

Vétoquinol



Signe de Passion



**2009
Annual Results**

Our business: animals. Our advantage: people

Our business: animals. Our advantage: people.

Summary

- Highlights
- 2009 consolidated financial statements
- Strategy and outlook
- Questions and answers

Vétoquinol
Signe de Passion

Highlights

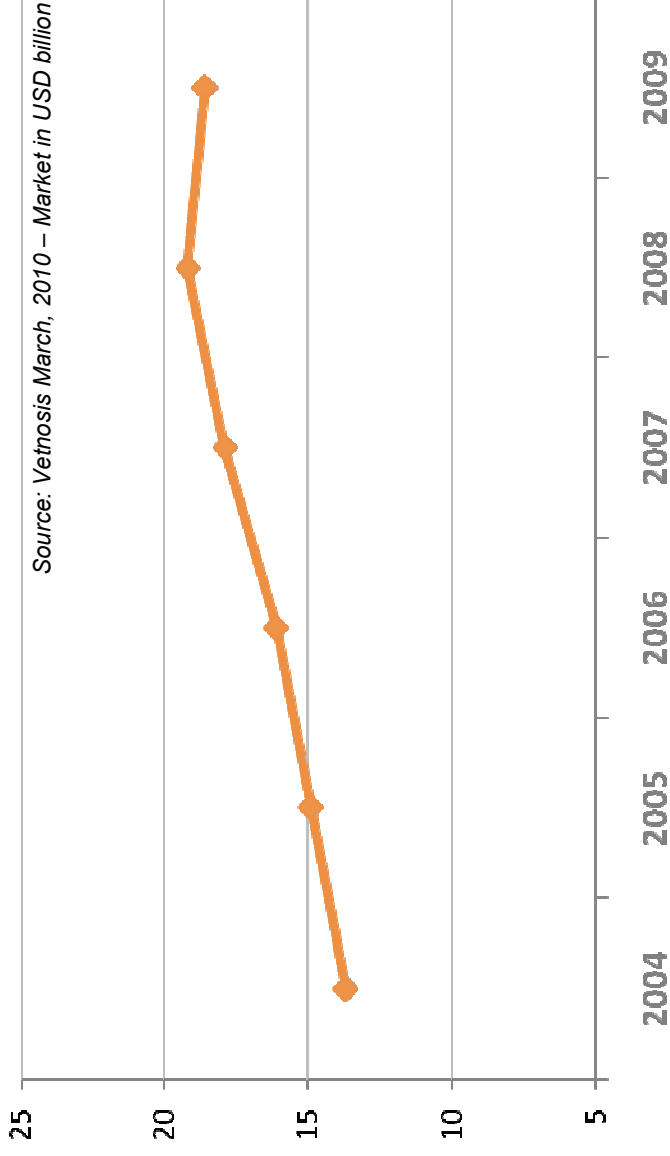
“The Group’s fundamentals enabled Vétquinol to adapt quickly and to cope with the recent crisis.”

- The animal health market
- Vétquinol’s fundamentals
- Key figures for 2009
- 2009 Sales



