Virbac

Half-yearly financial report

At June 30, 2015

Virbac : NYSE Euronext - compartiment A - code ISIN : FR0000031577 / MNEMO : VIRP
Corporate finance : tel. 33 4 92 08 71 32 - e-mail : finances@virbac.com - Website: www.virbac.com

Shaping the future of animal health

HALF YEARLY MANAGEMENT REPORT

FIRST HALF 2015 SIGNIFICANT EVENTS

- On January 2, 2015, Virbac announced the successful closing of its agreement with Eli Lilly and Company and thus acquired, for a amount of $410 million, a series of intangible assets (trademarks, marketing authorisations, patents, know-how, customer files…) related to the parasiticides for dogs namely Sentinel Flavor Tabs and Sentinel Spectrum in the United States, as well as inventories of raw materials and finished goods. A part of the sales workforce of Novartis Animal Health in the United States also came to consolidate Virbac's commercial strike force and its penetration into the veterinary clinics of the country.
  This acquisition strengthen the Group's position in the major sector of parasiticides used for companion animals. In the first half, the integration of the Sentinel range is in line with the Group's expectations with a revenue of nearly $50 million.
  This acquisition meets the criteria for a business combination as defined by IFRS 3 and was therefore handled accordingly in Virbac's 2015 consolidated financial statements. The fair value assessment of the different identified assets and liabilities taken on is detailed in the notes to the condensed consolidated financial statements.

- In early 2015, manufacturing and deliveries from the US production site of St. Louis (Missouri) were interrupted in order to implement, in the best possible conditions, the Quality System Improvement Plan ("QSIP") submitted to the FDA (Food and Drug Administration) following the inspection completed end of 2014.
  Manufacture of certain ranges gradually resumed in the course of the second quarter, however, the pace of recovery of production is slower than initially contemplated and the return to market of an important number of products is delayed to the second half of the year.

  Overall, the impact of this situation is a decrease of the operating result estimated at $46.2 million, which breaks down as follows:
  - $32.6 million related to the decrease of business: decrease in revenue and under-absorption of industrial costs;
  - $13.6 million from exceptional costs: fees for consultants mandated to implement corrective actions, inventory provisions and various provisions.

SIGNIFICANT EVENTS AFTER THE CLOSING DATE

- Through an agreement signed on August 9, 2011, Virbac took 49% in the capital of the joint venture SBC Virbac Ltd, based in Hong Kong and its 100% affiliate SBC Virbac Biotech Co Ltd, based in Taiwan. This transaction was qualified a joint control, and Virbac' stakes were accounted for under the equity method in Virbac consolidated accounts since 2011.

  On July 27, 2015, Virbac and the co-shareholders signed a Joint Venture Termination and Share Sale Agreement, whereby Virbac acquires an additional 51% stake in the capital of SBC Virbac Ltd, thus taking control of the company. The transaction became effective at the closing, on August 17, 2015. This represents a step acquisition as Virbac obtains control over SBC Virbac Ltd in which it already held a non-controlling interest. Thus Virbac controls SBC Virbac Ltd and its 100% affiliate SBC Virbac Biotech Ltd. based in Taiwan.

  Through this transaction, Virbac confirms its strategy in the vaccines sector for food producing animals and particularly in pig, poultry and aquaculture vaccines in a region with a high growth potential which is Asia. This operation will allow Virbac to have a specific range of vaccines dedicated to market segments in rapid growth, as well as a platform of technology and R&D for vaccines to consider a significant development of new products. SBC Virbac Ltd will supply vaccines for Asian affiliates of the Group from its facility in Taiwan.

  The consideration paid by Virbac to take control of SBC Virbac Ltd includes a cash payment of $2 million on the effective date of the agreement and additional payments for a total amount that will not exceed $4.5 million and for which payment is linked to the achievement of future objectives.

This operation constitutes a business combination within the meaning of IFRS 3. Virbac will accordingly consolidate its stake in the capital of the SBC Virbac Ltd using the global method in the consolidated financial statements as of December 31, 2015.

- Virbac has been subject to a tax control of fiscal years 2011 to 2013, and it resulted in a tax reassessment proposal received on 27 July 2015. Virbac is going to contest one of the reasons invoked by the tax administration and that represents the main part of the tax reassessment proposal. Virbac accrued a provision related only to the reassessments recognised.

REVIEW OF THE FINANCIAL SITUATION AND RESULTS

Consolidated number in million Euros	Fisrt half 2015	Fisrt half 2014	Change 2015 / 2014
Revenue from ordinary activities	**432.3**	**366.3**	**18.0%**
Growth at constant exchange rates			8.0%
Pro-forma growth at constant exchange rates			-1.9%
Current operating profit - adjusted *	**27.4**	**52.8**	**-48.0%**
Operating profit from ordinary activities	**17.8**	**49.9**	**-64.3%**
As a % of revenue	*4.1%*	*13.6%*	
Operating result	**10.0**	**49.9**	**-80.0%**
Result for the period attributable to the owners of the parent company	**-3.8**	**27.8**	**-113.7%**
Result for the period attributable to the non-controlling interests	**3.4**	**3.9**	**-14.3%**

* For the sake of clarity of its economic performance, the Group decided to isolate the impact of the depreciations of intangible assets arising from acquisitions. Indeed, this one is relevant given the latest business combinations operated by the Group. Consequently, the income statement shows, in its new presentation, an operating result adjusted from this impact.

The condensed consolidated financial statements of Virbac for the period from January 1 to June 30, 2015 have been reviewed by the auditors and are available on www.virbac.com website.

First half sales have reached €432.3 million compared to €366.3 million in the same period of 2014, an +18.0% increase globally. Apart from the favourable exchange rates impact, growth has reached + 8.1%. Organic growth in this first half recorded -1.9% and is significantly impacted by the decline of the business in the US affiliate following the interruption of manufacturing and deliveries from its St. Louis facility early this year, despite the gradual resumption of productions. Outside the US, organic growth reaches +5.3%.

The operating profit from ordinary activities decreased. It amounts to €17.8 million compared to €49.9 million last year, a decrease by -64.3% and -9.5 points as a percentage of sales. This result includes €9.6 million of amortisation expenses related to intangible rights from acquisitions, compared to €2.9 million as of June 30, 2014. The increase in depreciation is due to the acquisition of Sentinel, which alone generates a €6.6 million amortisation expense as of June 30, 2015. The current operating profit adjusted from these items amounts to €27.4 million as of June 30, 2015, a decrease of -48.0% compared to last year. This evolution is mainly explained by the situation of the US affiliate which registers a very positive contribution of Sentinel, which nevertheless, does not offset the drop in sales of the historical range as well as additional costs as a consequence of the temporary interruption of its facilities in St. Louis. Outside the US, the current operating profit – adjusted is decreasing due to a continued investment from the Group in R&D and an exceptional expense due to a litigation related to a trademark used by the Group in France.

The operating result amounts to €10.0 million and registers a non-recurring expense of €7.9 million which is due to the revaluation of finished goods inventory from the Sentinel acquisition in accordance with IFRS 3.

The result for the period attributable to the owners of the parent company amounts to €-3.8 million after deduction of interest and tax expenses, a -113.7% decrease compared to €27.8 million in the first half of 2014.

The result for the period attributable to the non-controlling interests, which reflects mainly the share of minority interests in Centrovet, amounted to €3.4 million.

Financial situation

During the first six months of this year, the net debt increased up to of €367.3 million in comparison to June last year is essentially due to the financing of the acquisition of the Sentinel range in the United States. Besides, during this first half, financing needs resulting from the seasonal increase of working capital have been slightly higher than in the same period last year. Due to the seasonality effect and the progressive recovery in the United States, a substantial reduction of the level of debt is expected in the second half.

In April 2015, two new financings have been implemented. On the other hand Virbac has proceeded to the refund of the syndicated credit line revolving up to €220 million put in place in 2010 and of the bridge loan of €320 million implemented in December 2014 in order to fund the acquisition of Sentinel. The new financing contracts include a financial covenant.

