For immediate release
Lure (France), July 25, 2019

FIRST HALF 2019 RESULTS

- Growth of Essentials products
- Acquisition of Clarion Biociencias in Brazil
- EBIT: €17.9 million
- Net income - Group share: €12.8 million

At its meeting on July 24, 2019, the Vetoquinol S.A. Board of Directors reviewed the Group results and approved the audited first half 2019 financial statements.

H1 2019 KEY FIGURES

Total sales
€183.8 MILLION
up 1.8% at constant exchange rate

Essentials sales
€89.9 million
up 2.3% at constant exchange rate

EBIT
€17.9 million

Net income Group share
€12.8 million

Vetoquinol H1 2019 sales amounted to €183.8 million, versus €177.9 million in H1 2018, up 3.3% as reported and up 1.8% at constant exchange rates. Changes in exchange rates had a positive impact of 1.5%, mainly relating to the US dollar. The April 15, 2019 acquisition of Clarion Biociencias in Brazil boosted sales by 1.4% (€2.4 million over the periode).

This growth in first half reported sales was driven by the Americas, despite a decline in the livestock segment in Canada and the USA. This region also benefited from currency impacts and new acquisitions.

Europe posted a solid performance (up 3.8% like-for-like), primarily driven by Northern Europe and Spain. The decline in the Asia-Pacific region (down 1.7% as reported) mainly reflects the postponement of export sales from the first to the second half; China and India posted solid performances that offset performances below expectations in Australia.
Sales of companion animal products rose 9.4% to €106.5 million, while sales of livestock products amounted to €77.2 million, down 3.9% as reported.

For the second quarter, the Vetoquinol Group posted sales of €92.9 million, up 2.9% as reported versus Q2 2018. Acquisition in Brazil generated 2.7% growth; the positive impact of changes in exchange rates (1.6%) offset the decline recorded in Asia-Pacific, in line with the aforementioned postponement of sales from H1 to H2.

The Group has applied IFRS 16 “Leases” since January 1, 2019. In order to draw up a comparison, the Group adjusted its 2018 figures, resulting in a change in the treatment of leases (buildings, equipment, IT, etc.). This adjustment gave rise to a €9.8 million liability as of June 30, 2019 (€10.7 million as of December 31, 2018).

All financial data set out in this financial release takes the aforementioned adjustments into account.

First half Group EBIT amounted to €17.9 million, down 12.9% compared to the same period in 2018 and resulting in an EBIT margin of 9.7%. This decrease is the result of a number of projects launched by the Group in the first half of 2019 (M&A transactions, including the acquisition of Clarion, marketing and sales development at FarmVet Systems, reorganization of the product range in North America and Australia, etc.) as well as the postponed restart of the injectables line in Lure, which impacted EBIT by €2.7 million.

The gross margin on purchases amounted to 69.4%, down 1 percentage point compared to H1 2018, resulting from a slowdown in production due to modernization and the corresponding increase in the expense ratio. At the same time, the Vetoquinol Group is continuing to keep tight control over other expenses.

Net financial expense amounted to €0.3 million in H1 2019, compared to income of €0.2 million in H1 2018. Group EBITDA fell 12.3% to €26.2 million, representing 14.3% of sales versus 16.8% in H1 2018.

Net income Group share amounted to €13.0 million, down 17.8%. The effective tax rate amounted to 27.6% (H1 2018: 22.9%).

As of June 30, 2019, Vetoquinol held net cash of €36.4 million, after taking into account the application of IFRS 16.

Vetoquinol CEO Matthieu Frechin made the following comments: "*Our business continues to be driven by the success of our Essentials range, and the acquisition of Clarion in Brazil will see us significantly strengthen our position on the world's third largest animal health market. The decline in our EBIT margin in the first half was an isolated phenomenon. It happened due to a combination of independent circumstances in the second quarter (concentration of M&A transactions, streamlining of local product ranges, launch of our new injectables production line). EBIT is expected to return to normal levels in the second half, in line with last year.*"

Next update: First half 2019 sales and results, July 25, 2019 after market close

About Vetoquinol

Vetoquinol is a leading global animal health company that supplies drugs and non-medicinal products for the livestock (cattle and pigs) and pet (dogs and cats) markets.

As an independent pure player, Vetoquinol designs, develops and sells veterinary drugs and non-medicinal products in Europe, the Americas and the Asia Pacific region.

Since its foundation in 1933, Vetoquinol has pursued a strategy combining innovation with geographical diversification. The Group's hybrid growth is driven by the reinforcement of its product portfolio coupled with acquisitions in high potential growth markets. At June 30, 2019 Vetoquinol employs 2,369 people.

Vetoquinol has been listed on Euronext Paris since 2006 (symbol: VETO).

For further information, go to: www.vetoquinol.com.

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APPENDIX

Summary income statement

€m	H1 2019	H1 2018*	Change
Total sales	**183.8**	**177.9**	***+3.3%***
of which Essentials	*89.9*	*87.1*	*+3.3%*
EBIT	**17.9**	**20.6**	***-12.9%***
% of total sales	*9.7%*	*11.6%*	
Net income - Group share	**13.0**	**15.8**	***-17.8%***
% of total sales	*7.1%*	*8.9%*	
EBITDA	**26.2**	**29.9**	***-12.3%***
% of total sales	*14.3%*	*16.8%*	

** Restated for the application of IFRS 16*

Calculation of EBITDA

€m	H1 2019	H1 2018*
Net income excl. earnings of associates	12.8	15.9
Income tax expense	**4.9**	**4.7**
Net financial items	**0.3**	**(0.2)**
Provisions recorded under non-recurring operating income and expenses	**(0.2)**	**(0.5)**
Provisions and write-backs	**(0.3)**	**1.1**
Depreciation	**6.7**	**6.4**
Depreciation IFRS	**2.1**	**2.4**
EBITDA	26.2	29.9

** Restated for the application of IFRS 16*

ALTERNATIVE PERFORMANCE INDICATORS

Vetoquinol Group management considers that these indicators, which are not defined by IFRS, provide additional information that is relevant for shareholders seeking to analyze underlying trends and Group performance and financial position. They are used by management for performance analysis.

Essentials products: The products referred to as "Essentials" comprise veterinary drugs and non-medical products sold by the Vetoquinol Group. They are existing or potential market-leading products designed to meet the daily requirements of vets in the companion animal or livestock sector. They are intended for sale worldwide and their scale effect improves their economic performance.

Constant exchange rates: Application of the previous period's exchange rates to the current financial year, all other things remaining equal.

Like-for-like growth: Year-on-year sales growth in terms of volume and/or price at constant exchange rates.

Net cash: Cash and cash equivalents less bank overdrafts and borrowings.