HALF YEAR FINANCIAL REPORT

2016

CONTENTS

FIRST HALF 2016 ACTIVITY REPORT

1. First half 2016 highlights and revenues

1.1 First half 2016 highlights

Following the agreement signed with Zenoaq on December 3, 2015 establishing a joint venture (JV) in Japan, Vetoquinol acquired a 55% equity interest in the JV by injecting €0.4 million of capital funding. Control is exercised jointly by the two partners; the JV's earnings are recognized in Vetoquinol's income statement under "Earnings of associates".

1.2 First half 2016 revenues

The Vetoquinol Group reported first half 2016 sales of €172.2 million, up 3.0% over first half 2015. At constant exchange rates, sales amounted to €177.2 million, up 6.0%. First half results were hit by a negative currency impact of €4.9 million, mainly due to the weakening of the Canadian dollar (€1.8 million), as well as the British pound, Indian rupee and Brazilian real (€0.7 million each). At constant exchange rates and consolidation scope (like for like or LFL), sales increased by 6.0%.

Sales of Vetoquinol's reference products, the drivers of its strategy, continued to grow, up 5.0% as reported and up 7.4% at constant exchange rates. Reference products accounted for 48.4% of total Group sales in the first half of 2016 compared to 47.5% in the same period last year.

In the Group's strategic territories, first half sales at constant exchange rates rose as follows:

- 9.3% in the Americas, impacted by an adverse base effect due to strong growth in H1 2015;
- 13.4% in Asia Pacific;
- 2.0% in Europe, affected by challenging market conditions and a decline in sales volumes in the anti-infectives segment.

First half sales of companion animal products rose 6.2% (LFL: 8.2%), while livestock products fell slightly by 0.4% (LFL: up 3.6%).

The margin on purchases consumed came to 67.8%, up from H1 2015 (65.6%) and the 2015 full-year margin (64.9%). Exchange rate effects increased the margin on purchases consumed by 0.3 percentage points or €2.9 million; on a like-for-like basis, this margin came to 67.5% of sales. Excluding currency effects, the €4.2 million increase in the margin on purchases consumed over H1 2015 was due to a combination of the following factors:

- favorable changes in the product mix (reference product range effect),
- highly sustained production during first half 2016, leading to greater leverage of fixed costs for the period:
    - in fact, in addition to the annual August shutdown, the main production facility at Lure will also be closed for 2 weeks in September 2016 for technical upgrading purposes; this operation will be repeated over a number of years; the result of this "windfall effect", which is linked to the slight decline recorded in first half 2015 compared to normal production, was a €2.2 million increase in production inventories in first half 2016;
    - furthermore, the decision to increase safety stocks of certain products manufactured at our industrial facility in Australia led to a €0.3 million increase in first half 2015 production compared to normal volumes.

These positive effects must be seen in the light of increasing raw material prices, linked to the recovery in USD versus EUR, coupled with price increases applied by a number of Group suppliers.

Despite our efforts to control expenditure, "Other purchases and external expenses" rose by 2.1%, or €0.8 million, inflated by currency movements: At constant exchange rates, the increase came to €1.8 million or 5.1%. External expenses amounted to 20.1% of H1 2016 sales (H1 2015: 20.2%).

To sum up, the main factors influencing the change in other external expenses besides currency movements are:

- a €1.0 million increase in fees related to R&D projects, partly offset by a €0.3 million reduction in subcontracting expenses;
- a €0.5 million increase in fees related to the identification of acquisition targets;
- a €0.3 million increase in temporary employment costs;
- a €0.4 million increase in travel expenses;
- a €0.3 million decrease in advertising expenses;
- a €0.6 million reduction in rental expenses, general subcontracting, transportation costs and other external services.

The €2.4 million (4.7%) increase in staff costs is the result of:

- an adverse base effect linked to first half 2016 due to a €1.3 million increase in staff profit sharing and incentives compared to first half 2015;
- a €1.3 million reduction due to currency movements;
- a €2.4 million increase related to wage rises (around 2.0%) and net hires/departures – for example, 15 employees were hired in the USA, adding €0.7 million to first half 2016 staff costs.

