



2007 Annual report

Passionate about animal health

Mission

An animal health specialist, Virbac has been treating companion and food producing animals for almost 40 years. Striving to enhance our knowledge and understanding of them every day, we endeavour to design treatments that meet their specific needs.

We offer practitioners and animal owners products that are easy to use and services that are evermore effective.

We also make every effort to promote animal health throughout the world.

Overview of the Virbac Group

A laboratory dedicated to animal health

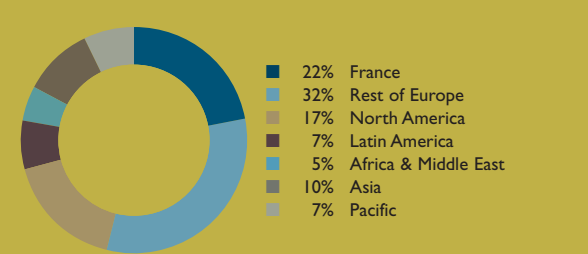
Founded in 1968 by a French veterinarian, Virbac is the first independent laboratory worldwide, exclusively dedicated to animal health. Present in more than 100 countries, the company develops, makes and distributes the widest range of products and services intended for the prevention and treatment of the main pathologies in companion and food producing animals.

Animal health market

Rank	Companies	Sales 2007 MUSD	Market share
1	Schering-Plough	2,710	15.1%
2	Pfizer	2,639	14.7%
3	Merial	2,449	13.7%
4	Bayer ⁽¹⁾	1,308	7.3%
5	Fort Dodge	1,042	5.8%
6	Elanco	996	5.6%
7	Novartis ⁽¹⁾	990	5.5%
8	Virbac ⁽¹⁾	600	3.3%
9	Boehringer Ingelheim	558	3.1%
10	CEVA ⁽¹⁾	460	2.6%

(1) excluding non animal health business

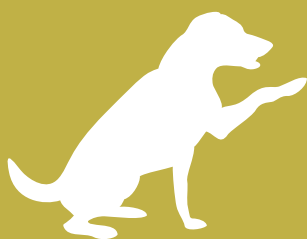
Distribution of sales in percentage



*Source: Vetnosis, formerly the animal health business of Wood Mackenzie 2007

**CEESA Western Europe 2007

***proforma at constant exchange rates



Profile

8th veterinary laboratory in the world*

6th veterinary laboratory in Europe**

2,737 employees

+8.0% growth in sales in 2007***

A strong international presence

78% of sales outside France

25 commercial subsidiaries outside France

A commercial presence in over **100** countries

63% of employees outside France

5 R&D centres (France, United States, Australia, Mexico and Vietnam)

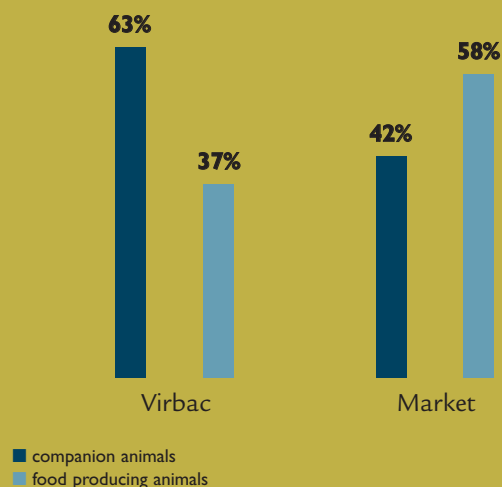
Production sites in each of the **7** large markets (France, United States, Brazil, Mexico, South Africa, Australia and Vietnam)

Strong positions in all segments

7th in the world in companion animals and **6th** in Europe**;
a pioneer on the market with strong growth in companion animals, Virbac devotes much of its commercial effort and Research and Development investments to it today.

11th in the world in food producing animals: on the drugs for food producing market, Virbac satisfies a double requirement of economic performance and level of quality thanks to a targeted and selective strategy.

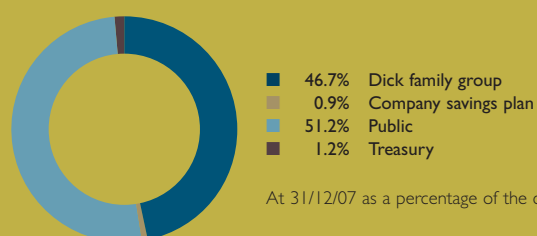
Animal health market by species



Stock market

Virbac has been listed on the Paris stock market since 1985.
At 31 December 2007, **46.7%** of the capital and **64%** of the voting rights were held by the family of Virbac's founder.

Breakdown of shareholders



At 31/12/07 as a percentage of the capital.



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The words followed by an asterisk (*) are defined in the glossary on page 110.

Message from the chairman

2007, a year of innovation

The world animal health market had another good year in 2007: the drugs for the companion animal segment continued to grow at a rate comparable to that of previous years; the drugs for the food producing animal segment confirmed its recent bright spell, benefiting in particular from the strong economic growth of emerging countries which made it possible to better satisfy their populations' demand for food products.

In this rather favourable market context, Virbac continued to gain market shares, thanks in particular to a speed-up in organic growth. Excluding exchange rate effects, which continued to be unfavourable owing to the constant appreciation of the euro, it reached 8.0% in 2007 after 6.8% in 2006 and 4.9% in 2005. The driving force behind this growth is clearly product innovation, which lies at the heart of Virbac's concerns and was particularly prolific in 2007 in the field of companion animals. Growth at constant rates exceeded 11%, due to several major launches: in the United States, Iverhart Max™, a new broad-spectrum version of our internal canine parasiticide for treating

heartworm; in Europe, Cortavance®, a highly original canine dermocorticoid*; Ypozane®, the first treatment for benign prostatic hyperplasia in ageing dogs; and Milteforan®, the first oral treatment for leishmaniasis*. These launches, together with smaller ones throughout the world, helped exceed the target we had set ourselves a few years ago: to ensure that more than 15% of Virbac's total sales are generated by products launched in the last three years in the various countries in which we operate.



This strong organic growth in the field of companion animals was supplemented by even greater growth in the field of food producing animals (14.7% at constant rates) generated by acquisitions: India acquired in mid-2006, from which 2007 benefited in full, a range of pig antibiotics acquired at the beginning of the year in Italy and an aquaculture business in Thailand, also incorporated at the beginning of the year.

The strong growth, combined with good control of operating expenses, enabled the operational profitability rate to improve by 0.8%, clearly higher than our annual target of 0.5%, and without sacrificing the future as R&D expenses grew more quickly than sales. The net profit for the second year running grew by around 25%, thanks to the total disappearance of non-recurring operating expenses and, to a lesser extent, a reduction in the share of minority interests. Finally, the strong generation of free cash flow allowed debts to be reduced by some €20 million, returning to a ratio of net debt to shareholders' equity of 26%. The impact on the debt of the high level of acquisitions in 2006 (India and minority interests in the United States) was thus reduced very quickly, enabling us to pursue an ambitious policy of external growth.

2007 was also a year which saw the Group improve its efficacy and strengthen its cohesion. The American subsidiary has now completely incorporated the Group's management methods, benefits from the full support of the head office functional divisions and is the focus of all the attention of the Group management to favour its development. In the field of R&D for companion animals in particular, the American and French teams are working in absolute harmony towards the optimisation of a portfolio of Group projects. Virbac's inclusion of the GlaxoSmithKline veterinary business which was bought in India has also been a model of successful integration, both at human level and as regards the adaptation of management practices and management systems. At the same time, we have continued all the major initiatives launched in recent

years - constant improvement in the factories, optimisation of marketing and commercial expenses in Europe, world deployment of our main information systems and development programmes for human resources - in the belief that continued effort was the best guarantor of a sustainable improvement in performance.

Our prospects of growth are good, as we should benefit from the increase in power of many products launched in 2007, particularly in the field of companion animals. We are consequently relying on organic growth of around 6%, provided the financial turmoil seen in the world at the beginning of the year does not affect the growth of the world veterinary market, which cannot be ruled out. Moreover, the high level of the euro and the disinvestment of our OTC brands in the United States at the beginning of the year affected the actual growth rate for the year. Conversely, we hope that some of the external growth projects on which we have focused all our attention will materialise, with the ambition allowed by our low level of debt and our sound generation of cash flow.

We are also maintaining the aim shown for several years of improving the rate of operational profitability by an average of half a point a year; thanks to the combined effects of growth, the introduction of new products with a higher margin and efforts toward industrial optimisation.