Global animal health market sales totaled USD 18.6 billion

- According to Vetnosis, worldwide sales declined by 2.8% in 2009

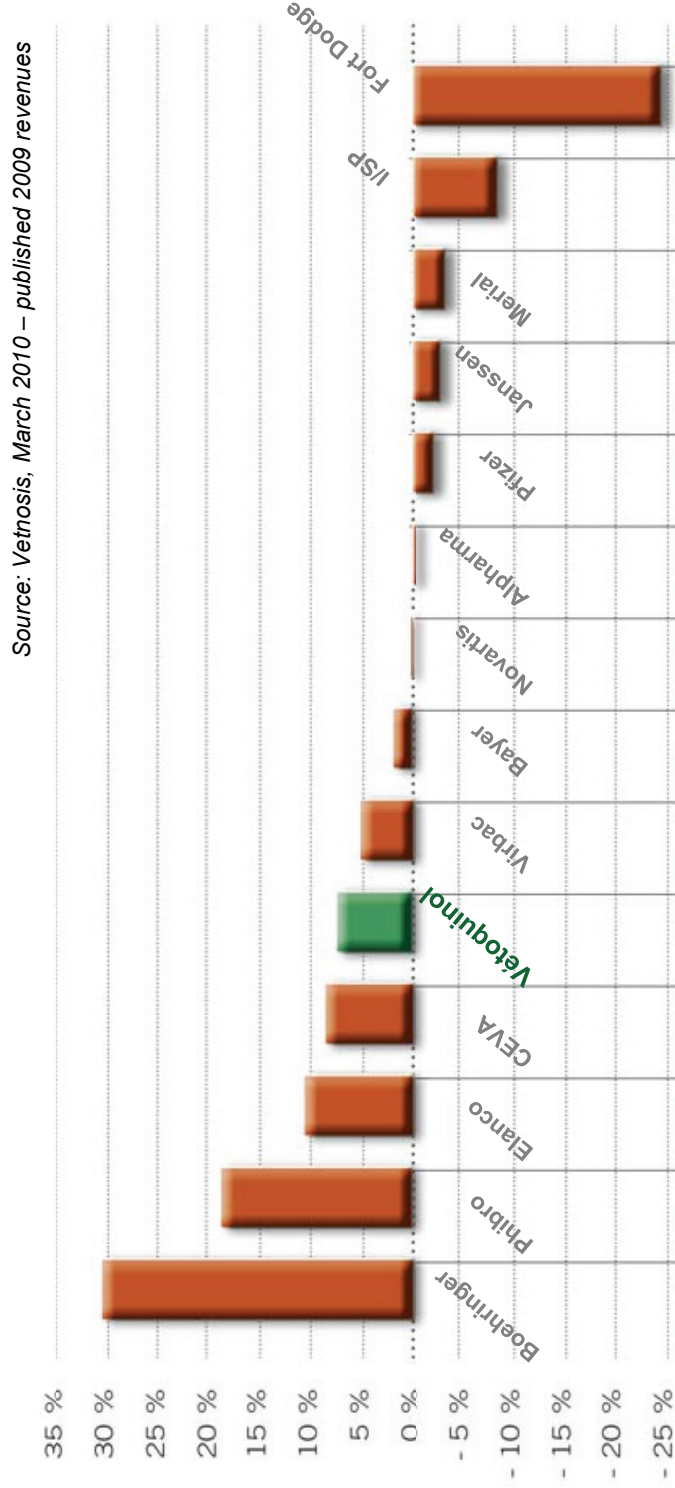




The animal health market

Strong performance despite the difficult economic environment

- In 2009 Vétoquinol ranked fifth worldwide in sales growth in local currency

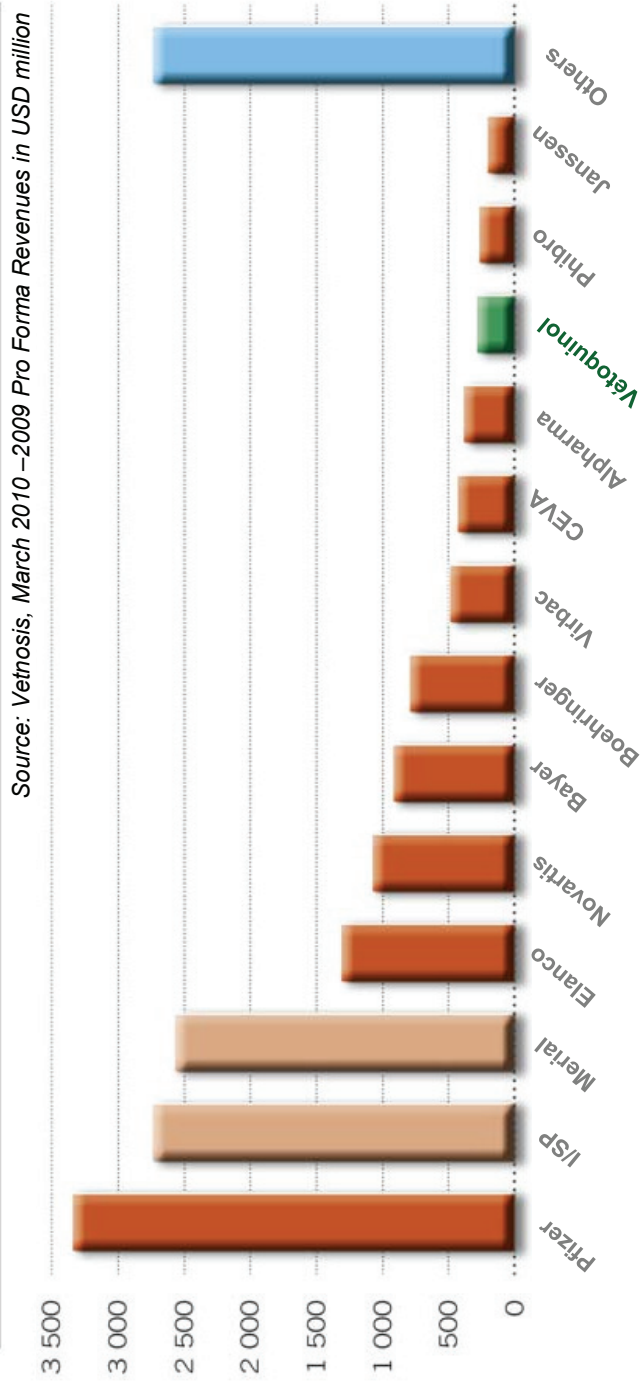




Vétoquinol: one of the world's Top 10 animal health laboratories

The animal health market

- 2009 pro forma revenues in local currency





Vétoquinol's fundamentals

Vétoquinol's strategic fundamentals

- **An independent, family-owned pharmaceutical laboratory devoted exclusively to animal health**
- **A focused strategy:**
 - 3 animal species: cattle, pigs, and companion animals
 - 3 therapeutic areas: anti-infectives, pain and inflammation, and cardiology-nephrology
 - 3 geographical regions: Europe, Americas and Asia-Pacific
- **A balance between companion animals and livestock**
- **Market-leading products with strong reputations**
- **Control of the product from development to marketing, including production**
- **Sound financial structure**
- **Controlled, profitable “hybrid” growth – combining organic and external growth**



Professionals with a long-term vision

Vétquinol's fundamentals



- **1933:** Joseph Frechin, a pharmacist in Lure, France, develops Vétquinol, an antiseptic for animals
- **1968:** Etienne Frechin, son of Joseph Frechin, takes over the direction of the Group
- **2010:** Matthieu Frechin, son of Etienne Frechin, is named CEO of Vétquinol

