

Virbac

2 0 0 1 F I N A N C I A L R E P O R T



Management Board Report



2001 Management Board Report

The 2001 financial year performance reflected the Group's continuing pursuit of its growth and innovation strategy. Group sales increased to € 349.5 million, representing a 7.4% increase on 2000 results (a 7.9% increase on a constant group structure and exchange rate basis). Within a stable world market and despite the health crises affecting Europe at the beginning of the year, Virbac continued its development and significantly strengthened its competitive positions in the companion animals and food producing animals markets. The Group also increased its presence internationally. International sales (sales outside of France) share of Group sales increased to 75% from 73% for 2000. The following major events occurred during 2001:

- The dynamism of the Group's Research and Development activity was rewarded, in United States, with the Group's first two FDA approvals for its Iverhart canine parasiticide and its Virbamec® pour on bovine parasiticide, and in Europe, with the European Drug Agency approval received for the distribution of Virbagen Omega®, the first interferon (immunological protein on license from the Japanese Group Toray) to be developed for veterinary medicine.
- The acceleration of the number of new product preparations and launches in the two markets served by the Group, notably with the introduction at year-end of Iverhart and Virbamec pour on in the United States, electronic chip identification in France and Equimax® (allwormer medication for horses) in the United Kingdom.
- The consolidation of the Group's information systems with the start-up during the year of its global management information control system and the set-up in France of an ERP (Enterprise Resources Planning) software system that will become operational in April 2002.
- The award of GLP (Good Laboratory Practices) certification at the Group's Carros facilities following three successive audits.
- The acquisition of the veterinary operations of our distributor Helsinn in Portugal.
- The restructuring of our Brazilian subsidiary in order to refocus our activity on companion animal market.
- The pursuit of our development strategy for the Virbac brand through a televised campaign and its successful involvement in the Tour de France à la Voile sailing event.

2001 Group Operating Performance

Growth in excess of market average

Group sales increased by 7.4% during 2001, primarily as a result of organic growth. Sales increased by 9.5% on a constant Group structure and exchange rate basis and by 7.9% when the impact of acquisitions made

during 2000 and 2001 are excluded. This good performance, achieved in the context of a stable global market, reflects the organic growth of the Group driven by the arrival of new products arising from significant investments made at its Research and Development activity over recent years. The global presence of Virbac, coupled with the maturing of most of its subsidiaries favours a rapid internationalisation regarding the commercialisation of new generations of products.

• Companion animals operations

Companion animals operations accounted for 57% of 2001 Group sales, enjoying a 9% increase during the year, while the worldwide market only grew by 6.4%. Vaccine sales, led by Leucogen, a vaccine against cat leucosis, and the horse range, performed particularly well and accounted for more than one-third of the increase in companion animals' sales.

The introduction of new products significantly contributed to this performance. Major launches occurred during the year including Cyclo® - a pyriproxifen base external parasiticide launched in Northern Europe and Japan, Eraquell® - a parasiticide for horses launched in the United Kingdom, Netherlands and Spain, and Fortiflex® - a medicine to combat mobility troubles launched in France, as well as the internationalisation of the dental hygiene range.

In December 2001, Virbac introduced to the US market its Iverhart canine parasiticide for heartworm, in order to serve a market estimated at several hundred millions of dollars. At the same time in France, Virbac benefited from a decree authorising the use of electronic chip identification for companion animals, enabling it to launch products on this market in which it is the recognised leader in Europe. Finally, at year-end the Group's UK subsidiary launched Equimax, an allwormer medication for horses.

• Food producing animals operations

Food producing animals operations accounted for 43% of 2001 Group sales, enjoying an increase of 2.5% during 2001, while the worldwide market actually decreased by 3%. The relatively modest increase in sales resulted primarily from decreased sales activity in France pursuant to the health crises there, in addition to the entry of major oral paste competitors in this market and the drop in sales in Africa, which were more than offset by significant sales increases experienced by other regions, notably as a result of the launch of the following products: Virbamec pour on - an ivermectin base endectocide launched in the United Kingdom and the United States; Pulmodox® - a doxycyclin base antibiotic to combat pig respiratory infections launched in Spain, Italy and Denmark; Bovidec, a bovine vaccine, and Rilexine 200 LC®, a bovine intramammary - launched in Germany; Suramox® oral paste - an amoxicillin paste launched in Asia; Virbamec F - an ivermectin and clorsulon base parasiticide launched in Mexico. In addition, certain products from the range such as Suramox Premix®, a stabilised amoxicillin premix, enjoyed very good performances, experiencing double-digit sales growth.

• Company acquisitions

In June 2001, Virbac acquired the veterinary operations of the Helsinn Productos Farmaceuticos

company based in Portugal. This company previously acted as the distributor of Group's products in this country. These operations generate full-year sales of about € 2.5 million.

• Analysis of sales performance by region

Europe accounted for 52.5% of 2001 Group sales, in line with last year's performance, despite the stagnation of sales in France. The Group's major European subsidiaries posted excellent sales results for 2001. Virbac Germany enjoyed a 10% increase in sales as a result of the launch of new products for the food producing animals market and good performances experienced by its pets parasiticides and horse range. Virbac UK, despite a decrease in its food producing animals sales activity, which was adversely affected by the foot-and-mouth crisis at the beginning of the year, nevertheless enjoyed a 16% increase in sales as a result of excellent sales from its Eraquell parasiticide for horses and dog and cat vaccines. Virbac Spain enjoyed a 28% increase in sales, realising important commercial successes from the launch during the first quarter of its Suramox amoxicillin base premix and its Pulmodox® antibiotic for pig respiratory infections (launched during the first quarter).

Outside of Europe, the Group enjoyed a 2001 sales increase of 7%, despite having to deal with the monetary crises that affected the Brazilian real and South African rand.

In the United States, the world's largest market, Virbac Corp pursued its development, enjoying a 14.5% increase in sales during 2001 as a result of the launch of its Iverhart canine parasiticide and its Virbamec pour on bovine parasiticide towards the end of the year.

Africa and Middle East export sales suffered as a result of the restructuring of the Group's distribution network in Algeria and the devaluation of the Turkish lire. At the same time, the Group's South African subsidiary was adversely affected by the difficult economic situation and the devaluation of the local currency.

The Group's two Latin American operations enjoyed contrasting performances during 2001.

Virbac Mexico benefited from a strong peso and the successful launch of products developed in-house (Virbamec ADE® bovine parasiticides and vitamins, Virbamec F ivermectin and clorsulon based parasiticides), ending the year with a 20% increase in sales. On the other hand, Virbac Brazil suffered from a further devaluation of the real, the national government's sudden and unilateral decision to increase sales tax, and depressed food producing animals market conditions, ending the year with a 17.5% decrease in sales. Virbac Brazil operations were restructured at year-end, refocusing on companion animals activities.

Asia accounted for 4.9% of 2001 Group sales,

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enjoying a 19.8% increase during the year. In Japan, the Group changed its distributor of the vaccine product range during the year and significantly strengthened its presence in the dermatology and dental hygiene markets.

Pacific (Australia, New Zealand) sales increased by 13% and the Vetsearch company acquired last year was successfully integrated.

Analysis of sales by geographic region:

(€ millions)	2001	2000	% Change	% 2001 Group sales
France	88.4	88.5	-0.1%	25.3%
Rest of Europe	95.2	81.9	16.3%	27.3%
North America	64.3	56.7	13.4%	18.4%
Latin America	30.9	29.6	4.4%	8.8%
Asia	17.3	14.4	19.8%	4.9%
Pacific	32.7	28.9	13.3%	9.4%
Africa & Middle-East	20.7	25.3	-18.2%	5.9%
Total	349.5	325.3	7.4%	100.0%

Research and Development

• Virbac continued to allocate significant resources to its Research and Development and licensing activities in line with its sales growth. Most of the Group's R&D work is conducted in France at its Carros facilities, although it has operated a decentralisation policy for many years now enabling the development and registration of new products at three other locations (United States, Australia, Mexico), which provides the Group with a portfolio of R&D projects that are better adapted to the specific needs of the different regional markets. This internationalisation also offers the advantage of promoting early access to certain patented compounds in other countries and tailoring registration submissions to the local regulatory bodies. This policy, which has proven its merits for many years now in Australia, began to yield results in 2001 in both the United States and Latin America. In North America, development difficulties and costs are comparable to those experienced in Europe, Virbac was awarded its first FDA approved registrations for its Virbamec pour on bovine parasiticide and its Iverhart canine parasiticide. The United States share of Group R&D costs has jumped to 17% for 2001 from 9% for 1999. Investments in financial and human resources will continue to increase in order to finalise the registration of Equimax, for which Virbac has granted a licence to Pfizer Group in North America, and develop new FDA projects. The Group's Latin American R & D facility, created in 1999 in Mexico, has been particularly productive,

with 6 original products developed by this centre already commercialised. In addition, exchanges have significantly strengthened between other R&D units in the Southern Hemisphere, whose regulatory requirements are less stringent than those of Europe and the United States.

The focusing of efforts on major products and projects continues. Group R&D is primarily focused on companion animals products, where projects are currently under way in the fields of biology (vaccines and antivirals), parasiticides, inflammatory prevention and remedies, dermatology, infections prevention and remedies, etc...

In biology, Virbac's traditional area of activity in the companion animals market, the Group's workforce is focused on securing its registrations in order to enable it to better handle the increasingly more stringent regulatory requirements in addition to developing particularly innovative products.

Two important projects have entered their development phase: a babesiosis vaccine to treat a parasitic disease transmitted to dogs by ticks and a chlamydiosis vaccine, to treat a respiratory disease affecting cats. Three other R&D projects at a less advanced stage are progressing in a very satisfactory manner.

With regard to its food producing animals operations, the Group is pursuing a selective approach, focusing primarily on parasiticides and antibiotics projects.

• At its downstream R&D activities, the Group's registration services obtained or filed in 2001 approvals to bring many new products to market. Virbac received approval from the European Drug Agency to sell its Virbagen Omega product, the first

Interferon developed for veterinary medicine (on licence from the Japanese Toray Group). This antiviral, launched in Europe at the beginning of 2002, offers new and promising prospects for the treatment of dog parvovirus and cat leucosis, fatally contagious diseases that until now were incurable. Furthermore, authorisations were granted for the sale in Europe, through mutual recognition by health authorities, of major products such as Pulmodox premix, an antibiotic premix for pigs, and Equimax, an allwormer medication for horses. In addition, Virbac has increased its contacts in order to obtain new compound and technology licences. Finally, quality assurance efforts and commitments were rewarded with the award of GLP (Good Laboratory Practises) certification for the Group's Carros facilities.

Production

In France, Virbac continued its initiatives focusing on the adaptation of GMP (Good Manufacturing Practises) standards and the improvement of its production capability. Investments were undertaken in the following areas:

- renovation of the tablets unit;
- creation of a new intramammary block;
- increase in the capacity of the BIO 4 unit (preparation/packaging of vaccines) and start-up of new labelling machines.

The Group has enlarged and improved its control laboratories as a result of the increasingly stringent regulations and the increasing importance given to permanently improving quality. The Group has doubled the surface area of its biology laboratory, which henceforth encompasses sterilization and microbiological control units. In addition, the Group has proceeded with the extension of its sample collection activity at its Virbac 5 unit.

In the area of logistics, the Group has decided to regroup its shipment activities of Carros in one location. Expansion works were initiated at the end of 2001 at the Group's current store, located at its Virbac 3 unit.

More stringent regulatory constraints, the Group's commitment to safeguarding the environment and ensuring the security of its facilities have also led to the Group to make important investments in these areas.

The implementation of an ERP integrated software system continued. This system will enable improvements to the logistical chain, standardisation of the management systems and significant reductions in delivery time and inventory levels and costs, and will be operational from April 2002.