Taxes and duties amounted to €2.8 million, down slightly (by €0.1 million) as reported and stable at constant exchange rates. As a reminder, the application of IFRIC 21 from January 1, 2015 resulted in a €0.3 million increase in the first half income tax expense, without affecting the full-year financial statements. The same policy was applied to first half 2016.

"Other income and expenses" rose by €0.5 million to €2.8 million (H1 2015: €2.4 million) due to changes in exchange rates. At constant exchange rates there was no change in this item.

Group EBITDA came to €27.4 million, up €4.6 million or 20.2% (H1 2015: €22.8 million). EBITDA as a percentage of sales amounted to 15.9% versus 13.7% in H1 2015. At constant exchange rates, EBITDA rose by 20.3%.

Net depreciation and amortization charges decreased slightly by €0.3 million (4.0%), including €0.2 million due to currency movements, from €6.9 million in H1 2015 to €6.6 million.

“Provisions and write-backs" increased slightly, from a €0.05 million net write-back in first half 2015 to a net provision charge of €0.4 million for the period just ended.

Earnings before interest and tax (EBIT) rose sharply by 27.4% to €20.5 million, compared to €16.1 million in first half 2015.

First half operating income also increased sharply, by 24.7% or €3.9 million, despite the recognition of €0.6 million in non-recurring expenses related to the ongoing integration of the Bioniche business. The corresponding expenses amounted to €0.1 million in first half 2015. Operating income came to €19.9 million versus €16.0 million in H1 2015.

R&D costs amounted to 6.9% of Group sales (H1 2015: 6.7%).

1.3 Net financial income

Net interest income for the first half of 2016 amounted to €0.4 million, up from €0.3 million in H1 2015. This slight improvement resulted from the following factors:

- ⇨ a slight decrease in interest income on Group cash investments, from €0.7 million in first half 2015 to €0.6 million;
- ⇨ a slight decrease in the gross cost of debt due to repayments of the loan used to finance the Bioniche Group acquisition.

Other financial income and expenses amounted to a €1.0 million expense versus income of €1.5 million in H1 2015. The Group suffered significant negative currency impacts related to financial market volatility, specifically the plunge of GBP versus EUR following the Brexit vote in first half 2016, resulting in a €0.7 million currency loss, in contrast to the strong appreciation of USD receipts during the first half of 2015. The Group posted a net financial expense of €0.7 million, compared to net financial income of €1.9 million for H1 2015.

1.4 Net income

The tax charge for the period came to €5.7 million (H1 2015: €5.5 million), representing an effective tax rate of 29.5% (2014: 30.5%). This reduction is mainly due to the distribution of earnings per country (geographical mix) and fluctuating exchange rates – unrealized gains and losses are immediately taxable as part of the taxable earnings of consolidated companies.

Net income after tax rose 9.4% from €12.4 million in H1 2015 to €13.6 million in H1 2016.

1.5 Balance sheet and debt

At June 30, 2016, net cash amounted to €53.7 million, a €0.9 million improvement on net cash of €52.8 million as of December 31, 2015, reflecting a healthy overall Group cash position. The second half always tends to generate more cash than the first half; net cash as of June 30, 2015 stood at €25.1 million, down €7.7 million during the first half of 2015.

The Group's balance sheet is supported by a very strong equity position: at June 30, 2016, shareholders' equity stood at €297.7 million compared to €289.4 million at December 31, 2015 and €283.4 million at June 30, 2015. The largest shareholder intends to allow the Vetoquinol Group to develop independently.-As of July 19, 2016, shareholders' equity accounted for 72% of total assets and 64% of the Vetoquinol Group's market capitalization.

1.6 Cash flow

First half 2016, cash flows before cost of debt and taxes, and before changes in working capital, increased by 9.2% to €26.7 million (H1 2015: €24.4 million).
Cash flow from operating activities amounted to a €14.1 million inflow, up €9.9 million from first half 2015 (€4.1 million). The change in working capital over the period was successfully managed.

Cash flow from investing activities amounted to a €7.7 million outflow (H1 2015: €8.9 million outflow), including a €0.4 million equity investment in the Japanese joint venture, compared to additional consideration of €2.1 million for the Bioniche acquisition paid in first half 2015. The balance consisted of capital expenditure amounting to €7.3 million versus €6.8 million in first half 2015, the increase being mainly due to investment in production facilities in France.