The Frechin family, three generations at the helm of the Group



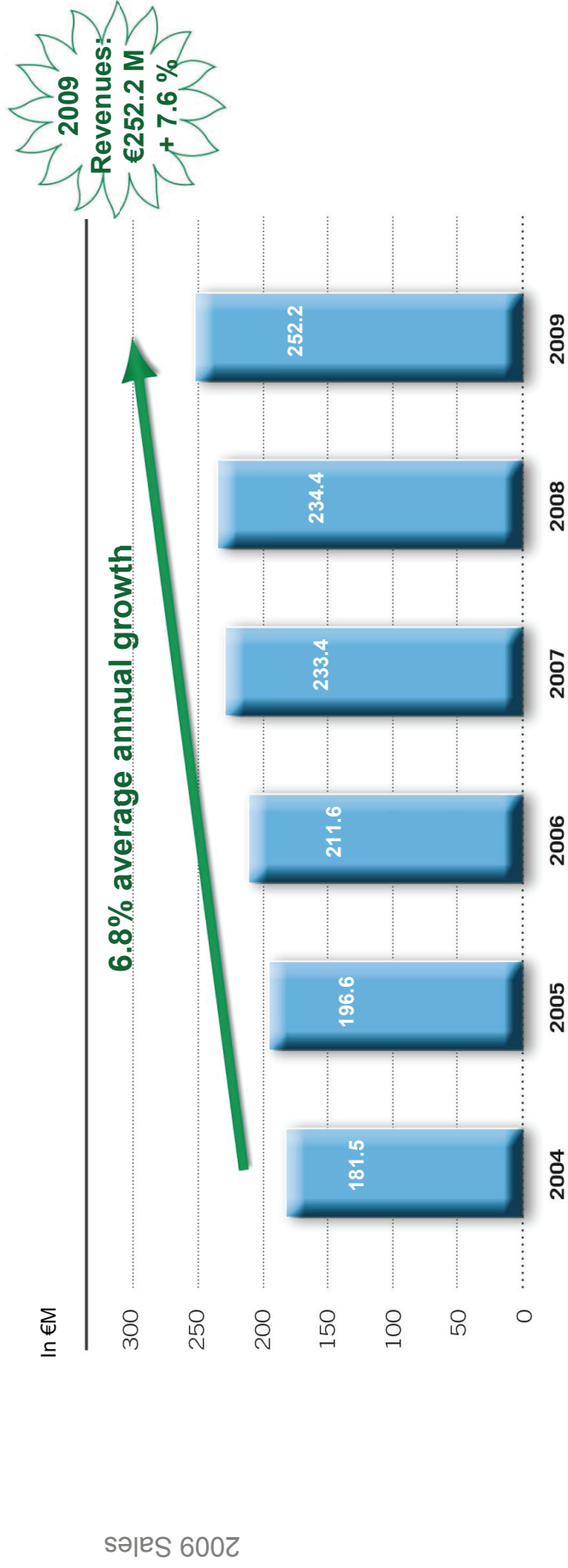
Key figures for 2009

Key figures for 2009





Steady revenue growth



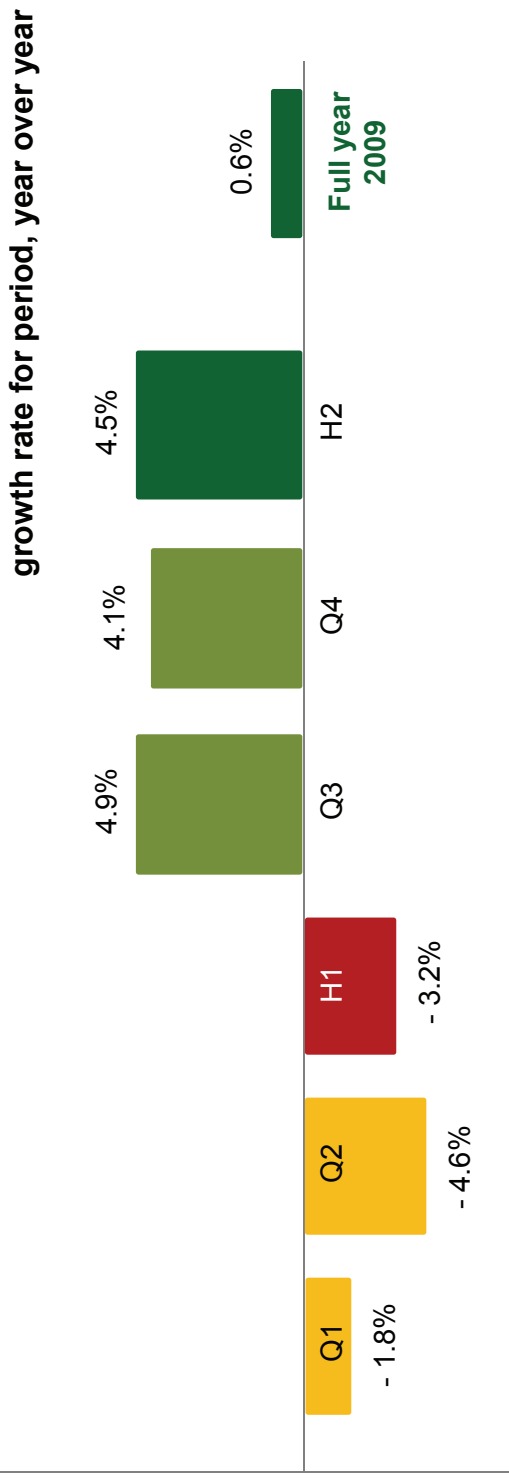
Average annual growth in the global market over the same period: 6.3% (source: Vetnosis)



Resumption of organic growth

- 1st half, penalised by an unfavourable base effect
- 2nd half, return to organic growth