The Group's other production centres (Australia, Mexico, Brazil, Vietnam) continued to adapt and modernise their facilities.

2001 Group Financial Results

Group profitability

Operating profit improved by 8.2%, enjoying a faster rate of growth than sales, particularly during the second half of 2001.

This improvement in profitability was as a result of the stabilisation of gross profit margins and good control of operating expenses, despite the significant efforts committed for the preparation and launch of major products in Europe and the United States. Operations based in France, Germany, United Kingdom and Mexico enjoyed the strongest improvements in operating profit.

Net finance income decreased by 1.9%, primarily as a result of a slight increase in the net borrowing situation and foreign exchange losses recorded at the Group's Brazilian subsidiary following the devaluation of the Brazilian real.

Exceptional income increased by € 1,026 thousand primarily as a result of the reversal of provisions for liabilities established for the Group's Brazilian subsidiary and the disposal of assets. Exceptional expenses increased in relation to 2000 as a result of € 673 thousand in restructuring costs incurred at the Group's Brazilian subsidiary, taking into account primarily the costs of reorganisation, retirement benefit expenses and provision charges, liabilities, litigation and the writedown of non-operating assets that were object of a Group valuation.

The rate of increase in income tax was greater than the growth rate of profit before tax as a result of the recognition in 2000 by the US operations of income tax income corresponding to Virbac Corp tax losses carried forward.

Profit before acquisition goodwill amortisation improved by 5.6% to € 17.6 million.

Acquisition goodwill amortisation remained stable.

Minority interest decreased to € 0.8 million from € 1.5 million, primarily as a result of the drop in after-tax profits at the Group's 61% owned US subsidiary, Virbac Corp, which in turn was primarily caused by the rise in importance of its R&D activity.

2001 financial year net profit improved by 12.1% to € 15.5 million from € 13.8 million.

Group cash flow, net borrowings and investments

Cash flow generated from operations declined slightly to € 27.1 million from € 28 million for 2000, primarily as a result of the payment of premiums on bonds that were retired on 1 January 2001 and restructuring costs incurred during 2001 by Virbac Brazil.

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Net borrowings at 31 December 2001 amounted to € 34.2 million, representing 1.26 times the cash flow generated from operations and 25.3% of Group equity. Its slight increase in relation to 31 December 2000 arose from the payment of premiums on bonds that were retired at the beginning of 2001, the acquisition of Helsinn in Portugal, the purchase of minority interests of foreign subsidiaries and the investments undertaken to put into place new information systems.

Group investments in property, plant and equipment were of a relatively modest scale and focused primarily on standardising and improving the Group's production facilities. Investments in intangible assets increased by 31% as a result of significant investments undertaken to modernise the Group's management systems through the implementation of an ERP system in France and management information control system worldwide. Working capital needs increased by 17.5%, at a significantly faster rate than sales growth, primarily as a result of an increase in trade receivables at 2001 year-end arising from significantly higher fourth quarter sales pursuant to the launch of two new products in the United States and the launch of electronic chip identification in France. Trade payables, as a result of timing differences, declined significantly in relation to 2000 year-end. Inventory, which was the focus of considerable attention during 2001, remained stable despite a 7.4% increase in sales.

Annual General Meeting of Virbac S.A.

2001 financial year sales and profitability

Virbac S.A. parent company sales increased by 11.2% on 2000 results to € 119.4 million. This increase arises from increased sales to the Company's international subsidiaries, notably those located in the United Kingdom and Spain, while export sales to third parties and sales in France were stagnant. Operating profit improved 69% on 2000 results to € 4.5 million, as a result of increased sales activity and stabilised operating expenses. Net finance income decreased slightly, with the increase in dividend income not sufficient to offset the writedown provision for the Company's equity investment in its Polish and Brazilian subsidiaries.

2001 financial year net profit improved to € 7.7 million from € 6.6 million for 2000.

Virbac S.A. share buyback

The Annual General Meeting of 21 June 2001 authorised Virbac S.A. parent company to proceed

with the buyback of its own shares pursuant to Article L225-209 of the French Commercial Code and in accordance with the share buyback plan described in Information Note 01-682 of 31 May 2001, which was approved by the Commission des Opérations de Bourse.

At 31 December 2001, Virbac S.A. held 101,834 of its own shares, which were purchased on the market for an aggregate amount of € 6,893,960, net of aggregate acquisition costs of € 27,950, at an average share price of € 67.70. The Company did not proceed with the purchase or sale of its shares during 2001, with the exception of shares held pursuant to a liquidity contract, whose aggregate value is insignificant.

Treasury shares held at 31st December 2001 represented 4.7% of Virbac SA's share capital, and will be primarily used for stock option plans.

A resolution will be proposed to the Annual General Meeting, subject to the prior approval of the Commission des Opérations de Bourse, concerning the renewal of the authorisation to buyback the Company's own shares over an 18 month period from the date of the Meeting, in order to:

- stabilise the share price, by systematically intervening against market trends;
- allocate shares of the Company to employees and managers of the Group through stock purchase options pursuant to Articles L.225-179 and subsequent of the French Commercial Code;
- ultimately hold, dispose of or transfer shares thus acquired.

In addition, share buybacks may potentially be undertaken in order to exchange shares within the framework of a company acquisition.

The maximum share buyback price is set at € 200 and the minimum treasury share resale price is set at € 50.

The maximum number of shares thus acquired may never exceed at any time 10% of the share capital. The maximum number of shares will include shares previously acquired within the framework of the aforementioned previous authorisations and those acquired within the framework of a liquidity contract.

Share capital movements

At the beginning of 2001, 534 convertible bonds were converted, resulting in the issuance of 710 new shares.

Allocation of Virbac S.A. 2001 financial year net profit

Virbac S.A. parent company 2001 net profit amounted to € 7,739,951.

A proposal will be made to the Annual General Meeting to distribute a € 2.30 dividend per share carrying a 50% tax credit of € 1.15 (for individuals only). This dividend distribution will represent an 8% increase on the amount distributed in 2001. The 2001 net profit will be distributed as follows, assuming the Company does not hold any treasury

shares on the date of payment; in the event of treasury share holdings, the undistributed dividends relating to treasury shares deprived of their voting rights will be allocated to Retained Earnings.

- Dividend distribution amount € 5,010,752
- Discretionary reserve allocation € 2,729,199
- 2001 financial year net profit € 7,739,951

Dividend distribution amounts during the last three financial years

Financial Year	Net Dividend per Share	Tax Credit per Share	Gross Dividend per Share	Total Dividend Distribution
1998 (euros)	€ 1.68	€ 0.84	€ 2.52	€ 3,574,835
1999 (euros)	€ 1.86	€ 0.93	€ 2.79	€ 3,923,495
2000 (euros)	€ 2.13	€ 1.07	€ 3.20	€ 4,424,163

Supervisory Board

Marie-Hélène Dick Madelpuech resigned from the Supervisory Board effective 27 September 2001. The non-trading company Investec, with a head office located at 95 avenue de la Lanterne, 06200 Nice, France, was co-opted as a member of the Supervisory Board for the remaining term of Marie-Hélène Dick Madelpuech's appointment, that is until the end of the Meeting convened to approve the financial statements for the financial year ending 31 December 2003. Investec company will be represented by Marie-Hélène Dick Madelpuech. The Annual General Meeting of 13 June 2002 will be asked to confirm the co-option of the Investec company.

Combined General Meeting of 13 June 2002

The following changes to the Company's bylaws to reflect modifications to Articles will be submitted to shareholders for their approval during the Extraordinary Session of the Meeting:

- Article 11: in accordance with the provisions of Article L 225-61 of the French Commercial Code, a reference will be added regarding the right of the Supervisory Board for General Meeting to dismiss at any time the members of the Management Board.
- Article 18: the article concerning regulated agreements is modified in accordance with the new provisions of the said New Business Regulations Law of 15 May 2001, which expands its scope of application.

Four-for-one stock split

In order to enable a greater number of investors to have access to the Virbac SA share and to improve the market liquidity of the share, a proposal will be submitted to the Annual General Meeting to increase the number of

shares comprising its share capital through a four-for-one stock split. The Company's share capital will remain at € 10,892,940, comprising 8,714,352 fully paid-up shares with a par value each of € 1.25. This transaction will occur subsequent to the dividend payment date.

Corporate Governance

Virbac SA Supervisory Board

- Jeanine Dick, Chairman
- General manager of Investec company
- Pierre Madelpuech, Vice-Chairman
Other external corporate governance positions held:
- Managing director and member of the Management Board of VGC SA
- Member of the Management Board of Manuest SA
- Director of Panpharma SA
- Marie-Hélène Dick Madelpuech, member and permanent representative of the non-trading company Investec
Other external corporate governance positions held:
- Chairman of the Board of Directors of Pan Medica SA
- François Guinot, member
Other external corporate governance positions held:
- Managing director and member of the Management Board of Biomerieux - Pierre Fabre
- Director of Biomerieux SA France
- President of Transgene Holding France SAS
- Director of Transgene SA
- Permanent representative of Biomerieux - Pierre Fabre SA
- Olivier de Pelet, member and permanent representative of the French public limited company Union d'Etudes et d'Investissement
Other external corporate governance positions held:
- Vice-Chairman of the Supervisory Board of Laboratoires Thea SA

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- Permanent representative of IDIA SA, a holding company exercising the duties of a director in Berkem, Panil SA and Fromagerie Guillotheau SA
- Permanent representative of Union d'Etudes et d'Investissements exercising the duties of director in Biofinances II, Société de Biochimie Appliquée, Panpharma (SOLABIA) and Pan Medica
- Permanent representative of IDIA SA, a holding company exercising the duties of Supervisory Board member in ETS Jacquot et Cie

Virbac SA Management Board

• Eric Maree, Chairman

Other external corporate governance positions held in subsidiaries of the Virbac Group

- Chairman of the Board of Directors of Alfamed SA, Dog N' Cat International SA, Francodex SA, Laboratoires Viguié SA, Virbac France SA and Virbac Nutrition SA
- President of Interlab SAS

• Pierre Pages, member and CEO of Virbac SA

Other external corporate governance positions held in subsidiaries of the Virbac Group:

- Chairman of the Board of Directors of Virbac Distribution SA
- Director of Alfamed SA, Francodex SA and Virbac Nutrition SA
- Permanent representative of Virbac SA on the Board of Directors of Dog N' Cat International SA, permanent representative of Alfamed SA on the Board of Directors of Laboratoires Viguié SA, permanent representative of Alfamed SA on the Board of Directors of Virbac France SA
- General manager of Soparlic SARL

• Christian Karst, member

Other external corporate governance positions held in subsidiaries of the Virbac Group:

- Chairman of the Board of Directors of Vetarome SAS
- Permanent representative of Virbac SA on the Board

of Directors of Alfamed SA, Permanent representative of Virbac France SA on the Board of Directors of Dog N' Cat International SA, Permanent representative of Virbac SA on the Board of Directors of Francodex SA, Permanent representative of Virbac France SA on the Board of Directors of Laboratoires Viguié SA, Permanent representative of Virbac SA on the Board of Directors of Virbac Distribution SA, Permanent representative of Virbac Distribution SA on the Board of Directors of Virbac France SA, Permanent representative of Virbac SA on the Board of Directors of Virbac Nutrition SA

- General manager of NEW-CO SARL

• Jean-Pierre Dick, member

Other external corporate governance positions held in subsidiaries of the Virbac Group:

- Managing Director of Alfamed SA
- Permanent representative of Virbac France SA on the Board of Directors of Virbac Distribution SA

Virbac SA Supervisory Board / Management Board 2001 Financial Year Remuneration

Virbac SA Supervisory Board

• Jeanine Dick, Chairman:	€ 9,985.41
• Pierre Madelpuech, Vice-Chairman:	€ 4,497.25
• Marie-Hélène Dick Madelpuech, member:	€ 4,497.25
• François Guinot, member:	€ 7,622.45
• The French public limited company Union d'Etudes et d'Investissements, member:	€ 4,497.25
• Jean MOISSET, member until 18 April 2000:	€ 1,829.39

Virbac SA Management Board

The members of the Virbac SA Management Board received the following net before tax remuneration during the 2001 financial year:

(€)	Fixed Company remuneration	Directors' fees of subsidiaries (Board of Directors)	Variable remuneration	Total remuneration
Eric Maree	160,833	38,000	41,852	240,685
Pierre Pages	109,632	53,886	41,852	205,370
Christian Karst	95,736	30,500	41,852	168,088
Jean-Pierre Dick	50,790		17,362	68,152

Shareholders' Information and Stock Market Performance

Virbac S.A.'s share price increased by 7.5% between 31 December 2000 and 31 December 2001, while most major Stock Market indexes decreased in value during that time, such as the CAC 40, which dropped 22%.