Cash flow from financing activities amounted to a €9.5 million outflow (H1 2015: €14.0 million outflow), including:

- €4.5 million in loan repayments (H1 2015: €9.8 million);
- a €4.9 million dividend payout, compared to €4.6 million recorded in the first half 2015 financial statements;
- net interest income of €0.3 million (H1 2015: €0.4 million) related to investments of net cash and interest paid on loans;
- lastly, in H1 2015 Vetoquinol expended €0.4 million on share buybacks.

Cash and cash equivalents decreased by €3.6 million over the period compared to a €17.6 reduction over first half 2015.

2. Main risks and uncertainties affecting the last 6 months of the year

There has been no material change in the risk assessment as presented in the 2015 registration document.

Business in the second half will continue to follow economic fluctuations and regulatory changes. Despite the lack of visibility and continued tightening of regulations (e.g. legislation on “critical” antibiotics), the Group expects to continue to benefit from its balanced business portfolio and from the growth momentum driven by new product launches and the contributions made by its latest acquisitions. On the basis of these assumptions, the Vetoquinol Group expects to sustain growth in 2016.

3. Main related party transactions

No related party transaction had a material impact on the financial statements.

4. Contingent assets and liabilities

The Group has no contingent assets or liabilities.

SUMMARY CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2016

SUMMARY STATEMENT OF COMPREHENSIVE INCOME - FIRST HALF 2016

€000	H1 2016	H1 2015
Sales	**172 249**	**167 163**
Purchases consumed	(55 476)	(57 487)
Other purchases and external expenses	(34 544)	(33 819)
Staff costs	(54 849)	(52 407)
Taxes other than on income	(2 769)	(2 874)
Depreciation and impairment of fixed assets	(6 614)	(6 893)
Provisions and write-backs	(315)	46
Other operating income	3 145	2 715
Other operating expenses	(318)	(347)
EBIT	**20 507**	**16 097**
% vs Sales	*11,9%*	*9,6%*
Non-recurring operating income and expenses	(574)	(110)
Operating income	**19 933**	**15 986**
% vs Sales	*11,6%*	*9,6%*
Income from cash and cash equivalents	594	728
Gross cost of debt	(226)	(392)
Net cost of debt	**368**	**336**
Other financial income	1 542	3 736
Other financial expenses	(2 585)	(2 195)
Financial income/(expense)	**(675)**	**1 877**
Income before tax	**19 258**	**17 863**
Income tax expense	(5 679)	(5 457)
Income after tax	**13 579**	**12 406**
Share of profit of Associates	(75)	-
Net income for the year	**13 504**	**12 406**
Attributable to:	-	-
Owners of the Company	13 503	12 405
Non-controlling (minority) interests	1	1
	-	-
Exchange differences on translation of foreign operations	369	7 150
Actuarial gains (losses), net of tax	(361)	-
	-	-
Total comprehensive income for the year, net of tax	**13 512**	**19 557**
Attributable to:	-	-
Owners of the Company	13 511	19 555
Non-controlling (minority) interests	1	1
Basic EPS (€)	1,14	1,05
Diluted EPS (€)	1,14	1,05