Éric Marée

Chairman of the executive board

Key events 2007

January

United States: Iverhart Max™ gets people talking

Launch of Iverhart Max™ at the North American Veterinary Conference: a major innovation on the American internal parasiticides market. *Product differentiation (overall protection against roundworm, tapeworm and heartworm) combined with strong commercial and marketing support explains its success among American veterinary surgeons.*

Asia: Virbac makes progress on the fish farming market

Virbac has been the owner of Bio Solution International since 4 January. This is a Thai company that specialises in aquaculture products. *With this acquisition, the Group has strengthened its development in the fish farming sector in Asia (85% of the world market).*

June

Europe: a revolution in the air!

After obtaining centralised European marketing authorisation, Cortavance® (a new corticoid for topical use in response to pruriginous inflammatory dermatosis) was launched in 24 European countries in 2007. *With this major innovation, Virbac has confirmed its status as a pioneer in dermatology.*

July

Group: R&D synergy ①

Definition of a global research and development strategy on the companion animal market which incorporates American R&D. *This new approach should offer two major benefits: the building of a portfolio of common projects and the sharing of R&D resources between France and USA.*



September

Europe: the Working Style, a new commercial standard ②

Presentation to all European subsidiaries and implementation of the Working Style. *This charter on Virbac's good marketing/sales practices aims to increase the Group's competitiveness by developing knowledge of the customer and by handling the commercial relationship better.*

Australia: a significant year ③

On 14 September, all the employees of the Australian subsidiary and their partners met for a gala dinner attended by Éric Marée, on the subsidiary's 20th anniversary and the inauguration of its new premises. *After 20 years, Virbac Australia is ranked in sixth place locally with sales of over AUD 40 million. Its next aim is to make the top 5.*

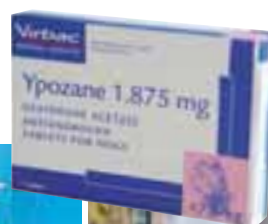
October

Europe: Milteforan®, first oral treatment for leishmaniasis

Launch of a treatment against canine leishmaniasis* in the four main countries affected by this disease (Greece, Italy, Spain and Portugal). *The oral administration of the product, miltefosine's method of action and the packaging designed for optimum safety on use make Milteforan® an innovative response on a growth market.*

Europe: Virbac, pioneer on the prostate market ④

After obtaining centralised European marketing authorisation, Ypozane®, a specific treatment against benign prostatic hyperplasia in dogs, is marketed in France, Belgium and Germany. *This launch should allow the creation of a new market in Europe by educating veterinary surgeons in this very widespread but little diagnosed disease.*



November

Vietnam: production of new-generation chews

Creation of a new line for the manufacture of second-generation vegetable chews (more effective as chewing lasts longer). *This production unit should in future supply all the subsidiaries throughout the world. First batches in January 2008 intended for France, United Kingdom, Japan and Taiwan.*

Group: Barcelona World Race, a first for Jean-Pierre Dick! ⁵

On 11 February 2008, Jean-Pierre Dick and Damian Foxall won the first Barcelona World Race, a non-stop round-the-world trip during which they spent three months on board their innovative monohull. *The new boat design adds visual impact and increases the fame of the brand. Customer relations operations contribute towards strengthening the partnership with the veterinary profession.*

United States: optimise the St. Louis premises

Phase 1 of the proposed redevelopment of the St. Louis factory is completed (exterior of the new building). *Aims of the building works: to free production space in the current factory in order to accommodate the pharmaceutical workshops by moving the support activities (offices and R&D/quality control laboratories) to a new building. The developments will continue in 2008.*

December

Carros: renovated bacteriology workshop ⁶

Finalisation of renovation of the Carros bacteriology workshop with the installation of 9 new pieces of equipment. *This renovation aims to ensure that the premises comply with the latest pharmaceutical regulations in force and double the size of the production batches. Commencement of installation in February 2008.*

Corporate governance

The executive board

The board is responsible for the strategic and operational management of the company. It has five members:

Éric Marée, chairman of the executive board ¹

Pierre Pagès, chief operating officer ²

Christian Karst, executive vice-president corporate development ³

Michel Garaudet, chief financial officer ⁴

Jean-Pierre Dick, responsible for special projects and president of the Virbac Foundation. ⁵

The executive board is assisted by a strategic committee, which brings together the area directors and heads of major corporate functions.



The audit committee

The audit committee is responsible for reviewing financial disclosures and the management of risks and accounting practices. Its responsibilities are as follows:

- ensure the relevance, consistency and reliability of the accounting methods;
- verify the existence and effectiveness of internal control and risk management procedures;
- give its opinion on the validity of the accounting treatment of major transactions.

It is comprised of **Philippe Capron**, chairman, **François Guinot** and **Pierre Madelpuech**.

The supervisory board

The supervisory board ensures management control and regularly inspects the accounts and all major investment projects.

The supervisory board is comprised of:

Philippe Capron ¹

Pierre Madelpuech, permanent representative of ASERGI ²

Xavier Yon, permanent representative of XYZ ³

Marie-Hélène Dick, chairwoman ⁴

François Guinot ⁵

Jeanine Dick, vice-chairwoman ⁶



The compensation committee

The compensation committee is responsible for:

- drawing up recommendations and proposals regarding the compensation of members of the executive board;
- staying informed of the Group's general HR policy and more specifically the compensation policy for the Group's principal executives;
- reviewing proposals and conditions relating to stock option grants or free stock grants;
- drawing up proposals regarding the amount of directors' fees to be paid to members of the supervisory board.

It is comprised of **Marie-Hélène Dick**, chairwoman, **François Guinot** and **Xavier Yon**.

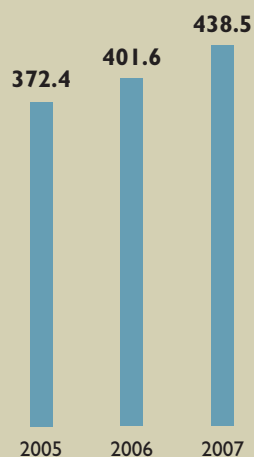
The statutory auditors

- Deloitte et Associés, represented by **Vincent Gros**
- David et Associés, represented by **Jean-Pierre Giraud**

Key figures 2007

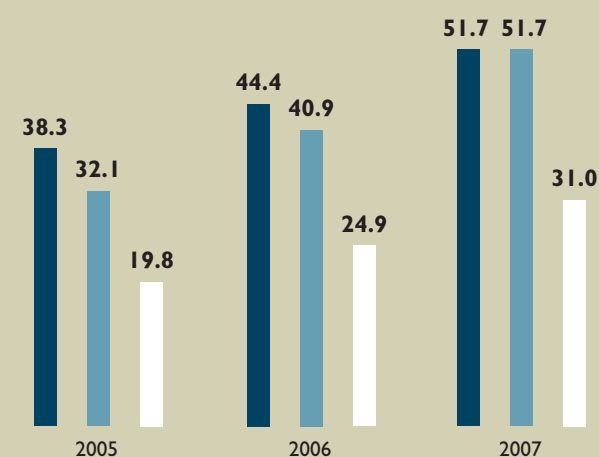
Sales

(in € million)



Profit

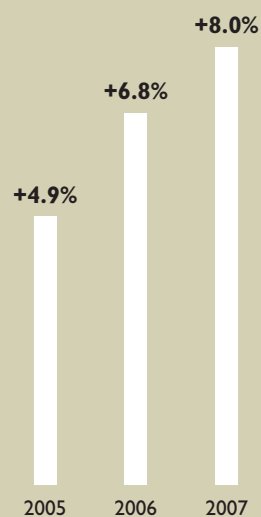
(in € million)



- Current profit from operations
- Operating profit after non-recurring items
- Net income – Group share

Virbac organic growth

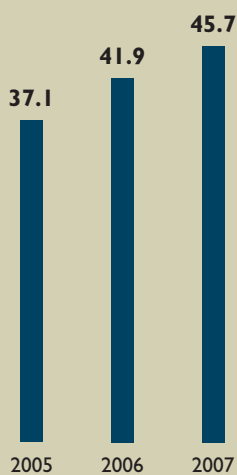
(at constant exchange rates)