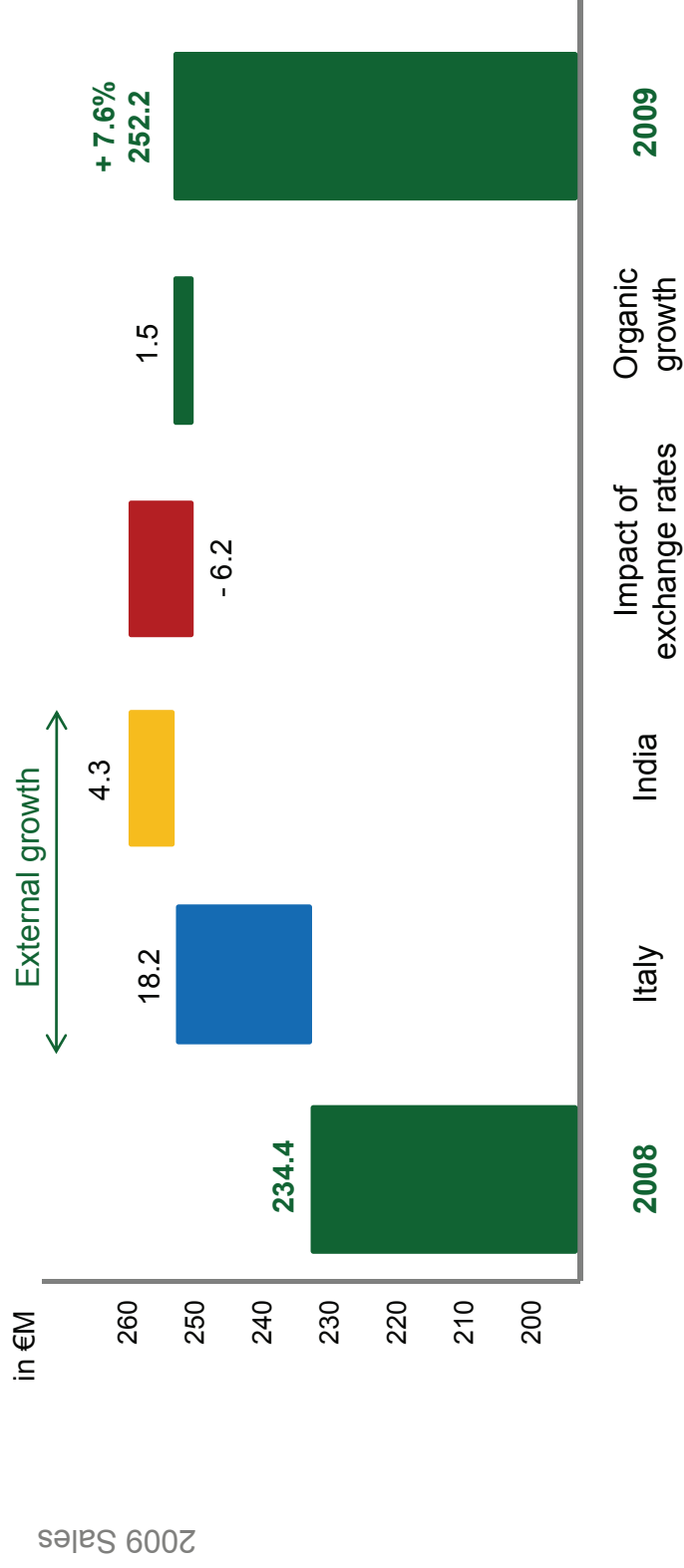
2009 Sales





Impact of business scope on 2009 sales

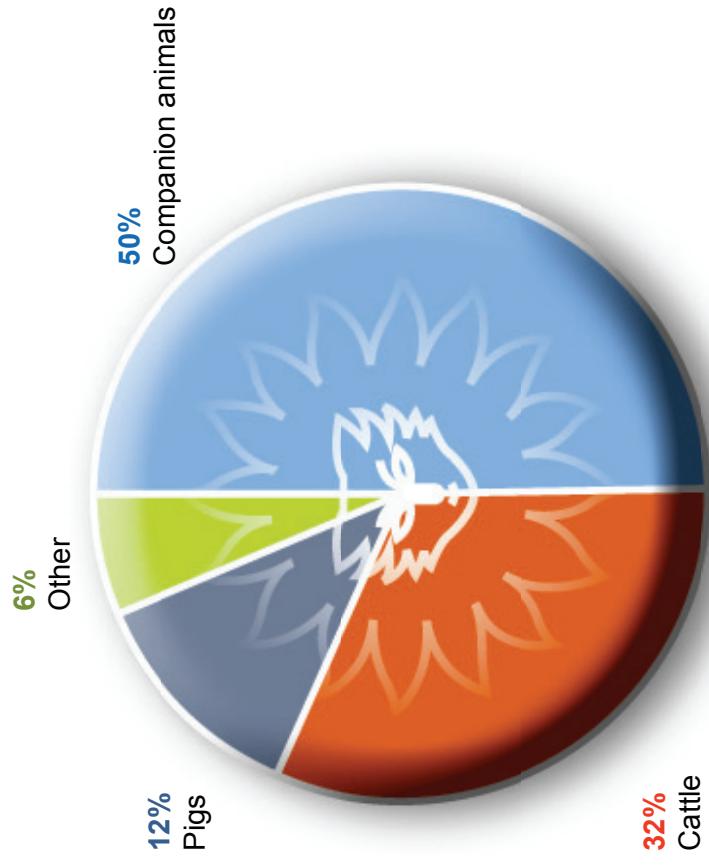
- Strong contribution of external growth





A balanced portfolio

2009 Sales



- **Trends by species**
 - Companion animals: + 4.4%
 - Cattle: + 5.2%
 - Pigs: + 10.2%
 - Other: + 2.5%

- **Commentary**
 - Improved position in livestock as the result of acquisitions (Italy/India)

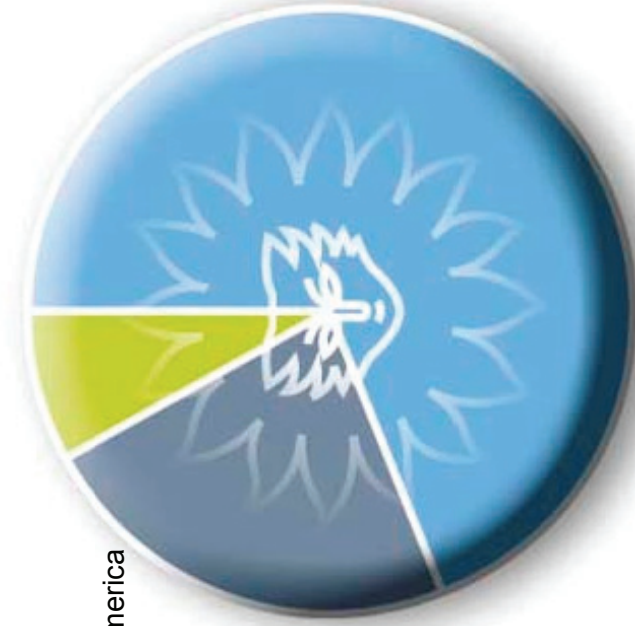


Increasing importance of the Asian market

2009 Sales

8%
Rest of world

22%
North America



70%
Europe

- **Trends by region**
 - Europe: + 6.8%
 - North America: - 1.4%
 - Rest of world: + 61.2%

- **Commentary**
 - Acquisition in India
 - Resilience in Europe
 - Decline in North America linked to sales of penicillin and injectable iron