EBE / EBITDA	27 437	22 833
% vs Sales	*15,9%*	*13,7%*

SUMMARY STATEMENT OF FINANCIAL POSITION AT JUNE 30, 2016

€000	June 30, 2016	Dec 31, 2015
ASSETS		
Goodwill	77 373	77 364
Other intangible assets	46 522	47 255
Property, plant and equipment	52 570	50 745
Investments in associates	409	0
Other financial assets	716	743
Deferred tax assets	8 871	7 979
Total non-current assets	186 461	184 086
Inventories	72 088	68 374
Trade and other receivables	61 747	66 536
Current income tax receivables	5 806	4 671
Other current assets	3 121	1 735
Cash and cash equivalents	83 755	87 073
Total current assets	226 517	228 390
TOTAL ASSETS	412 978	412 476
SHAREHOLDERS' EQUITY		
Capital stock and additional paid-in capital	70 831	70 831
Reserves	213 348	194 449
Net income for the year	13 503	24 156
Equity attributable to owners of the Company	297 682	289 436
Non-controlling (minority) interests	57	57
Shareholder's equity	297 739	289 492
LIABILITIES		
Non-current financial liabilities	19 820	24 163
Deferred tax liabilities	10 468	10 452
Provisions for employee benefits	7 541	6 870
Other provisions	1 774	1 077
Other long-term liabilities	12	11
Government loans	690	889
Total non-current liabilities	40 306	43 461
Trade and other payables	63 284	68 560
Current income tax liabilities	1 652	1 456
Current financial liabilities	9 188	8 904
Other provisions	427	262
Other current liabilities	44	59
Government loans (due in less than 1 yr)	340	280
Total current liabilities	74 934	79 522
Total liabilities	115 240	122 983
TOTAL EQUITY AND LIABILITIES	412 978	412 476

SUMMARY STATEMENT OF CASH FLOWS

€000	June 30, 2016	June 30, 2015
Consolidated net income	13 504	12 406
Elimination of non-cash items		
Net depreciation, impairment and provisions	7 640	6 997
Income tax expense	5 679	5 457
Interest expense	(299)	(471)
Provisions for employee benefits	43	56
Impairment of available-for-sale financial assets		
Capital gains (losses) on asset sales, net of tax	21	(19)
Other non-cash items	0	0
Income and expenses from share-based payments	0	0
Cash flows from operating activities	**26 663**	**24 426**
Tax paid	(7 488)	(7 937)
Change in working capital	(5 096)	(12 344)
Net cash flow from operating activities	**14 078**	**4 145**
Purchase of intangible assets	(2 151)	(1 085)
Purchase of PP&E	(5 190)	(5 716)
Purchase of available-for-sale assets	(441)	0
Purchase of other financial assets		
Proceeds from sale of assets	27	88
Loan repayments / income from other financial assets	(3)	(10)
Net cash flow from business combinations	(0)	(2 136)
Net cash flow from investing activities	**(7 758)**	**(8 859)**
Capital increase	0	0
Net (purchase) / sale of treasury stock	(386)	0
Issuance of debt and other financial liabilities	0	(0)
Repayment of financial liabilities	(4 495)	(9 826)
Interest paid	278	437
Dividends paid to shareholders of the Company	(4 860)	(4 627)
Dividends paid to non-controlling (minority) interests	(1)	0
Investment subsidies and government loans		
Other cash flows from financing activities		
Net cash flow from financing activities	**(9 464)**	**(14 016)**
Exchange gains (losses)	(456)	1 084
Net change in cash	**(3 600)**	**(17 646)**
Opening net cash and cash equivalents	**87 041**	**86 164**
Change in cash and cash equivalents	(3 600)	(17 646)
Closing net cash and cash equivalents	**83 441**	**68 518**