The new financing contracts' main features are as follows:

- a syndicated loan of €420 million, to be drawn in € and in $ from a banking pool, repayable at maturity in April 2020 and extendible to April 2022 ;
- Schulsdchein agreements for a total of €160 million and $99 million, split in 8 tranches of maturity five, six, seven and ten years, at floating and fixed rate.

As of June 30, 2015, the credit line is drawn for $251 million and €58 million and Schulsdchein agreements are drawn for $99 million and €160 million.

Annual outlook

The gradual return to market of certain products manufactured in the St. Louis facility will have a still limited impact until this year end, but the additional costs incurred in the first half should be strongly reduced. Consequently the current operating profit adjusted is expected to show a real improvement in the second half as compared to the first half. It should still remain however, lower than in the second half of 2014 despite the addition of Sentinel.
In 2016 sales in the United States excluding Sentinel should rebound strongly, without reaching totally the level of 2014, while the Sentinel range should continue to perform well. With the animal health market remaining well oriented, the Group should continue to generate growth in the other regions of the world.

BUSINESS PERFORMANCE

By segment

Consolidated number in million Euros	Fisrt half 2015	Fisrt half 2014	Change (%)	Change at constant rate and scope
Companion animals	242.4	197.8	22.6%	-5.3%
Food producing animals	185.2	162.6	13.9%	3.1%
Others activities	4.7	5.9	-21.1%	-26.2%
TOTAL	**423.3**	**366.3**	**18.0%**	**-1.9%**

Companion animals

Sales in the companion animal segment have increased by 22.6% thanks to the contribution of the Sentinel range and favourable exchange rates. At constant rate and perimeter, it decreases by -5.3% due to difficulties in the United States. Excluding the United States, organic growth reached + 7.5% thanks to the launch of several new products in Europe, including Milpro and Effitix, parasiticides for companion animals and a good evolution of ranges such as dermatology and reproduction.

Food producing animals

Business in the food producing animal segment recorded a strong growth of 13.9%, of which 3.1% on a constant rate and perimeter. This performance was driven by good development in both ruminant and aquaculture sectors, while business in the industrial sector (swine and poultry) remained stable compared to 2014.

Other businesses

These activities, which represent less than 2% of revenues remained steady. They correspond to the markets of lesser strategic importance for the Group and mainly include contract manufacturing in the United States and Australia.

By geographic region

Consolidated number in million Euros	Fisrt half 2015	Fisrt half 2014	Change (%)	Change at constant rate and scope
France	48.1	51.0	-5.7%	-5.7%
Europe excluding France	114.9	105.0	9.4%	6.7%
North America	71.8	45.9	56.5%	-51.9%
Latin America	77.7	64.5	20.3%	7.9%
Africa & Middle East	16.5	15.0	10.6%	2.3%
Asia	59.1	44.4	33.2%	13.3%
Pacific	44.2	40.5	9.0%	3.5%
TOTAL	**432.3**	**366.3**	**18.0%**	**-1.9%**

With the exception of France, where sales have declined due to distributors destocking antibiotic products after the temporary increase observed in late 2014, sales in the rest of Europe recorded a good growth: +6.7% overall at constant exchange rates. In the other regions of the world, growth shows a good level thanks to the favourable impact of exchange rates on the one hand and to the good performance of food producing animal ranges in emerging countries, and a good level in large markets such as Australia, New Zealand and Japan, on the other hand.

MAIN SOURCES OF RISKS AND UNCERTAINTY FOR THE NEXT SIX MONTHS OF THE YEAR

The risk factors to which the Group is exposed, are mentioned in the 2014 Annual report of Virbac, available on the website www.virbac.com. The nature of these risks has not changed significantly in the first half of 2015. These risks are likely to occur in the second half of 2014 or during subsequent years.

OPERATIONS WITH RELATED PARTIES

Information on related parties is detailed in Note A17 of 2015 condensed half yearly financial statements. No changes or significant impact have appeared in the first half of 2015.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

HALF YEARLY CONSOLIDATED FINANCIAL STATEMENTS

Statement of financial position

in € thousand	Notes	30/06/2015	31/12/2014 restated *
Goodwill	A1	319,082	142,178
Intangible assets	A2	359,405	195,298
Tangible assets	A3	221,779	208,363
Other financial assets		18,678	14,391
Share in companies accounted for by the equity method	A4	5,136	5,824
Deferred tax assets		9,135	8,990
Non-current assets		**933,215**	**575,044**
Inventories and work in progress	A5	193,620	159,870
Trade receivables	A6	156,541	141,966
Other financial assets		1,294	3,762
Other receivables		84,853	69,289
Cash and cash equivalents		49,423	375,912
Assets classified as held for sale		-	-
Current assets		**485,731**	**750,798**
Assets		**1,418,946**	**1,325,842**
Share capital		10,573	10,573
Reserves attributable to the owners of the parent company *		420,131	420,769
Equity attributable to the owners of the parent company		**430,704**	**431,342**
Non-controlling interests		47,341	50,848
Equity		**478,045**	**482,190**
Deferred tax liabilities *		40,070	38,549
Provisions for employee benefits		15,047	14,212
Other provisions	A9	3,658	4,433
Other financial liabilities	A7	593,996	227,674
Other payables		1,019	1,084
Non-current liabilities		**653,790**	**285,952**
Other provisions	A9	2,275	768
Trade payables	A8	99,017	83,039
Other financial liabilities	A7	89,059	347,571
Other payables *		96,760	126,322
Current liabilities		**287,111**	**557,700**
Liabilities		**1,418,946**	**1,325,842**

* The opening amounts of the statement of financial position were restated in compliance with the interpretation of IFRIC 21. The impact on the opening equity (exclusively affecting the reserves attributable to the owners of the parent company) is +€412 thousand.

Income statement

in € thousand	Notes	30/06/2015	30/06/2014	*Change*
Revenue from ordinary activities	**A10**	**432,280**	**366,332**	***18.0%***
Purchases consumed		-153,599	-114,839	
External costs		-98,223	-75,390	
Personnel costs *		-127,375	-105,930	
Taxes and duties		-6,728	-5,781	
Depreciations and provisions		-14,583	-11,691	
Other operating income and expenses	**A11**	-4,325	52	
**Adjusted operating profit from ordinary activities ** **		**27,447**	**52,753**	***-48.0%***
Depreciations of intangible assets arising from acquisitions		-9,620	-2,870	
Operating profit from ordinary activities		**17,827**	**49,883**	***-64.3%***
Other non-current income and expenses	**A12**	-7,855	0	
Operating result		**9,973**	**49,883**	***-80.0%***
Financial income and expenses	**A13**	-9,853	-3,163	
Profit before tax		**120**	**46,720**	***-99.7%***
Income tax		-24	-14,391	
Share from companies' result accounted for by the equity method		-558	-587	
Result for the period		**-462**	**31,742**	***-101.5%***
attributable to the owners of the parent company		-3,824	27,818	*-113.7%*
attributable to the non-controlling interests		3,362	3,924	*-14.3%*
Profit attributable to the owners of the parent company, per share	**A15**	-€0.45	€3.30	*-113.7%*
Profit attributable to the owners of the parent company, diluted per share	**A15**	-€0.45	€3.30	*-113.7%*

* Henceforth personnel costs include taxes and levies on wages which were till now presented within the item "Taxes and duties". The impact of this reclassification into the income statement from the line "Taxes and duties" to "Personnel costs" as at June 30, 2014 is €1,594 thousand.

** For the sake of clarity of its economic performance, the Group decided to isolate the impact of the depreciations of intangible assets arising from acquisitions. Indeed, this one is relevant given the latest business combinations operated by the Group. Consequently, the income statement shows, in its new presentation, an operating result adjusted from this impact.