Virbac issues press releases and publishes them in major financial journals and on its web site at www.virbac.com, in order to enable shareholders, financial analysts, brokerage firms, portfolio managers and individuals to follow the Group's development.

Share Capital and Voting Rights Ownership at 28 February 2002

	% Share Capital Held	% Voting Rights Held
Dick Family Group	46.6%	61.0%
Union d'Etudes et d'Investissements (Crédit Agricole Group)	4.9%	5.8%
Orfirm SAS	5.3%	4.0%
Company Savings Plan	0.8%	0.6%
General Public	37.7%	28.6%
Treasury Shares	4.7%	0.0%

At 28 February 2002, share capital comprised 2,178,588 shares.

At 28 February 2002, there were 2,893,538 voting

rights, taking into account the cancellation of voting rights relating to treasury shares.

Stock Market Performance	2000	2001	At 31 March 2002 (*)
Price (€)			
High	91	103.7	123.1
Low	55.25	77	84.3
Monthly Average	72.63	89.95	107.83
Most recent	80	86	123.1
Price Earnings Ratio (times)			
High	14.4	14.6	17.3
Low	8.7	10.8	11.9
Monthly Average	11.5	12.7	15.2
Most recent	12.6	12.1	17.3
Rate of Return (%)			
Average price	4.4%	3.8%	3.2%
Most recent price	4.0%	4.0%	2.8%
Transaction Volume	591,853	467,594	167,336
Market Capitalisation at period end (€ million)	174.2	187.4	268.2

(*) Price Earnings Ratio calculated on 2001 earnings

Future prospects

Virbac Group has proven over the last three years the effectiveness of its strategy of growth through product innovation, concentration of resources on major products and ranges and international expansion, thereby enabling it to achieve the ambitious objectives that it has set itself. For 2002, the major focuses of this strategy will pursued and the Group's development will be guided by the following objectives:

- **Product innovation:** Virbac will strive to maximise its sales of major products launched at the end of 2001, notably Equimax in the United Kingdom and Iverhart in the United States as well as Virbagen Omega, the first interferon for veterinary medicine, which was introduced in Northern European markets during the first quarter of 2002.
- **Resource focusing:** Virbac will continue to direct its efforts and resources on major products and ranges,

and will begin to reduce the complexity of its ranges through the use of new management tools put into place during 2001.

- **Continued international development:** the Group's international operations have continued to grow in recent years. Virbac will continue to develop its operations internationally and in particular in the United States, the world's largest market. Inter-Group exchanges and projects will be encouraged in all areas of Group business. Major efforts will also be made with a view to harmonising information systems.
- **Company acquisitions:** the Group will continue to aggressively and selectively search for potential acquisitions.
- **Profitability improvement:** new integrated management systems, operational in 2002, will enable the Virbac Group to make further progress on its goal to improve profit margins.



EXTRACTS

2 0 0 1 F I N A N C I A L R E P O R T



Consolidated Balance Sheet

Consolidated Balance Sheet



Consolidated Balance Sheet

As at 31 December 2001

Assets

(€ thousands)	Notes	31 Dec. 2001 Net	31 Dec. 2000 Net
Non current assets			
Uncalled subscribed capital		97	353
Intangible assets			
	1		
Other intangible assets		15,628	11,958
Acquisition goodwill		10,018	11,002
Property, Plant and Equipment	1	59,916	57,652
-Land		6,994	6,423
-Buildings		32,988	31,151
-Machinery and equipment		12,602	13,363
-Other		7,332	6,715
Investments	1	3,281	3,022
Total non current assets		88,940	83,987
Current assets			
Inventories	2	67,474	67,636
Advances and prepayments		370	530
Monetary current assets		93,919	77,264
-Trade receivables	3	60,937	52,288
-Other receivables		15,135	11,609
-Marketable securities	4	6,296	2,237
-Cash		11,551	
Total current assets		161,763	145,430
Deferred charges and prepaid expenses	6	3,322	4,622
Deferred tax assets	5	9,477	8,733
Translation adjustment		0	0
Total assets		263,502	242,772

Equity and Liabilities

(€ thousands)	Notes	31 Dec. 2001	31 Dec. 2000
Equity	7		
Share capital		10,893	10,889
Share premium and reserves		6,379	6,316
Translation adjustment		591	940
Group reserves and retained earnings		77,581	64,959
Financial year net profit - Group share		15,474	13,801
Total equity		110,918	96,905
Minority interests - reserves		15,525	14,565
Minority interests - net profit		765	1,496
Total minority interests		16,290	16,061
Third party equity contributions		250	399
Provisions for liabilities and charges	8	5,380	6,764
Deferred tax liability	5	2,552	2,248
Total provisions for liabilities and charges		7,932	9,012
Borrowings	9	52,040	44,041
-Convertible bonds		0	17 154
-Loans and debts from financial institutions		52,040	26,887
Operating liabilities	9	69,806	70,697
-Trade payables		43,837	48,454
-Other liabilities		25,969	22,243
Deferred revenues and accrued liabilities		6,266	5,657
Translation adjustment		0	0
Total equity and liabilities		263,502	242,772

Consolidated Balance Sheet



Consolidated Income Statement

for the financial year ending 31 December 2001

(€ thousands)	Notes	2001	2000	% Change
Goods and services sales		349,460	325,264	
Sales (net)	10	349,460	325,264	7.4%
Production capitalised as inventory		-4,394	17,044	
Operating grants		72	66	
Provisions, depreciation and amortisation reversals		3,741	3,105	
Other operating revenues		1,860	1,130	
Operating revenues		350,739	346,609	1.2%
Purchases and inventory movements		117,953	125,636	
Other external purchases		87,519	83,944	
Taxes and duties		9,499	8,556	
Personnel costs (including profit sharing plans)		84,807	80,143	
Non-current assets depreciation and amortisation		10,074	10,258	
Current assets provision writedowns		2,230	2,006	
Provisions for liabilities and charges		323	478	
Other operating liabilities		4,956	4,726	
Operating liabilities		317,361	315,747	0.5%
Operating profit		33,378	30,862	8.2%

(€ thousands)	Notes	2001	2000	% Change
Finance income	11	4,258	4,021	
Finance expenses	11	9,192	9,048	
Net finance expenses		-4,934	-5,027	-1.9%
Profit from ordinary activities		28,444	25,835	10.1%
Exceptional income	12	1,899	874	
Exceptional expenses	12	3,025	2,364	
Net exceptional expenses		-1,126	-1,490	-24.4%
Income tax		8,890	7,061	
Deferred income tax		803	597	
Profit before acquisition goodwill amortisation		17,625	16,687	5.6%
Acquisition goodwill amortisation		1,386	1,390	
Profit before minority interest		16,239	15,297	6.2%
Minority interest		765	1,496	
Net profit		15,474	13,801	12.1%
Earnings per share - basic		7.10	6.34	12%
Earnings per share - fully diluted*		7.45	6.42%	16%

(*) Excluding treasury shares allocated to reserves

Consolidated Balance Sheet



Consolidated Cash Flow Statement

for the financial year ending 31 December 2001

(€ thousands)	2001	2000
Financial year net profit	16,239	15,297
Elimination of non-cash flow Income Statement items		
Depreciation, amortisation and writedown charges	9,998	11,956
Deferred income tax	803	597
Gains/losses on asset disposals	75	203
Cash generated from operations	27,116	28,053
Impact of working capital items net movements		
Inventories	-156	-11,963
Trade receivables	-8,967	-4,347
Trade payables	-3,634	8,756
Other operating receivables and payables	1,836	2,944
Net cash from operating activities	16,194	23,443
Fixed asset acquisitions		
Intangible assets	-5,326	-4,232
Property, plant and equipment	-10,613	-9,773
Investments - subsidiaries	0	-1,577
Investments - others	-333	-5,902
Fixed asset disposals	391	876
Impact of changes in Group structure	0	0
Net cash used in investing activities	-15,881	-20,608
Dividends paid by the parent company	-4,424	-4,050
Dividends paid to minority interest	-126	-51
Share capital increase	270	
New borrowings	42,389	8,608
Borrowing repayments	-32,794	-22,251
Net cash used in financing activities	5,314	-17,744
increase/(decrease) in cash and cash equivalents	5,628	-14,909
Cash and cash equivalents - start of year	7,263	23,073
Cash and cash equivalents - end of year	13,797	7,263
Impact of forex movements	906	901

Notes to the Consolidated Financial Statements

Accounting Principles and Methods

The Group's consolidated financial statements have been prepared in accordance with French generally accepted accounting principles.

Principles and methods used in the preparation of the 2001 financial year consolidated financial statements were in accordance with the provisions of French Accounting Regulatory Committee Standard 99-02. The following explanatory notes accompany the consolidated financial statements and are an integral part thereof.

Consolidation Scope

A list of companies included in the consolidation scope is presented in Note 15.

Major changes in the consolidation scope

The following major changes in the consolidation scope occurred during the 2001 financial year:

- The Group's ownership interest in Virbac Corp decreased to 60.68% from 60.76% following the issue by Virbac Corp of shares for its employees' stock option plan.
- Virbac SA acquired in full the shares of Virbac CZV, in which it had a previous 50% ownership interest, thereby increasing the Group's ownership interest in Virbac Vietnam to 70% from 66.5%.
- The Group's Mexican subsidiary was split into two, pursuant to a partial disposal, retroactive to 1st January 2001, resulting in the transfer of the assets of Laboratorios Virbac Mexico to a new company, Virbac Comercializadora. This reorganisation did not have any impact on the Group's 2001 financial year's results or Group reserves.

Consolidation Principles and Method

Method

- The financial statements of those companies that

are directly or indirectly controlled by the Group are fully consolidated unless they are not of significance, in which case they are not consolidated.

- The significance of subsidiaries is established based on financial thresholds as well as selective qualitative criteria:

Subsidiaries that would otherwise be excluded are included in the consolidation scope if they meet at least one of the following three conditions:

- Their aggregate sales account for more than 2% of the Group's sales in the last published financial year.
- The net profit of at least one of the excluded subsidiaries accounts for more than 2.5% of the Group's net profit in the last published financial year.
- The accumulated reserves of all excluded companies account for more than 5% of the Group's net profit in the last published financial year.

A subsidiary is always excluded if its sole purpose is to locally hold brands and registrations.

On the other hand, a subsidiary that does not meet any of the financial threshold conditions would be included in the consolidation scope if it were of strategic interest to the Group.

- Companies are consolidated using the full consolidation method.

Financial year-end

All companies included in the consolidation scope have a 31 December 2001 year-end.

