is the estimated selling price in the ordinary course of business less costs of completion and costs to sell, and also the prospects for future consumption given the expiry dates of products.

1.1.3.17. Trade receivables

Trade receivables are initially recognized at the fair value of the cash to be received. Given the Group's business practices, fair value is usually equal to the par value of the receivables. Trade receivables are subsequently stated net of provisions for impairment recorded after an itemized analysis of the risk of uncollectibility.

The credit risk relating to the trade receivables held by the Group is low. Write-offs recorded mainly relate to customers whose receivables are past due.

1.1.3.18. Cash and cash equivalents

Cash includes bank accounts, investments and cash equivalents, and is measured at fair value.

These investments are short-term investments, usually less than three months, liquid and readily convertible to known amounts of cash and not subject to risks of changes in value.

1.1.3.19. Financial liabilities

Financial liabilities mainly include borrowings from credit institutions, bonds and bank overdrafts.

Borrowings are recognized initially at fair value, net of any transaction costs incurred. They are subsequently stated at amortized cost using the effective interest rate method.

The fair value of the liability component of a convertible bond is determined by applying a prevailing market interest rate to a similar non-convertible bond. This amount is recognized as a liability at amortized cost until the debt is extinguished either through the conversion of the bonds or upon their reaching maturity. The residual proceeds from the issue are allocated to the conversion option and recorded under other comprehensive income, net of any income tax (provided that the option fulfils the definition of equity as set forth in IAS 32). Borrowings with a term of less than one year are classified as current liabilities, with the exception of borrowings for which the Group has an unconditional right to defer repayment for at least 12 months after the balance sheet date. In such cases, the borrowings are classified as non-current liabilities.

In the case of borrowings in respect of finance lease liabilities, the capital borrowed is equal to the initial value of the assets acquired under finance leases, which are recorded in Property, plant and equipment. Interest expenses are expensed as incurred.

1.1.3.20. Deferred taxes

Deferred taxes are recognized on timing differences between the tax values of assets and liabilities and their book values in the consolidated financial statements. No deferred tax is accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that affects neither accounting profit nor taxable income at the transaction date. No deferred tax liability is recognized on initial recognition of goodwill.

Deferred tax is determined using tax rates (and tax regulations) that have been adopted or substantially adopted as of the balance sheet date, and that are expected to apply when the related deferred tax asset is realized or the deferred tax liability settled.

Deferred tax assets are recognized only to the extent that it is probable that future taxable income, against which the timing differences can be applied, will be earned. Deferred taxes are recognized for timing differences associated with investments in subsidiaries and associates, except where the Group can control the timing of the reversal of those timing differences and it is probable that they will not reverse in the foreseeable future.

1.1.3.21. Provisions

Provisions are recognized when the Group has a legal or implicit liability as a result of a past event, when it is probable that an outflow of resources representing economic benefits will be required to settle this liability, and when the liability can be reliably estimated.

Provisions for restructuring cover lease termination penalties and employee severance. No provision is recognized for future operating losses.

Where there is a number of similar liabilities, the probability that an outflow of resources will be required to settle those liabilities is determined by considering all liabilities in the same category. Although the actual probability of payment for any one item may be small, it may be probable that some outflow of resources will be required to settle all liabilities in the category. If so, a provision is recorded.

Provisions are discounted to present value when the impact thereof is deemed to be material.

1.1.3.22. Non-current assets held for sale

Non-current assets (or group of assets held for sale) are classified as assets or groups of assets held for sale and measured at the lower of book value and fair value less costs to sell, if the book value can be recovered through sale rather than through continued use thereof.

1.1.3.23. Government grants

Government grants are recognized when there is reasonable assurance that the Group will fulfill the conditions attached to the grant and that the grant will be received.

Grants related to assets (investment grants) are recognized as deferred income under liabilities, then systematically transferred to the income statement over the useful life of the assets. Other grants are credited to the income statement under “Other operating income” on a scheduled basis over the relevant periods so that they match the costs they are intended to offset.

1.1.3.24. Distribution of dividends

Dividends distributed to Group shareholders are recognized as a liability in the period in which they are approved by the shareholders.

1.1.4. Financial risk management

1.1.4.1. Currency risk management

The Group centralizes management of the foreign exchange risk of its parent company, Vétoquinol SA, by ensuring that its distribution subsidiaries send and receive invoices that are denominated in their respective operating currencies.

Accordingly, the distribution subsidiaries are subject to very low exchange rate risk. Foreign currency movements are centralized at the Vétoquinol SA level and hedging instruments are put in place. These instruments have a term of less than one year. At the balance sheet date, there were no material hedging instruments outstanding. For this reason, the provisions of IAS 39 pertaining to such instruments were not found to be applicable to December 31, 2011 or to the previous year. If Vétoquinol earns gains or losses on these instruments, such gains or losses are recognized under net financial items.

As described above, the currency risk related to subsidiaries’ operations largely only involve a risk in the consolidated income statement.

On the basis of the 2011 financial statements, a 10% increase in the value of the euro compared to all other foreign currencies would have resulted in a €12.8 million decrease in consolidated sales (2010: €12.3 million) and a €1.2 million decrease in consolidated operating income (2010: €1.2 million).

Conversely, a 10% reduction in the value of the euro compared to other currencies would have resulted in a €15.6 million increase in sales (2010: €15.0 million) and a €1.5 million increase in consolidated operating income (2010: €1.5 million).

On account of its sales in foreign currencies, the Company is exposed to currency risk between the invoice date and the date payment is received.

Based on the central rates defined during the budget preparation process and/or the exchange rates used for invoicing, forecasts of collections and actual or forecast exchange rates, the Company hedges part or all of its inflows in foreign currencies using traditional banking products.

Currency gains or losses and the net result of hedging transactions are recognized under net financial items. Most of these transactions are entered into and closed during the year, over very short periods, and therefore there are no outstanding items recorded in the closing balance sheet. The Group’s procedures do not permit speculative transactions.

Analysis of the Group's exposure to currency risk (IFRS 7) based on notional amounts is as follows:

€000	Euros	CAD	CHF	USD	GBP	ZPN	Other currencies	Total
Dec 31, 2011								
Trade receivables	27,760	6,707	757	6,208	5,145	2,144	5,560	54,280
Impairment of trade receivables	**(1,266)**	**(30)**	**(37)**	**(167)**	**(30)**	**(191)**	**(230)**	**(1,950)**
Net trade receivables	**26,495**	**6,676**	**720**	**6,041**	**5,115**	**1,953**	**5,330**	**52,330**
Prepayments	362			158		16	36	572
Prepaid expenses	487	300	7	3	202	168	180	1,347
Receivables from government agencies	4,377	394				287	532	5,590
Other operating receivables	**100**			**166**		**7**	**53**	**327**
Miscellaneous receivables	599	12	37	35	2	193	39	917
Provisions							(10)	(10)
Total other receivables	**5,925**	**707**	**44**	**362**	**204**	**670**	**831**	**8,744**
Trade and other payables	17,556	6,876	1,023	7,941	6,361	986	22,584	63,328
Net trade and other payables	**17,556**	**6,876**	**1,023**	**7,941**	**6,361**	**986**	**22,584**	**63,328**
Total gross balance sheet exposure	**14,864**	**507**	**(259)**	**(1,538)**	**(1,043)**	**1,637**	**(16,423)**	**(2,254)**

€000	Euros	CAD	CHF	USD	GBP	ZPN	Other currencies	Total
Dec 31, 2010								
Trade receivables	28,690	6,994	780	6,767	3,988	2,245	3,622	53,086
Impairment of trade receivables	**(1,193)**	**(35)**	**(37)**	**(165)**	**(8)**	**(189)**	**(118)**	**(1,746)**
Net trade receivables	**27,497**	**6,959**	**743**	**6,602**	**3,980**	**2,056**	**3,504**	**51,340**
Prepayments	390			460		2	320	1,172
Prepaid expenses	828	256	30	8		183	122	1,426
Receivables from government agencies	4,597	577	0		459	273	38	5,945
Other operating receivables	**849**			**153**	**139**	**10**	**10**	**1,161**
Miscellaneous receivables	601	18	26	40	5	210	63	963
Provisions							(10)	(10)
Total other receivables	**7,264**	**850**	**56**	**661**	**603**	**679**	**543**	**10,657**
Trade and other payables	30,921	6,777	1,930	9,187	5,612	739	8,181	63,348
Net trade and other payables	**30,921**	**6,777**	**1,930**	**9,187**	**5,612**	**739**	**8,181**	**63,348**
Total gross balance sheet exposure	**3,840**	**1,032**	**(1,132)**	**(1,923)**	**(1,030)**	**1,996**	**(4,134)**	**(1,351)**

1.1.4.2. Interest rate risk management

The Group's general policy on interest rate risk is to globally manage its exposure through the use of swaps and options. Pursuant to the provisions of IAS 39, whenever the conditions for hedge accounting are met, the Group applies the relevant procedures. When these conditions are not met, or if the amounts concerned are not material, as has been the case in recent years, derivatives are carried on the balance sheet at their fair value, and all changes in fair value are posted to income, in accordance with the provisions of IAS 39. The Group's exposure to interest rate risk is insignificant and concerns basically two line items on the balance sheet: financial liabilities and cash.

Over 84% of the Group's financial liabilities as of December 31, 2011 (including bank overdraft facilities and convertible bonds) bore interest at a fixed rate, compared to 76% of financial liabilities as of December 31, 2010. Floating rate commitments amounted to €5.0 million as of December 31, 2011, compared to €10.9 million at December 31, 2010. To hedge these floating rate commitments and minimize interest costs, the Group usually chooses to enter into fixed-rate interest rate swaps.

On the basis of the 2011 financial statements, an increase of 100 basis points in interest rates would have increased earnings by €361,000 (2010: €290,000).

1.1.4.3. Liquidity risk management

The Group's cash – excluding bank overdrafts – stood at €57.8 million as of December 31, 2011 (2010: €55.8 million), and consists of cash and money-market SICAV funds and money-market mutual funds similar to cash equivalents with major retail banking networks to the tune of €26.3 million (2010: €23.2 million).

During 2011, the Group posted free cash flow before net cost of debt and tax of €45.1 million, compared to €45.5 million in the previous year. In order to fund its acquisitions, in January 2009 Vétoquinol signed an agreement with two banks for a medium-term loan of €25 million. This loan funded most of the Indian acquisition. The loan is subject to financial covenants (debt ratio, profitability ratio) that Vétoquinol is committed to respecting. During 2010 and 2011, the Group met its financial covenant obligations, which are as follows:

Ratio 1: Net debt/EBITDA	must be less than or equal to 3
Ratio 2: EBITDA/cost of net debt	must be less than or equal to 5

Ratio 3: GEARING less than 1

The loan taken out in 2011 to finance the Brazilian acquisition is not subject to any financial covenants. In light of its financial position at December 31, 2011, the Group considers that it is not exposed to liquidity risk. As of December 31, 2011, the Group's cash was largely sufficient to meet its financial liabilities due in less than one year. Net debt amounted to €25.2 million as of December 31, 2011, compared to €7.0 million at December 31, 2010. Each Group subsidiary is responsible for collecting its own trade receivables and cash.

The Group Finance Department uses a cash forecast based on the annual budget to provide ongoing reporting of the cash flow of subsidiaries, in order to establish the Group's net cash positions as precisely as possible and maintain the Group's ability to meet its financial commitments.

1.1.4.4. Credit risk management

Credit risk is the risk of the Group incurring a financial loss in the event that a customer or counterparty to a financial instrument fails to comply with its contractual obligations. The only credit risk to which the Group is exposed is the risk arising from its trade receivables. In fact, with regard to investments, the Group limits its exposure to credit risk by investing only in secure, liquid instruments. Given the characteristics of the money-market SICAV funds used, management does not expect any counterparty default.

The Group's exposure to credit risk is mainly influenced by the individual features of its customers. The Group markets its products in around 115 countries via its own network of 140 distributors.

In some geographical regions, the occurrence of a concentration of wholesalers and/or central purchasing agencies could result in a revision of the margins following renegotiation of these contracts. However, this risk appears to be limited, as the Group is sufficiently large and diversified geographically and by product to be able to withstand such pressures. By way of illustration, the Group's largest wholesale distributor accounted for 6.8% of consolidated revenues in 2011 (2010: 7.3%). Any customers who do not meet the Group's solvency requirements may only enter into transactions on the condition that they settle their orders in advance.