Comprehensive income statement

in € thousand	30/06/2015	30/06/2014	*Change*
Result for the period	**-462**	**31,742**	***-101.5%***
Conversion gains and losses	20,159	5,986	
Effective portion of gains and losses on hedging instruments	534	-374	
Items subsequently reclassifiable to profit and loss (before tax)	**20,693**	**5,612**	***268.7%***
Actuarial gains and losses	463	-1,649	
Items not subsequently reclassifiable to profit and loss (before tax)	**463**	**-1,649**	***-128.1%***
Other items of comprehensive income (before tax)	**21,156**	**3,963**	***433.8%***
Tax on items subsequently reclassifiable to profit and loss	-184	129	
Tax on items not subsequently reclassifiable to profit and loss	-160	564	
Comprehensive income	**20,350**	**36,398**	***-44.1%***
attributable to the owners of the parent company	16,006	33,468	*-52.2%*
attributable to the non-controlling interests	4,344	2,930	*48.3%*

Statement of change in equity

in € thousand	Share capital	Share premiums	Reserves	Conversion reserves	Result for the period	Equity attributable to the owners of the parent company	Non-controlling interests	Equity
Equity as at 31/12/2013	**10,573**	**6,534**	**318,644**	**-35,344**	**60,523**	**360,930**	**53,444**	**414,374**
2013 allocation of net income	-	-	60,523	-	-60,523	**-**	-	**-**
Distribution of dividends	-	-	-16,010	-	-	**-16,010**	-10,319	**-26,329**
Treasury shares	-	-	-373	-	-	**-373**	-	**-373**
Changes in scope	-	-	-	-	-	**-**	-	**-**
Other variations	-	-	-	-	-	**-**	-	**-**
Comprehensive income	-	-	-1,329	24,116	63,596	**86,383**	7,723	**94,106**
Equity as at 31/12/2014	**10,573**	**6,534**	**361,455**	**-11,228**	**63,596**	**430,930**	**50,848**	**481,778**
Restated equity as at 31/12/2014 *	**10,573**	**6,534**	**361,455**	**-11,228**	**64,008**	**431,342**	**50,848**	**482,190**
2014 allocation of net income	-	-	64,008	-	-64,008	**-**	-	**-**
Distribution of dividends	-	-	-16,013	-	-	**-16,013**	-7,851	**-23,864**
Treasury shares	-	-	-631	-	-	**-631**	-	**-631**
Changes in scope	-	-	-	-	-	**-**	-	**-**
Other variations	-	-	-	-	-	**-**	-	**-**
Comprehensive income	-	-	653	19,177	-3,824	**16,006**	4,344	**20,350**
Equity as at 30/06/2015	**10,573**	**6,534**	**409,472**	**7,949**	**-3,824**	**430,704**	**47,341**	**478,045**

* Opening balance was restated due to the retrospective application of the interpretation of IFRIC 21, in force for periods beginning on January 1, 2015.

For information, changes in equity of the first half of 2014 were as follows:

in € thousand	Share capital	Share premiums	Reserves	Conversion reserves	Result for the period	Equity attributable to the owners of the parent company	Non-controlling interests	Equity
Equity as at 31/12/2013	**10,573**	**6,534**	**318,644**	**-35,344**	**60,523**	**360,930**	**53,444**	**414,374**
2013 allocation of net income	-	-	60,523	-	-60,523	**-**	-	**-**
Distribution of dividends	-	-	-16,010	-	-	**-16,010**	-10,319	**-26,329**
Treasury shares	-	-	239	-	-	**239**	-	**239**
Changes in scope	-	-	-	-	-	**-**	-	**-**
Other variations	-	-	-	-	-	**-**	-	**-**
Comprehensive income	-	-	-1,330	6,980	27,818	**33,468**	2,930	**36,398**
Equity as at 30/06/2014	**10,573**	**6,534**	**362,066**	**-28,364**	**27,818**	**378,627**	**46,055**	**424,682**

The ordinary shareholders' meeting of June 24, 2015 decided to pay a dividend of €16,013 thousand, that is €1.90 per share.

Cash flow statement

in € thousand	30/06/2015	30/06/2014
Result for the period	**-462**	**31,742**
Elimination of share from companies' profit accounted for by the equity method	558	587
Elimination of depreciations and provisions	25,311	14,633
Elimination of deferred tax change	-	1,597
Elimination of gains and losses on disposals	169	226
Other income and expenses with no cash impact	7,397	1,450
Cash flow	**32,973**	**50,235**
Effect of net change in inventories	-10,874	-15,652
Effect of net change in trade receivables	-10,972	-22,453
Effect of net change in trade payables	13,571	713
Effect of net change in other receivables and payables	-47,932	-28,226
Effect of change in working capital requirements	**-56,207**	**-65,618**
Net financial interests paid	6,523	2,711
Net cash flow generated by operating activities	**-16,711**	**-12,672**
Acquisitions of intangible assets	-2,659	-1,709
Acquisitions of tangible assets	-18,532	-20,145
Disposals of intangible and tangible assets	635	276
Change in financial assets	-2,667	-618
Change in debts relative to acquisitions	-	-23,576
Acquisitions of subsidiaries or activities	-367,749	-
Disposals of subsidiaries or activities	-	-
Dividends received	-	-
Net flow allocated to investing activities	**-390,972**	**-45,772**
Dividends paid to the owners of the parent company	-16,013	-16,010
Dividends paid to the non-controlling interests	-7,853	-10,419
Change in treasury shares	-588	158
Increase/decrease of capital	-	-
Cash investments	1,728	-1,323
Debt issuance	594,573	86,980
Repayments of debt	-494,876	-3,893
Net financial interests paid	-6,523	-2,711
Net cash from financing activities	**70,448**	**52,782**
Change in cash position	**-337,235**	**-5,662**

Statement of change in cash position

in € thousand	30/06/2015	30/06/2014
Cash and cash equivalents	375,912	34,971
Bank overdraft	-7,845	-4,526
Accrued interests not yet matured	-24	-26
Opening net cash position	**368,043**	**30,419**
Cash and cash equivalents	49,423	38,774
Bank overdraft	-12,297	-11,484
Accrued interests not yet matured	-	-31
Closing net cash position	**37,126**	**27,259**
Impact of currency conversion adjustments	6,318	2,502
Impact of changes in scope	-	-
Net change in cash position	**-337,235**	**-5,662**

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

General information note

Virbac is an independent global pharmaceutical laboratory exclusively dedicated to animal health and markets a full range of products designed for companion animals and food producing animals.
The Virbac share is listed on the Paris stock exchange in section A of Euronext.
Virbac is a public limited company under French law with an executive board and supervisory board. Its trading name is “Virbac”.
The company was established in 1968 in Carros. The lifetime of the company was extended until June 17, 2113.
The head office is located at 1ère avenue 2 065m LID, 06511 Carros. The company is registered on the Grasse Trade registry under the number 417350311 RCS Grasse.

The 2015 condensed half-year consolidated financial statements were approved by the executive board on September 4, 2015.

The explanatory notes below support the presentation of the consolidated accounts and form an integral part of them.

Significant events for the period

- Acquistion in the United States of the Sentinel brands family

Under the terms of an agreement signed on October 22, 2014 with Eli Lilly and Company, Virbac acquired two major parasiticides for dogs in the United States: Sentinel Flavor Tabs and Sentinel Spectrum, previously marketed by Novartis Animal Health.

This agreement covers a series of rights, limited to the United States (trademarks, marketing authorisations, patents, know-how, customer lists) relating to these two products and includes inventories of raw materials and finished products. In addition, Virbac Corporation offered some of the people in the Novartis Animal Health US teams, primarily from the sales teams, the opportunity to join its organisation.

The completion of this transaction, which was subject to approval by the US Federal trade Commission of Eli Lilly and Company’s acquistion of Novartis Animal Health, took place on January 2, 2015.