Consolidated Balance Sheet



Consolidation restatement and inter-Group transactions elimination

Various restatements are made to the individual financial statements of companies for purposes of consolidation:

- All reciprocal transactions between Group companies are eliminated,
- In particular, the following items are restated:
 - unrealised holding gains on inventory purchased from other Group companies,
 - regulated provisions (provisions for legal depreciation/amortisation, ...),
 - finance leases, which are capitalised on the Balance Sheet as a non-current asset offset by a borrowing.
- Dividend payments between Group companies are recorded at their gross book value in reserves.
- Asset and liability translation adjustments representing unrealised exchange gains and losses in the individual financial statements are recorded as income while provisions for exchange losses are eliminated.
- Deferred tax income and expenses are recognised for those companies that did not take them into account in their own financial statements.

Acquisition goodwill

Acquisition goodwill arises at the date of inclusion of a company in the consolidation scope, representing

the difference in value between:

- the acquisition cost of its shares
- the Group's pro-rata share of the restated book value of the company's equity

Acquisition goodwill is generally amortised on a straight-line basis over a period of 20 years, but may be amortised over a shorter period as a matter of prudence.

The choice of amortisation period must reflect the operations and prospects of acquired companies.

Financial statements translation

Financial statements denominated in foreign currencies are translated as follows:

- Balance Sheet items are translated at the year-end exchange rate. The resulting translation difference arising from the use of a year-end rate that is different from the rate used to originally translate the transaction is accumulated on a net basis and recorded as a Translation Adjustment on the consolidated Balance Sheet,
- Income Statement items are translated at the financial year average rate. The resulting translation difference arising from the use of a year-end rate, that is different from the Balance Sheet rate, is recorded as a Translation Adjustment on the consolidated Balance Sheet.

Note 1: Non Current Assets

Non current assets are recorded at their acquisition cost.

Property, plant and equipment depreciation calculations used in the individual company financial statements are retained for consolidated financial statements purposes. In effect, the depreciation methods and depreciation periods used in each company are economically justified and therefore are not modified for purposes of consolidation.

Legal depreciation and amortisation charges (arising essentially at the Virbac S.A. parent company) are the object of a restatement whose impact is taken into account in the determination of financial year net profit.

The amortisation of selective intangible assets (patents and similar rights, business goodwill) is subject to restatement when their company and tax amortisation period differs from that used by the Group.

Non Current Assets Movements during 2001

(excluding acquisition goodwill)

(€ thousands)	Gross Book Value			Acc. Amort./Dep. and Provision			Net Book Value		
	Intangible	PPE	Investmt.	Intangible	PPE	Investmt.	Intangible	PPE	Investmt.
1 January 2001	23,362	116,692	3,027	11,404	59,040	5	11,958	57,652	3,022
Additions and charges	5,077	10,613	333	1,380	8,693	10	3,697	1,920	323
Disposals and reversals	-208	-2,331	-48	-189	-1,931		-19	-400	-48
Exchange differences	518	1,171	-6	511	452	-1	6	719	-5
Transfers	-1	-9	-11	-9	-21		8	12	-11
Other	-22	14	0				-22	14	0
31 December 2001	28,726	126,150	3,295	13,098	66,234	14	15,628	59,916	3,281

Please note the following observations regarding the above accounts:

Intangible Assets

Research & development costs

Research and Development costs are expensed as incurred, unless they relate to major contracts, are clearly identifiable and are of long duration, in which case they are capitalised as an asset and amortised over their economic life.

No Research and Development costs were capitalised during the 2001 financial year.

Acquired patents, rights, databases, know-how, etc.

are capitalised as assets and are amortised over a period not exceeding ten years.

Business goodwill

Business goodwill is amortised over a period of ten years, unless its economic value and growth performance does not match its depreciation accounting.

Other intangible assets

Other intangible assets essentially comprise the acquisition cost of computer software.

Acquisition Goodwill Movements during 2001

(€ thousands)	1 Janv. 2001	Additions/Charges	Disposals	Exchange Diff.	Dec. 2001
Gross Book Value					
France	7,116	0	0	0	7,116
		(1)	(2)		
International	15,438	632	-174	45	15,941
Total	22,554	632	-174	45	23,058
Accumulated Amortisation					
France	5,983	345			6,328
International	5,569	1,043		100	6,712
Total	11,552	1,387	0	100	13,040
Net Book Value					
France	1,133	-345	0	0	788
International	9,869	-410	-174	-55	9,230
Total	11,002	-755	-174	-55	10,018

(1) The additions correspond to the acquisition of the veterinary operations of the Portuguese company Helsinn, the purchase by Virbac SA of the entire shares of Virbac CZV, in which it previously held a 50% ownership interest, and the acquisition of minority interest (Australia).

(2) The disposals correspond to the sale of marginal operations of the Vetsearch company by Virbac Australia Pty.

Property Plant and Equipment

Property, plant and equipment assets are depreciated on a straight-line basis over the following economic periods:

- buildings, installations, leaseholds improvements 10 to 20 years
- machinery and industrial equipment 5 years
- other facilities and equipment 10 years
- computer and office equipment 5 years

Finance leases

All significant finance leases are capitalised on the Balance Sheet as assets financed by borrowings. The asset value relates to the lease contract value, while the corresponding borrowing value relates to the present value of future lease payments pursuant to the lease contract.

Lease payments recorded in the company financial statements are eliminated on consolidation, while interest charges and loan repayments are not.

Depreciation charges on finance lease assets are recorded based on the depreciation methods selected.

Consolidated Balance Sheet



Investments

Investments are valued at their acquisition cost and are written down where necessary to reflect their current financial situation, future prospects and probable realisation value.

Equity investments - non-consolidated subsidiaries

Equity investments - non-consolidated subsidiaries essentially relate to equity stakes in fully owned companies of insignificant value whose sole purpose is to hold registrations and trademarks.

Equity investments - other

Equity investments - others relate to minority interest stakes held by Group companies of a financial nature or whose activities may be of interest to the Group.

Treasury shares

Treasury shares are the company own shares that are held by Virbac SA and accounted for as investments, which, for consolidation purposes, are allocated to Group equity.

Note 2: Inventories

The cost of raw materials and supplies is determined using the weighted average method, whereas the cost of finished products is determined using the FIFO (First In First Out) method.

Finished products are valued in the company financial statements at their invoice prices assigned by the parent company; their profit margins are eliminated on consolidation, reflecting the average full production cost incurred by Virbac S.A.

A provision for writedown is established to reflect damaged, deteriorating and obsolete products.

At 31 December 2001, this provision amounted to € 1.7 million.

Note 3: Receivables

Receivables and liabilities are valued at their nominal values.

A provision for writedown is established for receivables, where necessary, to reflect possible difficulties in their collection.

At 31 December 2001, this provision amounted to € 2.5 million, compared with € 2.4 million at 31 December 2000.

Note 4: Marketable Securities

Marketable securities relate primarily to € 4.2 million

in company own shares held by Virbac S.A. It also comprises securities held by Virbac S.A. and its subsidiaries arising from its treasury management programme. Unrealised holding gains on marketable securities are only recorded in income upon disposal, with the exception of debt instruments carrying accrued interest. Unrealised holding losses are provided for through a provision for writedowns.

The Group invests only in risk-free marketable securities.

Forex risks

It is the Group's policy to provide foreign exchange risk coverage when the risk and magnitude of foreign exchange fluctuations are high. Accordingly, it uses various financial instruments available on the market and undertakes forward foreign exchange transactions.

Note 5: Deferred Tax Assets and Liabilities

A provision for deferred tax is established to reflect the temporary differences between the local accounting principles and the fiscal rules, as well as the impact of the restatements and eliminations. Deferred income tax is calculated using the liability method.

In France, the income tax rate for 2001 is 36.43%, incorporating supplementary temporary income taxes. For 2002, this rate will be set at 35.43%, to reflect the elimination of one supplementary income tax; all deferred tax relating to France has been calculated on this basis.

As a matter of prudence, no deferred tax asset is recognised on unrealised tax losses that can be carried forward over the long-term.

Note 6: Deferred Charges and Prepaid Expenses

Deferred charges

At 31 December, 2001, deferred charges amounted to € 0.3 million.

During 2001, € 0.1 million in deferred charges were expensed.

Prepaid expenses

At 31 December 2001, prepaid expenses amounted to € 3.1 million, relating primarily to various external services and goods to be delivered during 2002.

Note 7: Equity

Translation adjustment

The translation adjustment comprises the net impact of the differences in exchange rates used to translate international subsidiaries' Balance Sheets (31 December 2001 year-end rate versus initial consolidation rate) and Income Statements (2001 year average rate versus 31 December 2001 year-end rate).

Group reserves

Group reserves relate to the parent company's stake in accumulated reserves of consolidated companies

from the date of their consolidation, net of acquisition goodwill amortisation.

Minority interest

Minority interest relates to the equity stake held in the Group's consolidated subsidiaries by external shareholders.

Other equity

Other Equity relates essentially to loans and debts from Virbac S.A. covered by particular conditions (conditional advances, notably with regard to ANVAR and the European Union).

Equity Movements during 2001

(€ thousands)	Share Capital	Share Premium	Group Reserves & Retained Earnings	Financial Net Profit	Translation Adjustment	Total Equity
1 January 2001	10,889	6,316	64,959	13,801	941	96,906
Allocation of 2000 financial year net profit			13,801	-13,801		0
Parent company share capital and premium increase	4	63				67
Dividend distribution			-4,424			-4,424
Translation adjustment					-350	-350
Other changes			3,245 ^(a)			3,245
2001 financial year net profit				15,474		15,474
31 December 2001	10,893	6,379	77,581	15,474	591	110,918

(a) Other movements arise primarily from changes in treasury shares ownership and reclassification between Group and minority interest.

Note 8: Provisions for Liabilities and Charges

Provisions for liabilities and charges relate to litigation,

disputes and various contingencies incurred by the Group.

They are analysed as follows:

Analysis of Provisions for Liabilities and Charges by Nature

(€ thousands)	31 Dec. 2001	31 Dec. 2000
Litigation or disputes in progress	874	435
FOREX risks	0	300
Retirement benefits	2,634	2,198
Operating and tax expenses	237	554
Bond premiums	0	1,683
General liabilities	1,608	1,394
Other	26	200
Deferred tax	2,552	2,248
Total	7,932	9,012

Consolidated Balance Sheet



Virbac Group French companies provide each year for their respective commitments in relation to retirement benefits. These provisions correspond to rights acquired by all personnel in French companies pursuant to the terms and conditions of Collective Agreements.

These provisions are calculated based on assumptions made with regard to their salaries at the

end of their careers, their job classifications and ages, adjusted for life expectancies and turnover rates, and discounted using a 4% rate.

The decrease in provisions for liabilities and charges arises primarily from the reversal of the provision for repayment premiums relating to the retirement in full of Virbac S.A. convertible bonds.

Note 9: Borrowings and Operating Liabilities by Nature

(€ thousands)	31 Dec. 2001	31 Dec. 2000
Borrowings	52,040	44,041
Bonds	0	17,154
Borrowings from financial institutions	47,831	16,040
Finance leases	2,615	2,902
Other borrowings	1,593	7,945
Operating liabilities	69,806	70,697
Advances and prepayments received on sales	640	538
Trade payables	41,320	47,916
Tax and social security liabilities	13,900	15,983
Other operating liabilities	3,730	2,247
Liabilities relating to non-current assets	1,876	1,186
Income tax payable	6,494	2,310
Other liabilities	1,847	517
Total	121,846	114,738

Bonds were retired in full during 2001.

Borrowings from financial institutions relate primarily to bank overdrafts and used lines of credit.