Sales of goods are subject to a retention of title clause that provides the Group with some security in the event of default. The Group does not require any specific security with regard to trade and other receivables. The carrying value of the Group's financial assets represents its maximum exposure to credit risk; as of December 31, 2011 this amounted to €56.8 million (2010: €56.6 million).

1.1.5. Capital management

The Group's policy is to maintain a strong capital base in order to maintain the confidence of investors, creditors and the market and to support the future growth of its business. Assisted by Corporate Management, the Board of Directors monitors the number and diversity of the Group's shareholders, return on equity and the number of dividends paid to holders of common stock. Occasionally, the Group purchases its own shares on the market. The timing of these purchases depends on prevailing market prices. These shares are primarily used in connection with stock option and bonus share programs. Decisions to buy and sell are made by the Chairman and/or the CEO on a case by case basis. The Group has no defined share buyback program. Apart from these occasional practices, the Group has a liquidity contract (see Note 1.1.28).

The Group did not change its capital management policy during the course of the year. Pursuant to external regulations, the Company and its subsidiaries are not subject to any specific external capital requirements.

1.1.6. Information on judgments and estimates

Management must exercise judgment, make estimates and assumptions that could affect the value of assets, liabilities, income and expenses and disclosures of the Company's contingent assets and liabilities when preparing the financial statements. The estimates made and underlying assumptions adopted are based on past experience and other factors deemed reasonable in light of current circumstances and forecasts. As a result, actual values may differ from estimated values.

The estimates and assumptions made on the basis of information available at the balance sheet date relate in particular to:

- the amount of provisions for trade receivables (including those relating to product claims) and provisions for year-end rebates;
- the length of product life cycles;
- the amount of provisions for restructuring and for tax, environmental and litigation risks;
- the valuation of goodwill and intangible assets acquired as well as their estimated useful life;
- pension commitments;
- the fair value of derivatives.

1.1.7. Business combinations completed during the year

One business combination was completed in 2011. No business combination took place in 2010.

1.1.7.1. Business combination completed in 2011 – acquisition of Farmagricola, Brazil

1.1.7.1.1. Overview and description of the transaction

Farmagricola SA, located in the State of Sao Paulo, posted 2010 sales of around BRL 18 million (c. €7.7 million), up more than 10% on the previous year. Farmagricola primarily sells anti-infectives and parasiticides and earns most of its revenues from livestock (cattle).

It has about one hundred employees. The sales network consists of around forty sales agents deployed throughout the main cattle-breeding areas. It has a production center with facilities for manufacturing liquid, semi-liquid and solid injectables.

This acquisition has allowed the Group to establish a presence in Brazil and to acquire a strategic position in the world's second largest animal health market, a market heavily geared towards livestock. The Brazilian market grew strongly in 2010, including in the pet sector.

This acquisition is a perfect example of our acquisition strategy and will allow us to continue our geographical expansion and diversification. It is destined to become the springboard from which we will develop our business on a huge market with enormous growth potential. Farmagricola also offers attractive future growths prospects. The total purchase price is BRL 26.8 million (approximately €11.5 million). The Group financed the acquisition with a new loan taken out in June 2011.

In view of the nature of the transaction, any additional information received when finalizing the purchase price allocation during a 12-month period following the acquisition date may lead to adjustments on certain items in said purchase price allocation.

€000	2011
Acquisition of Farmagricola, June 2011	11,517
Total Farmagricola purchase price	**11,517**
Value of Farmagricola assets and liabilities	3,108
CURRENCY DIFFERENCE	**(488)**
Goodwill at balance sheet date (12/31/2011)	7,921

1.1.7.2. Reconciliation of purchase price with cash outflow per the cash flow statement

€000	2011	2010
Purchase price of Brazilian investment	11,790	-
Total value of acquired securities/assets	**11,790**	**-**
Currency difference between exchange rate at acquisition rate and average rate	(273)	-
Total	**11,517**	**-**
Amount shown in cash flow statement: Net cash flow from business combinations	**11,517**	**-**

1.1.8. Operating segments – IFRS 8

All 2010 and 2011 revenues came from sales of veterinary products.

1.1.8.1. 2011 operating segment results

€000 By asset location	Europe	Americas	Asia/Pacific (rest of world)	Consolidated total
Sales	248,664	92,049	14,639	355,352
Inter-segment sales	(56,814)	(14,386)	(14)	(71,215)
Total external sales	**191,849**	**77,663**	**14,625**	**284,137**
EBIT	25,685	5,715	420	31,820
Other operating income and expenses				
Operating income	25,685	5,715	420	31,820
Net financial expenses				230
Income before tax				**32,050**
Income tax				(9,349)
NET INCOME				**22,701**

The Group also tracks sales by location or market (geographical region).

€000 By geographical region	Europe	Americas	Asia/Pacific (rest of world)	Consolidated total
Sales	225,933	95,038	34,380	355,352
Inter-segment sales	(51,348)	(18,959)	(907)	(71,215)
TOTAL EXTERNAL SALES	**174,585**	**76,078**	**33,474**	**284,137**

1.1.8.2. 2010 operating segment results

€000 By asset location	Europe	Americas	Asia/Pacific (rest of world)	Consolidated total
Sales	248,023	83,065	14,940	346,028
Inter-segment sales	(50,224)	(13,763)	0	(63,988)
Total external sales	**197,799**	**69,301**	**14,940**	**282,041**
EBIT	**27,290**	**4,375**	**486**	32,151
Other operating income and expenses	0	0	0	0
Operating income	**27,290**	**4,375**	**486**	32,151
Net financial expenses				(1,824)
Income before tax				**30,326**
Income tax				(8,065)
NET INCOME				**22,261**

The Group also tracks sales by location or market (geographical region).

€000 By geographical region	Europe	Americas	Asia/Pacific (rest of world)	Consolidated total
Sales	228,001	85,400	32,628	346,028
Inter-segment sales	(45,505)	(17,602)	(881)	(63,988)
TOTAL EXTERNAL SALES	**182,496**	**67,798**	**31,747**	**282,041**

1.1.8.3. Other segment non-cash items included in the income statement

€000	Europe	Americas	Asia/Pacific (rest of world)	Consolidated total
12/31/2011				
Depreciation and amortization	(8,209)	(2,866)	(1,296)	(12,370)
Provisions and write-backs	(64)	76	(29)	(18)
Expenses on grants of stock options	(44)			(44)
Expenses on grants of bonus shares	(269)			(269)
12/31/2010				
Depreciation and amortization	(8,320)	(2,690)	(1,603)	(12,612)
Provisions and write-backs	1,100	373	(43)	1,430
Expenses on grants of stock options	(43)			(43)
Expenses on grants of bonus shares	(180)			(180)

No impairment was posted directly to other comprehensive income for 2010 and 2011.

1.1.8.4. Segment assets, liabilities and investments

The segment assets and liabilities presented here include deferred taxes.

€000	Europe	Americas	Asia/Pacific (rest of world)	Consolidated total
12/31/2011				
Assets	200,989	84,038	33,285	318,311
Liabilities	59,658	44,521	2,841	107,020
Acquisition of assets	7,858	1,357	37	9,252
Acquisition of assets through business combinations	0	3,253	0	3,253
12/31/2010				
Assets	193,352	75,769	40,327	309,449
Liabilities	79,797	40,796	4,583	125,176
Acquisition of assets	5,848	1,808	376	8,031
Acquisition of assets through business combinations	0	0	0	0

1.1.9. R&D costs

R&D costs incurred and expensed in 2011 amounted to €20.0 million, or 7.0% of sales (2010: €21.1 million, or 7.5% of sales).

1.1.10. Other purchases and external expenses

€000	Dec 31, 2011	Dec 31, 2010
General subcontracting	1,740	1,712
Lease and rental payments	6,413	6,092
Maintenance	3,146	3,016
Insurance	1,272	1,175
Analyses and research	1,961	1,673
Third party staff	1,787	1,942
Fees and commissions paid to intermediaries	13,225	13,148
Advertising, publications, public relations	9,235	9,326
Freight and group transportation of staff	7,041	6,721
Business travel and entertainment	7,756	7,769
Postage and telecommunications	1,399	1,529
Royalties on concessions, patents, licenses, trademarks, etc.	4,257	4,656
Other external services	2,003	1,300
Miscellaneous	473	431
TOTAL	**61,707**	**60,491**

1.1.11. Staff costs

€000	Dec 31, 2011	Dec 31, 2010
Wages and salaries	58,901	58,468
Social security charges (*)	20,782	19,300
Severance pay	478	2,006
Employee benefits (Note 1.1.30)	429	109
Employee long-term benefits – actuarial gains and losses recognized in the income statement	0	(10)
Expenses on grants of stock options	44	43
Expenses on grants of bonus shares	269	180
TOTAL EMPLOYEE BENEFITS	**80,903**	**80,096**

(*) The cost of defined contribution pension plans is included in total social security charges.

1.1.12. Share-based payments – bonus shares and stock options

The Board of Directors has granted stock options to certain employees under price and exercise terms specific to each option. Six stock option plans have been granted to date, two of which are still open.

	Plan 5	Plan 6
Date of grant by Board of Directors	June 4, 2007	May 7, 2010
Vesting period	Sept 15, 2009 – Oct 15, 2009 Sept 15, 2010 – Oct 15, 2010 June 5, 2011 – Dec 5, 2011 Oct 1, 2012 – Dec 31, 2012 Oct 1, 2013 – June 4, 2014	Sept 1, 2012 – Oct 1, 2012 Sept 1, 2013 – Oct 1, 2013 May 7, 2014 – Nov 7, 2014
Number of options granted	33,800	23,500
Exercise price	25.33	24.25
Expiration date	initially Dec 6, 2011 extended to June 4, 2014	May 8, 2014
Option/share ratio	1 option for 1 share	1 option for 1 share
Performance conditions	N/A	N/A
OPTIONS OUTSTANDING AT DEC 31, 2011	**21,400**	**22,000**

The number of options in Plan 5 has changed as follows:

PLAN 5	2011		2010	
	Exercise price	Number of options	Exercise price	Number of options
At January 1	**25.33**	**29,100**	**25.33**	**29,100**
Granted				
Cancelled				
Expired				
Exercised	25.33	7,700		
AT DECEMBER 31	**25.33 21,400**	**25.33 29,100**		

The 2011 consolidated expense amounted to €33,000 (2010: €36,000) for Plan 5.

The number of options in Plan 6 changed as follows:

PLAN 6	2011		2010	
	Exercise price	Number of options	Exercise price	Number of options
At January 1	**24.25**	**23,500**	**24.25**	**23,500**
Granted				
Cancelled	24.25	1,500		
Expired				
Exercised				
AT DECEMBER 31	**24.25**	**22,000**	**24.25**	**23,500**

The 2011 consolidated expense amounted to €10,000 (2010: €8,000) for Plan 6.

With regard to bonus share Plan 2 (see Note 1.1.28.2), the 2011 impact of applying IFRS 2 amounted to €269,000 (2010: €180,000). The value of bonus shares is usually determined on the basis of the share price on their date of issue, less the present value of dividends foregone during the vesting period (Black-Scholes valuation model).

1.1.13. Other operating income and expenses

€000	Dec 31, 2011	Dec 31, 2010
Operating grants	47	37
Investment grants transferred to income for the year	28	28
Proceeds from sale of assets	48	38
Research tax credit (Crédit d'Impôt Recherche - CIR)	3,339	3,281
Other income	6,155	1,422
OTHER OPERATING INCOME	**9,617**	**4,806**
Book values of assets sold	(26)	(46)
Other expenses	(580)	(654)
OTHER OPERATING EXPENSES	**(605)**	**(699)**
TOTAL	**9,012**	**4,106**

Other income consists of:

€000	Dec 31, 2011	Dec 31, 2010
Fees and royalties	81	43
Freight costs recharged to customers	361	330
Indemnities	5,904	92
Insurance claim received	1	142
Other	618	816
TOTAL	**6,155**	**1,422**

1.1.14. Other operating income and expenses

€000	Dec 31, 2011	Dec 31, 2010
Other operating income	0	0
Other operating expenses	0	0
TOTAL	**0**	**0**

1.1.15. Leases

1.1.15.1. Finance leases entered into as lessee

The Group's only finance leases pertain to leased buildings.