The consideration paid for this transaction amounted to $410 million, settled in cash on January 2, 2015.

For Virbac, this acquisition represents a major opportunity to transform its business and become a key player on the US veterinary market for companion animals.

This transaction meets the criteria for a business combination as defined by IFRS 3 and was therefore handled accordingly in Virbac's 2015 consolidated financial statements. The fair value assessment of the different identified assets and liabilities taken on, leads to a goodwill up to $191,520 thousand (€171,168 thousand).

in $ thousand	Valuation	Amortisable accounting basis	Useful life
Inventories acquired at cost	20,643	-	-
Re-valuation of inventories of finished goods (according to IFRS 3)	8,757	-	-
Fair value of inventories acquired	**29,400**	**-**	
Products registrations: Sentinel Flavor Tabs	35,900	35,900	14 years
Products registrations: Sentinel Spectrum	30,700	30,700	17 years
Seeds and rights relating to these seeds	26,600	26,600	17 years
Brands Sentinel Flavor Tabs and Sentinel Spectrum	50,100	-	-
Formulation patents: Sentinel Flavor Tabs	3,500	3,500	13 months
Formulation patents: Sentinel Spectrum	9,000	9,000	9.6 years
Production know-how	12,000	12,000	5 years
Customer lists	21,400	21,400	10 years
Goodwill	191,520	-	-
Valuation of intangible assets acquired	**380,720**	**139,100**	
Debt related to former employees taken on	-120	-	
Total liabilities assumed	**-120**	**-**	
Purchase price	**410,000**		

The goodwill which corresponds to the difference between the price paid and the fair value of the acquired net assets, as posted in the Group's consolidated financial statements represents the expected synergies that will boost the potential of the Group's current lines for growth in the United States, achievable thanks to:

- the power of the Sentinel brand, which will make Virbac a leader on the US parasiticide market;
- the increased penetration of Virbac and its brand on the market, made possible thanks to a doubled sales force in the United States;
- access to a vast number of high-potential veterinary clinics that account for a substantial proportion of the client base for Sentinel products;
- Virbac Corporation's strengthened negotiating position with large distributors in terms of product ranges and sales policies;
- the possible opening up of the U.S. market, thanks to that increased access to distributors and clinics, to products that Virbac has previously been unable to develop on that market (i.e the Effipro-Effitix range) because of its poor direct penetration and exclusive contracts binding distribution to Mérial.

- Interruption of manufacturing operations in the St. Louis (Missouri) facility

Early this year, Virbac US affiliate has interrupted manufacturing and deliveries from its St. Louis (Missouri) production site, in order to implement, in the best possible conditions, the Quality System Improvement Plan ("QSIP") submitted to the FDA (Food and Drug Administration) following the inspection completed end of 2014. The actions plans are progressing and manufacturing of some ranges has resumed gradually in the course of the second quarter.

Nevertheless, the validation process followed at all steps necessary to fully secure the resumption of manufacturing, product by product, is slowing down the rate of recovery of production globally. As a result, the recovery will spread over a longer period than initialy contemplated, delaying the return to market of an important number of products to the second half of the year.

Consequently, the US affiliate has suffered in the first half of 2015 a significant drop in revenue generated by its historical range of products, i.e. excluding the Sentinel range acquired in the beginning of this year. The very positive contribution from Sentinel has largely exceed such decline but does not offset the resulting impact: loss of margin, under-absorption of fixed operating costs and one-time expenses incurred in St. Louis.

Overall, the impact of this situation is a decrease of the operating result estimated at $46.2 million, which breaks down as follows:

- $32.6 million related to the decrease of business: decrease in revenue and under-absorption of industrial costs;
- $13.6 million from exceptional costs: fees for consultants mandated to implement corrective actions, inventory provisions and various provisions.

- New financings

In April 2015, two new financings have been implemented. On the other hand, Virbac has proceeded to the refund of the syndicated credit line revolving up to €220 million put in place in 2010 and of the bridge loan of €320 million implemented in December 2014 in order to fund the acquisition of Sentinel. The new financing contracts include one financial covenant.

The new financing contracts' main features are as follows :

- a syndicated loan of €420 million, to be drawn in € and in $ from a banking pool, repayable at maturity in April 2020 and extendible to April 2022;
- Schulsdchein agreements for a total of €160 million and $99 million, split in 8 tranches of maturity five, six, seven and ten years, at floating and fixed rate.

Significant events after the closing date

- Acquisition of a 51% additional stake in SBC Virbac Ltd

Through an agreement signed on August 9, 2011, Virbac took 49% in the capital of the joint venture SBC Virbac Ltd, based in Hong Kong and its 100% affiliate SBC Virbac Biotech Co Ltd, based in Taiwan. This transaction was qualified a joint control, and Virbac' stakes were accounted for under the equity method in Virbac consolidated accounts since 2011.

On July 27, 2015, Virbac and the co-shareholders signed a Joint Venture Termination and Share Sale Agreement, whereby Virbac acquires an additional 51% stake in the capital of SBC Virbac Ltd, thus taking control of the company. The transaction became effective at the closing, on August 17, 2015. This represents a step acquisition as Virbac obtains control over SBC Virbac Ltd in which it already held a non-controlling interest. Thus Virbac controls SBC Virbac Ltd and its 100% affiliate SBC Virbac Biotech Ltd. based in Taiwan.

Through this transaction, Virbac confirms its strategy in the vaccines sector for food producing animals and particularly in pig, poultry and aquaculture vaccines in a region with a high growth potential which is Asia. This operation will allow Virbac to have a specific range of vaccines dedicated to market segments in rapid growth, as well as a platform of technology and R&D for vaccines to consider a significant development of new products. SBC Virbac Ltd will supply vaccines for Asian affiliates of the Group from its facility in Taiwan.

The consideration paid by Virbac to take control of SBC Virbac Ltd includes a cash payment of $2 million on the effective date of the agreement and additional payments for a total amount that will not exceed $4.5 million and for which payment is linked to the achievement of future objectives.

This operation constitutes a business combination within the meaning of IFRS 3. Virbac will accordingly consolidate its stake in the capital of the SBC Virbac Ltd using the global method in the consolidated financial statements as of December 31, 2015.

Scope of consolidation

The condensed consolidated financial statements as at June 30, 2015 include the financial statements of the companies that Virbac controls indirectly or directly, in law and in fact. The list of consolidated companies is provided in note A18.

In the first part of year 2015, the Group sold its stake in the capital of the company Vetz GmbH, that was accounted for by the equity method.

Main accounting principles applied

The Virbac group's consolidated financial statements were drawn up in line with the international accounting standards as adopted by the European Union (accounting basis available on the ec.europa.eu website). The international accounting standards include the IFRS (International financial reporting standards), the IAS (International accounting standards) and their interpretations SIC (Standards interpretations committee) and IFRIC (International financial reporting interpretations committee).

The half-year condensed financial statements as of June 30, 2015, are presented and have been prepared in accordance with standard IAS 34 "Interim financial reporting". The condensed interim financial statements do not include the whole information required by the IFRS reference system. They should be analysed with the consolidated statements of the previous year's balance sheet date, as of December 31, 2014.
The accounting principles applied to the condensed consolidated financial statements are identical to those applied to the preparation of the consolidated statements of the previous year's balance sheet date, as of December 31, 2014.

For the presentation of the condensed consolidated financial statements as of June 30, 2015, the Group applied all the standards and interpretations in force at European level applicable for fiscal years beginning on January 1, 2015. These standards and interpretations are as follows:

- IFRIC 21, "Levies", applicable to periods beginning on or after June 17, 2014.

- annual improvements (2011-2013 cycle), “Annual improvements to IFRS published in December 2013”, applicable to periods beginning on or after January 1, 2015.

Application of these new standards has not had a significant impact on half-year condensed consolidated financial statements as of June 30, 2015.