SUMMARY STATEMENT OF CHANGE IN CONSOLIDATED EQUITY

€000	Capital stock and additional paid-in capital	Translation reserve	Actuarial gains (losses)	Other reserves	Total reserves	Net income for the year	Total equity attributable to shareholders of the Company	Non-controlling (minority) interests	Total shareholders' equity
December 31, 2014	**70 831**	**(189)**	**(595)**	**172 530**	**171 746**	**25 766**	**268 343**	**53**	**268 396**
H1 2015 net income					0	12 405	12 405	1	12 406
Other comprehensive income, net of tax		7 150			7 150		7 150		7 150
H1 2015 comprehensive income		**7 150**	**0**		**7 150**	**12 405**	**19 555**	**1**	**19 557**
Appropriation of earnings				25 766	25 766	(25 766)	0		0
Stock options exercised				0	0		0		0
Treasury shares				38	38		38		38
Dividends paid by the parent company				(4 627)	(4 627)		(4 627)		(4 627)
Other				41	41		41		41
June 30, 2015	**70 831**	**6 961**	**(595)**	**193 748**	**200 115**	**12 405**	**283 351**	**54**	**283 405**
H2 2015 net income					0	11 751	11 751	3	11 753
Other comprehensive income, net of tax		(5 836)	229		(5 606)		(5 606)		(5 606)
H2 2015 comprehensive income		**(5 836)**	**229**		**(5 606)**	**11 751**	**6 144**	**3**	**6 147**
Appropriation of earnings				0	0	0	0		0
Stock options exercised				0	0		0		0
Treasury shares				(38)	(38)		(38)		(38)
Dividends paid by the parent company				(0)	(0)		(0)		(0)
Other				(21)	(21)		(21)		(21)
December 31, 2015	**70 831**	**1 126**	**(366)**	**193 689**	**194 449**	**24 156**	**289 436**	**57**	**289 492**
H1 2016 net income					0	13 503	13 503	1	13 504
Other comprehensive income, net of tax		369	(361)		8		8		8
H1 2016 comprehensive income		**369**	**(361)**		**8**	**13 503**	**13 511**	**1**	**13 512**
Appropriation of earnings				24 156	24 156	(24 156)	0		0
Stock options exercised				0	0		0		0
Treasury shares				(373)	(373)		(373)		(373)
Dividends paid by the parent company				(4 860)	(4 860)		(4 860)		(4 861)
Other				(32)	(32)		(32)		(32)
June 30, 2016	**70 831**	**1 494**	**(726)**	**212 579**	**213 348**	**13 503**	**297 682**	**57**	**297 739**

NOTES TO THE SUMMARY CONSOLIDATED HALF YEAR FINANCIAL STATEMENTS

1. General information

The Vetoquinol Group summary consolidated financial statements for the six months ended June 30, 2016 include Vetoquinol and its subsidiaries (jointly referred to as "the Group").
Vetoquinol is a public limited company ("*société anonyme*") registered and based in France, with capital stock of €29,704,755. Its head office is located at 34 rue du Chêne, Magny Vernois, France. Vetoquinol's shares are traded on the Euronext market.
The Group operates exclusively in the animal health sector.

2. Statement of compliance - Accounting principles and policies

Pursuant to European regulation 1606/2002 of July 19, 2002, the consolidated financial statements for the six months ended June 30, 2016 have been prepared in accordance with international IAS/IFRS accounting standards applicable as of 6/30/2016, as endorsed by the European Union.

The Vetoquinol Group summary consolidated financial statements for the six months ended June 30, 2016 have been prepared in accordance with IAS 34 - Interim Financial Reporting, which allows presentation of a selection of the notes to the financial statements. These summary consolidated financial statements should therefore be read in conjunction with the Group consolidated financial statements for the year ended December 31, 2015.

The IFRS adopted by the European Union may be consulted in the section on IAS/IFRS Standards and Interpretations on the following website:
http://ec.europa.eu/finance/company-reporting/index_en.htm

The summary consolidated financial statements were approved by the Board of Directors on July 27, 2016.

2.1 New standards and amendments applicable in 2016

The accounting principles and policies applied are the same as those applied in the preparation of the consolidated financial statements for the year ended December 31, 2015, except for the following standards, amendments and interpretations mandatory for accounting periods beginning on or after January 1, 2016.

The other standards, interpretations and amendments applied did not have a material impact on the Group consolidated financial statements.

3. Seasonal factors

Group operations were not significantly impacted by seasonal factors. Nevertheless, fourth quarter sales are usually higher than first and second quarter sales. These seasonal fluctuations are tending to stabilize as the Group grows. Furthermore, during the summer the Group's longstanding production plant at Lure is generally closed for maintenance work and improvements. Owing to these two factors, the Group tends to have larger inventories at the end of the first half than at the end of the year.

4. First half 2016 highlights

See paragraph 1 of the half year activity report.

5. Estimates

When preparing the consolidated half year financial statements, management is required to exercise judgment and make estimates and assumptions that may affect the application of accounting principles and the value of assets, liabilities, income and expenses. Such estimates and assumptions factor in the risks underlying the Group's specific industry as well as more general risks associated with the current global economic climate. At the moment, this is marked by economic and financial instability which is clouding our view of future economic developments. As a result, the figures eventually published in Vetoquinol's future financial statements may differ from current estimates. Significant judgments made by management for the purposes of applying Group accounting policies for the preparation of the summary half year consolidated financial statements, as well as the main sources of uncertainty relating to management estimates, are the same as those described in the notes to the consolidated financial statements for the year ended December 31, 2015.