The related leases contain an indexation clause whereby the rent is pegged to a cost of construction index.

Assets recorded in property, plant and equipment under finance leases are detailed in Note 1.1.21 and the corresponding financial liability is explained in Note 1.1.29.

Commitments on non-cancellable finance leases

€000	Dec 31, 2011	Dec 31, 2010
Less than 1 year	43	90
1 to 5 years	72	115
More than 5 years		
Minimum payments	115	205
Future interest expense	(9)	(18)
Present value of payments on finance leases	105	187
Less than 1 year	41	86
1 to 5 years	64	101
More than 5 years		
TOTAL MINIMUM FUTURE PAYMENTS	**105**	**187**

1.1.15.2. Operating leases entered into as lessee

The Group's only operating leases pertain to leased buildings, cars and computer hardware.

Indexation clauses are included notably in building leases, where rent is pegged to the French cost of construction index).

Commitments on non-cancellable operating leases

€000	Dec 31, 2011	Dec 31, 2010
Less than 1 year	4,812	4,427
1 to 5 years	8,462	6,718
More than 5 years	1,515	272
Total minimum payments	14,789	11,417
TOTAL MINIMUM FUTURE SUBLEASE INCOME RECEIVABLE	**0**	**0**

Operating lease expenses for the year

€000	Dec 31, 2011	Dec 31, 2010
Minimum payments recognized	6,413	6,092
Conditional rents recognized	0	0
Sublease income recognized	0	0

1.1.16. Net financial items

€000	Dec 31, 2011	Dec 31, 2010
Interest income from cash and cash equivalents	697	428
Gains on sale of cash equivalents	45	22
INCOME FROM CASH AND CASH EQUIVALENTS	**742**	**450**
Interest on bonds	(83)	(583)
Non-conversion premium	(208)	(1,412)
Interest on other borrowings and overdrafts	(771)	(744)
Interest on finance leases	(8)	(12)
GROSS COST OF DEBT	**(1,070)**	**(2,751)**
NET COST OF DEBT	**(328)**	**(2,301)**

€000	Dec 31, 2011	Dec 31, 2010
Currency gains	2,573	2,266
Other income	88	1,193
OTHER FINANCIAL INCOME	**2,661**	**3,459**
Financial expenses related to employee benefits	(115)	(108)
Currency losses	(1,384)	(1,714)
Other expenses	(605)	(1,160)
OTHER FINANCIAL EXPENSES	**(2,103)**	**(2,982)**
OTHER FINANCIAL INCOME AND EXPENSES	**558**	**477**

1.1.17. Income tax

The 2011 tax rate used to calculate deferred taxes for French companies was 34.43% (2010: 34.43%).

Income tax expense is broken down as follows:

€000	Dec 31, 2011	Dec 31, 2010
Current tax expense	(9,829)	(10,286)
Deferred tax income/(expense)	480	2,220
TOTAL	**(9,349)**	**(8,065)**

Reconciliation of theoretical tax, at the French statutory tax rate, to effective tax is as follows:

€000	Dec 31, 2011	Dec 31, 2010
Income for the year – Group share	**22,701**	**22,261**
Restatement of CIR	(3,231)	(3,281)
Restatement of CVAE	(859)	(902)
Income tax expense	9,349	8,065
Income before tax, CIR restated	**27,960**	**26,144**
Theoretical tax at 34.43%	**9,627**	**9,001**
Non-deductible expenses and non-taxable income	985	931
Impact of change in tax rate		
Losses brought forward applied	156	(96)
Tax rate differences for foreign companies	(1,890)	(2,674)
Other taxes (under IAS 12)*	1,321	1 433
Impact of reduced rate	(230)	(334)
Tax credit	(12)	(22)
Miscellaneous	(607)	(173)
Effective tax	**9,349**	**8,065**
Effective tax rate	**33.44%**	**30.85%**

** Impact caused by restatement of taxes akin to CVAE*

Analysis of movements in deferred tax assets during the year:

€000	Dec 31, 2011	Dec 31, 2010
Opening balance	**12,193**	**5,630**
Recognized in the income statement	(296)	1,957
Recognized in other comprehensive income	(2,467)	(4)
Changes in consolidation scope	2	0
Reclassification*	711	4,380
Exchange differences	(1,097)	230
Closing balance	**9,045**	**12,193**

** including the fair value of deferred tax assets recognized in the purchase price allocation of assets purchased in India*

Analysis of movements in deferred tax liabilities during the year:

€000	Dec 31, 2011	Dec 31, 2010
Opening balance	**2,203**	**2,062**
Recognized in the income statement	(563)	(263)
Recognized in other comprehensive income	0	300
Reclassification*	711	(24)
Exchange differences	(300)	128
Closing balance	**2,051**	**2,203**

Pursuant to IAS 12 and subject to certain conditions, a business may offset its deferred tax assets and liabilities. This was done in the table above on the “reclassification” line.

Analysis of net deferred taxes by type:

€000	Dec 31, 2011	Dec 31, 2010
Convertible bond non-conversion premium	0	2,378
Intangible assets	3,165	3,454
Component-based approach (net)	(195)	(435)
Other timing differences (net)	1,171	1,980
Internal margin on inventories	1,996	1,686
Internal capital gain on sales of fixed assets	0	(2)
Restatement of finance leases	(113)	(104)
Employee benefits	870	815
Tax losses carried forward	1,092	1,128
Regulated provisions	(855)	(756)
Other (net)	(137)	(154)
TOTAL	**6,994**	**9,990**
Of which: Deferred tax assets	9,045	12,193
Deferred tax liabilities	(2,051)	(2,203)

1.1.18. Earnings per share

1.1.18.1. Basic earnings per share

Basic earnings per share is calculated by dividing net income attributable to holders of common shares (net income Group share) by the weighted average number of common shares outstanding during the year.

	Dec 31, 2011	Dec 31, 2010
Net income attributable to holders of common shares (€000)	22,695	22,255
Weighted average number of common shares	11,783,690	11,292,632
Treasury shares at year-end (direct holding)	(67,541)	(55,241)
Treasury shares at year-end (liquidity contract)	(8,578)	(6,743)
Adjusted weighted average number of shares outstanding during the year	11,707,571	11,230,648
BASIC EARNINGS PER SHARE (€)	**1.94**	**1.98**

1.1.18.2. Diluted earnings per share

Diluted earnings per share is calculated by adjusting net income attributable to holders of common shares divided by the weighted average number of shares outstanding over the year for the impact of all common shares having a potentially dilutive effect. Potentially dilutive instruments include notably stock options and convertible bonds issued by the Company.

In 2003, Vétoquinol SA issued a convertible bond for a principal value of €20 million, entitling bearers to a 4% coupon in the first year and 5% annually thereafter, in addition to a 6% non-conversion premium. This financial instrument has a dilutive effect on earnings per share. A total of 117,855 bonds were issued, potentially convertible into 1,178,550 shares. In addition, to obtain the diluted EPS, net income is adjusted for the interest expense, net of tax, on convertible bonds.

Given that Soparfin SCA has informed the Group it does not intend to convert Tranche A of the bond; the dilutive effect on earnings per share no longer applied to 2009. Tranche B was converted on February 28, 2011.

	Dec 31, 2011	Dec 31, 2010
Net income attributable to holders of common shares (€000)	22,695	22,255
Expenses on grants of stock options	44	43
Expenses on grants of bonus shares	269	180
Interest expense saved net of taxes (tax rate 34.43%) on the convertible bond issue	191	1,309
Earnings used to calculate diluted earnings (€000)	**23,199**	**23,787**
Weighted average number of shares outstanding over the year	11,783,690	11,292,632
Treasury shares at year-end (direct holding)	(67,541)	(55,241)
Treasury shares at year-end (liquidity contract)	(8 578)	(6,743)
Adjusted weighted average number of shares outstanding over the year	**11,707,571**	**11,230,648**
Dilutive effect:		
Dilutive effect of stock options	43,400	52,600
Dilutive effect of bonus share grants	29,600	30,100
Dilutive effect of convertible bonds (Tranche A)		0
Dilutive effect of convertible bonds (Tranche B)		589,270
Dilutive effect of financial instruments outstanding	**73,000**	**671,970**
Number of shares including dilutive effect	**11,780,571**	**11,902,618**
Diluted earnings per share (€)	1.97	2.00

1.1.19. Goodwill

€000	Dec 31, 2011	Dec 31, 2010
At January 1		
Gross value	45,055	58,317
Opening book value	45,055	58,317
Acquisitions related to business combinations	8,409	0
Impairment losses recognized in the income statement	0	0
Allocation of goodwill	0	(18,022)
Exchange differences, net	(1,680)	4,760
At December 31		
Gross value	51,783	45,055
Closing book value	**51,783**	**45,055**

1.1.19.1. Impairment tests

In accordance with IAS 36, all cash-generating units (CGUs) containing goodwill were tested for impairment.

The CGUs defined for the Group are the following entities: USA, Canada, France, UK, Belgium, Switzerland, Czech Republic, Austria, Poland, Ireland, Germany, Italy, Scandinavia, India and Brazil.

Analysis of goodwill allocated to these CGUs:

€000	Dec 31, 2011	Dec 31, 2010
Vétoquinol Biomet Poland	2,138	2,398
Chassot GmbH/Germany	1,705	1,705
Vétoquinol UK	421	409
Vétoquinol Ireland	421	421
Vétoquinol Switzerland	927	901
Vétoquinol Austria	772	772
Vétoquinol Czech Republic	932	959
Vétoquinol USA	11,799	11,425
Vétoquinol Belgium	500	500
Vétoquinol Italy	6,465	6,465
Vétoquinol Brazil	7,921	0
Vétoquinol Scandinavia	1,236	1,229
Vétoquinol Asia	36	34
Vétoquinol India	9,135	10,503
Vétoquinol SA France	2,051	2,051
Vétoquinol Canada	5,325	5,282
TOTAL	**51,783**	**45,055**

The differences in value between the two years results from the acquisition of the subsidiary in Brazil and from exchange differences on goodwill denominated in foreign currencies for subsidiaries acquired before 2010.

The recoverable value of intangible assets tested is the value in use determined using the discounted future cash flow method. According to this method, the recoverable value of the asset is the present value of the estimated future cash flows expected from the continuous use of the asset and its disposal at the end of its useful life, less working capital and the value of other assets as of the date when the test is carried out. This valuation includes, in particular, a terminal value obtained by discounting to infinity a cash flow deemed to be normal at the end of the forecasting period.

Cash flow forecasts were established over a five-year period, based on budget projections for the following year drawn up by management under the following assumptions:

- sales growth of 0% to 5%,
- growth to infinity of 1.5% to 3%, depending on the country,
- average discount rate of 8.5% before tax in 2011 (2010: 8.9%).

Based on these tests, no impairment was found in respect of goodwill, intangible assets or property, plant and equipment. Likewise, an impairment test was conducted on the Equistro trademark, an intangible asset with an indefinite life, assuming sales growth to infinity of 1.5%. On the basis of this test, no impairment was found.

Sensitivity analyses based on the minimum value, instead of the central value, and a deviation of +/- 2% in the discount rate and +/- 0.5% in growth to infinity provided no evidence of negative adjustments.