On the end date of these consolidated accounts, the following standards and interpretations were submitted by IASB (International accounting standards board) and adopted by the European Union. These standards are applicable after January 1, 2015 but not applicable by anticipation from 2015 onwards:

- amendments to IAS 19, “Contributions from employees”, applicable to periods beginning on or after February 1, 2015;
- annual improvements (2010-2012 cycle), “Annual improvements to IFRS published in December 2013”, applicable to periods beginning on or after February 1, 2015.

On the end date of these consolidated accounts, the following standards and interpretations were submitted by IASB (International accounting standards board) but still not adopted by the European Union or not applicable by anticipation:

- amendments to IFRS 10 and IAS 28, “Sale or contribution of assets between an investor and its associate or joint venture”, applicable to periods beginning on or after January 1, 2016;
- amendments to IFRS 11 “Acquisition of an interest in a joint operation”, applicable to periods beginning on or after January 1, 2016;
- IFRS 14 “Regulatory deferral accounts” (regulated activities), applicable to periods beginning on or after January 1, 2016;
- amendments to IAS 16 and IAS 38, “acceptable methods of depreciation and amortisation”, applicable to periods beginning on or after January 1, 2016;
- amendments to IAS 16 and IAS 41, “Bearer plants”, applicable to periods beginning on or after January 1, 2016;
- annual improvements (2012-2014 cycle), “annual improvements to IFRS published in September 2014”, applicable to periods beginning on or after January 1, 2016;
- amendments to IFRS 10, IFRS 12 and IAS 28, “Investment entities: applying the consolidation exception”, applicable to periods beginning on or after January 1, 2016;
- amendments to IAS 1, “Disclosure initiative”, applicable to periods beginning on or after January 1, 2016;
- amendments to IAS 27, “Equity method in separate financial statements”, applicable to periods beginning on or after January 1, 2016.

The Group is currently performing an analysis on the practical consequences of these new texts and the effects of their application on the accounts. Where necessary, the Group will apply these standards in its financial statements when adopted by the European Union.

Consolidation rules

Consolidation methods

The accounts of companies under exclusive control are consolidated by global integration. Those companies over which Virbac exercises joint control or significant influence are accounted for by the equity method.
All companies have been consolidated on the basis of financial statements using 30 June, 2015 as their balance sheet date.

Conversion of financial statements

The functional currency in the Group's foreign subsidiaries is the current local currency with the exception of the company Santa Elena in Uruguay whose functional currency is US dollar.
The financial statements of foreign companies for which the functional currency is not the euro are converted according to the following principles:

- the balance sheet items are converted at the rate in force at the close of the period. The conversion difference resulting from the application of a different exchange rate on opening equity is shown as equity in the consolidated balance sheet;
- the income statements are converted at the average rate for the period. The conversion difference resulting from the application of an exchange rate different from the balance sheet rate is shown as equity on the consolidated balance sheet.

Elimination of inter-company transactions

All reciprocal transactions between the Group's companies consolidated by overall inclusion are eliminated. Regarding the other intra-group transactions:

- the benefits included in the inventories and fixed assets bought from other companies in the Group are eliminated;
- the intra-group dividends received are recorded in the reserves on a gross basis.

Transfer prices charged for transactions between Group’s affiliates are the same as the ones that would have been determined in an arm’s length transaction with third party.

Estimations

The drawing up of consolidated financial statements prepared in accordance with international accounting standards implies that the Group makes a number of estimates and assumptions believed to be realistic and reasonable.
Certain facts and circumstances could lead to changes in estimates and assumptions, which could affect the value of assets, liabilities, equity and Group income.

Acquisition prices

Some acquisition contracts relating to business combinations or the purchase of intangible assets, include a clause likely to change the price of the acquisition, depending on the objectives associated with financial income, the obtainment of marketing authorisation, or results of efficacy testing.
In this case, the Group should estimate, at the close of the fiscal year, the acquisition price based on the most realistic assumptions for achieving these objectives.

Tax charge

The Group tax charge is calculated on the basis of the recognised tax rate estimated for the period. This rate, fixed using the effective tax rates in the fiscal entities of the Group, is applied to the profit before tax.

A1. Goodwill

in € thousand	Gross value as at 31/12/2014	Impairment value as at 31/12/2014	Book value as at 31/12/2014	Increases	Sales	Impairment of value	Conversion gains and losses	Book value as at 30/06/2015
Italy	1,585	-	**1,585**	-	-	-	-	**1,585**
Denmark	4,643	-	**4,643**	-	-	-	-	**4,643**
Leishmaniosis vaccine	5,421		**5,421**	-	-	-	-	**5,421**
Greece	1,358	-	**1,358**	-	-	-	-	**1,358**
Colombia	2,126	-	**2,126**	-	-	-	-18	**2,108**
India	14,818	-	**14,818**	-	-	-	1,084	**15,902**
United States	54,550	-3,377	**51,173**	171,784	-	-	3,601	**226,558**
Australia	3,398	-336	**3,062**	-	-	-	97	**3,159**
Peptech	3,256	-	**3,256**	-	-	-		**3,256**
New Zealand	16,359	-166	**16,193**	-	-	-	-991	**15,202**
Chile	32,102	-	**32,102**	-	-	-	985	**33,087**
Santa Elena	3,919	-	**3,919**	-	-	-	333	**4,252**
Other CGUs	4,269	-1,747	**2,522**	-	-	-	29	**2,551**
Goodwill	**147,804**	**-5,626**	**142,178**	**171,784**	**-**	**-**	**5,120**	**319,082**

This account is mainly impacted by the goodwill recognised up to $191,520 thousand (€171,168 thousand) and resulting from the agreement signed between our US affiliate Virbac Corporation and Eli Lilly and Company, for the acquisition of the two parasiticides for dogs in the United States: Sentinel Flavor Tabs and Sentinel Spectrum.

The review of qualitative and quantitative indicators related to goodwill did not show any indication of impairment from the opening balance. Given the situation resulting from interruption of manufacturing operations in the St. Louis (Missouri) production site, Virbac has realised an impairment test on the assets held by Virbac Corporation as at June 30, 2015. This test did not trigger any depreciation of the goodwill related to the US affiliate.

A2. Intangible assets

in € thousand	Concessions, patents, licences and brands		Other intangible assets	Intangible assets in progress	Intangible assets
	Indefinite life	Finite life			
Gross value as at 31/12/2014	**119,383**	**106,589**	**44,472**	**5,519**	**275,963**
Acquisitions and other increases	-	479	979	1,200	**2,659**
Disposals and other decreases	-7	-2	-	-	**-9**
Changes in scope	44,937	124,766	-	-	**169,703**
Transfers	-19	1,519	16	-1,862	**-346**
Conversion gains and losses	3,524	1,284	317	95	**5,220**
Gross value as at 30/06/2015	**167,818**	**234,635**	**45,785**	**4,952**	**453,189**
Depreciation as at 31/12/2014	**-469**	**-43,788**	**-36,110**	**-299**	**-80,666**
Depreciation expense	-246	-10,069	-1,947	-19	**-12,282**
Impairment losses (net of reversals)	-	0	0	-	**0**
Disposals and other decreases	-	8	0	1	**9**
Changes in scope	-	0	0	-	**-**
Transfers	-	2	313	-	**315**
Conversion gains and losses	1	-868	-286	-9	**-1,161**
Depreciation as at 30/06/2015	**-714**	**-54,715**	**-38,030**	**-326**	**-93,785**
Net value as at 31/12/2014	**118,914**	**62,802**	**8,362**	**5,220**	**195,297**
Net value as at 30/06/2015	**167,104**	**179,921**	**7,755**	**4,626**	**359,405**

The increase in this caption during the first part of the year, is mainly related to the intangible assets recognised as a result of the agreement signed between our US affiliate Virbac Corporation and Eli Lilly and Company.