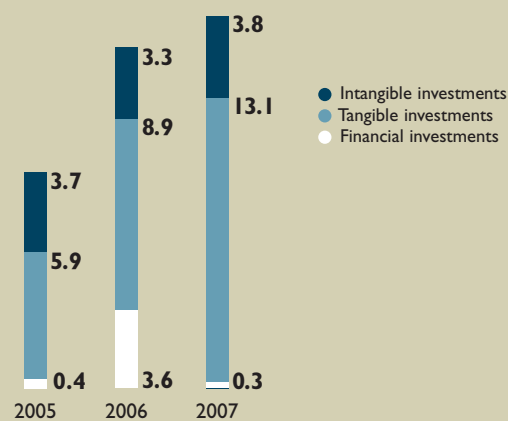
Cash flow

(in € million)



Investments

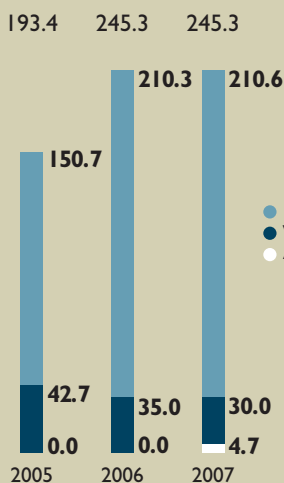
(in € million)



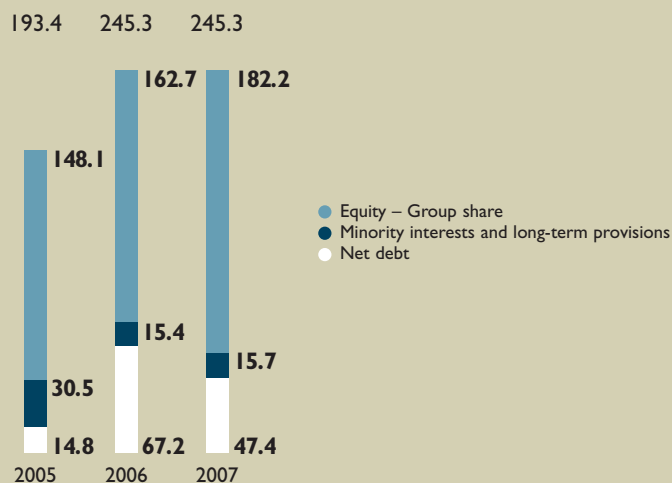
Financial structure

(in € million)

Capital employed



Financing



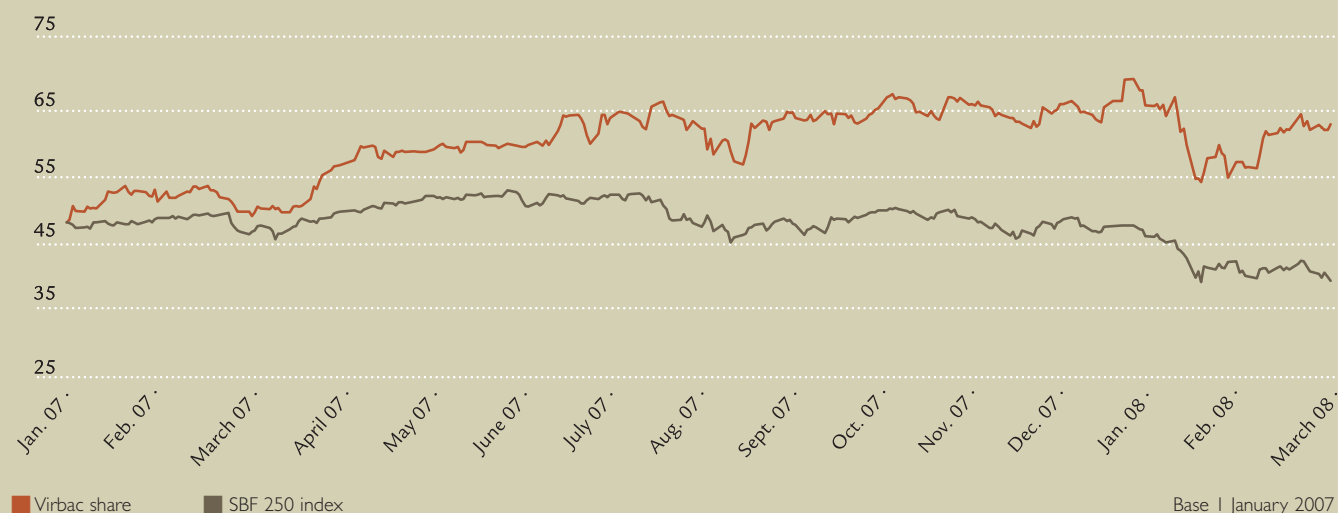
Strategy and finance

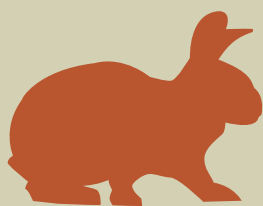
Virbac's development strategy
is based on these key principles:

Share price

(daily price)

Virbac shares increased by 46.2% in 2007.





- focus on animal health and the quality of the overall customer relationship;
- global ambition in the companion animal segment. It is designed to ensure a dominant position in certain highly-profitable niches (such as dermatology and equine parasiticides) and to create major differentiation in the more competitive segments such as vaccines. At the same time, the Group is continuing its targeted expansion by country and segment in the field of food producing animals;

- innovation targeted first and foremost at satisfying customer requirements, covering research, development and licensing;
- top priority growth areas (North America followed by Asia and Latin America) and growth and profitability optimisation areas (Europe and Pacific);
- an ongoing effort to identify possible acquisitions;
- emphasis on the human factor in strategy implementation.

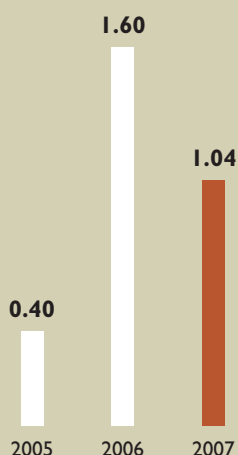
Debt ratios

In 2007, the Group's net debt amounted to €19.8 million.

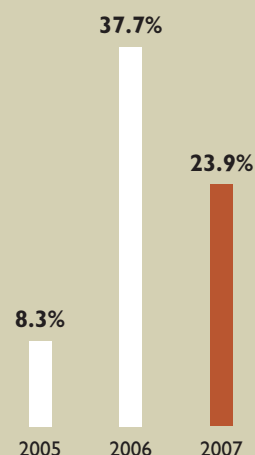
Net debt amounted to €47.4 million at 31 December 2007, i.e. 23.9% of total equity and provisions compared to €67.2 million and 37.7% at the end of 2006, respectively.

The Group's cash flow from operations amounted to €45.7 million compared to €41.9 million in 2006, i.e. an increase of 9%.