Major lines of credit currently accessed comprise:
- a € 23.5 million line of credit tapped by Virbac SA

at 31 December 2001, relating to one of two lines of credit amounting to € 61 million in aggregate that was available at that date.

- a € 11.7 million line of credit accessed by Virbac Corp at 31 December 2001, relating to one line of credit amounting to € 12.6 million available at that date.

Note 10: Sales by Geographic Region

(€ thousands)	2001	2000	% change
Région			
France	88.4	88.5	-0.1%
Rest of Europe	95.2	81.9	16.2%
Africa Middle East	20.7	25.3	-18.2%
North America	64.3	56.7	13.4%
Latin America	30.9	29.6	4.4%
Asia	17.3	14.4	20.1%
Pacific	32.7	28.9	13.1%
Total	349.5	325.3	7.4%

Note 11: Finance Income and Expenses

(€ thousands)	2001	2000
Finances expenses		
Interest and related	5,894	7,235
Bond premiums	1,677	0
FOREX losses	1,252	938
Finance lease finance costs	240	264
Writedown provision charges	150	610
Other finance costs	-21	1
Total	9,192	9,048
Finance income		
Bond premium provision reversal	1,684	0
Other provision reversals	300	1,418
FOREX gains	1,491	1,375
Marketable securities - investment income	148	696
Marketable securities - gains on disposal	95	467
Other finance income	540	65
Total	4,258	4,021

FOREX gains mainly relate to the management of foreign exchange positions in dollars in the parent company.

FOREX losses mainly relate to the foreign exchange losses posted by the Brazilian subsidiary pursuant to the devaluations of the real.

Note 12: Exceptional Income and Expenses

(€ thousands)	2001	2000
Exceptional expenses		
Net book value of disposed non current assets	419	542
Provision for writedown charges	1,475	1,306
Bad debt writeoffs	556	0
Other exceptional expenses	575	516
Total	3,025	2,364
Exceptional income		
Provision reversals	1,039	442
Proceeds from fixed asset disposals	687	317
Government grants	0	6
Other exceptional income	173	109
Total	1,899	874

Consolidated Balance Sheet



Note 13: Workforce and Supervisory Board Remuneration

Analysis of workforce size by activity

(€ thousands)	31 Dec. 2001	31 Dec. 2000
Production	921	907
Administration	299	301
Commercial	675	657
Research & Development	245	239
Total	2,140	2,104

Supervisory board remuneration

Supervisory Board members received € 32,929 in attendance and various other fees.

Note 14: Off-Balance Sheet Commitments

(€ thousands)	31 Dec. 2001	31 Dec. 2000
Commitments given		
Guarantees, endorsements and sureties	165	206
Reciprocal commitments		
Forward FOREX sales contracts	6,260	12,293
Forward FOREX purchases contracts	2,224	5,177
Reciprocal commitments		

The € 23.5 million line of credit availed of by Virbac SA at year-end was covered by an interest rate swap up to € 19 million.

*Note 15: Consolidation Scope***Subsidiaries included in consolidation scope at 31 December 2001**

(€ thousands)	Country	% Ownership	% Voting Rights
Fully consolidated subsidiaries			
Virbac SA - Carros	France	Parent Company	
Virbac RSA (Pty) Ltd - Halfway House	South Africa	100	100
Virbac GmbH - Bad Oldesloe	Germany	100	100
Virbac Pharma GmbH - Bad Oldesloe	Germany	100	100
Virbac S/ Groupe États-Unis - Fort Worth	USA	60.68	60.68
Virbac Ltd. - Bury St. Edmunds	United Kingdom	99.95	99.95
Virbac sub-group Australia - Peakhurst	Australia	94.75	94.75
Virbac Oesterreich GmbH -Vienna	Austria	100	100
Virbac Belgium S.A. - Louvain la Neuve	Belgium	75.27	99.99
Virbac do Brasil Ltda. - Sao Paulo	Brazil	100	100
Virbac Korea Co. Ltd. - Seoul	Korea	90	90
Laboratorios Virbac S.A. - Barcelona	Spain	100	100
Virbac CZV, S.L. - Pontevedra	Spain	100	100
Alfamed S.A. - Paris	France	99.7	99.7
Soparlic S.A.R.L.- Paris	France	100	100
Dog N'Cat International S.A. - Vauvert	France	100	100
Francodex S.A. - Carros	France	99.6	99.6
Interlab SAS - Carros	France	100	100
Laboratoire Viguié S.A. - Verzeille	France	99.2	99.2
Virbac Distribution S.A. - Wissous	France	100	100
Virbac France S.A. - Carros	France	100	100
Virbac Nutrition S.A. - Vauvert	France	100	100
Virbac S.R.L. - Milan	Italy	99.9	99.9
Virbac Japan Co. Ltd. - Osaka	Japan	100	100
Laboratorios Virbac Mexico S.A. de C.V. - Guadalajara	Mexico	100	100
Commercializadora Virbac S.A. de CV. - Guadalajara	Mexico	100	100
Virbac Nederland B.V. - Barneveld	Netherlands	75.28	75.28
Virbac Philippines Inc - Pasig City - Manille	Phillipines	100	100
Virbac Polska sp. z.o.o. - Wroclaw	Poland	100	100
Virbac de Portugal Laboratorios LDA Almerim	Portugal	100	100
Virbac AG (Switzerland) - Glattbrugg	Switzerland	99.9	99.9
Virbac (Thailand) Co. Ltd. - Bangkok	Thailand	100	100
Virbac VietNam - Ho Chi Minh City	Vietnam	70	70

Consolidated Balance Sheet

Statutory Auditors' Report

Consolidated financial statements

Ladies and Gentlemen,

In compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you, for the year ended 31 December 2001 on the audit of the accompanying consolidated financial statements of Virbac SA, denominated in Euros.

The Management Board is responsible for the preparation of the financial statements. Our role is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with French generally accepted auditing standards. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatements. An audit consists of examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position, assets and liabilities, and results of the group comprising the companies included in the consolidation.

We also performed the specific verification of the information given in the Management Board report. We have no observation to make on its fairness and consistency with the consolidated financial statements.

Nice & Paris, France, 8 April 2002

DAVID & ASSOCIES

Represented by
Roger DAVID

AUDITEURS & CONSEILS ASSOCIES

Represented by
Jean-Marcel DENIS

Statutory Auditors
Members of the Regional Companies of Aix-en-Provence and Paris



EXTRACTS

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Virbac S.A Parent Company Balance Sheet

Parent Company Balance Sheet



Virbac S.A Parent Company Balance Sheet

As at 31 December 2001

Assets

(€ thousands)	Notes	31 Dec. 2001 Net	31 Dec. 2000 Net
Intangible assets	1-2	8,354	5,720
Concessions, patents, licences, brands		2,806	3,102
Other intangible assets		5,548	2,618
Property, plant and equipment	1-2	27,900	26,583
Land		1,393	1,393
Buildings		18,331	18,780
Machinery and equipment		5,370	4,458
Other PPE		1,137	1,071
Advances and prepayments		1,669	881
Investments	3	103,648	107,034
Equity investments - subsidiaries		99,204	100,436
Equity investments - other		1,006	1,006
Loans		587	737
Other investments		2,851	4,855
Total non current assets		139,902	139,337
Inventory	4	18,334	19,661
Raw materials		12,261	12,598
Work-in-process		4,368	3,999
Finished goods		1,705	3,064
Receivables	5	42,988	40,784
Trade receivables		35,448	33,918
Personnel receivables		151	108
Income tax refunds receivable		2,260	3,429
VAT refunds receivable		1,440	1,189
Other receivables		3,689	2,140
Cash and marketable securities		6,865	2,499
Advances and prepayments		141	136
Marketable securities	6	6,279	2,158
Cash	7	445	205
Prepaid expenses and deferred charges		1,035	936
Prepaid expenses	8	998	848
Deferred charges	8	0	43
Unrealised FOREX loss	9	37	45
Total assets		209,124	203,217

Equity and Liabilities

(€ thousands)	Notes	31 Dec. 2001	31 Dec. 2000
Equity	10	123,362	120,019
Share capital		10,893	10,889
Share premiums		6,379	6,316
Legal reserve		1,089	996
Regulatory reserves		43,171	43,171
Other reserves		52,044	50,714
Retained earnings		426	211
Financial year net profit		7,740	6,062
Regulated provisions	11	1,620	1,660
Third party equity contributions		250	398
Conditional advances		250	398
Provisions for liabilities and charges	11	3,763	5,105
Provisions for general risks		3,445	4,419
Provisions for FOREX losses		37	345
Provisions for litigation		281	341
Borrowings	12	50,028	47,099
Convertible bonds		-	18,012
Bank overdrafts and credit lines		24,234	2,018
Other loans and debts from financial institutions		203	69
Loans from Group companies		25,591	27,000
Operating liabilities		31,444	30,352
Trade payables		21,299	20,853
Payroll payable		3,123	3,203
Social security liabilities		2,879	3,390
Income tax payable		10	5
VAT payable		281	124
Other tax and duties payable		574	551
Liabilities relating to non-current assets		1,871	1,096
Other liabilities		1,407	1,130
Deferred gains		277	244
Unrealised FOREX gains	9	277	244
Total equity and liabilities		209,124	203,217

Parent Company Balance Sheet



Parent Company Income Statement

for the financial year ending 31 December 2001

(€ thousands)	Notes	2001	2000	% Changes
Goods and services sales		119,444	107,419	
Sales (net)	13	119,444	107,419	11.2%
Production capitalised as inventory		-974	3 540	
Operating grants		63	42	
Provisions, depreciation and amortisation reversals		1,383	760	
Other operating revenues		6,994	7,205	
Operating revenues		126,910	118,971	6.7%
Merchandise purchases		3,948	3,523	
Raw materials and supplies purchases		39,682	38,210	
Supplies inventory movements		580	-1,096	
Other external purchases		34,251	34,260	
Taxes and duties		3,537	3,375	
Salaries and wages		22,880	21,779	
Social security charges		9,399	8,942	
Non current assets depreciation/amortisation and writedown provision charges		5,595	5,495	
Current assets writedown provision charges		527	849	
Other operating expenses		1,974	957	
Operating expenses	14	122,373	116,294	5.2%
Operating profit		4,537	2,677	69.5%

(€ thousands)	Notes	2001	2000	% Changes
Investment income - subsidiaries		8,672	6,244	
Interest and related income		251	470	
Provision reversals and cost transfers		1,416	983	
FOREX gains		860	607	
Gains on marketable securities disposals		95	467	
Total finance income	15	11,294	8,771	28.8%
Writedown provision charges		3,044	529	
Interest and related expenses		4,228	3,943	
FOREX losses		5	53	
Losses on marketable securities disposals		8	1	
Total finance expenses	15	7,285	4,526	61.0%
Net finance income		4,009	4,245	-5.6%
Profit from ordinary activities		8,546	6,922	23.5%
Exceptional income - operating activities		1	72	
Exceptional income - financing and investing activities		609	48	
Provision reversals and cost transfers		1,760	1,401	
Exceptional income	16	2,370	1,521	
Exceptional expenses - operating activities		2,138	623	
Exceptional expenses - financing and investing activities		55	130	
Depreciation, amortisation and provision charges		1,079	1,368	
Exceptional income	16	3,272	2,121	
Net exceptional expenses		-902	-600	50.3%
Employee profit sharing plan contributions		512	311	
Income tax	17	-608	-51	
Net profit		7,740	6,062	27.7%