A3. Tangible assets

in € thousand	Land	Buildings	Technical facilities, materials and industrial equipment	Other tangible assets	Tangible assets in progress	Tangible assets
Gross value as at 31/12/2014	**17,853**	**153,159**	**146,701**	**26,521**	**31,913**	**376,147**
Acquisitions and other increases	-	1,201	2,861	2,153	12,417	**18,633**
Disposals and other decreases	-35	-373	-756	-322	-113	**-1,598**
Changes in scope	-	-	-	-	-	**-**
Transfers	0	581	2,179	1,944	-3,846	**858**
Conversion gains and losses	620	2,587	2,324	653	962	**7,145**
Gross value as at 30/06/2015	**18,438**	**157,155**	**153,309**	**30,949**	**41,334**	**401,185**
Depreciation as at 31/12/2014	**-**	**-71,882**	**-79,240**	**-16,662**	**-**	**-167,785**
Depreciation expense	-	-3,443	-5,474	-1,823	-	**-10,740**
Impairment losses (net of reversals)	-	-	-	-	-	**0**
Disposals and other decreases	-	139	644	272	-	**1,054**
Changes in scope	-	-	-	-	-	**-**
Transfers	-	-85	483	-46	-	**352**
Conversion gains and losses	-	-814	-1,063	-411	-	**-2,288**
Impairment as at 30/06/2015	**-**	**-76,085**	**-84,651**	**-18,670**	**-**	**-179,406**
Net value as at 31/12/2014	**17,853**	**81,277**	**67,460**	**9,859**	**31,913**	**208,363**
Net value as at 30/06/2015	**18,438**	**81,070**	**68,658**	**12,279**	**41,334**	**221,779**

The increase in this caption, including tangible assets in progress, is mainly related to:

- the extension of the works in Carros related to compliance and continuous improvement;
- the additional works in the production units in Mexico and in Chile;
- as well as the investments in the plants in the United States, to prepare the transfer of the production of Sentinel products.

A4. Share in companies accounted for by the equity method

	Company's individual accounts using equity method				Consolidated financial statements	
in € thousand	Balance sheet total	Equity	Sales	Result	Share of equity	Share of result
SBC Virbac Limited (Hong Kong)	5,617	7,196	816	-1,139	5,136	-558
Share in companies accounted for by the equity method					**5,136**	**-558**

During the first half of the year, the Group has sold the stake held in the company Vetz GmbH, that was so far accounted for under the equity method. The sale has generated a profit of €77 thousand.

A5. Inventory and work in progress

in € thousand	Raw materials and supplies	Work in progress	Finished products and goods for resale	Inventories and work in progress
Gross value as at 31/12/2014	**58,149**	**14,556**	**94,135**	**166,840**
Variations	20,269	1,400	-13,163	**8,505**
Changes in scope	6,707	-	20,660	**27,368**
Transfers	-	-	-	**-**
Conversion gains and losses	992	150	3,279	**4,421**
Gross value as at 30/06/2015	**86,117**	**16,106**	**104,911**	**207,134**
Depreciation as at 31/12/2014	**-2,108**	**-1,131**	**-3,730**	**-6,969**
Allowances	-6,740	-361	-2,724	**-9,825**
Reversals	423	1,131	2,787	**4,340**
Changes in scope	-	-	-997	**-997**
Transfers	-	-	-	**-**
Conversion gains and losses	19	-	-82	**-63**
Depreciation as at 30/06/2015	**-8,406**	**-362**	**-4,746**	**-13,514**
Net value as at 31/12/2014	**56,041**	**13,425**	**90,403**	**159,870**
Net value as at 30/06/2015	**77,711**	**15,744**	**100,165**	**193,620**

The increase reported in line “change in scope” correspond to the inventoy of raw materials and finished products acquired by Virbac Corporation as a result of the agreement signed between our US affiliate Virbac Corporation and Eli Lilly and Company. Other variations in inventories are mainly due to a seasonality effect.

A6. Trade receivables

in € thousand	Trade receivables
Gross value as at 31/12/2014	**145,620**
Variations	**11,514**
Changes in scope	**0**
Transfers	**-2**
Conversion gains and losses	**3,605**
Gross value as at 30/06/2015	**160,737**
Depreciation as at 31/12/2014	**-3,654**
Allowances	**-637**
Reversals	**96**
Changes in scope	**-**
Transfers	**2**
Conversion gains and losses	**-2**
Depreciation as at 30/06/2015	**-4,195**
Net value as at 31/12/2014	**141,966**
Net value as at 30/06/2015	**156,541**

The growth of the business has trigerred the increase of this account.

A7. Other financial liabilities

Change in other financial liabilities

in € thousand	31/12/2014	Increase	Decrease	Changes in scope	Transfers	Conversion gains and losses	30/06/2015
Loans	**218,175**	530,896	-170,010	-	-9	279	**579,332**
Bank overdrafts	**-**	-	-	-	-	-	**-**
Accrued interests not yet matured	**2,247**	1,823	-50	-	-	18	**4,037**
Debt relating to leasing contracts	**5,922**	662	-365	-	-	171	**6,391**
Employee profit sharing	**5**	-	-1	-	-	-	**4**
Currency and interest rate derivatives	**1,272**	2,857	-	-	-	-	**4,130**
Other	**53**	49	-	-	-	-	**103**
Other non-current financial liabilities	**227,674**	**536,287**	**-170,425**	**-**	**-9**	**469**	**593,996**
Loans	**335,636**	61,621	-323,887	-	9	167	**73,545**
Bank overdrafts	**7,845**	4,371	-	-	-	81	**12,297**
Accrued interests not yet matured	**24**	-	-24	-	-	-	**0**
Debt relating to leasing contracts	**2,668**	173	-1,281	-	1,549	53	**3,161**
Employee profit sharing	**334**	-	-295	-	-	16	**55**
Currency and interest rate derivatives	**1,063**	-	-1,063	-	-	-	**0**
Other	**-**	-	-	-	-	-	**-**
Other current financial liabilities	**347,570**	**66,165**	**-326,551**	**-**	**1,558**	**316**	**89,059**
Other financial liabilities	**575,244**	**602,452**	**-496,976**	**-**	**1,549**	**785**	**683,056**

The evolution of the line “Loans” is mainly due to the new financings put in place in the first half of the year and the reimbursement of credit lines implemented in the last years.

At 30 June 2015, $251 million and €58 million have been used on the new credit line. The previous 3 credit lines implemented in 2013 and 2014 for a total of €75 million have a balance up to €35 million.

Other financial liabilities by maturity

As at June 30, 2015

in € thousand	Payments			Total
	less than 1 year	from 1 to 5 years	more than 5 years	
Loans	73,545	330,084	249,248	**652,877**
Bank overdrafts	12,297	-	-	**12,297**
Accrued interests not yet matured	0	4,037	-	**4,037**
Debt relating to leasing contracts	3,161	6,391	-	**9,552**
Employee profit sharing	55	4	-	**59**
Currency and interest rate derivatives	0	4,130	-	**4,130**
Other	-	103	-	**103**
Other financial liabilities	**89,059**	**344,748**	**249,248**	**683,056**

A8. Trade payables

in € thousand	31/12/2014	Variations	Changes in scope	Transfers	Conversion gains and losses	30/06/2015
Current trade payables	**82,975**	14,460	-	27	1,501	**98,963**
Payables of assets	**64**	-11	-	-	1	**54**
Trade payables	**83,039**	**14,449**	**-**	**27**	**1,502**	**99,017**

The variation of this account results mainly from the acquisition of a stock of raw materials for the Sentinel family products.