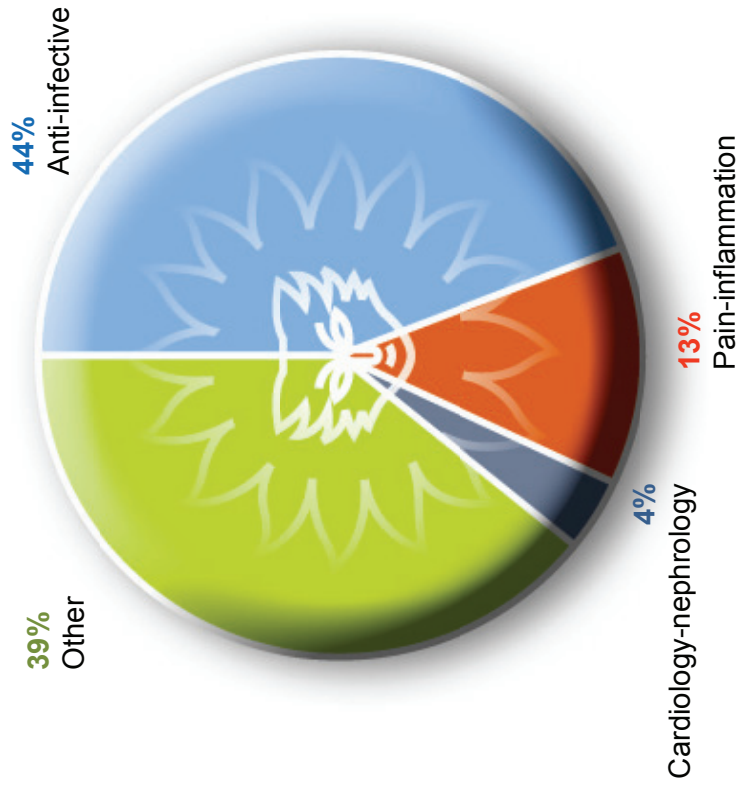


2009 Sales

Strong performance in Vétoquinol's strategic classes

- **Trends by therapeutic area**
 - Anti-infective: + 6,8%
 - Pain-inflammation: + 8,1%
 - Cardiology-nephrology: + 17,3%
 - Other: + 7,4%

- **Commentary**
 - Strong performance in all three strategic classes
 - Gradual rebalancing of strategic classes





2009, a year of renewed growth

2009 Sales

- Expansion in India: acquisition of the Animal Health Division of Wockhardt Ltd
- Improvement at subsidiaries that had been having problems
- **23 geographical product extensions and 17 product introductions**
 - Introduction of Zentoniil® Plus and Zentoniil® Advanced
 - Exclusive distribution agreement for Suroloan® in the United States
- **4 drug application filings (AMM)**
- Creation of an Asia-Pacific division
- Partnership with REQUEST, an expert group formed to develop guidelines for the use of quinolones
- Creation of a handicapped workshop at Vétoquinol's headquarters in Lure

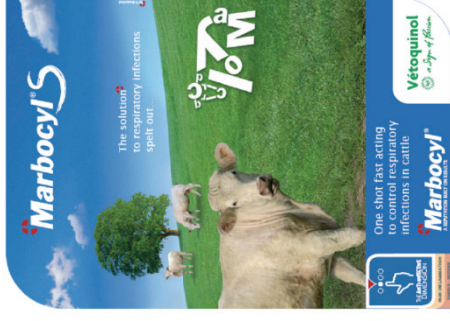




Tailored communications and product marketing to support our strategic objectives

2009 Sales

- The 3 dimensions of our passion



2009 Consolidated financial statements

“Vétoquinol’s financial statements for 2009 show strong cash flow generation.”

- Income statement
- Cash flow statement
- Financial structure
- Working capital requirements
- Shareholdings and dividends



2009 Income statement

Income statement

in € million	31/12/2009	% of revenues	31/12/2008	% of revenues	Δ %
Revenues	252.2		234.4		7.6%
Gross margin	166.4	66.0	158.8	67.8	4.8%
External charges	(55.2)	(21.9)	(51.9)	(22.1)	6.4%
Personnel costs	(70.1)	(27.8)	(68.3)	(29.2)	2.5%
Taxes and duties	(4.8)	(1.9)	(3.9)	(1.7)	23.3%
Other income and expenses	4.5	1.8	3.8	1.6	19.1%
Depreciation, amortisation and provisions	(11.9)	(4.7)	(10.9)	(4.6)	9.3%
Operating profit from current operations	28.9	11.5	27.6	11.8	4.9%



Income statement

Pro forma 2008 and 2009 income statements*

in € million	31/12/2009*	% of revenues	31/12/2008*	% of revenues	Δ %
Revenues	228.3		232.3		(1.7%)
Gross margin	157.0	68.8	158.0	68.0	(0.7%)
External charges	(50.8)	(22.3)	(51.5)	(22.2)	(1.3%)
Personnel costs	(66.9)	(29.3)	(68.2)	(29.3)	(1.9%)
Taxes and duties	(4.8)	(2.1)	(3.9)	(1.7)	23.0%
Other income and expenses	4.9	2.2	3.8	1.6	30.3%
Depreciation, amortisation and provisions	(11.2)	(4.9)	(10.8)	(4.7)	(3.7%)
Operating profit from current operations	28.2	12.4	27.4	11.8	2.9

* Excluding India and Italy



Income statement

Income statement (cont'd)

in € million	31/12/2009	% of revenues	31/12/2008	% of revenues	Δ %
Operating profit from current operations	28.9	11.5	27.6	11.8	4.9%
Operating profit	28.9	11.5	27.6	11.8	4.9%
Financial income	(4.0)	(1.6)	(3.1)	(1.3)	26.7%
Pre-tax profit	25.0	9.9	24.5	10.4	2.1%
Income tax	(6.7)	(2.7)	(5.9)	(2.5)	14.6%
Net profit attributable to parent company shareholders	18.2	7.2	18.6	7.9	(1.9%)
Net cash flows provided (used) by operating activities	34.1		32.6		4.6

Cash flow statement

in € million	31/12/2009	31/12/2008*
Cash flow generated by operating activities	40.0	23.4
Cash flow used by investment activities	(35.1)	(26.3)
Cash flow used by financing activities	17.6	(11.1)
Impact of changes in exchange rates	(0.4)	(1.1)
Change in cash and cash equivalents	22.1	(15.1)

* Pro forma: reclassification of financial interests from cash flow generated by operating activities to cash flow used by investment activities.