1.1.20. Intangible assets

€000	Concessions, licenses and patents	Software	Trademarks	Other	Total
AT DECEMBER 31, 2009					
GROSS BOOK VALUE	**11,530**	**12,560**	**8,929**	**20,783**	**53,802**
GROSS BOOK VALUE	**(7,427)**	**(9,462)**	**(84)**	**(7,092)**	**(24,066)**
NET BOOK VALUE	**4,102**	**3,097**	**8,845**	**13,691**	**29,735**
Acquisitions	588	1,026	0	181	1,795
Acquisitions through business combinations	0	0	0	0	0
Change in consolidation method	0	0	0	0	0
Disposals	0	0	0	0	0
Reclassifications	711	(690)	5,991*	7,823*	13,836
Amortization	(1,242)	(1,079)	0	(3,268)	(5,590)
Deconsolidation	0	0	0	0	0
Exchange differences, net	85	67	83	1,184	1,419
AT DECEMBER 31, 2010					
GROSS BOOK VALUE	**13,040**	**13,276**	**15,006**	**30,450**	**71,772**
ACCUMULATED AMORTIZATION	**(8,795)**	**(10,855)**	**(87)**	**(10,839)**	**(30,576)**
NET BOOK VALUE	**4,245**	**2,421**	**14,920**	**19,611**	**41,196**
Acquisitions	1,738	356	0	147	2,241
Acquisitions through business combinations	0	3	0	0	3
Change in consolidation method	0	0	0	0	0
Disposals	0	0	0	0	0
Reclassifications	0	(143)	0	32	(111)
Amortization	(1,340)	(840)	0	(2,912)	(5,092)
Deconsolidation	0	0	0	0	0
Exchange differences, net	(4)	(44)	(792)	(1,058)	(1,898)
AT DECEMBER 31, 2011					
GROSS BOOK VALUE	**14,701**	**13,020**	**14,207**	**29,614**	**71,542**
ACCUMULATED AMORTIZATION	**(10,063)**	**(11,267)**	**(79)**	**(13,794)**	**(35,203)**
NET BOOK VALUE	**4,638**	**1,752**	**14,128**	**15,821**	**36,339**

** Fair value of deferred tax assets recognized in the purchase price allocation of assets purchased in India.*

Intangible assets mainly comprise the Equistro trademark valued at €8,863,000, which has an indefinite life and, as such, is not amortized.

The "Other" column mainly includes the following intangible assets as of December 31, 2011:
- customer list of Vet Solutions (USA) for a total of €4,241,000 (2010: €4,928,000),
- customer list of IGI (USA) for a total of €211,000 (2010: €695,000),
- ophthalmic products purchased from Vetcom (Canada) for a total of €1,746,000 (acquisition completed in 2008),
- non-compete clause valued at €1,535,000 at closing rates (2010: €2,435,000) following the acquisition of Wockhardt's Animal Health Division. €2,435,000).
- the lists of products valued as of the acquisition of Ascor Chimici and the Wockhardt Animal Health Division for the remaining balance.

1.1.21. Property, plant and equipment

€000	Land	Buildings	Plant and equipment	Other PP&E	PP&E in progress, advances and down payments	Total
AT DECEMBER 31, 2009						
GROSS BOOK VALUE	**2,039**	**56,572**	**39,046**	**11,081**	**1,072**	**109,809**
ACCUMULATED DEPRECIATION	**(648)**	**(32,059)**	**(27,014)**	**(8,490)**		**(68,211)**
NET BOOK VALUE	**1,390**	**24,513**	**12,032**	**2,591**	**1,072**	**41,598**
Additions	299	890	1,980	1,304	1,763	6,236
Acquisitions through business combination	0	0	0	0	0	0
Change in consolidation method	0	0	0	0	0	0
Disposals	0	(4)	(3)	(21)	(18)	(46)
Depreciation	(33)	(3,163)	(2,726)	(1,100)	0	(7,022)
Exchange differences, net	37	517	383	128	44	1,109
Deconsolidation	0	0	0	0	0	0
Reclassifications	0	839	777	528	(2,152)	(7)
AT DECEMBER 31, 2010						
GROSS BOOK VALUE	**2,374**	**59,098**	**41,975**	**12,914**	**709**	**117,071**
ACCUMULATED DEPRECIATION	**(682)**	**(35,505)**	**(29,533)**	**(9,485)**		**(75,204)**
NET BOOK VALUE	**1,693**	**23,593**	**12,443**	**3,430**	**709**	**41,867**
Additions	3	772	1,490	927	3,819	7,011
Acquisitions through business combination	71	2,041	833	305	0	3,250
Change in consolidation method	0	0	0	0	0	0
Disposals	0	0	(11)	(14)	0	(26)
Depreciation	(52)	(3,134)	(2,794)	(1,298)	0	(7,278)
Exchange differences, net	(38)	(277)	(139)	(117)	(38)	(609)
Deconsolidation	0	0	0	(1)	0	(1)
Reclassifications	0	634	528	220	(1,533)	(150)
AT DECEMBER 31, 2011						
GROSS BOOK VALUE	**2,410**	**62,087**	**44,264**	**13,634**	**2,956**	**125,351**
ACCUMULATED DEPRECIATION	**(734)**	**(38,457)**	**(31,914)**	**(10,183)**	**0**	**(81,287)**
NET BOOK VALUE	**1,676**	**23,630**	**12,350**	**3,451**	**2,956**	**44,064**

1.1.21.1. Finance leases

Property, plant and equipment includes the following assets held under finance leases:

€000	Dec 31, 2011	Dec 31, 2010
Land		
Gross value	101	101
Net book value	**101**	**101**
Buildings		
Gross value	10,027	10,027
Accumulated depreciation	(9,527)	(9,441)
Net book value	**500**	**586**
Other PP&E		
Gross value		
Accumulated depreciation		
Net book value		**0**
Total		
Gross value	10,128	10,128
Accumulated depreciation	(9,527)	(9,441)
Net book value	**601**	**687**

The value of commitments to purchase property, plant and equipment is stated in note 1.1.37.3.

1.1.22. Financial assets available for sale

€000	Total
January 1, 2010	**0**
Acquisitions	0
Disposals	0
Exchange difference	0
December 31, 2010	**0**
Acquisitions	0
Disposals	0
Exchange difference	0
December 31, 2011	**0**

1.1.23. Other financial assets

€000	Loans	Deposits and guarantees	Other	Total
December 31, 2009	**3**	**243**	**185**	**431**
Acquisitions			216	216
Changes in consolidation scope			0	
Disposals			(78)	(78)
Exchange difference			12	12
December 31, 2010	**3**	**243**	**334**	**580**
Acquisitions			45	45
Changes in consolidation scope				
Disposals			(13)	(13)
Exchange difference	(2)		(25)	(27)
December 31, 2011	**1**	**243**	**341**	**585**

All items classified under “Other financial assets” are non-current.

1.1.24. Derivatives

1.1.24.1. Derivatives

As stated in Note 1.1.3.15, the Group occasionally makes use of derivatives, solely in order to reduce its exposure to foreign currency risk or interest rate risk.

As of December 31, 2011, the Group had in place financial instruments to hedge against exchange rate fluctuations, the fair value of which amounted to €78,200 (2010: €16,400) for a notional value of €5,388,000 (2010: €1,502,000).

As of December 31, 2011, there were two interest rate swaps outstanding, one pertaining to a loan taken out in January 2009 and the other to a new loan taken out in June 2011. The fair value of these swaps was - €300,000 (2010: - €337,000).

€000	Dec 31, 2011			Dec 31, 2010		
	Par value	Positive fair value	Negative négative	Par value	Positive fair value	Negative fair value
Forward currency contract	5,388	135	(57)	1,502	17	(1)
Over-the-counter currency options						
Currency derivatives	**5,388**	**135**	**(57)**	**1,502**	**17**	**(1)**
Interest rate swaps	25,625		(300)	18,125		(337)
Interest rate options						
Interest rate derivatives	**25,625**		**(300)**	**18,125**		**(337)**

1.1.25. Inventories

1.1.25.1. Analysis of inventories by type

€000	Dec 31, 2011			Dec 31, 2010		
	Gross value	Impairment	Carrying amount	Gross value	Impairment	Carrying amount
Raw materials & consumables	14,975	(207)	14,769	15,216	(397)	14,819
Other supplies				0		0
Work-in-progress	5,187	(127)	5,060	4,705	(214)	4,491
Semi-finished and finished goods	25,362	(281)	25,080	20,516	(540)	19,976
Goods purchased for resale	8,973	(454)	8,519	10,074	(431)	9,643
TOTAL	**54,497**	**(1,069)**	**53,428**	**50,512**	**(1,582)**	**48,929**

1.1.25.2. Analysis of inventory impairment

€000	31 déc 2009	Additions	Write-backs	Exchange difference	Dec 31, 2010
Raw materials & consumables	1,023	324	(955)	5	397
Work-in-progress	338	221	(345)	0	214
Semi-finished and finished goods	816	371	(711)	64	540
Goods purchased for resale	157	337	(71)	8	431
TOTAL	**2,333**	**1,254**	**(2,082)**	**77**	**1,582**

€000	Dec 31, 2010	Additions	Write-backs	Exchange difference	Dec 31, 2011
Raw materials & consumables	397	293	(468)	(15)	207
Work-in-progress	214	165	(252)	0	127
Semi-finished and finished goods	540	243	(495)	(7)	281
Goods purchased for resale	431	347	(332)	8	454
TOTAL	**1,582**	**1,048**	**(1,547)**	**(15)**	**1,069**

1.1.26. Trade and other receivables

€000	Dec 31, 2011	Dec 31, 2010
Trade receivables	54,280	53,086
Impairment of trade receivables	(1,950)	(1,746)
Net trade receivables	**52,330**	**51,340**
Prepayments	572	1,172
Receivables from government agencies	5,590	5,945
Other operating receivables	327	1,161
Miscellaneous receivables	664	636
Provisions	(10)	(10)
Other receivables	**7,143**	**8,904**
Total trade and other receivables	**59,473**	**60,244**
Prepaid expenses	1,347	1,426
Loans and guarantees	253	327
Other	0	0
TOTAL OTHER CURRENT ASSETS	**1,601**	**1,753**

All net trade receivables were due in less than one year.

1.1.27. Cash and cash equivalents

€000	Dec 31, 2011	Dec 31, 2010
Marketable securities	26,403	23,185
Cash	31,362	32,644
Cash and cash equivalents in the balance sheet	**57,765**	**55,829**

Total cash and cash equivalents in the cash flow statement (CFS) include:

€000	Dec 31, 2011	Dec 31, 2010
Total cash and cash equivalents in the balance sheet	57,765	55,829
Bank overdrafts (Note 1.1.29)	(4,673)	(10,922)
Cash and cash equivalents in the CFS	**53,092**	**44,907**

1.1.28. Capital stock and additional paid-in capital

€000	Number of shares	Capital stock	Additional paid in capital	Total
At December 31, 2009	**11,292,632**	**28,232**	**32,599**	**60,831**
Stock option plan – options exercised				
At December 31, 2010	**11,292,632**	**28,232**	**32,599**	**60,831**
Conversion of Tranche B bonds	589,270	1,473	8,527	10,000
At December 31, 2011	**11,881,902**	**29,705**	**41,126**	**70,831**

At December 31, 2011, the capital stock amounted to €29,704,755 (2010: €28,231,580) divided into 11,881,902 shares (2010: 11,292,632 shares) each with a par value of €2.5.

1.1.28.1. Treasury stock/share buyback program/ liquidity contract

At the Ordinary General Meeting held on May 20, 2011, the Company's shareholders passed the ninth resolution authorizing the Board of Directors to carry out a program involving the buyback of the Company's shares, pursuant to the provisions of Articles L.225-209 et seq. of the French Commercial Code, European Regulation 2273/2003 of December 22, 2003 and the General Regulation of the French Financial Markets Authority (AMF – Autorité des marchés financiers). This resolution supersedes the authorization previously granted under the ninth resolution of the General Meeting held on May 7, 2010. The number of shares that the Company may acquire under the share buyback program may not exceed 10% of the shares comprising the capital stock at any given time.

The maximum authorized purchase price per share is €41 and the total amount allocated to these buybacks may not exceed €34 million.

The share buyback program has been authorized for an eighteen-month period starting on the date of the Ordinary General Meeting that granted the aforementioned authorization, i.e. until November 20, 2012.

The main objectives of the buyback program are:

a) to bolster the share's trading and liquidity by means of a liquidity contract entered into with an investment service provider in compliance with the AFEI Code of Conduct as approved by the AMF,
b) to purchase shares to hold as treasury shares for subsequent reissue for exchange or payment with regard to any potential acquisition transactions, under market practices accepted by the AMF,
c) to issue shares to employees and/or company officers (under the terms and conditions and according to the procedures prescribed by law), particularly in accordance with a stock option, bonus share or corporate savings plan,
d) to issue shares to the holders of securities giving access to the Company's capital stock upon exercise of the rights attaching to such securities, in compliance with applicable regulations.

From December 19, 2006 to December 31, 2007, and thereafter automatically renewable for successive 12-month periods, Vétoquinol entrusted Oddo Corporate Finance with the implementation of a liquidity contract in compliance with the AFEI Code of Conduct approved by the AMF by its decision of March 22, 2005.