Net debt/cash flow from operations

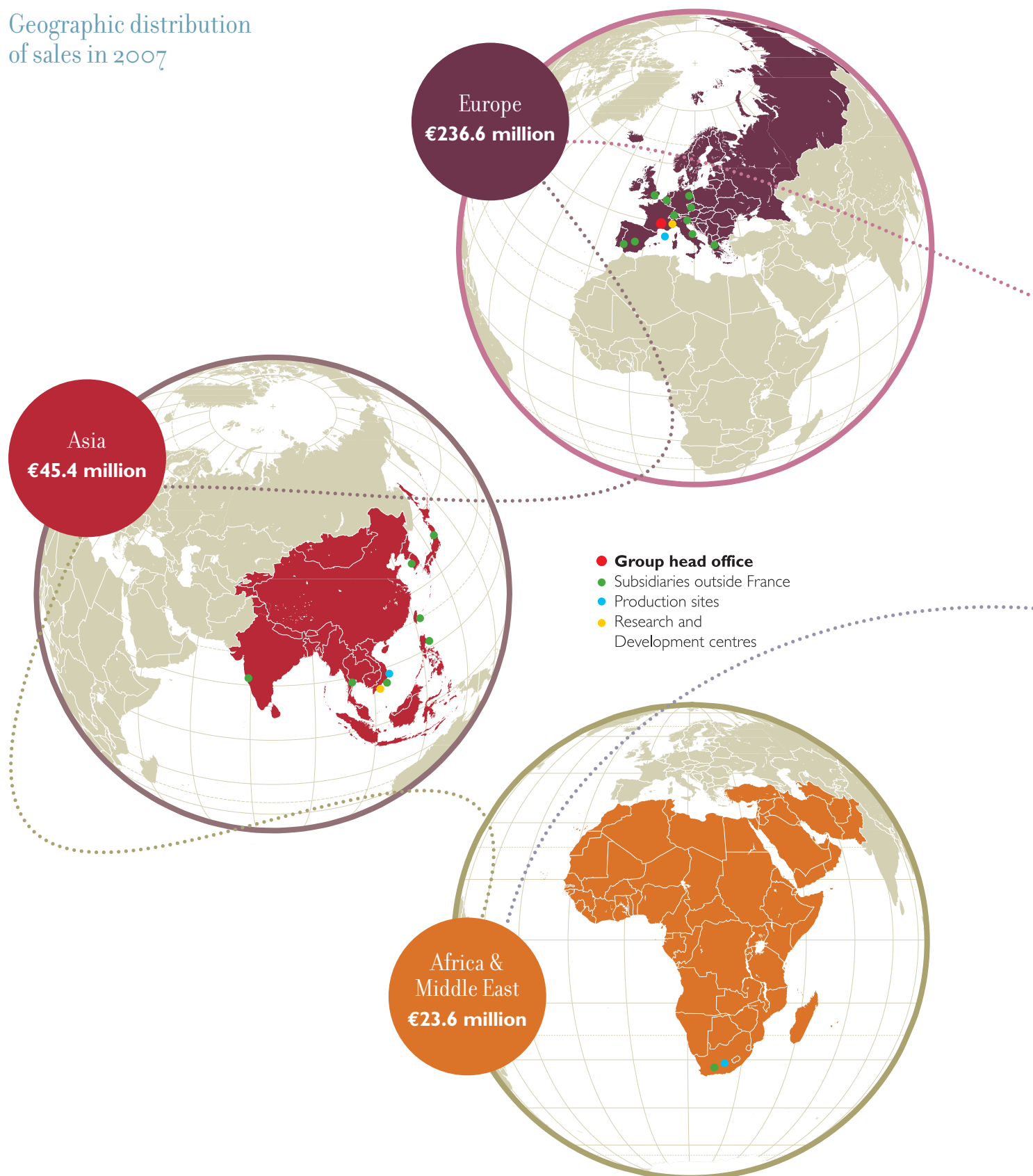


Net debt/consolidated Group equity and provisions



The Group worldwide

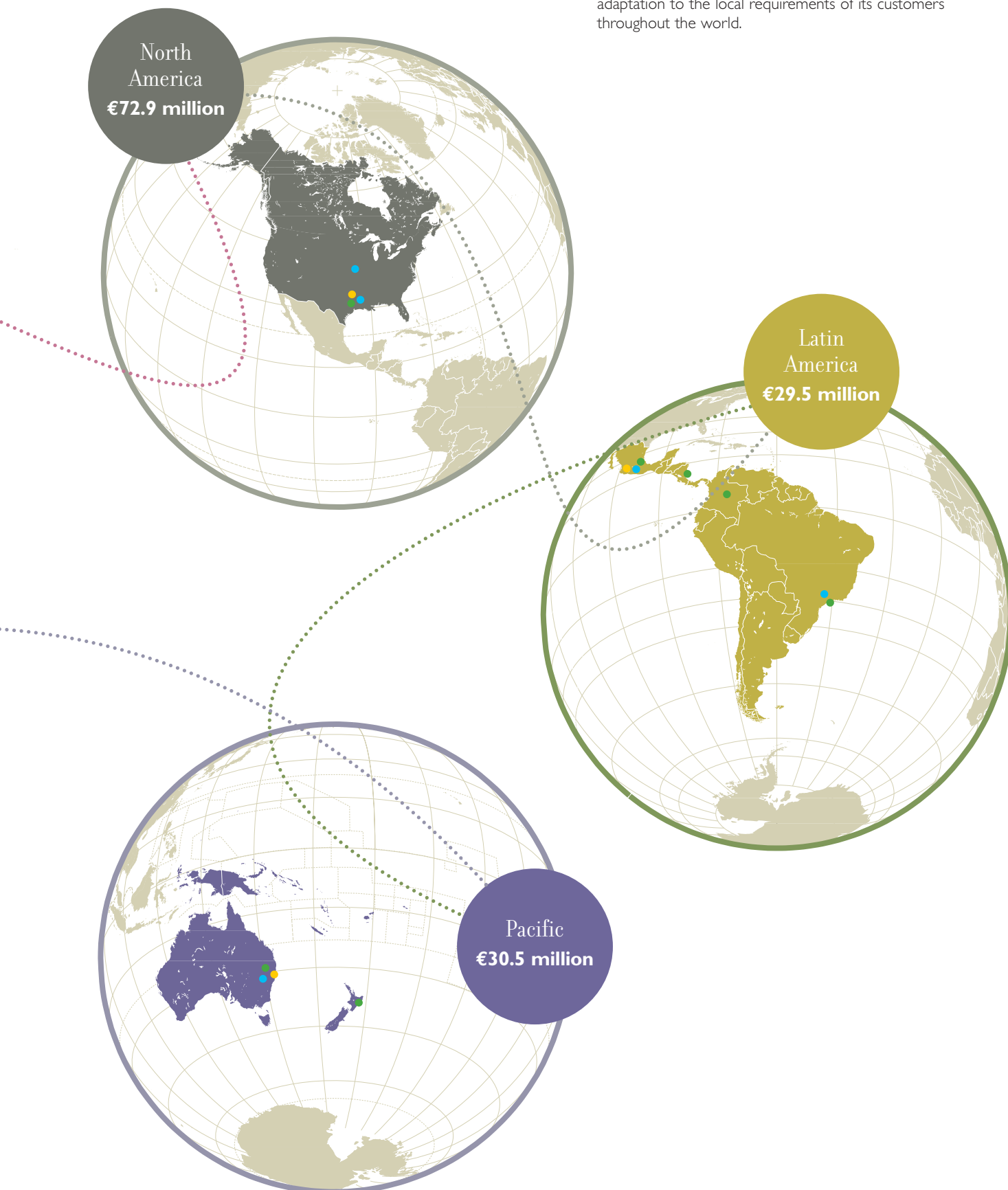
Geographic distribution
of sales in 2007



Established in 5 continents through its 25 subsidiaries, Virbac has always made international development one of the key factors of its strategy. The Group is thus divided into four areas today: Europe, North America, Latin America and APISA. The latter one, comprising Asia, the Pacific, India and South Africa, will come into effect on 1 July 2008. It constitutes the area that is currently experiencing the

strongest economic growth in the world and includes over half of the world population. The other markets of Africa and those of the Middle East are linked to the Europe area. With a commercial presence in over 100 countries, Virbac employs over 2,700 people. This internationalisation of Virbac is testified by the employees, over 63% of whom are based outside France, where the Group also makes 78% of its sales.

The research and production centres set up in each of its large markets participate in the Group's desire for constant adaptation to the local requirements of its customers throughout the world.



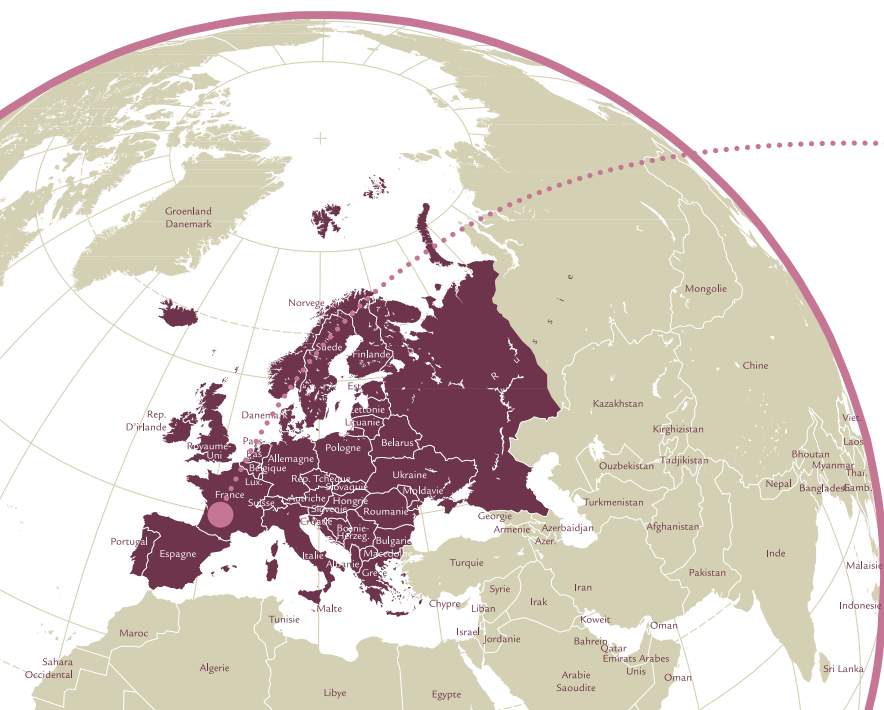


Europe



6.5% sales growth in European business in 2007 testifies to the very good results obtained, particularly in companion animals across the segments.