6. Calculation of EBITDA

EBITDA was calculated as follows:

En milliers d'euros	30-juin-16	30-juin-15	31-déc-15	31-déc-14
Income after tax	13 579	12 405	24 160	25 772
Income tax expense	5 679	5 457	12 296	11 884
Financial income/(expense)	675	(1 877)	(2 181)	(3 212)
Provisions booked in non-recurring operating income and expenses	574	-	4 713*	-
Provisions and write-backs	315	(46)	(1 634)	1 936
Depreciation and impairment of fixed assets	6 614	6 893	13 587	12 845
EBITDA	27 437	22 832	50 941	49 225
Progression de l'EBITDA	*20,2%*		*3,5%*	
EBITDA en % des ventes	*15,9%*	*13,7%*	*14,9%*	*15,6%*

**Included €4,2 millions of goodwill impairment for Brazil*

7. Business combinations

Changes in goodwill for the first half of 2016 are solely related to currency differences applicable to the period.

€000	June 30, 2016	Dec 31, 2015
At January 1		
Gross value	77 364	76 299
Opening book value	77 364	76 299
Acquisitions related to business combinations	0	0
Impairment losses recognized in the income statement	0	(4 181)
Allocation of goodwill	0	4 151
Exchange differences, net	9	1 095
At December 31		
Gross value	77 373	77 364
Closing book value	77 373	77 364

8. Other operating income and expenses

€000	H1 2016	H1 2015
Operating grants	0	5
Investment grants transferred to income for the year	14	14
Expense reclassifications	0	0
Gains on asset sales	27	88
Research tax credit (Crédit d'Impôt Recherche – CIR)	2 021	1 974
Other income	1 082	634
Other operating income	**3 145**	**2 715**
Book values of assets sold	(49)	(69)
Other expenses	(270)	(278)
Other operating expenses	**(318)**	**(347)**
Total	**2 827**	**2 368**

Other income consists of:

€000	H1 2016	H1 2015
Fees and royalties	252	2
Freight cost customer recharges	230	193
Compensation received	3	7
Social security refunds	0	0
Other	597	431
Total	**1 082**	**634**

9. Net financial expenses

€000	H1 2016	H1 2015
Interest income from cash and cash equivalents	594	728
Net gains on sale of cash equivalents	0	0
Income from cash and cash equivalents	**594**	**728**
Intérêts sur emprunt obligataire	0	0
Prime de non conversion	0	0
Interest on other borrowings and overdrafts	(226)	(392)
Interest on finance leases	0	0
Gross cost of debt	**(226)**	**(392)**
Net cost of debt	**368**	**336**

€000	H1 2016	H1 2015
Currency gains	1 538	3 573
Other income	4	163
Other financial income	**1 542**	**3 736**
Financial expenses related to employee benefits	(43)	(56)
Currency losses	(2 483)	(2 073)
Other expenses	(60)	(66)
Other financial expenses	**(2 585)**	**(2 195)**
Other financial income and expenses	**(1 043)**	**1 541**

10. Geographical operating segments

All first half 2016 and first half 2015 revenues consist solely of sales of veterinary products.

First half 2016 operating segment results

€000 By asset location	EUROPE	AMERICAS	ASIA PACIFIC	Consolidated total
Sales Inter-segment sales	134 201 (34 236)	65 402 (7 825)	14 707 0	214 310 (42 061)
Total external sales	99 965	57 577	14 707	172 249
EBIT	14 141	5 192	1 174	20 507
Non-recurring operating income and expenses	(273)			(574)
Operating income	13 867	5 027	1 038	19 933
Net financial expenses				(675)
Income before tax				19 258
Income tax				(5 679)
Income before tax				13 579
Income tax				(75)
Net income				13 504

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

€000 By customers location	EUROPE	AMERICAS	ASIA PACIFIC	Consolidated total
Sales Inter-segment sales	117 787 (28 478)	67 032 (10 661)	29 490 (2 922)	214 310 (42 061)
Total external sales	89 309	56 371	26 569	172 249