Parent Company Balance Sheet



Parent Company Cash Flow Statement

for the financial year ending 31 December 2001

(€ thousands)	2001	2000
Financial year net profit	7,740	6,062
Elimination of non-cash flow Income Statement items		
Depreciation, amortisation and writedown charges	6,542	4,894
Gains/losses on asset disposals	26	87
Other income and expenses not affecting cash flow	-579	0
Cash generated from operations	13,728	11,043
Impact of working capital items net movements		
Inventories	1,326	-4,558
Trade receivables	-1,530	2,831
Trade payables	1,221	1,230
Other operating receivables and payables	-1,917	6,831
Net cash from operating activities	12,828	17,377
Non-current asset acquisitions		
Intangible assets	-3,725	-1,880
Property, plant and equipment	-5,833	-4,086
Investments	-1,042	-8,756
Non-current asset disposals	2,287	1,592
Net cash used in investing activities	-8,313	-13,130
Dividends paid by the parent company	-4,424	-4,050
Share capital increase	66	0
Investment grants	0	-6
New borrowings	0	1 389
Borrowing repayments	-18,011	-14,577
Net cash used in financing activities	-22,369	-17,244
Decrease in cash and cash equivalents	-17,855	-12,997

5 Year Financial Highlights

(€ thousands)	1997	1998	1999	2000	2001
Year-end financial situation					
Share capital	9,960,461	9,960 461	9,960,461	10,889,390	10,892,940
Number of existing shares	2,177,878	2,177,878	2,177,878	2,177,878	2,178,588
Number of shares with dividend rights	2,177,878	2,177,878	2,177,878	2,177,878	2,178,588
Sales and profitability results					
Sales	103,344,729	97,753,917	102,356,847	107,418,551	119,444,290
Profit before tax, profit sharing plan contributions, amortisation, depreciation and writedown provision charges	15,157,263	52,561,893	18,541,051	11,536,741	13,400,494
Income tax	472,127	3,112,305	2,010,847	-51,055	-608,324
Amortisation, depreciation and provision charges	2,588,378	5,435,895	7,095,964	5,215,138	5,757,139
Net profit	11,826,903	43,770,175	9,168,225	6,061,858	7,739,951
Dividends	3,320,154	3,574,835	4,050,587	4,638,880	5,010,752
Earnings and dividends per share					
Earnings per share - after tax and profit sharing plan contributions, but before amortisation, depreciation and writedown provision charges	6.74	22.71	7.59	5.18	6.20
Earnings per share - basic	5.43	20.10	4.21	2.78	3.55
Dividends per share	1.52	1.68	1.86	2.13	2.30
Workforce					
Average manpower	707	654	699	728	747
Salaries and wages	21,172,969	18,993,487	20,278,947	21,779,022	22,880,376
Social security charges	9,864,965	8,732,446	8,481,348	8,941,605	9,399,261



Notes to the Parent Company Financial Statements

Accounting Principles and Methods

The parent company financial statements are prepared in accordance with the accounting principles and methods prescribed in the French General Accounting Plan of 1982 and the Application Decree of 1983. The following notes list the major valuation principles and methods used in the preparation of the 2001 financial year statements.

Note 1: Intangible Assets and Property Plant & Equipment - Movements

(€ thousands)	1 Jan. 2001	Additions/Charges	Disposals	Transfers	31 Dec. 2001
Intangible assets					
Gross Book Value	14,241	3,725	193		17,773
Accumulated Amortisation	8,521	1,084	185		9,420
Total net book value	5,720	2,642	8	0	8,354
Property, plant and equipment					
Gross Book Value					
Land	1,393				1,393
Buildings	35,785	1,783	89		37,479
Equipment and machinery	24,606	2,562	468	386	27,086
Other PPE	3,173	314	34		3,453
Assets under construction	386	873		-386	873
Advances and prepayments	495	302			797
Total Gross Book Value	65,838	5,834	591	0	71,081
Accumulated Depreciation					
Land					
Buildings	17,005	2,210	67		19,148
Equipment and machinery	20,148	2,012	445		21,715
Other PPE	2,102	247	33		2,316
Assets under construction					0
Advances and prepayments					0
Total Accumulated	39,255	4,469	544	0	43,180
Net Book Value					
Land	1,393	0	0	0	1,393
Buildings	18,780	-427	22	0	18,331
Equipment and machinery	4,458	550	23	386	5,371
Other PPE	1,071	67	1	0	1,137
Assets under construction	386	873	0	-386	873
Advances and prepayments	495	302	0	0	797
Total net book value	26,583	1,365	47	0	27,900

Note 2: Intangible Assets and Property, Plant and Equipment - Valuation

Property, plant and equipment and intangible assets are recorded at their acquisition cost. Valuation principles and methods applied to these assets and their related movements during 2001 were as follows

Intangible assets

Concessions, patents and licences acquired by the Company, as well as trademark registration costs, are recorded as Balance Sheet assets at their original book values for as long as the trademarks are exploited.

Patents, licences and concessions are amortised on a straight-line basis over a period of 5 to 10 years, based on their nature

Business goodwill is amortised on a straight-line basis over a period of 10 years.

Other intangible assets notably include computer software:

- Standard office computer software is amortised on a straight-line basis over 3 years, from the date of its recording as an asset.
- Information systems project software, including licenses acquisition costs and significant consulting

costs, are capitalised as an asset as they are incurred and are subsequently amortised on a straight-line basis over 4 to 7 years, from the start-up date of these systems.

Research and Development costs are expensed as incurred, unless they relate to major contracts, are clearly identifiable and are of long duration, in which case they are capitalised as an asset and amortised over their economic life. No Research and Development costs were capitalised during the 2001 financial year.

Property, plant & equipment

Property plant and equipment are recorded at their acquisition cost, excluding accessory costs but including installation costs.

Depreciation is calculated over the normal economic useful life of the assets, either on a straight-line basis or declining basis, with the straight-line basis reflecting the true economic depreciation of the asset.

Property, plant and equipment assets are depreciated over the following periods:

• buildings	20 years
• leasehold improvements and fittings and fixtures	10 years
• machinery and industrial equipment	5 years
• other facilities and equipment	10 years
• office and computer equipment	5 years

Note 3: Investments

Investments movements

(€ thousands)	1 Jan. 2001	Acquisitions	Disposals	Transfers	31 Dec. 2001
Investments					
Equity investments - subsidiaries	100,723	1,624			102,347
Related receivables	860				860
Equity investments - others	146				146
Other investments	5,592	105	246	-2,014	3,438
Total gross book value	107,321	1,730	246	-2,014	106,791
Writedown provisions	288	2,857			3,144
Total write down provision	288	2,857	0	0	3,144
Total net book value	107,034	-1,127	246	-2,014	103,648

Equity investments - subsidiaries

Equity investments – subsidiaries, relate primarily to equity stakes held by the Company in its subsidiaries. These investments are recorded at their acquisition cost, and exclude related costs.

At year-end, a provision for writedown may be established to reflect their net asset value, current financial situation and future prospects.

Parent Company Balance Sheet



Equity Investments Movements Subsidiaries

(€ thousands)	2001
Virbac Australia Pty	146
Virbac CZV	300
Virbac Mexico	582
Virbac Polska	592
Other	5
Total acquisitions	1,624

In 2001, Virbac SA increased its equity stake in Virbac CZV from 50% to 100%.

The Mexican subsidiary was split into two, pursuant to a partial disposal, retroactive from 1 January 2001, resulting in the transfer of the assets of Laboratorios Virbac Mexico to a new company, Virbac Comercializadora.

The increased investment in Virbac Polska arises from the incorporation into the share capital of this subsidiary of outstanding receivables owed to Virbac SA.

Equity investments - other

Equity investments - others relate to minority interest stakes held in companies whose activities or development may be of future interest to the Group.

Other investments

Other investments primarily consist of 32,950 treasury shares amounting to € 2.7 million (See note 7).

Note 4: Inventories

The cost of raw materials inventory is determined using the weighted average method and includes related costs. Finished product costs incorporate their full production costs.

A provision for writedown is established, where necessary, when the net realisable value or sales prospects of inventory is less than its related book cost.

At 31 December 2001, this provision amounted to € 0.4 million.

Note 5: Receivables and Liabilities

Receivables and liabilities are valued at their nominal values.

A provision for writedown is established for receivables, where necessary, to reflect possible difficulties in their collection.

At 31 December 2001, this provision amounted to € 0.5 million, of which € 0.4 million related to trade receivables and € 0.1 million related to other receivables.

Note 6: Marketable Securities

Marketable securities comprise 67,425 treasury shares, valued at € 4 million, that have been set aside for stock options plans.

The company shares buyback programmes were the objects of Information Notes authorised by the Commission des Opérations de Bourse, with the most recent, no 01-682, received on 31 May 2001.

At 31 December 2001, the Company also held 1,459 treasury shares pursuant to a liquidity contract.

Unrealised holding gains on marketable securities are only recorded in income upon disposal. No provision for writedown was established, given that the average market price of marketable securities held during the last month of the financial year exceeded their related book value.

Marketable Securities Breakdown

(€ thousands)	2001	2000
Treasury shares	4,147	2,071
SICAV (mutual funds)	2,132	87
Total	6,279	2,158
Unrealised capital gains	1,873	667

Note 7: Cash

Foreign currency denominated cash balances are translated into Euros at the year-end exchange rate, with any resulting gain or loss recorded in the Income Statement.

currency, leading to a provision for exchange loss when no forward cover has been secured.

Deferred foreign exchange gains are not recognised as income.

Note 8: Deferred Charges and Prepaid Expenses

Deferred charges

€ 43 thousand in deferred charges were expensed during 2001 to reflect the establishment of one Virbac France brand on the French market.

Prepaid expenses

Prepaid expenses relate primarily to various external services and goods to be delivered during 2002.

Note 9: Deferred Foreign Exchange Gains and Losses

Deferred foreign exchange gains and losses relate to the translation of foreign currency denominated receivables and liabilities into Euros at year-end.

Deferred foreign exchange losses arise from the Company's overall loss position for a given foreign

Note 10: Equity

Share capital

At 31 December 2001, share capital comprised 2,178,588 shares with an aggregate book value of € 10,892,940.

At the beginning of 2001, 534 convertible bonds were converted into 710 new shares, resulting in a share capital increase of € 3,550 and a share premium increase of € 62,810.

Reserves and retained earnings

The Company held 101,834 own (treasury) shares valued at € 6,894 thousand, of which € 2,747 thousand were classified as other investments at 31 December 2001.

No dividends are payable to the Company on its holdings of treasury shares. For 2001, the value of dividends relating to treasury shares amounted to € 214,800, and this amount was allocated to retained earnings.

Equity Movements during 2001

(€ thousands)	Allocation of 2000 Financial Year Net Profit					Allocation of 2001 Financial Year Net Profit		
	Before	Allocation	After	Increases	Decrease	Before	Allocation	After
Number of shares at 31 December	2,177,878		2,177,878	710		2,178,588		2,178,588
Number of shares with right to dividend	2,177,878		2,177,878	710		2,178,588		2,178,588
Share capital	10,889		10,889	4		10,893		10,893
Share premium	6,316		6,316	63		6,379		6,379
Financial Year Net Profit	6,062					7,740		
Legal reserve	996	93	1,089			1,089		1,089
Regulated reserve	6,884		6,884			6,884		6,884
Other reserves	87,001	1,330	88,331			88,331	2,729	91,060
Retained earnings	211		211	215		426		426
Dividend distribution		4,639					5,011	
Legal depreciation/amortisation	1,660		1,660		40	1,621		1,621
Total	120,019		115,380	281	40	123,362		118,351

Parent Company Balance Sheet



Note 11: Provisions

Regulated provisions

Regulated provisions relate to legal amortisation and depreciation.

Provisions for liabilities and charges

Provisions for liabilities and charges relate to known charges and litigation (foreign exchange risks, retirement benefits and costs, commercial disputes)

as well as general economic risks that are the objects of an assessment (product risk, regulatory and tax risks and potential litigation).