Successful launches in the European subsidiaries of Cortavance[®] in dermatology, Vet Aquadent[®] in bucco-dental hygiene and Milteforan[®] for the treatment of canine leishmaniasis should be noted.



The Human Resources Division operates for the Virbac business culture

In 2007, the Human Resources Division continued the implementation of its major projects by combining HR strategy with business strategy.

Within the scope of the *Business Partner* project, partnerships were generalised with all the divisions of the company head office. The human resources team assists managers in managing their teams, as in recruitment for example, or by providing overall assistance in large business projects. In the French Industrial Operations Department, the ongoing improvement policy involves various HR skills in organisational change, in updating skills and in handling the substantial mobility generated by the new stakes. 26 employees have thus become team leaders in workshops, constituting almost half the job developments in France in 2007.

The *Skills Development* project has now become international with a major human resources project. This is a development course for Virbac's world leaders, involving 140 people in key positions at head office and in the subsidiaries. The Virbac executive board, with the aid of the HRD, has defined the 15 key skills and behaviour expected in order to contribute towards the growth while strengthening Virbac's values and culture.

The *Performance Management* project, which lies at the heart of the measures taken in France, began an innovating phase in 2007: proximity management, for which 70 supervisors were trained so that in turn they could train 110 French managers. In addition, the PERF course (Performance, Evaluation, Compensation, Training) was held for the first time: to enable each employee to be a key player in his own performance, clarifying his role and the tools available to him.

As witnessed by the internal survey in 2007, numerous projects offering many sources of opportunities for exchange and training for employees are starting to bear fruit: the results confirm the significant progress made in human resources. These results should be improved even further, however, to better embody the Group's vision "closer to customer better through people".



Cortavance®, a new treatment for skin disorders in dogs

Dermatological disorders constitute the second most common reason for arranging consultations with veterinary surgeons specialising in companion animals. Most of these disorders involve skin irritation and inflammation.

The treatment of choice involves the use of corticoids which offer quick and effective relief for the animal. The options available include a non-specific oral or injectable treatment recognised to be effective but whose long-term use (which is often required as these disorders generally recur) may give rise to risks of side effects, and a local treatment that has a more moderate effect.

In May 2007, Virbac led the field in 24 European countries with the launch of Cortavance®, the first new-generation dermocorticoid* indicated in the symptomatic treatment of inflammatory and pruriginous dermatitis for dogs. Formulated based on aceponate hydrocortisone, Cortavance® combines the benefits of efficacy and ease of application: its spray application allows it to act locally and powerfully while targeting the area to be treated without systemic effects.

With an optimum risk/benefit ratio, Cortavance® constitutes an effective and safe alternative.





Production organised in line with the perception of customer service at Virbac

In 2007, Virbac continues to develop its ongoing improvement project. Following the introduction of the fundamental principles and appraisal methods, the Industrial Operations Department dedicated this year to organisation, with the aim of increasing the performance and profitability of the production units at the service of the customer:

A series of concepts and methods lies at the origin of Virbac's industrial system, defining the organisation of the operating sectors of a company and aiming to develop the competitiveness of its industrial system. Started in the motor industry, lean manufacturing* has shown its worth in many companies which are leaders on their markets.

Production is organised along four main lines:

- maximum efficiency of the production lines;
- absolute search for added value in the operating processes;
- permanent simplification of all the processes;
- promotion of quick and effective field measures.

As an example of the positive trend of this reorganisation, since April 2007, the Magny en Vexin site in France, has implemented optimised material flows, a measure aimed at developing the work environment of employees to make internal flows reliable and regular. A reduction in stocks, tidy-up, strictness and ergonomics have led to a real gain in performance increasing customer satisfaction.

Milteforan® the first oral treatment for leishmaniasis

Leishmaniasis* is a major concern for dog owners in countries in the Mediterranean basin.

This disease, transmitted by sandflies, is fatal in dogs. The means of combating it are limited to the use of insecticide to limit the risk of transmission of the parasite and also to treatments aiming to control the development of the disease once it has been confirmed. "Historically", a single treatment requiring repeated injections was officially recorded in Europe.

The launch of Milteforan® constitutes an innovation on more than one count:

- oral administration, which allows effective home treatment, and which requires neither restrictive handling nor the owner having to make repeated visits to the veterinary surgeon;
- an active ingredient, never used before in veterinary medicine, for which there are no contraindications for administration to dogs with kidney failure which is a frequent complication of leishmaniasis;
- and a presentation that incorporates aspects designed for optimum safety on use, such as an unbreakable bottle fitted with an anti-leak valve and gloves for users.

The first innovation for a long time in the treatment of leishmaniasis, this launch aroused keen interest in the main countries concerned by the disease; not only from numerous experts in the disease involved even before the commercial launch but also from veterinary surgeons, many of whom attended meetings and conferences organised at the time of the launch.

This interest is promising for Milteforan®, both through gaining the existing market share and through the increase in the number of dogs treated.

The efficacy of this measure, confirmed on this pilot site, enabled it to be applied later on the Carros industrial site. The ongoing improvement project has already been developed on all production sites outside France, and will continue in 2008 on the lines consolidated in France.

The success of the project was made possible by the suitability of two key factors: human involvement in a measure requiring participation and responsibility to be taken, and the search for greater cross application.



In 2007, this area recorded marked progress in companion animal business. The launch of Iverhart Max™ in the United States, a new-generation wormer for treating heartworm and intestinal parasites, largely explains the 7.1% growth in sales, despite the unfavourable trend of exchange rates.



North America



Synergy between the United States and Europe: teams pooling their efforts to favour development

Responsiveness and originality of the R&D approach are the essential differentiating factors

Since its formation, Virbac's innovating performance has been based on an original customer-orientated process connecting the three dimensions: Research, Development and Licensing. Listening to market requirements, responsiveness and originality of approach are the factors determining the success of Virbac's innovations.

The definition of a global R&D strategy in companion animals

In 2007, observation of the companion animal market encouraged Virbac to pool the human and financial resources of the American and European structures and to build a portfolio of joint projects. This synergy satisfied the twofold purpose of Group strategy but also a reality of the veterinary market.

Since the United States is the leading companion animal market, a substantial proportion of Virbac's growth should come from this area. Moreover, on an increasingly more global companion animal market, each product developed aspires to becoming a true world project.

Focus on the strategy and reorganisation of the R&D unit

One of the main stakes in American R&D is to support existing ranges while favouring the development of new products, aiming at 4 projects with strong potential with no marketing authorisation* and 8 projects with marketing authorisation in portfolio. To adapt to this new strategy, the American R&D Department plans to expand its employees and thus create 5 new technical positions. Moreover, since the summer of 2007, collaboration between the American and European R&D structures has increased with a functional and operational reorganisation of the two teams favouring exchanges and synergies.

Iverhart Max™, the most complete treatment for parasites in dogs

In the United States, dog owners have known for a long time that their animals need to be protected against heartworm. This parasite, transmitted to dogs by mosquito bites, can develop and cause death in infested animals. Most treatments offered also combine protection against several intestinal worms but, until now, only provided protection against roundworms and did not treat tapeworms.

In 2007, Virbac launched Iverhart Max™, a new combination of 3 molecules, allowing parasite heartworms, roundworms and tapeworms to be treated simultaneously for the first time. By organising conferences and symposia, obtaining the support of opinion leaders and communication with the professional press, Virbac offered a vast amount of information on this type of very common infection in companion animals at the time of the launch.

The product differentiation, combined with strong commercial and marketing support, particularly in regions such as Florida where there is strong pressure for combating parasites, explains the success of this product.

A close-up photograph of a brown horse's head, focusing on its eye and mane. A green dotted line runs diagonally across the top of the image.

The 4 subsidiaries (Mexico, Brazil, Costa Rica and Colombia) participated in the 7.7% growth in the area this year, with excellent performance by the Brazilian subsidiary in particular, which recorded growth of 47%.

Latin America

Now in its fourth year, the "Canigen" conference cycle is a clear success in Mexico and is growing internationally

For the last four years, the success of the "Canigen" conference cycle has helped develop Virbac's image among veterinary surgeons in Mexico and helped it to maintain its position as market leader in the vaccines segment.