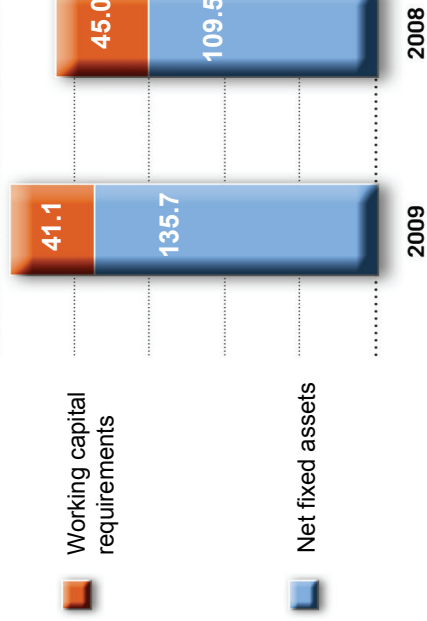




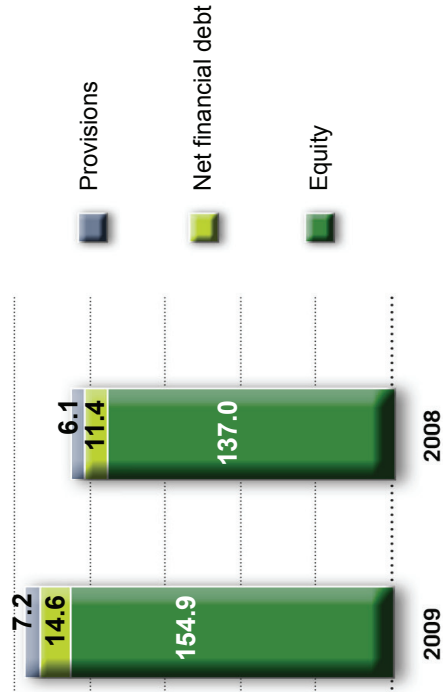
Sound financial structure

Financial structure

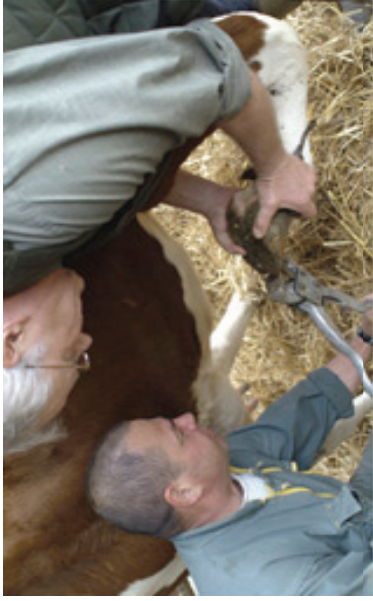
Assets in €M



Liabilities in €M



- Gearing ratio of 9.5%



Working capital requirements

Working capital requirements

in € million	31/12/2009	31/12/2008
Inventories	40.0	43.0
Trade receivables and related accounts	53.7	52.6
Trade payables and related accounts	(53.8)	(51.1)
Other elements of WCR	1.2	0.5
Working capital requirements	41.1	45.0

- Improvement in WCR due to reduction in inventories and sound management of receivables



Shareholders and dividends

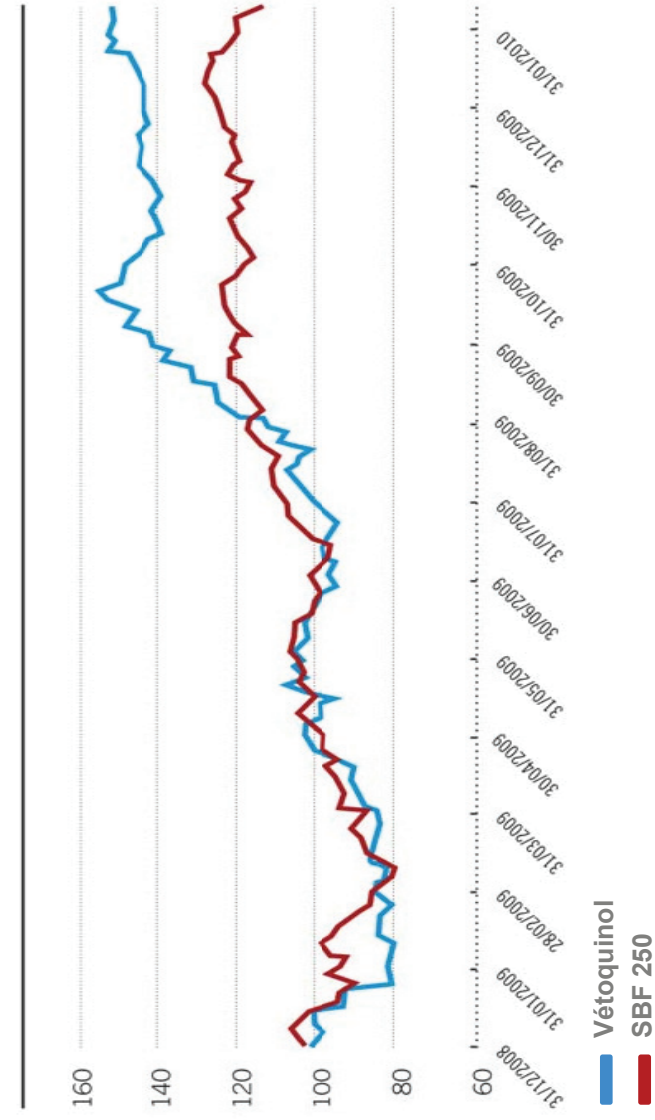
Redemption of tranche A convertible bonds (Soparfin)