Retirement benefits are calculated using a prospective actuarial method and take into account employees' seniority, rotation and life expectancies based on mortality tables. Future benefits prescribed by the Law on Collective Agreements thus calculated are discounted using a 4% rate, consistent with prior years.

Provisions Movements

(€ thousands)	1 Janv. 2001	Charges	Reversals	Transfers	31 Dec. 2001
Regulated provisions					
Legal	1,660	544	583		1,620
Total	1,660	544	583	0	1,620
Provisions for liabilities and charges					
Provisions for general risks	1,632		420		1,212
Provisions for bond premiums repayment	1,070		1,070		0
Provisions for pension and retirement benefits	1,578	346			1,923
Provisions for FOREX losses	345	37	345		37
Provisions for litigation	341		60		281
Other provisions for liabilities and charges	138	309	138		309
Total	5,105	692	2,034	0	3,763
Provisions for writedowns					
Non-current asset writedowns	456	2,857			3,313
Current asset writedowns	2,259	557	1,870		946
Total	2,715	3,413	1,870	0	4,259
Total - all provisions	9,480	4,649	4,487	0	9,642

Note 12: Borrowings

Virbac SA has established two lines of credit amounting to € 61 million.

The Company had tapped one line of credit for

€ 23.5 million as at 31 December 2001, following the retirement of the convertible bond that matured on 1 January 2001.

The tapped line of credit amount is covered by a fixed interest rate swap for € 19 million.

Note 13: Sales

Analysis of sales by geographic region and type

(€ thousands)	2001	2000
France	46,264	44,921
Export	73,180	62,498
Total	119,444	107,419
Merchandise and products	115,910	103,737
Services	3,535	3,682
Total	119,444	107,419

Note 14: Operating Expenses

Research and development costs

Virbac SA undertakes the necessary Research and Development work regarding the registration and commercialisation of nearly all of the Group's specialties.

Research and Development costs are expensed as incurred, unless they relate to major contracts, are clearly identifiable and are of long duration, in which case they are capitalised as an asset and amortised over their economic life.

No Research and Development costs were capitalised during the 2001 financial year.

Note 15: Finance Income and Expenses

Finance income arose from dividends received from subsidiaries and income earned on cash and marketable securities.

Unrealised capital gains on mutual funds holdings are only recognised as income when the mutual funds they relate to are disposed of.

A provision for writedown is established when the financial situation and financial prospects of the subsidiary so justify.

2001 provision writedown charges related to the following investments:

VIRBAC do Brasil :	€ 2.3 million
VIRBAC Polska :	€ 0.6 million
Vetarome :	€ 0.1 million

Finance Expenses

(€ thousands)	2001	2000
Provision charges		
- FOREX loss	37	345
- bond premium		184
- investment writedowns	3,007	
Interest and related		
- interest on borrowings and lines of	1,244	1,405
- related finance	2,984	2,538
FOREX loss	6	53
Net expenses relating to marketable securities disposal	8	1
Total	7,286	4,526
Finance income		
Investment income - subsidiaries	8,672	6,244
Investment income - marketable		94
Income from various	243	376
Provisions reversal	1,416	983
FOREX gains	860	607
Net proceeds from marketable securities disposal	95	467
Other finance income	8	
Total	11,294	8,771

Parent Company Balance Sheet



Note 16: Exceptional Income and Expenses

(€ thousands)	2001	2000
Exceptional expenses		
Net book value of disposed non-current assets	55	130
Abandonment of subsidiary receivables	1,530	
Bad debts writeoffs	575	623
Provision charges		
- regulated	544	471
- liabilities and	535	898
Other exceptional expenses	33	
Total	3,272	2,122
Exceptional income		
Proceeds from non-current assets	609	43
Allocation of government grant to	0	5
Reversal of regulated provisions	583	966
Reversal of provision for liabilities and	1,177	434
Other exceptional income		73
Total	2,370	1,521

Note 17: Income Tax

Virbac SA and most of its French subsidiaries are considered as an Income Tax Group pursuant to Article 68 of the Law of 30 December 1987.

Each company recognises its own income tax charge in its own accounts.

Virbac SA, as the only Income Tax Group representative, records on behalf of the whole Group its outstanding income tax liability or refund receivable from the French State. For 2001, the Company recognised an income tax refund of € 462 thousand for the Group. In addition, the Company recognised an R & D income tax credit of € 213 thousand.

Future Income Tax Increases and Decreases

(€ thousands)	2001	2000
Increases		
Legal amortisation/depreciation	574	604
Provision for foreign locations	0	7
Decreases		
Long term losses	855	251
Joint contributions	60	55
Unrealised gains – marketable securities	1	0
Unrealised gains - FOREX	98	0
Pension commitments	594	540
Bonds	0	390
Other provisions	87	334

Note 18: Other Information

Analysis of receivables and liabilities

(€ thousands)	Gross Book Value	Within 1	1 to 5 years
Non-Current Receivables			
Receivables relating to equity investments in	860		860
Loans	587	133	455
Other investments receivables	2,851	89	2,763
Current Receivables			
Trade receivables	35,873	35,873	
Subsidiary receivables	3,320	3,320	
Other operating receivables	4,325	4,325	
Prepaid expenses and deferred charges	997	997	
Total Receivables	48,813	44,736	4,077
Liabilities			
Bank overdrafts	734	734	
Borrowings - lines of credit	23,500	23,500	
Borrowings - other	60	23	37
Subsidiary liabilities	25,591	25,591	
Trade liabilities	21,299	21,299	
Tax and social security	6,866	6,866	
Liabilities relating to non-current assets	1,871	1,871	
Other liabilities	1,407	1,407	
Total Liabilities	81,329	81,291	37

Inter-Group Transactions

Analysis of intergroup balances by nature

(€ thousands)	2001	2000
Equity investments - subsidiaries	99,204	107,180
Equity investments - other	146	146
Loans	492	737
Trade receivables	28,086	28,662
Other receivables (treasury current accounts)	3,320	2,273
Trade liabilities	1,869	1,549
Other liabilities (treasury current)	25,591	27,000

Parent Company Balance Sheet



Finance leases

Finance leases relate primarily to facilities located in the Paris region, consisting of office buildings and storage and distribution centres for the complete

range of products offered by the Company and its French subsidiaries.

Finance Leases

(€ thousands)	2001	2000
Gross Book Value	4,635	4,635
Accumulated depreciation		
Prior years	1,854	1,629
2001 charge	225	225
Lease		
Prior years	4,415	3,883
2001 payments	526	532
Outstanding payments		
Within 1 year	520	526
Between 1 and 5 years	1,880	2,255
After 5 years	575	631
Residual Value	507	507

Off-Balance Sheet Commitments

(€ thousands)	2001	2000
Commitments		
Guarantees, endorsements and sureties	9,186	9,193
Reciprocal		
Forward FOREX sales contracts	6,260	12,293
Forward FOREX purchases contracts	2,224	5,177
Other		
Finance leases - buildings	2,975	3,412
Rental agreements - computer	903	879

Supervisory board remuneration

Supervisory Board members received € 32,929 in attendance and various other fees.

Workforce Size

Average manpower

	2001	2000
Management	209	189
Supervisors and technicians	323	322
Workers	145	145
Employees	61	59
Apprentices	9	13
Total	747	728

Investments in Subsidiaries at 31 Dec. 2001

(in thousands)	Share capital	Reserves and Ret. Earnings before net Profit/Alloc.	% share capital held	Investments book value	Number shares held	Loans and Receivables outstanding	Value of guarant. & endor.	Most rec. fin. year ex VAT sales	Most recent fin. year net Profit/loss	Dividends paid to Virbac SA	Change in net equity
					%	€	€	Loc. Cu	Loc. Cu	€	€
French subs.											
Alfamed S.A. - 38, rue d'Arois (Paris)	40 €	125 €	100	685	1,003	-	-	1,939	231	145	-
Francodex S.A. - 1 ^{er} Av 2065 m LID (Carros)	2,243 €	727 €	100	2,270	148,898	-	-	8,328	300	179	-
Virbac Nutrition S.A. - 252 rue Lamour (Vauvert)	494 €	411 €	100	2,333	30,849	38	-	7,397	-543	-	-
Virbac France S.A. - 13 ^e Rue LID (Carros)	240 €	7,521 €	100	40,761	10,434	-	-	69,725	4,035	2,786	-
Vigüé S.A. - (Verzelle St Hilaire)	38 €	392 €	99	473	995	-	-	1,323	119	-	-
Virbac Distribution S.A. - 10 Av Ampère (Wissous)	40 €	26 €	100	38	2,491	-	-	2,624	-70	50	-
Dog N'Cat International S.A. - 252 rue Lamour (Vauvert)	80 €	455 €	100	573	4,994	-	-	3,647	-312	-	-
Inerlab S.A.S. - 13 ^e Rue LID (Carros)	22,694 €	367 €	100	23,064	1,512,909	-	-	-	-	-	-
Soparlic S.A.R.L. - 38, rue d'Arois (Paris)	9 €	-22 €	100	9	500	-	-	-	-98	-	-
Indl subs.											
Virbac A.G. - Sous Groupe Glatbrugg (Switz.)	200 chf	963 Chf	100	115	1,998	-	-	6,290	243	171	1,51047 // 1,4829
Virbac Nederland B.V. - Barneveld (Netherlands)	45 €	3,156 €	75	812	67	-	-	9,719	425	275	-
Virbac Ltd - Suffolk (UK)	2Cbp	2,473 Cbp	100	3	1,999	-	-	11,238	793	-	0.62358 // 0.6085
Virbac do Brasil Ltda. - Sao Paulo (Brazil)	11,035 Bre	-2,758 bre	100	5,403	10,851,999	-	-	23,760	-1,878	-	2,11634 // 2,04246
Virbac S.R.L. - Milano (Italy)	1,601 €	1,188 €	100	1,610	99,800	-	-	8,273	13	-	-
Virbac Commercializadora - Guadalajara (Mexico)	5,725 mpx	5,467 mpx	100	1,240	569,950	-	-	160,017	17,963	-	-
Virbac Mexico S.A. de C.V. - Guadalajara (Mexico)	4,472 mpx	27,536 mpx	100	2,974	6,883,904	-	-	88,210	2,282	1,672	8,32037 // 8,04059
Virbac (Australia) Pty Ltd. - Peakhurst (Australia)	2,500 aud	9,666 aud	95	3,809	2,368,750	236	4,745	56,860	2,928	-	1,73918 // 1,728
Virbac Espana. S.A. - Barcelona (Spain)	601 €	2,094 €	95	725	95,000	-	-	18,589	1,530	1,335	-
Virbac Japan Co. Ltd. - Osaka (Japan)	120,000 jpy	-121,333 jpy	100	960	600	-	-	532,431	51,341	-	109,41306 // 115,33
Virbac Pharma GmbH - Bad Oldesloe (Germany)	102 €	-30 €	100	71	2,000	-	-	-	-15	1,613	-
Virbac GmbH - Bad Oldesloe (Germany)	440 €	1,778 €	99	1,521	852,500	-	-	22,262	2,212	-	3,67004 // 3,4953
Virbac Polska sp. z o.o. - Wroclaw (Poland)	2,937 plz	-3,332 Plz	100	3	100	-	-	-	366	-	-
Virbac Osterreich GmbH - Wien (Austria)	36 €	-1,651 €	50	18	50	218	73	2,093	1,570	28	-
Virbac Thailand Co Ltd - Bangkok (Thailand)	3,400 Thb	100 Thb	91	84	9,100	-	-	104,656	2,297	-	39,86174 // 38,8915
Virbac de Portugal Lda - Almerim (Portugal)	5 €	2,026 €	95	2	380	-	-	4,848	1,141	-	-
Virbac Csz S.L. - Pontewdra (Spain)	544 €	-13 €	100	573	100	-	-	-	-	-	-
Virbac Korea Co.Ltd - Seoul (Korea)	1,600,000 Won	-255,116 Won	90	1,028	288,000	-	-	3,876,497	486,829	260	1154,56343 // 1161,55
Virbac Viet nam - Ho Chi Minh City (Vietnam)	22,485,130 Vnd	-539,711 vnd	63	960	630	10	1,211	30,671,413	2,770,077	14	13203,68598 // 13249,6
Virbac RSA Pty Ltd - Halfway House (South Africa)	51 Zar	33,629 zar	100	4,863	7,000	-	5	104,070	309	-	7,64951 // 10,4302
Virbac Philippines Inc. Pasig City (Philippines)	38, <Aucun>000 Php	-39 Php	100	990	37,999,997	-	397	60,302	1,235	-	45,6002 // 45,5245

General information

French non-consolidated subsidiaries
 - International non-consolidated subsidiaries

1,224
9



Statutory Auditor's Report Parent Company Financial Statements

Ladies and Gentlemen,

In compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you, for the year ended 31 December 2001 on:

- the audit of the accompanying Virbac SA parent company financial statements, denominated in Euros,
- specific verifications and information required by law,

The Management Board is responsible for the preparation of the financial statements. Our role is to express an opinion on these financial statements based on our audit.