Canigen® is the brand of Virbac's vaccines for dogs used throughout the world and consists of a range of six products. The "Canigen" conference cycle, launched in 2002, constitutes one of the key factors that enabled Virbac Mexico to hold 27% of the market share in the vaccines for companion animal segment in Mexico in 2007.

For Virbac, which has always made closeness to its customers its first source of competitiveness and competitive advantage, the "Canigen" conference cycle provides a unique opportunity for communicating its values and is an ideal means of informing its customers and establishing their loyalty. In April 2007, the event was a springboard for the launches of Virbagen® Omega and Romidys®.

In view of the growing success of the event, Virbac organised the "Canigen" conference cycle in Costa Rica for the first time in March 2007, on the theme of cat diseases. More than a hundred veterinary surgeons from the whole country accepted the invitation. This provided further encouragement for Virbac Colombia and Virbac Brazil which are hastening to launch the concept in 2008.

The "Canigen" Mexico conference cycle 2007 in figures

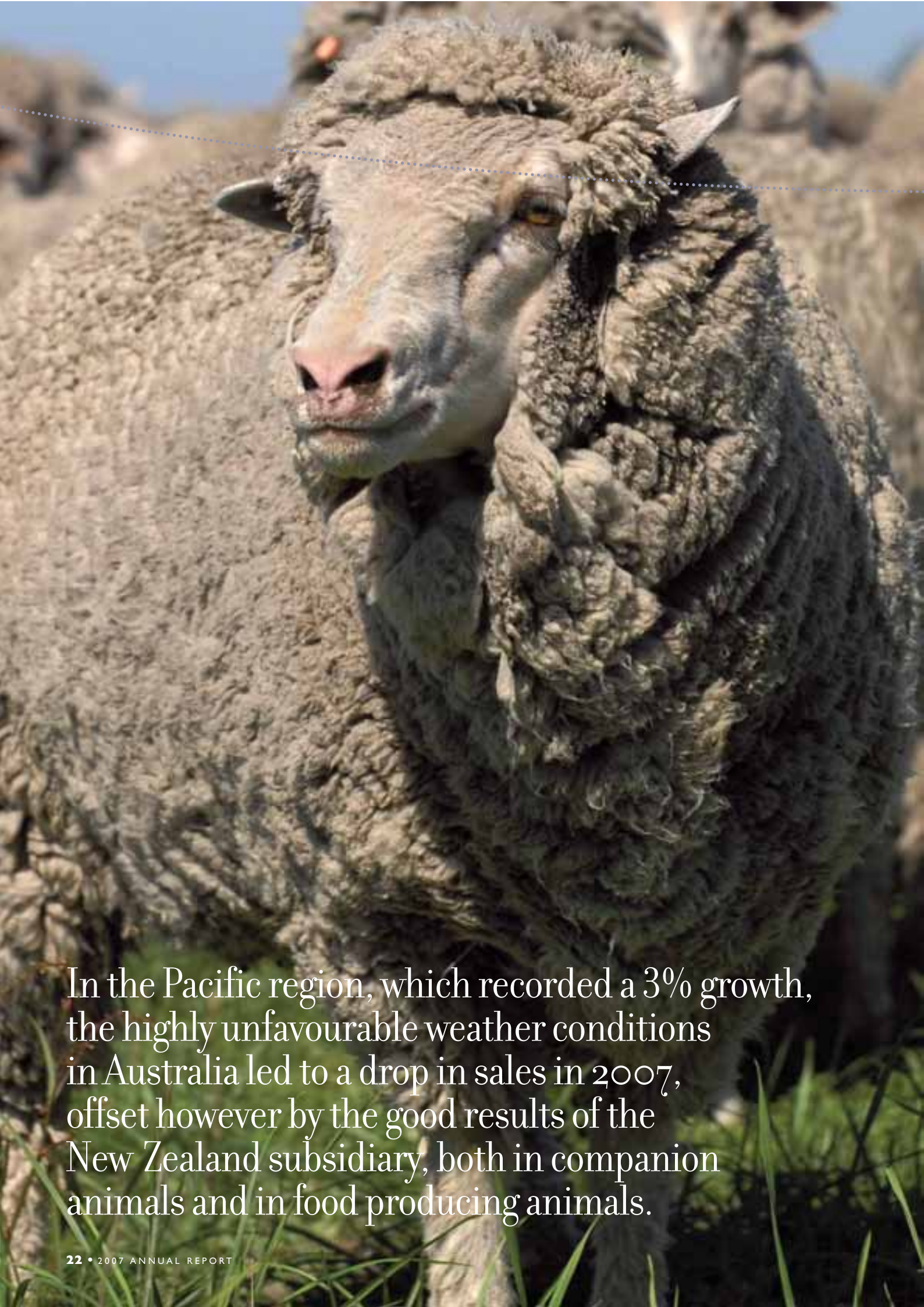
- 4 cities: Mexico, Morelia, Monterrey and Mérida
- 4 conferences lasting 6 hours each on the theme of dermatology in companion animals
- 2,500 participants
- over 60,000 doses of vaccine sold
- 3 product launches: Virbagen® Omega and Romidys®; distribution of Metacam®.

With the launch of Endogard®, Virbac Colombia hopes to become the number 1 in the internal parasiticides segment.

In October 2007, Virbac surprised the Colombian market of internal parasiticide tablets for dogs by launching a presentation of Endogard® in the shape of a bone. Launched in Brazil in 2003 and then in Colombia in 2004, with this change of packaging, the Endogard® product suddenly revealed the originality of its shape which until then had gone unnoticed in the packaging. Its palatability, its ease of administration and the breadth of its spectrum of action and safety of use have made Endogard® an immediate success. It is now ranked number 2 in the internal parasiticide tablet segment.

Besides the novel shape of the packaging, the launch of the new product presentation satisfies strategic objectives: Virbac's regional strategy aims to unify and consolidate the product image on the South American market. Strong product differentiation thanks to attractive packaging for owners and additional communication to veterinary surgeons are the two main levers for the marketing teams in the field. The success of Endogard® is the result of the combined work of the Human Resources, Production and Marketing teams.





In the Pacific region, which recorded a 3% growth, the highly unfavourable weather conditions in Australia led to a drop in sales in 2007, offset however by the good results of the New Zealand subsidiary, both in companion animals and in food producing animals.

Pacific



Preparing the premises in Australia: visit to the heart of Virbac's iconographic universe



1987-2007: Virbac Australia celebrated its 20th birthday this year. Currently ranked 6th on the Australian veterinary market with sales of over 40 million Australian dollars, this subsidiary is also celebrating its establishment in new premises in Milperra, south of Sydney.

The space has been reorganised to encourage teamwork and to optimise communication between departments. The premises house a substantial expansion of the R&D laboratories, highlighting Virbac's ambition for innovation even further.

The photos by Frédéric Decante strengthen the concept of customer proximity, while reflecting the company expertise. Virbac Australia's next goal is to be among the top 5 on the local veterinary market within the next 5 years.

Frédéric Decante is a veterinary surgeon and a photographer who is passionate about animal health. His photos provide evidence of day-to-day work in the trade: his enhancement of the beauty of the animal, his expertise and desire for detail show a relationship with the animal that is totally shared by Virbac. His experience and his knowledge of the animal world accentuate the truthfulness of his gaze and the precision of his shots to offer a touching and realistic testimony.

Virbac New Zealand sets out to conquer the petfood market

Present on the petfood market in New Zealand for 4 years, Virbac once again in 2007 participated in one of the main events in the animal health industry in the country: PetExpo. Because the petfood market shows substantial growth (+6% in 2006) and because this business accounts for 40% of the subsidiary's sales, Virbac's goal is one of size: to become the number 2 in the top-of-the-range dry food market segment in 2008.

In New Zealand, where cats outnumber dogs, Virbac is also striving to become the leader in the premium food segment for cats, with 20% of the market between now and 2009.

It has many assets to promote these ambitious goals: an entire range of great quality, mass distribution of products and a unique manufacturing method, all supported by an original communication based on the palatability of the product, the originality of the manufacturing process and the quality of the raw materials.

With 25% growth in 2007, the petfood range has already begun to bear the fruits of this offensive strategy.

Pacific



Tauranga: birthplace of an amazing monohull

Satisfied with completing his first Vendée Globe in 6th position in the Virbac-Paprec but still thirsting for victory, Jean-Pierre Dick did not want to take any chances in his next solo, non-stop and unaided round-the-world trip. His new asset is the Paprec-Virbac 2.