- **Decision not to convert tranche A convertible bonds**
 - Tranche A matured on February 27, 2010
 - Redemption totalling €15.9 million, including non-conversion premium
 - Tranche B will mature on February 27, 2011
- **Consequences:**
 - **€1.5 million** reduction in financial charges for the full year and **€1.3 million** reduction in 2010



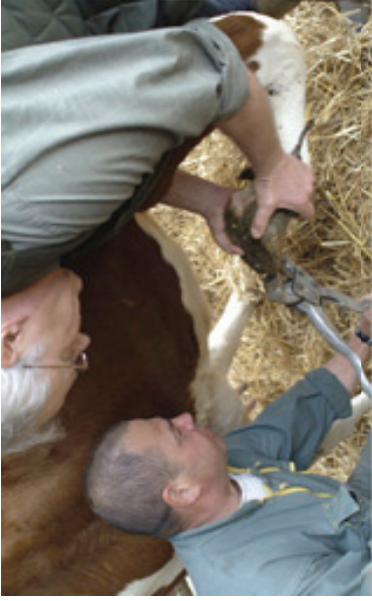
Stock price trends

Shareholders and dividends



■ Vétoquinol shares

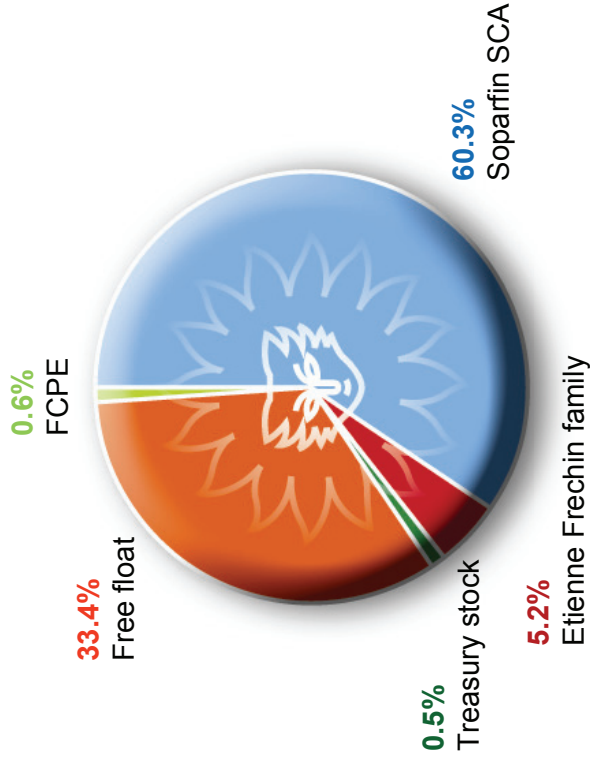
- In 2009, Vétoquinol's share price rose by **43.9%**
- The current valuation corresponds to 1 x revenues
- Strong potential for stock price appreciation



Shareholders and dividends

Shareholders and dividends

- Group shareholders as of March 1, 2010**
 - At the General Meeting of May 7, 2010, the Board of Directors will propose:**
 - A dividend of **€0.29** per share, an increase of **7.4%**
 - Corresponding to a pay-out of **18%**



Strategy and outlook

*“The four pillars of the Group,
motors for future growth”*

- Organic growth in Europe
- External growth
- Continuing improvement in profitability
- Innovation



Internal growth in Europe

Pursuing organic growth in Europe

- **Phase 1: Successful integration of Ascor Chimici (Italy)**
 - Sales and profitability in line with initial expectations
 - Gradual integration of the product lines marketed by our distributor
 - Production facility (Forlì) brought up to standards and optimised
 - Higher profitability through an improved product mix
 - Successful anniversary celebration (160 guests)

- **Phase 2: Strong potential for higher profitability within three years**





Internal growth in Europe

Pursuing organic growth in Europe

- **Other European countries**
 - Product introductions and extensions
 - **13** product launches
 - **5** extensions
 - Development of a complementary Marbocyl® product line
 - Confirmation that our Spanish subsidiary is recovering
 - Final preparations for major product launches in 2011
 - Development of an international training programme for our sales network



Developing the business of the Group in expanding markets...

External growth

- **India: the first six months**
 - Creation of Vétoquinol India, the 6th largest animal health company in the local market
 - Sales and income in line with our expectations
 - Preparations for registering Vétoquinol products for marketing in India
 - Continuous innovation and product launches
 - Opening of new offices

- **China: the other market of major interest**

- **Latin America: initial investigations**

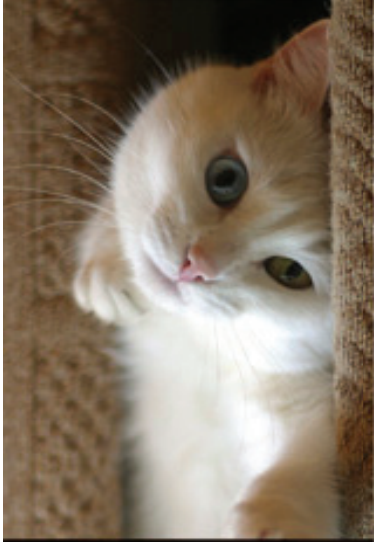
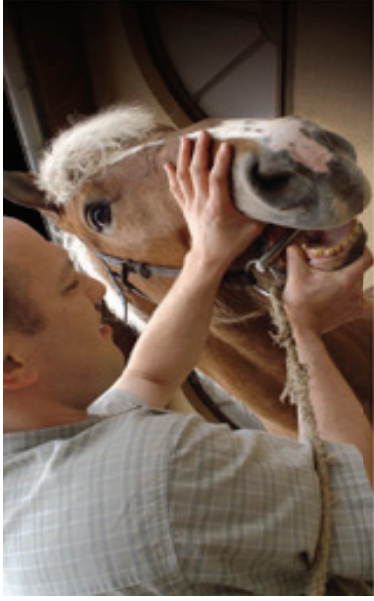