For the purpose of implementing this contract, €200,000 was allocated to a liquidity account in 2007, to which €50,000 was added in 2008. No additional payment has been made since that date. As of December 31, 2011, Vétoquinol held 8,578 (Dec 31, 2010: 6,743) treasury shares under this liquidity contract. These shares are included under "Other financial assets" in the company financial statements and were valued at €207,000 as of December 31, 2011 (Dec 31, 2010: €143,000). Pursuant to IFRS, these treasury shares are canceled via shareholders' equity on consolidation.

1.1.28.2. Bonus shares

In its fifteenth resolution, the Combined Ordinary and Extraordinary General Meeting of May 12, 2009 authorized the Board of Directors, for a maximum period of 26 months, to grant existing or future bonus shares of the Company, on one or more occasions, to employees of the Company and those of related companies, as defined in Article L.225-197-2 of the French Commercial Code, or to certain categories among them as well as to company officers as defined by law.

On May 7, 2010, the Board of Directors voted unanimously that all bonus shares should be granted from existing shares that Vétoquinol has previously purchased on the market under the share buyback program decided by the Ordinary General Meeting of shareholders pursuant to the provisions of Article L.225-209 of the French Commercial Code. The details of the bonus share program are as follows:

The bonus shares granted to all beneficiaries will become vested at the end of a two-year vesting period starting on the day they are granted by the Board of Directors.

Each beneficiary will be the owner of any Vétoquinol shares granted to him/her as of the date on which they are recorded in that beneficiary's special registered share account to be opened in the books kept by Vétoquinol's registrar. Beneficiaries will be notified of this registration within thirty days.

Fully vested shares may only be sold or transferred at the end of a two-year lock-in period starting on the day when the shares become fully vested. The Board of Directors has decided to make the definitive vesting of the bonus shares conditional on the presence of the beneficiary within Vétoquinol or one of its subsidiaries.

As of the date of the grant, no beneficiary may hold more than ten percent (10%) of Vétoquinol's capital stock or be permitted to hold more than 10% of the capital stock as a result of the grant.

The shares granted may not represent more than 150,000 shares in the Company's capital as of the date of the Board's decision, subject to the condition that the number of shares granted to company directors and officers may not exceed 1% of the total number of shares granted.

Under this program, 30,100 bonus shares (Plan 2) have been granted to Vétoquinol employees and company officers. At December 31, 2011, 29,600 of the 30,100 shares allotted to the plan remained to be granted.

1.1.28.3. Stock options

1.1.28.3.1 Plan 5

The Combined Ordinary and Extraordinary General Meeting of October 9, 2006 authorized the Board of Directors to grant the Company's stock options to all or some of the company officers referred to in Article L.225-185 paragraph 4 of the French Commercial Code or to employees of the Company and any related companies or groups within the meaning of Article L.225-180 of the said Code. On June 4, 2007, the Board of Directors voted unanimously to grant 33,800 options to purchase Vétoquinol shares. The details of the plan are as follows:

The purchase price was set at €25.33. This price corresponds to the average share price for the 20 trading days preceding this Board of Directors meeting, to which a 5% discount was applied. The purchase price of the shares must be fully paid up by the beneficiary as of the day on which the option is exercised.

The options may be exercised during a period of four (4) years and six (6) months. The options granted may be exercised after a two-year period starting on the date on which the Board of Directors authorized the plan, i.e. June 4, 2007, subject to the following caps and solely during the periods stated below:
- 50% from September 15, 2009 to October 15, 2009,
- 100% from September 15, 2010 to October 15, 2010,
- 100% from June 5, 2011 to December 5, 2011.

However, on August 29, 2011 the Board of Directors decided to extend the plan for a period of thirty (30) months, subject to new exercise periods:
- from October 1, 2012 to December 31, 2012,
- from October 1, 2013 to June 4, 2014.

The plan will be definitively closed on June 4, 2014. The shares issued will provide their holders with full shareholder rights as from the first day of the fiscal year in which they were subscribed, provided that the options were exercised by December 31 of that year at the latest. They will entitle the holder to receive dividends starting with the dividend attributable to the year in which the option was exercised. Subject to this provision, they will be fully fungible with existing shares as of their issue.

The shares purchased will be recorded in registered form in the name of the beneficiary. They may be freely sold or otherwise transferred after a four-year lock-in period starting on the day on which the Board of Directors authorized the plan, i.e. June 5, 2011.

1.1.28.3.2. Plan 6

The Combined Ordinary and Extraordinary General Meeting of May 12, 2009 authorized the Board of Directors to grant the Company's stock options to all or some of the company officers referred to in Article L.225-185 paragraph 4 of the French Commercial Code or to employees of the Company and any related companies or groups within the meaning of Article L.225-180 of the said Code. On May 7, 2010, the Board of Directors voted unanimously to grant 23,500 options to purchase Vétoquinol shares. The details of the plan are as follows:

The purchase price was set at €24.25. This price corresponds to the average share price for the 20 trading days preceding this Board of Directors meeting, to which a 5% discount was applied. The purchase price of the shares must be fully paid up by the beneficiary as of the day on which the option is exercised.

The options may be exercised during a period of four (4) years and six (6) months. The options granted may be exercised after a two-year period starting on the date on which the Board of Directors authorized the plan, i.e. May 7, 2010, subject to the following caps and solely during the periods stated below:
- 50% from September 1, 2012 to October 1, 2012,
- 100% from September 1, 2013 to October 1, 2013,
- 100% from May 7, 2014 to November 7, 2014.

The shares issued will provide their holders with full shareholder rights as from the first day of the fiscal year in which they were subscribed, provided that the options were exercised by December 31 of that year at the latest. They will entitle the holder to receive dividends starting with the dividend attributable to the year in which the option was exercised. Subject to this provision, they will be fully fungible with existing shares as of their issue.

The shares purchased will be recorded in registered form in the name of the beneficiary. They may be freely sold or otherwise transferred after a four-year lock-in period starting on the day on which the Board of Directors authorized the plan, i.e. May 7, 2014.

1.1.28.4. Treasury stock excluding liquidity contract

As of December 31, 2011, Vétoquinol held 67,541 treasury shares (2010: 55,241).

1.1.28.5. Dividend distribution

The shareholders' general meeting of May 20, 2011 approved the distribution of dividends attributable to FY 2010 amounting to €3,564,570.00, i.e. €0.30 per share (2010: €3,274,863.28 attributable to FY 2009, i.e. €0.29 per share). At the time the dividend was paid, Vétoquinol held a number of its own shares. The dividends attributable to these shares were not paid but were allocated to retained earnings. The total dividends paid out in 2011 amounted to €3,546,117.30 (2010: €3,256,738.86).

The Group dividend distribution policy complies with a minimum payout of 15%.

1.1.29. Financial liabilities

Current and non-current financial liabilities break down as follows:

€000	Dec 31, 2011	Dec 31, 2010
Convertible bond	0	0
Borrowings and other financial liabilities	16,107	13,652
Finance lease liabilities (Note 1.1.15.1)	204	418
Total non-current financial liabilities	**16,311**	**14,070**
Convertible bond	0	16,908
Borrowings and other financial liabilities	10,377	5,659
Finance lease liabilities (Note 1.1.15.1)	209	296
Bank overdrafts	4,673	10,922
Total current financial liabilities	**15,259**	**33,785**
TOTAL FINANCIAL LIABILITIES	**31,570**	**47,855**

The breakdown by maturity of financial liabilities is as follows:

€000	Total	< 1 year	1-5 years	> 5 years
At December 31, 2010				
Convertible bond*	16,908	16,908	0	
Borrowings and other financial liabilities	19,311	5,659	13,652	
Finance lease liabilities	714	296	418	
Bank overdrafts	10,922	10,922		
Total financial liabilities	47,855	33,785	14,070	0
At December 31, 2011				
Convertible bond	0	0	0	
Borrowings and other financial liabilities	26,484	10,377	16,107	
Finance lease liabilities	413	209	204	
Bank overdrafts	4,673	4,673		
TOTAL FINANCIAL LIABILITIES	**31,570**	**15,259**	**16,311**	

** Tranche B bond converted at the request of Soparfin.*

1.1.29.1. Details of the convertible bond issue

On February 27, 2003, the Combined Ordinary and Extraordinary General Meeting of Vétoquinol SA shareholders decided to issue a convertible bond, having a par value of €19,999,993.50, divided into 117,855 bonds each with a value of €169.70, convertible into shares of Vétoquinol SA common stock under the following terms and conditions:

- Issue of two tranches, currently held by Soparfin:
  - Tranche A: 58,928 bonds;
  - Tranche B: 58,927 bonds.
- Term of the bond:
  - Tranche A: 7 years;
  - Tranche B: 8 years.
- Interest: 4% p.a. the first year, thereafter 5% p.a..
- Non-conversion premium.

Bondholders who do not opt for conversion within the time limits stated above will receive a non-conversion premium of 6% per annum, calculated so that the convertible bonds generate a compound annual return equal to the annual coupon (i.e. 4% the first year and 5% thereafter) plus an additional 6% payable on redemption, pursuant to the provisions of Article 1154 of the French Civil Code. The redemption price will be one hundred and sixty-nine euros and seventy cents (€169.70) per bond plus accrued interest and the non-conversion premium. Following the 10-for-1 stock split approved by the General Meeting of July 7, 2006, the conversion ratio is now one convertible bond for 10 Vétoquinol SA shares.

The value of the convertible bonds recorded on the balance sheet excludes €180,000 classified under shareholders' equity. The fair value of the interest expense recognized in 2010 was €1,412,000 (2009: €2,207,000).

Thus, in addition to the €10 million par value and the 5% interest due, Vétoquinol paid a non-conversion premium of €5.8 million on February 28, 2010.

The holding company Soparfin converted Tranche B. The conversion took place on February 28, 2011.

The breakdown by main currencies and rate type is as follows:

€000	Dec 31, 2011	Dec 31, 2010
Fixed rate	139	202
Total INR	139	202
Fixed rate	259	
Total BRL	259	
Fixed rate	105	161
Total CAD	105	161
Fixed rate	202	364
Total PLN	202	364
Fixed rate on bonds	0	16,908
Fixed rate and floating swapped to fixed	25,825	18,961
Floating rate	366	337
Total EUR	26,192	36,206
Fixed rate	26,531	36,596
Floating rate	366	337
Total (all currencies combined)	26,897	36,933
Bank overdrafts	4,673	10,922
TOTAL	**31,570**	**47,855**

1.1.29.2. Collateral given as guarantee

With regard to real estate leasing, a pledge of mortgage assets was given to the lessor on the real estate lease.

1.1.29.3. Credit lines

As of December 31, 2011, the Group had open lines of bank credit in various currencies amounting to the equivalent of €30,067,000 (2010: €31,506,000). €3,821,000 of these credit lines had been used (2010: €3,281,000).

1.1.29.4. Liquidity risk

In view of its available cash and cash equivalents as of December 31, 2011, the Group is not exposed to liquidity risk. Over the coming years, the Group expects to incur interest expenses, not including the non-conversion premium, of €0.5 million in 2012 and €0.3 million in 2013. In 2009, following the request of Soparfin not to convert the Tranche A bond, Vétoquinol was required to pay a non-conversion premium of €5.8 million on February 28, 2011. The Tranche B bond was converted on February 28, 2011, which did not generate a cash outflow for the Group.

Contractual cash flows include the notional amounts of the Group's financial liabilities and the non-discounted value of its contractual interest payments.