A9. Other provisions

in € thousand	31/12/2014	Allowances	Reversals	Changes in scope	Transfers	Conversion gains and losses	30/06/2015
Trade disputes and industrial tribunals	**2,500**	744	-1,199	-	-	17	**2,061**
Fiscal disputes	**153**	-	-	-	-	-11	**142**
Various risks and charges	**1,780**	227	-580	-	-	27	**1,454**
Other non-current provisions	**4,433**	**971**	**-1,779**	**-**	**-**	**33**	**3,658**
Trade disputes and industrial tribunals	**41**	-	-	-	-	-	**41**
Fiscal disputes	**487**	-	-32	-	-469	16	**2**
Various risks and charges	**240**	2,174	-154	-	-34	5	**2,231**
Other current provisions	**768**	**2,174**	**-185**	**-**	**-502**	**20**	**2,275**
Other provisions	**5,201**	**3,145**	**-1,964**	**-**	**-502**	**53**	**5,932**

Other provisions mainly relate to commercial or social risks.

Previous provisions that were reversed have been used for the purpose for which they were intended.

No provision is established if the company considers that the liability is contingent (as defined by IAS 37). This is the case in particular of a claim lodged in 2014 by a competitor of the Group in reparation of alleged damage relating to a method to use patent. The company considers that claim to be both legally unfounded and quantitatively disproportionate in view of the low level of revenue earned by the product in question. It is therefore a contingent liability, with a low probability of leading to a significant outflow.

Virbac has been subject to a tax control of fiscal year 2011 to 2013, and it resulted in a tax reassessment proposal received on July 27, 2015. Virbac is going to contest one of the reasons invoked by the tax administration and that represents the main part of the tax reassessment proposal.
Virbac accrued a provision related only to the reassessments recognised.

A10. Revenue from ordinary activities

in € thousand	30/06/2015	30/06/2014	Change
Sales of finished goods and merchandise	477,450	405,834	*17.6%*
Services	403	96	*319.8%*
Additional income from activity	332	537	*-38.2%*
Royalties paid	66	52	*26.9%*
Gross sales	**478,251**	**406,519**	***17.6%***
Discounts, rebates and refunds on sales	-35,649	-32,304	*10.4%*
Expenses deducted from sales	-6,953	-5,977	*16.3%*
Financial discounts	-1,893	-1,494	*26.7%*
Provision for returns	-1,476	-412	*258.3%*
Expenses deducted from sales	**-45,971**	**-40,187**	***14.4%***
Revenue from ordinary activities	**432,280**	**366,332**	***18.0%***

A11. Other operating income and expenses

in € thousand	30/06/2015	30/06/2014	Change
Royalties paid	-2,512	-2,910	*-13.7%*
Grants received (including research tax credit)	4,437	4,290	*3.4%*
Bad debts and net depreciation of receivables	-868	-180	*380.8%*
Net result on disposed assets	-246	-226	*9.0%*
Other operating income and expenses	-5,137	-922	*457.4%*
Other current income and expenses	**-4,325**	**52**	***-8397.3%***

Other operating expenses at June 30, 2015, includes to a large extend the payment done during the first part of the year in order to settle a dispute with a competitor related to the use of a trademark in France.

A12. Other non-current income and expenses

Under IFRS 3, finish products acquired in a business combination must be valued at fair value. This resulted in a step-up of $8,757 thousand (€7,855 thousand) when accounting for the inventory of finish products acquired through the Sentinel agreement.

As the finished products acquired through the Sentinel transaction have been entirely sold at June 30, 2015, the total step-up impacted the other non-current income and expenses in the half-year consolidated income statement.

A13. Financial income and expenses

in € thousand	30/06/2015	30/06/2014	*Change*
Gross cost of financial debt	-7,588	-3,653	*107.7%*
Income from cash and cash equivalents	1,065	942	*13.1%*
Net cost of financial debt	**-6,523**	**-2,711**	***140.6%***
Foreign exchange gains and losses	-1,768	-485	*264.5%*
Changes in foreign currency derivatives and interest rate	-1,343	190	*-806.8%*
Other financial charges	-402	-461	*-12.8%*
Other financial income	183	304	*-39.8%*
Other financial income and expenses	**-3,330**	**-452**	***636.7%***
Financial income and expenses	**-9,853**	**-3,163**	***211.5%***

The evolution of financial result reflect the increase of financial costs in relation with the growth of the financial debt, due to the new financing required to fund the acquisition of Sentinel in the United States.

A14. Income tax

In accordance with IAS 34, in the financial statements at June 30, 2015, the tax charge was determined by applying to the profit before tax for the period the average tax rate estimated for the year.

A15. Result per share

	30/06/2015	30/06/2014
Profit attributable to the owners of the parent company	**-€3,824,129**	**€27,817,917**
Total number of shares	8,458,000	8,458,000
Impact of dilutive instruments	-	-
Number of treasury shares	30,719	29,721
Outstanding shares	8,427,281	8,428,279
Profit attributable to the owners of the parent company, per share	**-€0.45**	**€3.30**
Profit attributable to the owners of the parent company, diluted per share	**-€0.45**	**€3.30**

Treasury shares

Virbac holds treasury shares intended to supply plans to award performance shares. The amount of these shares is recorded as a reduction of equity.

As at June 30, 2015, the number of shares amounted to 30,719 (against 29,721 shares as at June 30, 2014) for a total of €4,858 thousand.

A16. Operating segments

In accordance with IFRS 8, the Group provides a segment as used internally by the chief operating decision maker.

The segment reporting of the Group is the geographical area. The breakdown by geographic area is made on seven sectors, according to the location of the assets of the Group:
- France;
- Europe (excluding France);
- Latin America;
- North America;
- Asia;
- Pacific;
- Africa & Middle East.

The Group's operations are organised and managed separately according to the nature of the markets. There are two marketing segments that are companion animals and food producing animals. These can not be considered as a segment information for the reasons listed below:
- nature of products: most therapeutic segments are common to companion and food producing animals (antibiotics, pesticides ...);
- production processes: the production lines are common to both segments and there is no significant differentiation of supply sources;
- type or category of customers: the distinction is made between the ethical sector (veterinarians) and OTC (Over the counter);
- internal organisation: the management structures of the Virbac Group are organised by geographical areas. There is no responsibility for marketing segment at Group level;
- distribution methods: the main distribution channels are more dependent on countries that segment marketing. The sales force may be, in some cases, common to both segments marketing;
- nature of the regulatory environment means the bodies authorising the placing on the market are the same regardless of the segment.

In the information presented below, the areas correspond to geographical areas (areas of implementation of the Group's assets).

As at June 30, 2015

in € thousand	France	Europe (excluding France)	Latin America	North America	Asia	Pacific	Africa & Middle East	Total
Revenue from ordinary activities	65,068	102,880	77,672	71,830	58,085	44,517	12,228	**432,280**
Operating income	5,109	5,889	12,683	-31,472	8,528	6,866	2,370	**9,973**
Profit attributable to the owners of the parent company	3,323	4,102	1,517	-24,283	5,845	3,973	1,699	**-3,824**
Non-controlling interests	3	-	3,359	-	-	-	-	**3,362**
Consolidated profit	**3,326**	**4,102**	**4,876**	**-24,283**	**5,845**	**3,973**	**1,699**	**-462**

A17. Information on related parties

Gross executive compensation

Compensation corresponds with the fixed compensation, the compensation linked to the offices of the directors in the Group affiliates, and the variable compensation.
For the first half-year 2015, 50% of the compensation due or allocated for 2014 was considered.

Calculation criteria for the variable portion

The variable compensation of members of the executive board depends on a series of shared goals:
- sales growth;
- growth in operating profit from ordinary activities;
- as well as specific goals.

Other benefits

In addition to the various compensation items, following benefits were granted to the members of the executive board.

Retirement
A supplementary defined benefit pension plan (12.5% of reference salary and 22% in the event of over 30 years' service) granted on the following terms:
- over ten years service in the Group (including nine years as a member of the executive board);
- be at least 60;
- finish his/her career in the Group.

Severance pay
The commitments made by the company and the companies it controls to its managers in the event their offices are terminated are as follows:
- Éric Marée: €483,000;
- Christian Karst: €326,000.