... and take advantage of the consolidation of the market

- **Strengthen our position in Europe and North America**
 - Look for opportunities in these strategic regions, with particular emphasis on:
 - the United States
 - the United Kingdom
 - Germany
 - Spain
- **Seize opportunities created by recent mergers**
 - Contacts for product acquisitions in all of our strategic regions
- **Take advantage of Vétoquinol's substantial financing capacity**
 - Debt capacity (at 100% gearing) of €140 million
 - Potential for revenue growth of 30%

External growth



Continuous Improvement

Increasing profitability through continuous improvement

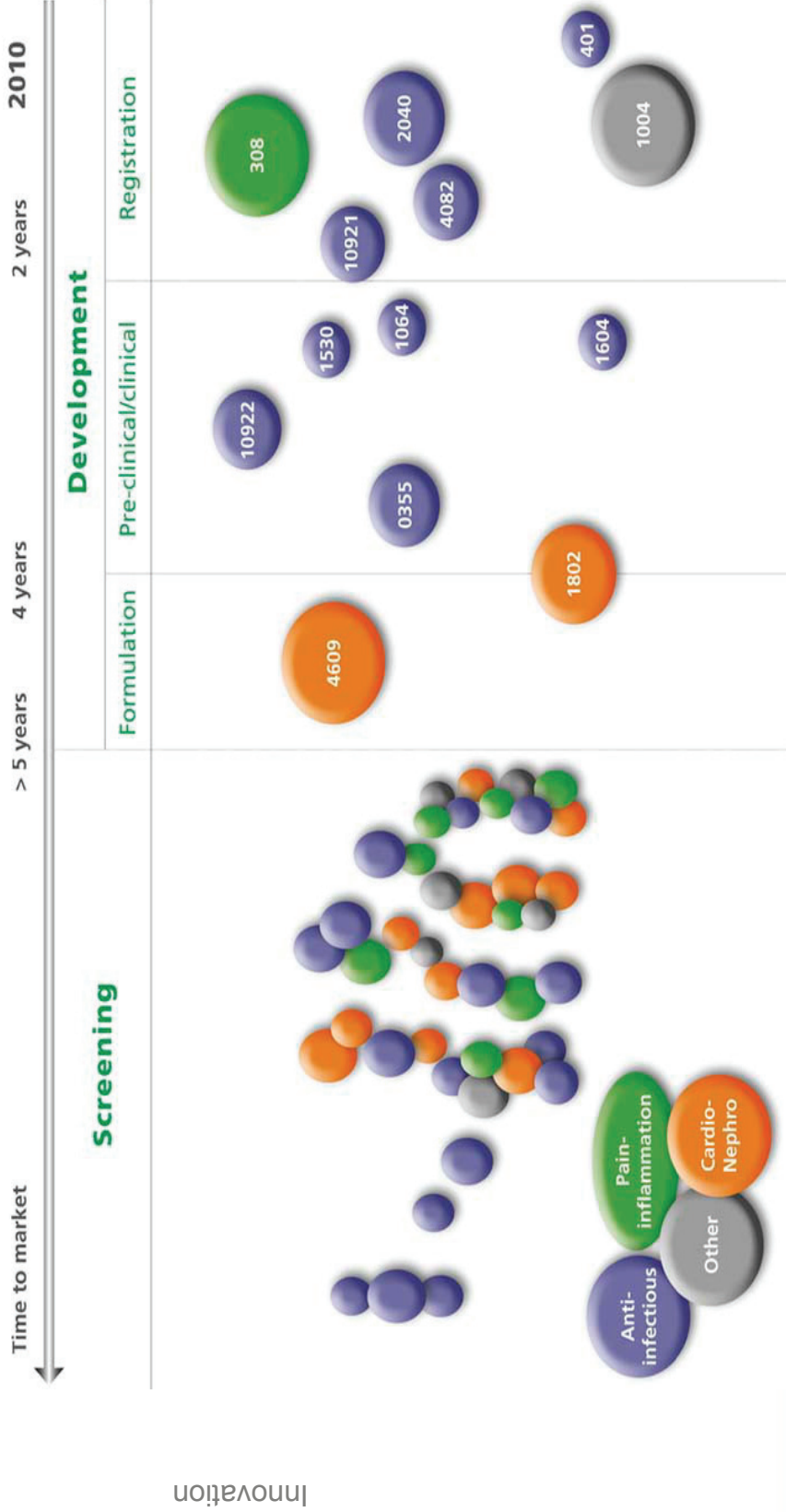
- **In 2009, the improvement programme resulted in gains in:**
 - Purchasing
 - Supply chain
 - VIP programme
 - Productivity

- **Which enabled us to increase our financing for:**
 - Marketing + 5%
 - Sales network + 8%
 - Research and innovation + 10%

- **And the improvements continue!**



Innovating and remaining in step with the market





Preparing for product launches in 2011



Innovation



€€€ > 10 M €€ 5 - 10 M € < 5 M	Companion animals	Livestock
Anti-infective		€(1) €€ € €
Pain-inflammation	€€€€	
Other areas	€€	

(1) Launch scheduled for end 2010



Outlook: sources of medium-term growth

- **Organic growth**
 - Strong growth in India, the United States and Italy
 - Recovery in Spain
 - New product launches and geographical extensions
 - Continued optimisation of marketing structures and resources
- **External growth**
 - Develop new regions through targeted acquisitions
 - Participate in the consolidation of the market, particularly mergers in progress



“Hybrid” growth to generate cash flow

Our business: animals. Our advantage: people.

Calendar

- April 22
 - May 7
 - June 4
 - July 20
 - August 31
 - October 19
- 1st quarter 2010 revenues
 - Annual Shareholders Meeting
 - Dividend announcement
 - 1st half 2010 revenues
 - 2010 Interim results
 - 3rd quarter 2010 revenues

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