A unique combination of innovation, safety and performance, the original sketch was transformed into a blueprint by the experts at Farr Yacht Design. The builder still had to be chosen: *"We visited six sites throughout the world, in Australia, New Zealand and the United States"* explained Jean-Pierre Dick. *"We chose Southern Ocean Marine as they showed great motivation for our project, in addition to know-how and great experience. It was important for us to choose a good site so as to obtain the most successful boat possible".*

A trim tab occupies the whole of the rear of the boat and is over one metre long. Long used in small speedboats, this adjustable tab at the rear of the hull is an unprecedented innovation in a 60-foot monohull. In sailing, the skipper checks the rise or fall of the trim tab to adjust the trim of the boat.

Another amazing innovation: to accommodate the skipper and enable him to remain in position longer and more effectively, the Paprec-Virbac 2 has the appearance of a cabriolet: a sliding roof provides the sailor with retractable shelter of several sizes to protect him from sea spray when he comes out to make his adjustments.

Inside too, the Paprec-Virbac offers further innovations: high technology in a monk's cell. Everything here has to contribute to performance. There is no toilet; the kitchen is reduced to a miniature basin, a stove and a basic condiment holder. This cell houses an unusual pivoting cockpit known as the "satellite". Mounted on a semi-circular rail, it incorporates onboard computers, means of communication and storage space in a single card-table unit, all pivoting from side to side depending on the list of the boat.



The Barcelona World Race, which started on 11 November 2007, provided the opportunity for Jean-Pierre Dick to set sail again after several months in the shipyard testing the extraordinary innovations of his new monohull. The challenge of winning the first two-handed, non-stop round the world race was taken up by Jean-Pierre Dick and Damien Foxall. These experienced skippers needed a real ability to get along in close quarters and a good dose of courage and calm to arrive in the Paprec-Virbac 2 safe and sound.

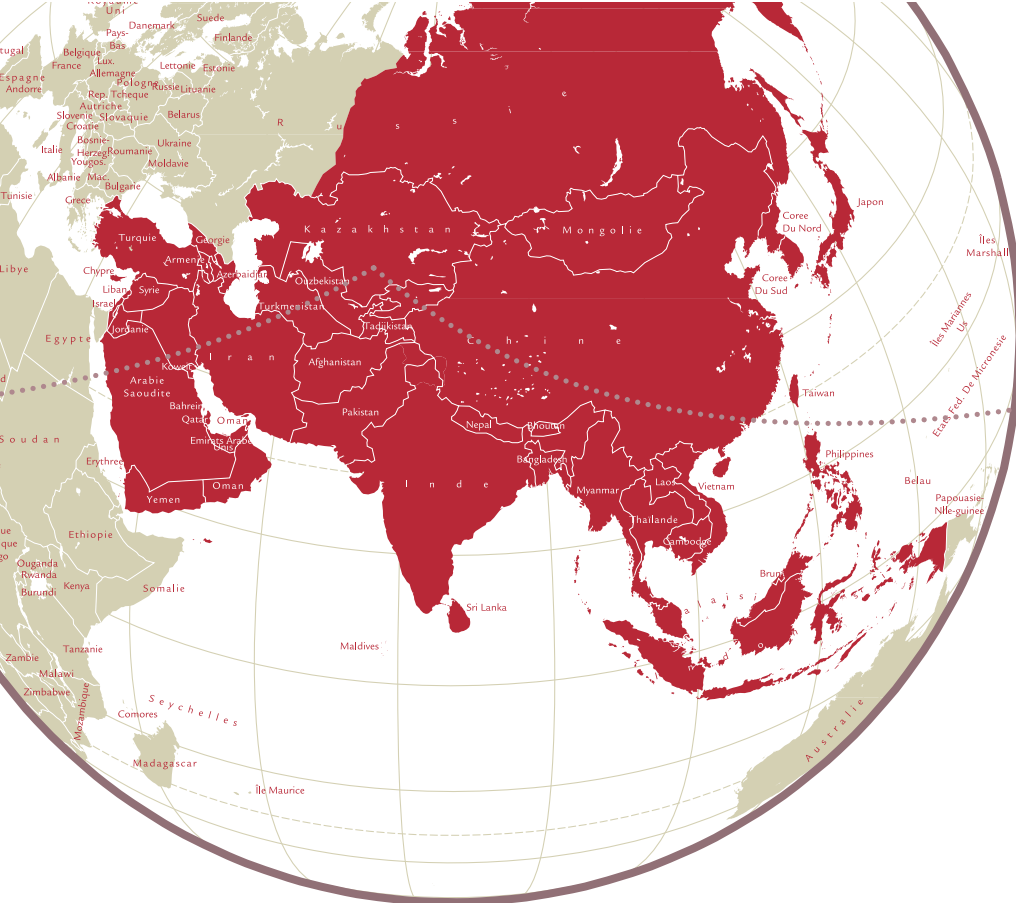


- Architect: Farr Yacht Design (United States)
- Construction Site: Southern Ocean Marine (New Zealand)
- Length: 18.28 m (60 feet) Beam: 5.80 m
- Draft: 4.50 m
- Displacement: +/- 9 t
- Mast height: 28.50 m
- Maximum sail area: 560 m²
- Building time: 24,000 hours

On 11 February 2008, their efforts were rewarded as they arrived on the pontoons of Barcelona where they proudly celebrated their victory!



With sales growth of 45.6%, Asia is benefiting from the full-year effects of the acquisition in India and a new acquisition in Thailand: Bio Solution International. In China, the Group's performances in the companion animal segment show promising signs.



Asia



China: Virbac, pioneer in companion animals

The Chinese animal health market, in particular the companion animal market, is developing rapidly, as testified by the steady growth in the number of veterinary surgeons in the country (+13% between 2005 and 2006). Another indicator is the keen interest taken by veterinary students in the companion animal sector during Éric Marée's presentation of the Virbac group and its ambitions in China in March 2007 at the University of Beijing.

The Group's representative office has been present in China since January 2003. Virbac is the second company to supply vaccines to the government and one of the foreign brands most represented in the veterinary clinics. Virbac's role in the companion animal segment gives it full scope to gradually build its brand image.

Virbac has banked on the education of veterinary students in particular to establish its strategy in China. These future clinic owners and veterinary surgeons in the country are being offered educational tools, conferences and ongoing training programmes. International events also target the Group's main customers. Finally, customer service has been strengthened by expanding the sales force.

Virbac's prospects are promising in a market boosted by the growth in the companion animal market and the expansion of outlets for foreign products. The Group is now making the necessary investments for its future development in China.

Return to India... One year after the acquisition of the GSK veterinary business, an initial appraisal of exemplary integration

The Group acquired the veterinary division of GlaxoSmithKline India in July 2006. This acquisition cost €36.8 million, making Virbac the number 1 in India for veterinary products. In 2007, the installation of the team in its new premises and the use in the Indian subsidiary of the management program for the company's main activities marked the gradual integration of the company as a new subsidiary of the Group. At management level, the entire team has remained in control and is now blossoming within Virbac India.

Determined to confirm its position as leader on the animal health market in India and to respond to the challenges thrown up by a market presenting numerous special features, Virbac is continuing to establish its development model. In the food producing animal segment, Virbac is developing its business with the range of products existing at Virbac India and is introducing new projects arising from the innovation forum think tanks intended to provide a perfect response to the specific requirements of the Indian market. In the field, to provide the best service for a vast and dispersed clientele, Virbac is substantially expanding its sales force.

At the same time, Virbac is continuing its ambition in the companion animal segment: on a market where the rapid development of the middle class allows us to expect a craze for companion animals, head office teams are using their resources to ensure a dominant position and are working towards transferring their know-how to the Indian team.

A close-up photograph of a horse's head, focusing on its eye and nose. The horse has a brown coat with a white blaze on its face. A thin, dotted line runs horizontally across the upper portion of the image.

Virbac is present in South Africa where the food producing animal business made a marked contribution to the growth in the area this year. The inclusion of a new range providing protection against infection in food producing animals generated substantial additional sales.



Africa & Middle East



Positions strengthened in South Africa

Sole distribution of Phibro products

At the beginning of 2007, the changes in the world leader in the drug additives and premixes sector, Phibro Animal Health (Phibro), enabled Virbac to strengthen its position in South Africa.

Following the closure of Phibro's local subsidiary, Virbac RSA was selected as the sole distributor of the range.