€000	Carrying amount	Contractual cash flows	Breakdown of contractual cash flows		
			< 1 year	1-5 years	> 5 years
At December 31, 2010					
Convertible bond*	16,908	0			
Borrowings and other financial liabilities**	19,122	19,821	6,175	13,834	0
Finance lease liabilities	714	745	313	432	0
Bank overdrafts	10,922	10,922	10,922	0	0
Trade payables	27,177	27,177	27,177		
Payables to fixed asset suppliers	875	875	875		
Other operating liabilities	12,135	12,135	12,135		
OTHER OPERATING LIABILITIES	**87,854**	**71,676**	**57,598**	**14,267**	**0**

€000	Carrying amount	Contractual cash flows	Breakdown of contractual cash flows		
			< 1 year	1-5 years	> 5 years
At December 31, 2011					
Convertible bond	0	0	0	0	0
Borrowings and other financial liabilities	26,484	27,293	10,882	16,411	0
Finance lease liabilities	413	428	219	209	0
Bank overdrafts	4,673	4,673	4,673	0	0
Trade payables	23,684	23,684	23,684	0	0
Payables to fixed asset suppliers	375	375	375	0	0
Other operating liabilities	16,420	16,420	16,420	0	0
OTHER OPERATING LIABILITIES	**72,049**	**72,872**	**56,253**	**16,619**	**0**

** As the Tranche B bond was converted, no repayment of the par value or payment of the non-conversion premium was made. Only the interest expenses (coupons) were paid.*

*** Including €500,000 related to the CB coupon.*

1.1.30. Provisions for employee benefits

€000	Dec 31, 2011	Dec 31, 2010
Provision for retirement bonus	3,894	3,826
Other employee benefits (CET time savings account, long-service awards, etc.)	747	759
PROVISIONS FOR EMPLOYEE BENEFITS	**4,641**	**4,585**

1.1.30.1. Provision for retirement indemnity

A provision for retirement indemnity system has been established for the Vétoquinol sites in France, Poland, Austria, Italy and India. In France, employees qualify for a retirement bonus ("Indemnités de Fin de Carrière") under the national collective bargaining agreement for production and sale of pharmaceutical, parapharmaceutical and veterinary products.

• ***Changes in the corresponding liability are as follows:***

€000	Dec 31, 2011	Dec 31, 2010
Net book value at January 1	**3,826**	**3,433**
Expenses posted to the income statement	385	414
Actuarial gains and losses recorded in other comprehensive income	(47)	28
Contributions paid	(54)	(133)
Reclassifications	(207)	82
Exchange differences	(9)	2
New liabilities arising from acquisitions	0	0
Net book value at December 31	**3,894**	**3,826**

• ***The following amounts were posted to the income statement for the year:***

€000	Dec 31, 2011	Dec 31, 2010
Cost of services rendered during the year	271	306
Financial cost	115	108
Cost of past services		
TOTAL	**385**	**414**

• ***The main actuarial assumptions applied in France are as follows:***

	Dec 31, 2011	Dec 31, 2010
Discount rate	4.20%	4.61%
Salary increase rate	2.50%	
Social security contribution rate	45%	
Mortality table	TF-TH 2000-2002	
Staff turnover	Based on age range	

1.1.30.2. Other employee benefits

In France, employees qualify for long-service awards as defined by Decree no. 2000-1015 published in the official gazette (Journal Officiel) on October 19, 2000, as set forth in a company agreement or as standard practice. Vétoquinol also has its own system of long-service awards which entitles employees to receive bonuses based on years of service. The acquisition of Wockhardt's animal health division resulted in a 2010 charge for employee benefits.

• ***Changes in the corresponding liability are as follows:***

€000	Dec 31, 2011	Dec 31, 2010
Net book value at January 1	759	723
Expenses recognized in the income statement	44	(305)
Actuarial gains and losses recorded in other comprehensive income		
Contributions paid	(20)	(27)
Reclassifications	9	
Exchange differences	(45)	13
New liabilities arising from acquisitions	0	355
Net book value at December 31	**747**	**759**

- ***The following amounts are recognized in the income statement for the year:***

€000	Dec 31, 2011	Dec 31, 2010
Cost of services rendered during the year	44	(305)
Financial cost		
Cost of past services		
TOTAL	**44**	**(305)**

- ***The main actuarial assumptions used for long-service awards are as follows:***

	Dec 31, 2011	Dec 31, 2010
Discount rate	4.41%	
Salary increase rate	0.60%	
Social security contribution rate	45%	
Mortality table	TF-TH 2000-2002	
Staff turnover	Based on age range	

1.1.30.3. Pension commitments

- Defined benefit plans: the Group has no defined benefit pension plan.
- Defined contribution plans: the expenses related to defined contribution pension plans are detailed in Note 1.1.30.1.

1.1.31. Other provisions

€000	Provision for litigation	Other provisions	Total
At December 31, 2009	**849**	**118**	**967**
Additional provisions and increases	3	22	25
Amounts used	(435)	(124)	(558)
Reclassifications	0	225	225
Write-backs of amounts not used			
Provisions arising from acquisitions			
Exchange differences		4	4
At December 31, 2010	**417**	**245**	**662**
Additional provisions and increases	99	0	99
Amounts used	(270)	(3)	(273)
Reclassifications	0	(176)	(176)
Write-backs of amounts not used			0
Provisions arising from acquisitions			0
Exchange differences		(23)	(23)
At December 31, 2011	**246**	**43**	**289**

€000	Dec 31, 2011	Dec 31, 2010
Current	56	458
Non-current	233	205
TOTAL	**289**	**662**

Provisions for litigation concern sales and labor-related disputes and claims.

1.1.32. Government grants

The Group has received conditional loans from the government. As of December 31, 2011, loans received from OSEO amounted to €951,000 (2010: €951,000).

In addition, the Group receives investment subsidies. These are recognized as deferred income and transferred to the income statement every year (see Note 1.1.13).

1.1.33. Trade and other payables

€000	Dec 31, 2011	Dec 31, 2010
Trade payables	23,684	27,348
Payables to fixed asset suppliers	375	875
Tax and social security liabilities	22,538	22,769
Other operating liabilities	16,420	12,129
Other miscellaneous liabilities	17	0
Total trade and other payables	**63,035**	**63,121**
Deferred income	293	227
Total other current liabilities	**293**	**227**

All trade and other payables are due in less than one year.

1.1.34. Assets and liabilities by accounting category – IAS 39

The fair value of derivatives is measured using the valuations provided by bank counterparties.

The fair value of non-derivative financial liabilities corresponds to the present value of future cash flows generated by principal and interest payments, discounted at the market interest rate applicable at the balance sheet date. The market interest rate on the debt component of convertible bonds is calculated using the market interest rate on similar liabilities with no conversion option.

It is recalled that non material financial instruments (e.g. foreign currency hedges) are not recognized. Cash and cash equivalents are stated at amortized cost, given that income and interest expenses are periodically recognized in the income statement. For example, the difference between the valuation at amortized cost and the fair value at December 31, 2011 amounted to €135,000 (2010: €1,000).

€000 – 2011	Assets/ liabilities at fair value	Assets/ liabilities at amortized cost	Non-financial instruments*	Total carrying amount	Fair value
Other equity investments		0		0	0
Other non-current assets (loans and advances)		584		584	584
Trade and other receivables		61,074		61,074	61,074
Cash and cash equivalents		57,765		57,765	57,765
Derivatives				0	135
Financial assets at Dec 31, 2011		**119,424**		**119,424**	**119,559**
Bonds		0	0	0	0
Short/long-term borrowings and other financial liabilities		31,035	413	31,449	31,093
Derivatives		300		300	357
Trade payables		23,561		23,561	23,561
Payables to fixed asset suppliers		375		375	375
Other operating liabilities		16,420		16,420	16,420
Financial liabilities at Dec 31, 2011		**71,691**	**413**	**72,104**	**71,805**

€000 – 2010	Assets/ liabilities at fair value	Assets/ liabilities at amortized cost	Non-financial instruments*	Total carrying amount	Fair value
Other equity investments		0		0	0
Other non-current assets (loans and advances)		580		580	580
Trade and other receivables		61,997		61,997	61,997
Cash and cash equivalents		55,829		55,829	55,830
Derivatives				0	17
Financial assets at Dec 31, 2010	**0**	**118,407**	**0**	**118,407**	**118,424**
Bonds		16,908		16,908	17,427
Short/long-term borrowings and other financial liabilities		46,952	714	47,666	47,324
Derivatives		337		337	338
Trade payables		27,177		27,177	27,177
Payables to fixed asset suppliers		875		875	875
Other operating liabilities		12,129		12,129	12,129
Financial liabilities at Dec 31, 2010	**0**	**104,379**	**714**	**105,093**	**105,271**

** Non-financial instruments consist solely of finance leases.*

1.1.35. Dividends per share

Dividends paid in 2011 amounted to €3,546,117 (2010: €3,256,739), i.e. €0.30 per share.
At the next General Meeting on May 24, 2012, the shareholders will be asked to approve a dividend payout of €0.33 per share (2010: €0.33 per share).

1.1.36. Headcount

2011 headcount by functional dept. and geographical region	France	Western Europe (excl. France)	Eastern Europe	North America	Rest of world	Consolidated total
Commercial & Marketing	91	134	56	96	184	561
Administration & Management	150	38	55	30	33	306
Production	124	26	99	44	49	342
Quality	77	10	52	29	9	177
Procurement & Logistics	74	42	45	31	29	221
R&D	92	14	13	11	7	137
Total 2011 headcount	**608**	**264**	**320**	**241**	**311**	**1,744**
Total 2010 headcount	**599**	**252**	**333**	**244**	**190**	**1,618**

1.1.37. Off-balance sheet commitments

1.1.37.1. Guarantees given

€000	Dec 31, 2011	Dec 31, 2010
Guarantees and deposits	171	31
Mortgages and collateral	23,837	23,645
TOTAL	**24,011**	**23,676**

In Canada, the advances (described in Note 1.1.37.2) are secured by a lien amounting to CAD 31.5 million or €23,837,000 as of December 31, 2011 (2010: CAD 31.5 million or €23,645,000 at the 2010 closing rate), on all the receivables, inventories and intellectual property of Vétoquinol Canada and its parent, Vétoquinol SA.

1.1.37.2. Guarantees received

€000	Dec 31, 2011	Dec 31, 2010
Guarantees and deposits	4,733	4,476
Liability guarantees	2,063	0
TOTAL	6,797	4,476

Société Générale provided a guarantee on remaining finance lease payments of €43,000 at 2011 year-end (2010: €104,000).

In Canada, the Group obtained authorized bank advances for a maximum of CAD 10 million on a consolidated basis, or €7,567,000 at the 2011 closing rate (2010: CAD 10 million, or €7,506,000 at the 2010 closing rate), which may be used in the form of bank loans with interest set at the lending institution's preferential rate plus 0.375%. On this line of credit, CAD 3,801,000 or €2,876,000 had been drawn as of December 31, 2011 (2010: CAD 4,177,000 or €3,135,000).

In connection with the Farmagricola acquisition, the former shareholders of this company granted Vétoquinol a liability guarantee for a 5-year term starting on the acquisition date, i.e. until June 1, 2016. The guarantee may only be called upon if the amount to be claimed under the guarantee exceeds BRL 15,000 (€6,000 at the 2011 closing rate). The total amount of compensation awarded under this guarantee may not exceed BRL 5 million (€2,070,000 at the 2011 closing rate).

1.1.37.3. Capital expenditure commitments

At the balance sheet date, Vétoquinol had contracted the following capital expenditure not recorded in the financial statements:

€000	Dec 31, 2011	Dec 31, 2010
Intangible assets		
PP&E	3,684	694
TOTAL	3,684	694

1.1.37.4. Operating lease commitments

Group commitments related to operating leases are explained in Note 1.1.15.

1.1.38. Contingent assets and liabilities

With a view to defending Group interests, Vétoquinol is involved (as plaintiff) in a commercial dispute. On June 30, 2011, the appeals court ordered the defendant to pay the Group 5 (five) million euros as an advance on the compensation claimed by Vétoquinol.

This accrued income was posted in the 2011 first half Group financial statements, having been received during the second half of 2011.

A court expert investigation is under way in order to determine the definitive amount of the loss incurred by Vétoquinol. No future potential asset has been recognized in addition to the aforementioned sum of 5 (five) million euros.

Related party disclosures

1.1.38.1. Compensation paid to key executives

€000	Dec 31, 2011	Dec 31, 2010
Short-term benefits	1,170	1,470
Post-employment benefits		0
TOTAL	1,170	1,470

The key executives of the Vétoquinol Group are:

- Matthieu Frechin, Chief Executive Officer since April 1, 2010;
- Étienne Frechin, Chairman since April 1, 2010;
- Jacques du Puy, Group Chief Operating Officer (since July 2011);
- Dominique Henryon, Group Chief Operating Officer (until December 31, 2010);
- Alain Masson, Chief Operating Officer and Chief Pharmacist.

1.1.38.2. Related party transactions

None.

1.1.39. Post-balance sheet events

None.

1.1.40. Litigation and arbitration

There are no other administrative, judicial or arbitration proceedings, including any proceedings of which the Company is aware, either pending or imminent, that could have or that have over the past 12 months had a material impact on the financial position or profitability of the Company and/or the Group.