Allocation of stock grants
Since 2006, with authorisation from the shareholders' general meeting, Virbac executive board has allocated stock grants to certain Virbac employees and directors and those of its subsidiaries.
These allocations are subject to meeting a performance target linked to the profitability and net debt of the Group, to be found respectively at the end of the 2012 and 2013 financial years.
The stock grants awarded under the 2011 and 2012 amount both to 10,000 shares.

The stock grants awarded to executive board members in 2011 and 2012 were as follows:

	Number of shares 2012 plan
Éric Marée	1,130
Pierre Pagès	850
Christian Karst	820
Michel Garaudet	510
Sébastien Huron	520
Total	**3,830**

No stock grants were awarded in 2015.

A18. Scope of consolidation

Company name	Locality	Country	30/06/2015		31/12/2014	
			Control	Consolidation	Control	Consolidation
France						
Virbac (parent company)	Carros	France	100.00%	Full	100.00%	Full
Interlab	Carros	France	100.00%	Full	100.00%	Full
Virbac France	Carros	France	100.00%	Full	100.00%	Full
Virbac Distribution	Wissous	France	100.00%	Full	100.00%	Full
Virbac Nutrition	Vauvert	France	100.00%	Full	100.00%	Full
Bio Véto Test	La Seyne sur Mer	France	100.00%	Full	100.00%	Full
Alfamed	Carros	France	99.70%	Full	99.70%	Full
Europe (excluding France)						
Virbac Belgium SA	Wavre	Belgium	100.00%	Full	100.00%	Full
Virbac Nederland BV *	Barneveld	Netherlands	100.00%	Full	100.00%	Full
Virbac (Switzerland) AG	Glattbrugg	Switzerland	100.00%	Full	100.00%	Full
Virbac Ltd	Bury St. Edmunds	United Kingdom	100.00%	Full	100.00%	Full
Virbac SRL	Milan	Italy	100.00%	Full	100.00%	Full
Virbac Danmark A/S	Kolding	Denmark	100.00%	Full	100.00%	Full
Virbac Pharma Handelsgesellshaft mbH	Bad Oldesloe	Germany	100.00%	Full	100.00%	Full
Virbac Tierarzneimittel GmbH	Bad Oldesloe	Germany	100.00%	Full	100.00%	Full
Virbac SP zoo	Warsaw	Poland	100.00%	Full	100.00%	Full
Virbac Hellas SA	Agios Stefanos	Greece	100.00%	Full	100.00%	Full
Animedica SA	Agios Stefanos	Greece	100.00%	Full	100.00%	Full
Virbac España SA	Barcelona	Spain	100.00%	Full	100.00%	Full
Virbac Österreich GmbH	Vienna	Austria	100.00%	Full	100.00%	Full
Virbac de Portugal Laboratorios Lda	Almerim	Portugal	100.00%	Full	100.00%	Full
North America						
Virbac Corporation *	Fort Worth	United States	100.00%	Full	100.00%	Full
PP Manufacturing Corporation	Framingham	United States	100.00%	Full	100.00%	Full

*** Pre-consolidated levels**

Company name	Locality	Country	30/06/2015		31/12/2014	
			Control	Consolidation	Control	Consolidation
Latin America						
Virbac do Brasil Industria e Comercio Ltda	São Paulo	Brazil	100,00%	Full	100,00%	Full
Virbac Mexico SA de CV	Guadalajara	Mexico	100,00%	Full	100,00%	Full
Laboratorios Virbac Mexico SA de CV	Guadalajara	Mexico	100,00%	Full	100,00%	Full
Inmobiliara Virbac Mexico SA de CV	Guadalajara	Mexico	100,00%	Full	100,00%	Full
Virbac Colombia Ltda	Bogota	Colombia	100,00%	Full	100,00%	Full
Laboratorios Virbac Costa Rica SA	San José	Costa Rica	100,00%	Full	100,00%	Full
Virbac Chile SpA	Santiago	Chile	100,00%	Full	100,00%	Full
Virbac Patagonia Ltda	Santiago	Chile	100,00%	Full	100,00%	Full
Holding Salud Animal SA	Santiago	Chile	51,00%	Full	51,00%	Full
Centro Veterinario y Agricola Limitada	Santiago	Chile	51,00%	Full	51,00%	Full
Farquimica SpA	Santiago	Chile	51,00%	Full	51,00%	Full
Bioanimal Corp SpA	Santiago	Chile	51,00%	Full	51,00%	Full
Productos Quimico Ehlinger	Santiago	Chile	51,00%	Full	51,00%	Full
Centrovet Inc	Allegheny	United States	51,00%	Full	51,00%	Full
Centrovet Argentina	Buenos Aires	Argentina	51,00%	Full	51,00%	Full
Inversiones HSA Ltda	Santiago	Chile	51,00%	Full	51,00%	Full
Rentista de capitales Takumi Ltda	Santiago	Chile	51,00%	Full	51,00%	Full
Virbac Uruguay SA	Montevideo	Uruguay	99,17%	Full	99,17%	Full
Asia						
Virbac Trading (Shanghai) Co. Ltd	Shanghai	China	100,00%	Full	100,00%	Full
Virbac H.K. Trading Limited	Hong Kong	Hong Kong	100,00%	Full	100,00%	Full
Asia Pharma Ltd	Hong Kong	Hong Kong	100,00%	Full	100,00%	Full
Virbac Korea Co. Ltd	Seoul	South Korea	100,00%	Full	100,00%	Full
Virbac (Thailand) Co. Ltd	Bangkok	Thailand	100,00%	Full	100,00%	Full
Virbac Taiwan Co. Ltd	Taipei	Taiwan	100,00%	Full	100,00%	Full
Virbac Philippines Inc.	Taguig City	Philippines	100,00%	Full	100,00%	Full
Virbac Japan Co. Ltd	Osaka	Japan	100,00%	Full	100,00%	Full
Virbac Asia Pacific Co. Ltd	Bangkok	Thaïland	100,00%	Full	100,00%	Full
Virbac Vietnam Co. Ltd	Ho Chi Minh Ville	Vietnam	100,00%	Full	100,00%	Full
Virbac Animal Health India Private Limited	Mumbai	India	100,00%	Full	100,00%	Full
SBC Virbac Limited *	Hong Kong	Hong Kong	49,00%	Equity method	49,00%	Equity method
Pacific						
Virbac (Australia) Pty Ltd *	Milperra	Australia	100,00%	Full	100,00%	Full
Virbac New Zealand Limited	Hamilton	New Zealand	100,00%	Full	100,00%	Full
Africa & Middle East						
Virbac RSA (Proprietary) Ltd *	Centurion	South Africa	100,00%	Full	100,00%	Full

*** Pre-consolidated levels**

STATUTORY AUDITORS' REVIEW REPORT ON THE HALF-YEARLY FINANCIAL INFORMATION

Period from January 1 to June 30, 2015

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

To the shareholders,

In compliance with the assignment entrusted to us by your annual general meeting and in accordance with article L451-1-2 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 Virbac for the period from January 1 to June 30, 2015;
- the verification of the information contained in half-yearly management report.

These condensed half-year 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.

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 these condensed half-year consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 – standard of the IFRS as adopted by the European Union applicable to interim financial information.

SPECIFIC VERIFICATION

We have also verified 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.

Nice and Marseille, September 11, 2015

The statutory auditors
French original signed by

Novances - David & Associés
Jean-Pierre Giraud

Deloitte & Associés
Hugues Desgranges

STATEMENT OF RESPONSIBILITY FOR THE HALF-YEARLY FINANCIAL REPORT

I certify, to my knowledge, that the condensed consolidated financial statements for the ending semester are prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position, and result of the company and all companies included in the consolidation, and that the half-yearly management report presents an accurate picture of the evolution of the business, result, and financial position of the company and all companies included in the consolidation during the first six months of the year as well as a description of the main risks and uncertainties to which they are exposed in the remaining six month of the year.

Carros, 14 September 2015

Éric Marée, chairman of the executive board