First half 2015 operating segment results

€000 By asset location	EUROPE	AMERICAS	ASIA PACIFIC	Consolidated total
Sales Inter-segment sales	131 355 (32 565)	62 362 (7 322)	13 476 (143)	207 193 (40 030)
Total external sales	98 790	55 040	13 333	167 163
EBIT	11 981	2 989	1 127	16 097
Non-recurring operating income and expenses	(110)			(110)
Operating income	11 871	2 989	1 127	15 986
Net financial expenses				1 877
Income before tax				17 863
Income tax				(5 457)
Income before tax				12 406
Income tax				0
Net income				12 406

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

€000 By customers location	EUROPE	AMERICAS	ASIA PACIFIC	Consolidated total
Sales Inter-segment sales	116 803 (28 109)	64 102 (10 000)	26 288 (1 921)	207 193 (40 030)
Total external sales	88 694	54 102	24 367	167 163

11. Earnings per share

Basic earnings per share stable
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 half year.

	June 30, 2016	Dec 31, 2015
Net income attributable to holders of common shares (€000)	13 503	12 405
Weighted average number of common shares	11 881 902	11 881 902
Treasury shares at end of period (direct holding)	(24 596)	(13 903)
Treasury shares at end of period (liquidity contract)	(3 262)	(3 315)
Adjusted weighted average number of shares outstanding over the period	**11 854 044**	**11 864 684**
Basic earnings per share (€)	**1,14**	**1,05**
Diluted earnings per share (€)	**1,14**	**1,05**

12. Dividends per share

Dividends paid in H1 2016 amounted to €4,859,854.23 (H1 2015: €4,626,985.35), or €0.41 per share (2015: €0.39 per share), up 5.1%.

13. Cash and cash equivalents

€000	June 30, 2016	Dec 31, 2015
Marketable securities	32 719	42 409
Cash	51 036	44 664
Total cash and cash equivalents	**83 755**	**87 073**
Bank overdrafts	(315)	(32)
Total	**83 441**	**87 041**

14. Post-balance sheet events

None.

STATEMENT BY THE PERSON RESPONSIBLE FOR THE REPORT

I hereby represent that, to the best of my knowledge, the summary financial statements for the half year ended have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and earnings of the parent company and all the companies included in the consolidation scope. I also represent that the attached half year activity report provides an accurate account of the major events that occurred during the first six months of the year, the impact of such events on the half year financial statements and the main related party transactions executed during this period and includes an assessment of the main risks and uncertainties affecting the remaining six months of the year.

Magny Vernois, July 27, 2016
Matthieu Frechin, Chief Executive Officer

Statutory Auditors’ Review Report on the Half-yearly Financial Information

This is a free translation into English of the statutory auditors’ review report on the half-yearly financial information issued in French and is provided solely for the convenience of English-speaking users. This report includes information relating to the specific verification of information given in the Group’s half-yearly management report. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

Vetoquinol S.A.
Registered office: 34, rue du Chêne Sainte Anne - Magny Vernois - 70200 Lure

Statutory Auditors’ Review Report on the Half-yearly Financial Information

For the period from January 1st 2016 to June 30 2016

To the Shareholders,

In compliance with the assignment entrusted to us by your general meeting and in accordance with the requirements of article L. 451-1-2 III of the French Monetary and Financial Code ("*Code monétaire et financier*"), we hereby report to you on:

- the review of the accompanying condensed half-yearly consolidated financial statements of Vétoquinol S.A., for the period from January 1st 2016 to June 30 2016,
- the verification of the information presented in the half-yearly management report.

These condensed half-yearly consolidated financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

I. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed half-yearly consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 - standard of the IFRSs as adopted by the European Union applicable to interim financial information.

II. Specific verification

We have also verified the information presented in the half-yearly management report on the condensed half-yearly consolidated financial statements subject to our review. We have no matters to report as to its fair presentation and consistency with the condensed half-yearly consolidated financial statements.

Paris La Défense, on the 27 July 2016	Neuilly sur Seine, on the 27 July 2016
KPMG Audit *A department of KPMG S.A.*	PriceWaterhouseCoopers Audit
Philippe Cherqui *Partner*	Xavier Belet *Partner*