1.1.41. Financial/commercial position

There was no change in the Group's financial or commercial position as of December 31, 2011.

1.1.42. Group Companies

Company	Head office	% held at Dec 31, 2011	% held at Dec 31, 2010
Vétoquinol S.A.	Magny-Vernois – 70204 Lure Cedex – France	100%	100%
Vétoquinol N.-A. Inc.	2000 Chemin Georges – Lavaltrie – Québec J5T 3S5 Canada	100%	100%
Vétoquinol Prolab Inc.	2000 Chemin Georges – Lavaltrie – Québec J5T 3S5 Canada	100%	100%
Vétoquinol Canada Inc.	2000 Chemin Georges – Lavaltrie – Québec J5T 3S5 Canada	100%	100%
Vétoquinol USA Inc.	Corporation Trust Center – 1209 Orange Street – Wilmington – Delaware 19801 – USA	100%	100%
Vétoquinol de Mexico S.A. de C.V	Mariano Escobedo n° 748, 5 Piso Int. – Col. Nueva Anzures – Delegation Miguel Hidalgo – Mexico	100%	100%
Farmagricola S.A Importacao e Exportacao	Rodovia Fernao Dias s/n km 56, Terra Preta – Cidade de Mairipora – Estado de Sao Paulo CEP 07600-000 – Brazil	100%	
Vétoquinol Do Brasil Participacoes LTDA	Rodovia Fernao Dias s/n km 56, Terra Preta – Cidade de Mairipora – Estado de Sao Paulo CEP 07600-000 – Brazil	100%	
Vétoquinol Especialidades Veterinarias S.A.	Carretera de Fuencarral, km 15,700 – Edificio Europa I, Portal 3, piso 2, puerta 5 – 28108 Alcobendas (Madrid) – Spain	100%	100%
Vétoquinol Unipessoal LDA	Rua Consiglieri Pedroso – n° 123 – Edificio H – Queluz de Baixo – 2730-056 Barcarena – Portugal	100%	100%
Vétoquinol UK Ltd	Great Slade – Buckingham Industrial Park – Buckingham MK18 1PA – UK	100%	100%
Vétoquinol Ireland Ltd	10 Lad Lane – Lower Beggot Street – Dublin 2 – Ireland	100%	100%
Vétoquinol NV	Kontichsesteenweg 42 – 263 Aartselaar – Belgium	99%	99%
Vétoquinol BV	Postbus 3191 – 5203 DD'S-Hertogenbosch – Netherlands	100%	100%
Vétoquinol International	Magny-Vernois – 70204 LURE Cédex – France	100%	100%
Frefin GmbH	Parkstrasse 10 – 88212 Ravensburg – Germany	100%	100%
Vétoquinol GmbH (formerly Chassot GmbH)	Parkstrasse 10 – 88212 Ravensburg – Germany	100%	100%
Vétoquinol Biowet Pologne Sp. z.o.o.	UL. Kosynierow Gdynskich 13/14 St. – 66-400 Gorzów WKLP – Poland	100%	100%
Vétoquinol Biowet Ukraine	U I Rogaliewa 18 – Dniepropietrovsk – Ukraine		100%
Vétoquinol AG	Business Building – Worblentalstrasse 32 – 3063 Ittigen – Switzerland	100%	100%
Vétoquinol s.r.o	Zamenicka 411 – 28802 Nymburk – Czech Republic	100%	100%
Vétoquinol Österreich GmbH	Zehetnergasse 24 – A 1140 Wien – Austria	100%	100%
Vétoquinol Italia S.r.l	Via Piana 265 – Capocolle di Bertinoro – Italy	100%	100%
Vétoquinol Scandinavia AB	Box 9 – 265 21 Astorp – Sweden	100%	100%
Frefin Mauritius Ltd.	London Centre – 34 Remy Ollier Street – Port Louis – Republic of Mauritius	100%	100%
Vétoquinol India Animal Health Private Ltd.	801, Sigma, 8th floor – Hirandani Business Park – Technology Street – Powai – Mumbai 400 076 – India	100%	100%
Frefin Asia Ltd.	Bonham Centre – 79-85 Bonham Strand – Sheung Wan – Hong Kong	100%	100%
Vétoquinol Korea Co. Ltd.	909-3, Hwajeong-dong Deokyang-gu – Goyang City Kyunggi-do – South Korea	100%	100%

ADDITIONAL INFORMATION

2

2 ADDITIONAL INFORMATION

2.1. CAPITAL STOCK

2.1.1. At the registration date of this registration document, the Company's capital stock is set at €29,704,755. It is divided into 11,881,902 shares with a par value of €2.50 each. The shares comprising the Company's capital stock are fully subscribed and paid up

2.1.2. Shares not representing capital

There are no shares not representing capital.

2.1.3. Shares held by the issuer

At December 31, 2011, Vétoquinol SA held 67,541 of its own shares having a par value of €2.50 each and representing a book value of €1,627,881.30.

At the same date, it also held 8,578 shares with a total value of €206,989.26 under the liquidity contract managed by Oddo Corporate Finance.

2.1.4. Convertible securities

2.1.4.1. Convertible bonds

On February 27, 2003, the Combined Ordinary and Extraordinary General Meeting of the shareholders of the Company decided to issue a convertible bond, having a par value of €19,999,993.50, divided into 117,855 bonds each with a value of €169.70, convertible into shares of the Company's common stock under the following terms and conditions:

- issue in two tranches:
  - Tranche A: 59,928 bonds;
  - Tranche B: 58,927 bonds.
- Term of the bond: Tranche A - 7 years; Tranche B - 8 years;
- Interest: 4% p.a. the first year, thereafter 5% p.a.,
- Non-conversion premium:

Bondholders who do not opt for conversion within the time limits stated above will receive a non-conversion premium of 6% per annum, calculated so that the convertible bonds generate a compound annual return equal to the annual coupon (i.e. 4% the first year and 5% thereafter) plus an additional 6% payable on redemption, pursuant to the provisions of Article 1154 of the French Civil Code. For the CBs concerned, the non-conversion premium is payable at the time of each repayment, whether this occurs in advance or on the agreed date. Except with the bondholders' agreement or upon the occurrence of an acceleration event at the bondholders' request, the Company may not carry out accelerated amortization or early redemption of convertible bonds during the term of the bond issue.

The redemption price will be one hundred and sixty-nine euros and seventy cents (€169.70) per bond plus accrued interest and the non-conversion premium. On August 7, 2006, Soparfin acquired all of the 117,855 bonds issued on February 27, 2003.

On December 4, 2009, Soparfin notified Vétoquinol SA of its intention not to convert the 59,928 Tranche A convertible bonds, maturing on February 27, 2010, into shares. Vétoquinol thus proceeded with the repayment of the bond. With regard to Tranche B maturing on February 27, 2011, Soparfin notified Vétoquinol SA in December 2010 of its intention to convert the 58,927 CBs into shares. This resulted in an increase in the capital by 589,270 shares. It is recalled that, following the 10-for-1 stock split approved by the General Meeting of July 7, 2006, the conversion ratio is now one convertible bond for 10 Company shares.

2.1.4.2. Stock options

The Extraordinary General Meetings of October 9, 2006 and May 12, 2009 authorized the Board of Directors to grant the Company's stock options to employees of the French and foreign entities of the Company.

Pursuant to these authorizations, two stock option plans were established at the Board of Directors' meetings on June 4, 2007 and May 7, 2010, on the following terms and conditions:

June 4, 2007 plan

The exercise price of the options issued is €25.33. The options may be exercised within the following periods:

- 50% from September 15, 2009 to October 15, 2009;
- 100% from September 15, 2010 to October 15, 2010.

The options may be fully or partly exercised at any time from the fourth anniversary of the start of the plan until the end of the plan, i.e. from June 5, 2011 to December 5, 2011. However, on August 29, 2011, the Board of Directors decided to extend the duration of the plan by 30 months, with new exercise periods:

- from October 1, 2012 to December 31, 2012
- from October 1, 2013 to June 4, 2014.

The plan will be definitively closed on June 4, 2012. If the option beneficiary resigns or is dismissed, he or she shall forfeit the right to exercise any options not yet exercised.

May 7, 2010 plan

The exercise price of the options issued is €24.25. The options may be exercised within the following periods:

- 50% from September 1, 2012 to October 1, 2012,
- 100% from September 1, 2013 to October 1, 2013,
- 100% from May 7, 2014 to November 7, 2014.

Following this period of four (4) years and six (6) months, i.e. from November 8, 2014 inclusive, the options may no longer be exercised.

As of the date of this registration document, the current status of stock option plans is as follows:

Plan opening dates	Number of options granted	Number of valid options remaining	Number of options to be granted
June 4, 2007	33,800	21,400	21,400
May 7, 2010	23,500	22,000	22,000
TOTAL		**43,400**	**43,400**

2.1.4.3. Bonus shares

The Combined Ordinary and Extraordinary General Meeting of May 12, 2009 authorized the Board of Directors to grant bonus shares to the employees of the French and foreign entities of the Company.

Pursuant to this authorization, a bonus share plan was established by the Board of Directors on May 7, 2010, on the following terms and conditions:

The bonus shares granted to all beneficiaries will become vested at the end of a two-year vesting period starting on the day they are granted by the Board of Directors, i.e. May 8, 2012.

Fully vested shares may only be sold or transferred at the end of a two-year lock-in period starting on the day when the shares become fully vested, i.e. May 8, 2014.

The definitive vesting of the bonus shares is conditional on the presence of the beneficiary within Vétoquinol or one of its related companies, as defined in Article L.225-197-2 of the French Commercial Code, as of the definitive vesting date. No beneficiary may hold more than 10% of Vétoquinol's capital stock after the final vesting.

As of the date of this registration document, the current status of bonus share grants is as follows:

Dates du plan	Number of bonus shares allotted to the plan	Number of current options remaining	Number of bonus shares to be granted
May 7, 2010	30,100	29,600	29,600

2.1.5. Information concerning the terms and conditions governing any right of acquisition or obligation attached to capital subscribed, but not paid up, aimed at increasing the capital

None.

2.1.6. Information concerning the equity of any Group member covered by an option or by an agreement that provides for placing it under option

None.

2.1.7. Capital stock history

Transaction date	Transaction	Number of shares issued	Par value of capital increase	Total capital stock	Total number of shares	Par value per share
Dec 7, 2007	Opening balance				11,290,332	2.50
May 12, 2009	Exercise of options	2,300	5,750	**28,231,580**	**11,292,632**	**2.50**
Dec 31, 2010	No transaction during this year				**11,292,632**	**2.50**
Feb 27, 2011	Bond conversion	589,270	1,473,175	29,704,755	11,881,902	2.50

2.1.8. Shareholders' agreement and special agreements

At the date of registration of this registration document, the following agreement relating to the Company's shares is in force:

Shareholders' agreement of December 16, 2011, on commitment to retain shares – Article 885 I bis of the French General Tax Code

This agreement was entered into between (i) the Étienne Frechin family group and (ii) certain individual shareholders, for an initial term of two years, to allow signatories of the agreement who are not Company directors to receive a partial exemption from French solidarity tax on wealth (ISF) and to establish a pre-emptive right in favor of Soparfin in the event of the sale or transfer of Company shares held by signatories of the agreement other than those belonging to the Étienne Frechin family group.

2.2. ARTICLES OF INCORPORATION AND BYLAWS

2.2.1. Corporate purpose (Article 2 of the bylaws)

The Company's purpose, both in and outside of France, directly or indirectly, is as follows:

- the preparation, manufacture, packaging, importation and exportation, purchase, wholesaling and distribution of:
  - all pharmaceutical specialties designed for veterinary and human use,
  - all chemical, homeopathic, biological, organo- and phyto-therapeutic products,
  - all surgical instruments, restraint devices and protective equipment,
  - all products designed to protect, treat or clean mineral or vegetal substances,
  - all perfume, cosmetic, dermatology, hygiene and nutritional products,
  - all parasiticides, insecticides and pest control products,
  - all care products for animal, vegetal or human use.
- analysis and research in the medical, pharmaceutical, clinical, biological and industrial fields;
- the development, procurement by acquisition or otherwise, licensing, use and improvement of all patents, brand names and trademarks, processes, inventions etc. related in any way whatsoever to the aforementioned products or to the industry and distribution thereof.