Opinion on the parent company financial statements

We conducted our audit in accordance with the professional standards applied in France. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the parent company financial statements are free of material misstatements. An audit consists of examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Specific verifications and information

We also performed the specific verifications required by law, in accordance with professional standards. We have no observation to make on the fairness and conformity with the parent company financial statements of information given in the Management Board Report and in the documents addressed to shareholders on the financial situation and the parent company financial statements.

Nice & Paris, 8 april 2002

DAVID & ASSOCIES
Represented by
Roger DAVID

AUDITEURS & CONSEILS ASSOCIES
Represented by
Jean-Marcel DENIS

Statutory Auditors
Members of the Regional Companies of Aix-en-Provence and Paris

The Virbac logo consists of the word "Virbac" in a white, italicized, sans-serif font, underlined with a thin white line, all contained within a dark blue rectangular box.

EXTRACTS

2 0 0 1 F I N A N C I A L R E P O R T



Supervisory Board Report

Text of Resolutions Submitted to the
Combined General Meeting of 13 June
2002 Ordinary and Extraordinary
Sessions

Supervisory Board Report

Ladies and Gentlemen,

The Supervisory Board has reviewed the financial statements for the financial year ending 31 December 2001, as prepared by the Management Board and certified by the Statutory Auditors, and, having considered the Management Board Report for this financial year, brings to your attention the following major points:

- Group sales increased by 7.4% to € 349.5 million, primarily as a result of organic growth. Group operating profit improved by 8.2% to € 33.4 million, with Group net profit improving by 12.1%. Over the last five years, Group sales have increased by 70% and Group net profit has improved by 80%.
- The Group's 60% owned US subsidiary, Virbac Corp., listed on the Nasdaq Stock Exchange (New York), achieved sales of nearly € 65 million, accounting for over 18% of Group sales. Virbac Corp ended the year with a market capitalisation value in excess of \$US 110 million, with its share price enjoying a 52% rise in value during 2001.
- Group Earnings per Share improved to € 7.10 from € 6.34 for 2000 and € 5.15 for 1999, representing a 38% improvement between 1999 and 2001.
- The Company's share price closed the year at € 86, enjoying a 7.5% increase during 2001, while the SBF 250 Index dropped 22%.

These positive results reflect the dynamism and value of the Group's workforce.

Virbac is progressively putting into place structures that reflect its commitment to corporate governance. A management remuneration committee was recently established and an audit committee will be established in 2002.

A third instalment of the Company's stock purchase option plan, which was established in April 2002 for the benefit of Management Board members and Company and subsidiaries' management and employees will be made available during 2002. This plan, which was entirely financed by the buyback by Virbac of its own shares, will enable the allocation of 78,425 options representing 3.6% of the Company's share capital.

Taking into account the financial results achieved for 2001, the favourable prospects for 2002 and the Group's commitment to develop through organic growth and growth through acquisitions, a proposal will be submitted to the Annual General Meeting to distribute a dividend of € 2.30 per share (€ 3.45 per share with tax credit), representing 32% of the Group's net profit for 2001. This proposed dividend distribution represents an 8% rise on the previous year's payment and mirrors the somewhat higher increase in Group net profit.

A four-for-one stock split will also be proposed, in order to improve share liquidity and make it more accessible to individual investors.

More generally, the Supervisory Board has approved the text of the resolutions that will be proposed and recommends their acceptance by the Annual General Meeting.

The Supervisory Board particularly wishes to thank the Group's workforce throughout the world for their contributions in making these results possible, as well as the shareholders for their confidence in the Group.

The Supervisory Board

Text of Resolutions Submitted to the Combined General Meeting of 13 June 2002 Ordinary and Extraordinary Sessions

1 - Ordinary Session

First resolution

The Annual General Meeting, having considered the Management Board Report and the Supervisory Board Report, as well as the Statutory Auditors' Reports, hereby approves the parent company financial statements for the financial year ending 31 December 2001 as presented, as well as the transactions reflected in these statements and summarised in these reports.

The Annual General Meeting also approves the aggregate expenses of € 47,263 incurred during 2001 concerning transactions covered by Article 39-4 of the French General Income Tax Code. Accordingly, it hereby fully and unreservedly discharges the Members of the Management Board for their management in the 2001 financial year.

Second resolution

The Annual General Meeting, having considered the Management Board Report and the Supervisory Board Report, as well as the Statutory Auditors' Reports, hereby approves the consolidated financial statements for the financial year ending 31 December 2001 as presented.

It also approves the transactions reflected in these statements and summarised in these reports.

Third resolution

The Annual General Meeting decides to allocate the Company's 2001 financial year net profit of € 7,739,951 as follows:

- dividend distribution amount	€ 5,010,752
- discretionary reserve allocation	€ 2,729,199
2001 financial year net profit fully allocated	€ 7,739,951

A € 2.30 net dividend per share (€ 3.45 gross dividend per share incorporating a 50% tax credit) will be paid on each share (€ 5.00 par value).

These dividends will be paid through Banque SanPaolo, 52 avenue Hoche, 75008 Paris, France.

The Meeting also notes the following dividends distribution during the previous three financial years:

Financial year	Net Divid. per Share	Tax Credit per Share	Gross Divid. per Share	Total Divid. distribution
1998	€ 1.68	€ 0.84	€ 2.52	€ 3,574,835.09
1999	€ 1.86	€ 0.93	€ 2.79	€ 3,923,495.00
2000	€ 2.13	€ 1.07	€ 3.20	€ 4,424,163.00

Fourth resolution

The Annual General Meeting, having considered the Statutory Auditors' Special Report, hereby approves the report and agreements covered by Article L.225-86 and subsequent of the French Commercial Code.

Fifth resolution

The Annual General Meeting decides to allocate a sum of € 42,700 in attendance fees for 2001 to be distributed among members of the Supervisory Board.

Sixth resolution

The Annual General Meeting, having considered the Management Board report and the Information Note approved by the Commission des Opérations de Bourse, authorises the Management Board, in accordance with the provisions of Article L.225-209 of the French Commercial Code, to buy back its own shares in order to:

- stabilise the share price, by systematically intervening against market trends;
- allocate shares of the Company to employees and managers of the Group through stock purchase options pursuant to Articles L.225-179 and subsequent of the French Commercial Code;
- ultimately hold, dispose of or transfer shares thus acquired.

The maximum share buyback price is set at € 200 and the minimum treasury share resale price is set at € 50.

This authorisation, which cancels and replaces all previous authorisations of the same nature, and in particular that authorisation granted by the Annual General Meeting of 21 June, 2001 (fifteenth resolution), is granted for a period of eighteen months from the date of the present Meeting.

The maximum number of shares thus acquired may never exceed at any time 10% of the share capital. The maximum number of shares will include shares previously acquired within the framework of aforementioned previous authorisations and those acquired within the framework of a liquidity contract.

In order to ensure the execution of the present authorisation, all powers are granted to the Management Board, which may delegate these said powers to undertake share buybacks as well as the transfer and disposal of these shares on the market or over-the-counter by any means and in accordance with regulations in force; conclude all agreements notably with regard to the maintenance of share buyback and resale registries; complete all declarations to the Commission des Opérations de Bourse and any other organisation; complete any other formality and in a general manner, do what is necessary.

Seventh resolution

The Annual General Meeting ratifies the appointment to the Supervisory Board of the French non-trading

company INVESTEC, with registered offices located at 95 avenue de la Lanterne 06200 Nice, France, represented by Marie-Hélène Dick Madelpuech, which was provisionally appointed by the Supervisory Board at its meeting of 27 September 2001, in substitution of Marie-Hélène Dick Madelpuech.

As a result, the INVESTEC company represented by Marie-Hélène Dick Madelpuech will exercise its duties for the remaining term of its predecessor, that is until the end of the Meeting convened to approve the financial statements for the financial year ending 31 December 2003.

2 – Extraordinary Session

Eighth resolution

The Annual General Meeting, considering in accordance with the provisions of the Law n° 2001-420 of 15 May 2001 relative to new business regulations, decides to harmonise the bylaws affected by modifications to Article 7, Article 11 relating to the Management Board and Article 18 relating to regulated agreements, as follows:

Article 7

The first sentence of the third paragraph is modified as follows: "Bearer shares may be considered as identifiable bearer shares, pursuant to legal conditions prescribed in Article L 228-2."

Article 11

"The Management Board is appointed by the Supervisory Board for a period of 3 years from this date.

Management Board members will discharge their duties in accordance with the law and bylaws. Management Board members may be dismissed from their duties at any time by either the General Meeting or Supervisory Board, pursuant to the provisions of Article L 225-61 of the French Commercial Code."

Article 18

Agreements subject to authorisation:

"All agreement directly or indirectly (through an intermediary person) concerning the Company and one of its Management Board members, Supervisory Board members, one of its shareholders holding voting rights in excess of 5% or, in the case of a company shareholder, its controlling company as defined by Article L. 233-3, must be subject to prior authorisation by the Supervisory Board.

The same applies to agreements to which one of the persons covered by the preceding paragraph is concerned.

Also subject to prior authorisations are agreements between the Company and another company, if one of the members of the Management Board or Supervisory Board of the company is an owner, managing partner, general manager, Director, CEO, Supervisory Board member or, in general, a manager of this other company."

The rest of the Article remains unchanged.

Ninth resolution

The Annual General Meeting, having considered the Management Board report:

- decides to undertake a four-for-one stock split of Virbac shares (and its par value);
- sets the new par value of Virbac shares at € 1.25;
- decides that the 2,178,588 shares, with a par value each of € 5 that comprise the share capital of Virbac, will be exchanged, pursuant to the payment of a dividend from the 2001 financial year net profit, on the basis of four new shares for each existing share,

thereby resulting in a new share capital comprising 8,714,352 shares with a par value each of € 1.25, noting that each new share maintains the same rights as the existing shares, including, where applicable, the double voting right;

- modifies as follows Article 6 of the bylaws:

The share capital is € 10,892,940.

It is divisible into 8,714,352 fully paid up shares, each with a par value of € 1.25.

- delegates to the Management Board, with the discretionary powers of sub delegation, all powers to undertake all adjustments made necessary by this split and to complete all acts, formalities and declarations resulting from this decision.

Tenth resolution

The Annual General Meeting grants all powers to the holder of copies or extracts of the current minutes in order to complete all publication, filing and other formalities.