All of the aforementioned activities may be performed directly or indirectly, on its own behalf or on behalf of a third party, alone or in association or collaboration with third parties, by any and all means.

In order to promote and develop the brand image of the Company, the implementation, within the limit of their tax deductibility, of all philanthropic activities and/or sponsorship, by any and all means including, but not limited to: cash and in-kind donations, grants, equipment loans and technical assistance.

And, generally, all financial, commercial, industrial, movable property or real estate transactions that could be directly or indirectly linked to the aforementioned activities or that could foster the development thereof.

2.2.2. Principal bylaw provisions relating to governing and management bodies

Board of Directors

The Board of Directors consists of at least three and no more than twelve members.

Each director must hold at least two shares during their entire term of office. The term of office for directors is six years. A director appointed to replace another director shall remain in office solely for the remaining period of his/her predecessor's term of office.

Upon completion of their term, all retiring Board members are eligible for reappointment. Notwithstanding the foregoing, the number of individual members and permanent corporate representatives aged over 80 years shall not, at the end of each Ordinary General Meeting called to approve the company financial statements, exceed one third (rounded up to the nearest whole number, where applicable) of the number of members in office.

Chairman of the Board of Directors

The Board of Directors elects from amongst its members a Chairman, who must be an individual person, and determines the Chairman's remuneration.

The Chairman is appointed for a term not exceeding his/her term as director. He/she may be re-elected.

With regard to the performance of the duties of Chairman, the age limit is set at 90 years of age. The incumbent's term of office shall expire at the end of the first Ordinary Annual General Meeting following his/her 90th birthday.

The appointment of the Chairman may be revoked by the Board of Directors at any time. Any provision to the contrary shall be deemed inapplicable.

General management

The Board of Directors shall appoint an individual to assume the role of general manager, under his/her own responsibility, bearing the title of Chief Executive Officer. The Chief Executive Officer may or may not also be the Chairman of the Board of Directors.

Upon termination of the Chief Executive Officer's term of office, for any reason whatsoever, the Board shall choose between the two options for the exercise of general management referred to in the preceding paragraph. At any time, if it deems appropriate, the Board of Directors may change the option regarding the exercise of general management. Shareholders and other interested parties shall be notified of the Board's choice or of the modification of this choice under the conditions defined by the applicable regulations.

When the Chairman of the Board of Directors is also the Chief Executive Officer, the provisions of this article relating to the Chief Executive Officer shall apply to him/her. The appointment of the Chief Executive Officer may be revoked by the Board of Directors at any time. If the dismissal is decided without just cause, it may give rise to damages, except when the Chief Executive Officer also assumes the position of Chairman of the Board of Directors.

With regard to the performance of the duties of Chief Executive Officer, the age limit is set at 80 years of age. The incumbent's term of office shall expire at the end of the first Ordinary Annual General Meeting following his/her 80th birthday.

Chief Operating Officers

The Board of Directors may appoint up to four Chief Operating Officers, on the recommendation of the Chief Executive Officer. They shall be responsible for assisting the Chief Executive Officer.

With regard to the performance of the duties of Chief Operating Officer, the age limit is set at 80 years of age. The incumbent's term of office shall expire at the end of the first Ordinary Annual General Meeting following his/her 80th birthday.

Chief Pharmacist

Pursuant to the provisions of Article L.5142-1 of the French Public Health Code, any company involved in the manufacture, importation, exportation and wholesale distribution of veterinary drugs must be owned by a pharmacist, veterinarian or a company in which a pharmacist or veterinarian participates in the governance or general management. The aforementioned pharmacists and veterinarians are referred to as "Chief Pharmacist" or "Chief Veterinarian". They are personally responsible for the application of the applicable statutory and regulatory provisions, without prejudice, where applicable, to the joint liability of the Company.

Pursuant to the provisions of Article R 5142-33 of the aforementioned Code, in public limited companies ("société anonyme") the Chief Pharmacist or Chief Veterinarian must hold the position of Chairman of the Board, Chief Executive Officer or Chief Operating Officer.

In addition, pursuant to the French Public Health Code, the Board of Directors shall appoint an acting chief pharmacist or veterinarian, who shall assume the same powers and duties as those conferred upon the Chief Pharmacist or Veterinarian during periods of replacement.

2.2.3. Other provisions of the bylaws – Rights, privileges and restrictions attached to each class of shares (Article 19-4 of the bylaws)

A double voting right was established by the Extraordinary General Meeting of July 7, 2006. It is attached to all shares that are fully paid up and that are proved to have been registered for at least two years in the name of the same shareholder.

In the event of a capital increase by capitalization of retained earnings, reserves or additional paid-in capital, the double voting right is conferred on all new registered shares granted freely to a shareholder by virtue of that shareholder's existing shares carrying a double voting right, immediately upon the issuance of such new shares, provided that they remain in registered form.

The double voting right attached to a share shall be forfeited in the case of conversion to bearer form or transfer of ownership. However, the double voting right shall be preserved and the aforementioned two-year period shall not be interrupted in the event of the transfer of shares through inheritance, liquidation of joint matrimonial estate or inter vivos donations in favor of a spouse or relative who is a statutory heir.

2.2.4. Actions required to modify shareholder rights and when the conditions are more stringent than those provided for by law

Apart from the provisions of Article 10 bis of the bylaws relating to declarations of the crossing of thresholds, as cited in Article 2.2.7 below, there is no other provision of the bylaws or internal regulations that could, to the Company's knowledge, result in the modification of shareholders' rights (see Article 2.2.6 below).

2.2.5. Conditions for convening Ordinary and Extraordinary Annual General Meetings and procedures for admission (Article 19 of the bylaws)

General Meetings are convened and deliberate under the conditions provided for by law. They are held at the head office or at any other location specified in the meeting notice. The General Meeting includes all shareholders, irrespective of the number of shares they hold, provided that these shares are fully paid up.

Any shareholder may participate in the meetings in person, by proxy or by remote voting, upon proof of identity and of the fact that the shares have been recorded for accounting purposes in his name (or in the name of the authorized intermediary registered under his name if his place of residence is outside France) by midnight, Paris time, on the third business day prior to the meeting, either in registered share accounts or in bearer share accounts kept by the authorized intermediary, in one of the locations specified in the meeting notice. In the case of bearer shares, the authorized intermediary must issue a shareholding certificate ("attestation de participation").

Shareholders who have chosen their manner of participation in the meeting (in person, by remote voting or by proxy) and has notified the Company thereof may not alter their choice. However, it is specified that shareholders' physical attendance at a meeting shall have the effect of canceling any absentee votes submitted remotely or by proxy.

Remote or proxy votes shall only be taken into account if the voting forms are delivered to the Company no less than three days prior to the date of the meeting.

In case of conflict between a proxy vote and a remote vote, the remote vote shall prevail over the proxy vote. Holders of shares in respect of which the payment of any amounts due has not been made within 30 days of formal notice being sent by the Company shall not be admitted to meetings. These shares shall be disregarded in the calculation of the quorum.

Any shareholder may also, if the Board of Directors or its Chairman so permits at the time when the General Meeting is convened, participate in this meeting by videoconference or other electronic means of remote communication or transmission, subject to the conditions and limitations provided for by the applicable statutory and regulatory provisions. Such shareholder shall be deemed present at the meeting for the purposes of calculating the quorum and majority.

2.2.6. Provisions enabling the delay, deferral or prevention of a change of control

Apart from the provisions of Article 10 bis of the bylaws (below) relating to declarations of the crossing of thresholds, as cited in Article 2.2.7 below, there is no other provision of the bylaws or internal regulations that could, to the Company's knowledge, have the effect of deferring or preventing a change of control over the Company.

2.2.7. Crossing of thresholds (Article 10 bis of the bylaws)

In addition to the legal obligation to report crossing of thresholds as provided for in Article L.233-7 of the French Commercial Code, any individual or legal entity, acting alone or in concert, that acquires a percentage of the Company's capital stock or voting rights (if the number and distribution of voting rights do not match the number and distribution of the shares) at least equal to 2.5% and to any multiple of such percentage without limit, must notify the Company, by registered letter with recorded delivery sent to the Company head office, of the total number of shares and voting rights that they hold.

Notification should also be made when the percentage of capital stock or voting rights held falls below one of the aforementioned thresholds.

The time limits to which such declarations are subject are defined in accordance with the provisions of the French Commercial Code. In the event of breach of the obligation provided for in the bylaws to declare crossing of thresholds under the aforementioned conditions, and at the request, as recorded in the minutes of the General Meeting, of one or more shareholders holding together at least 2.5% of the capital stock or voting rights, the shares exceeding the fraction that should have been declared are stripped of voting rights until the situation has been rectified and thereafter until the end of a two-year period following such rectification.

2.2.8. Conditions governing changes to the capital stock where such conditions are more stringent than those provided for by law

There is no other provision in the bylaws or internal regulations governing changes to the capital stock that is more stringent than those provided for by law.

2.2.9. Delegation of powers

DELEGATION OF POWERS GRANTED BY THE COMBINED ORDINARY AND EXTRAORDINARY GENERAL MEETING OF MAY 20, 2011

Authorization type	Subject of authorization	Validity of the delegation	Cap	Utilisation en 2011
Share buyback (9th resolution)	Purchase of Company shares, with a view to: - issue shares to employees and/or company officers (under the terms and conditions and according to the procedures prescribed by law), particularly in accordance with a stock option, bonus share or corporate savings plan, - bolster the share's trading and liquidity by means of a liquidity contract entered into with an investment service provider, - purchase shares to hold as treasury shares for subsequent reissue for exchange or payment with regard to any potential acquisition transactions, under market practices accepted by the AMF, - issue shares to the holders of securities giving access to the Company's capital stock upon exercise of the rights attaching to such securities.	For a period of 18 months This delegation supersedes the delegation granted by the General Meeting of May 7, 2010	Treasury shares limited to a maximum of 7% of the capital stock, i.e. 831,733 shares with a par value of €2.50 each Maximum authorized amount: €34 million Maximum share purchase price: €41.	In 2011 under this authorization: • 49,695 shares were redeemed and • 27,860 shares were resold. .

DELEGATION OF POWERS GRANTED BY THE COMBINED ORDINARY AND EXTRAORDINARY GENERAL MEETING OF MAY 20, 2011				
Authorization type	**Subject of authorization**	**Validity of the delegation**	**Cap**	**Utilisation en 2011**
Capital increase (10th resolution)	Capital increase by capitalization of reserves or additional paid-in capital	For a period of 26 months	Maximum authorized amount: €50 million	This authorization was not used
Capital increase (11th resolution)	Issue of common stock and/or other securities giving access to the capital stock of the Company and/or one of its subsidiaries or to the grant of a debt security, with pre-emptive subscription rights	For a period of 26 months	Maximum par value of potential capital increases resulting from the issue of shares or other securities: Maximum aggregate par value of issues of securities representing the Company's debt providing access to the capital stock or to a debt instrument: €10 million	This authorization was not used
Capital increase (12th resolution)	Issue of common stock and/or other securities giving access to the capital stock of the Company and/or one of its subsidiaries or to the grant of a debt security, without pre-emptive subscription rights as part of a public offering	For a period of 26 months	As for 11th resolution	This authorization was not used
Capital increase (13th resolution)	Capital increase involving the issue of common stock and/or any other securities giving access to the capital stock of the Company and/or one of its subsidiaries or to the grant of a debt security, without pre-emptive subscription rights as part of a private placement	For a period of 26 months	Maximum par value of capital increase resulting from issue of shares or other securities: €10 million Maximum aggregate par value of issues of securities representing Company debt giving access to the capital: €5 million	This authorization was not used
Capital increase (14th resolution)	Capital increase involving the issue of securities giving access to the Company's capital stock, without pre-emptive subscription rights, reserved for employees and/or officers of the Company or one of its subsidiaries.	For a period of 18 months	Maximum par value of capital increase: €1 million	This authorization was not used
Capital increase (15th resolution)	Capital increase reserved for subscribers to the Group's corporate savings plans	For a period of 26 months	Maximum number of shares to be issued: 300,000 Issue price: may not be more than 20% above or below the average share price over the last 20 trading days	This authorization was not used

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Vétoquinol
a Sign of Passion

Vétoquinol SA
A French limited company (société anonyme)
with share capital of 29,704,755 euros
Vesoul Trade & Companies Register (RCS) no. 676 250 111

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