Requiring marginal investment, this acquisition makes Virbac the unquestionable leader in medicated feed additives and premix the segment in South Africa.

Acquisition of Argos assets: products perfectly suited to the treatment of local parasites

On 6 December 2007, Virbac acquired a series of 11 products from the South African company Argos Veterinary Science Pty as well as rights to use them worldwide. This acquisition enabled Virbac to strengthen its already strong positions on this market thanks to a range of parasiticides perfectly suited to the local requirements.

The medium-term use of these products should lead to a substantial improvement in the position of the Virbac group and its market shares and enable it to become a major player in the region.

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Management report 2007

With a growth in sales of 9.2% in 2007 (8.0% at constant exchange rates and scope), the Virbac Group showed strong growth once again this year.

All the geographic regions experienced favourable growth, particularly Europe and Asia.

Growth amounted to 11.1% at constant exchange rates in the companion animal segment thanks to the considerable development of parasiticides, specialties, specialized petfood and dermatology.

The food producing animal segment, which benefited from the Indian and Italian acquisitions, grew by 14.7% (at constant exchange rates) in relation to 2006.

Major events in 2007

- Launch in January 2007 in USA of a new wormer formula against heartworms under the name Iverhart Max™. This major innovation on the American internal parasiticides market offers overall protection against the three main internal parasites in dogs: roundworms, tapeworms and heartworms.
- Acquisition at the beginning of January 2007 of Bio Solution International, a Thai company involved in the manufacture and distribution of aquaculture products. With this acquisition, the Group has strengthened its development in the aquacultural sector in Asia, which represents 85% of the world market.
- After obtaining central European marketing authorisation, Cortavance®, a new-generation dermocorticoid that combats inflammatory and pruriginous dermatoses in dogs, was launched in 24 European countries in 2007. With this product, Virbac has confirmed its status as a pioneer in dermatology.

- Definition of a global research and development strategy on the companion animal market which incorporates American R&D. This new approach should offer two major benefits: the building of a portfolio of common projects and the sharing of R&D resources between France and USA.
- First whole year of Virbac India within the Group. This subsidiary performed well with a 14% growth at constant exchange rates and scope, exceeding targets for 2007.
- Launch of Milteforan® (used for the treatment of canine leishmaniasis) in the four main countries affected by this disease (Greece, Italy, Spain and Portugal). Through its oral administration and packaging designed to increase safety on use, this product provides an innovative treatment for a disease that is still not well controlled.
- Marketing in France, Belgium and Germany of Ypozane®, a specific treatment for benign prostatic hyperplasia in dogs. This launch should enable a new market to be created in Europe by educating vets in this widespread but little diagnosed disease and strengthening Virbac's position in the reproduction segment.

- In 2007, Virbac began measures to obtain the regulatory compliance of Carros's bacteriological workshop (leptospire manufacture) with the latest pharmaceutical standards in force. This work should enable the size of the manufacturing batches to be doubled and should afford protection for the manufacturing process. The new facility came into operation in February 2008.

Business activities in 2007

In 2007, the Group's business grew by 11.8% at constant exchange rates, thanks to strong growth in both lines: + 11.1% in the companion animal segment and + 14.7% in the food producing animal segment (6.1% excluding India).

Trends by segment

Breakdown of sales by segment

Business/range (€ millions)	2007 sales at actual rates	Growth per segment at constant exchanges rates					
		> -5%	-5% to 0%	0% to 5%	5% to 10%	10% to 15%	> 15%
Companion animals	267.5				11.1%		
Parasiticides	66.4						36.9%
Immunology	47.1			2.4%			
Antibiotics/dermatology	41.0				5.8%		
Specialities	51.0					11.9%	
Equine	22.7	- 5.6%					
Specialized petfood	15.4				7.3%		
Others	23.9			0.6%			
Food producing animals	156.6					14.7%	
Bovine parasiticides	24.4				5.2%		
Bovine products (excl. parasiticides)	81.9					13.0%	
Pig and poultry antibiotics	40.0						19.7%
Pig/poultry/aquaculture (excl. antibiotics)	10.3						37.8%
Other business activities	14.4		- 3.3%				
TOTAL	438.5					11.8%	

Companion animals

At 31 December 2007, this business accounted for 61.0% of Group sales, up 11.1% on the previous year. All the segments participated in this trend, except for the equine segment which was down on 2006. Parasiticides, antibiotics, dermatology, specialties and specialized petfood were the fields showing the most growth.

Parasiticides grew by 36.9%. This trend is largely due to the internal parasiticides range with the launch at the beginning of 2007 in the USA of a new wormer formula against heartworm: Iverhart Max™ (a broad-spectrum parasiticide for combating the three main parasites in dogs: roundworms, tapeworms and heartworms) which proved highly successful. To a lesser extent, the external parasiticides range also produced good results, particularly thanks to the marked progress made in the spot-on and spray ranges for dogs and cats and the sprays intended for environmental treatment.

The antibiotics/dermatology range grew by 5.8% compared to 2006, essentially due to the progress made by the dermatological products. This growth is partly explained by the full-year effect of Epi-Otic® advanced formula, and in particular by the very successful launch of Cortavance®, a new-generation dermocorticoid for the treatment of inflammatory and pruriginous dermatoses in dogs.

The specialties, which comprise reproduction and behavioural products, ophthalmologic products, anaesthetics, endocrinology, anti-inflammatories and dental products, grew by 11.9% in 2007. In the reproduction field, growth was due to sales of Alizine® (canine misalliance) as well as the launch in the second half-year of Ypozane®, an innovative product for treating benign prostatic hyperplasia in dogs, a common, incapacitating disease in ageing animals.

The anaesthetics segment has benefited from the success of Zoletil® (a general anaesthetic), and from the launch in the second half-year of Medetor (an injectable sedative for dogs and cats).

In endocrinology, despite keen competition, Virbac maintained its position as market leader with Soloxine® (a hormone to combat canine hypothyroidia).

Finally, dental hygiene products experienced strong growth across the range, particularly with the success of Vet Aquadent®, an oral hygiene product to be added to drinking water, which helps prevent bad breath in cats and dogs.

The specialized petfood business grew by 7.3% compared to 2006. Two ranges were particularly successful: the Virbac Vet Complex® range for dogs and cats whose growth was boosted with the launch of a new range for dogs at the end of March 2007 and the Virbac Excellence® range for cats which showed a very significant increase.

Food producing animals

This business accounts for 35.7% of Group sales and has grown substantially: + 14.7% at constant rates in relation to 2006, particularly thanks to the Indian and Italian acquisitions made in the second half of 2006 and the acquisition of Bio Solution International at the beginning of January 2007.

All the segments contributed to the very favourable trend, particularly with bovine products (excluding parasiticides) and antibiotics for pigs and poultry and, to a lesser extent, the other pig and poultry products and aquaculture excluding antibiotics.

The other bovine products segment grew by 13.0% at constant rates in relation to 2006. Excluding the Indian acquisition, the unfavourable climate in the Pacific region and in Africa and the slowdown of the antimicrobial ranges in Asia (Shotapen® and Multibio®) resulted in a slight downturn.

Antibiotics for pigs and poultry recorded strong growth of 19.7% at constant rates, both due to the acquisitions and in particular the Italian acquisition, but also to strong internal growth. Oral solutions (drinkable and powder) showed notable development with the launch of Ladoxyn (antibiotic against porcine respiratory disorders with a 50% doxycycline base as an oral powder), along with good performance by all products, particularly Suramox® OSP (antibiotic against porcine and poultry respiratory disorders) and Tenotryl® (antibiotic against porcine respiratory disorders).

The progress made in the pig and poultry/aquaculture products segment excluding antibiotics (37.8% at constant rates) was also largely due to the acquisitions made in India (pigs and poultry) and Thailand (aquaculture). Existing business also grew considerably in parasiticides for pigs and poultry, and aquaculture.

Other business

This business, which accounted for 3.3% of sales, involves markets of less strategic significance for the Group, mainly including production for third parties in USA. The drop in sales was essentially due to the fall in the least profitable production contracts in USA following a reorientation of business.

Geographic trend of business

Geographic breakdown of sales

(€ millions)	2007	2006	Change (In % terms)	Change at constant exchange rates
France	94.9	93.4	1.6%	1.6%
Europe (excluding France)	141.7	128.7	10.2%	10.5%
North America	72.9	68.0	7.1%	16.1%
Latin America	29.5	27.4	7.7%	12.6%
Africa & Middle East	23.6	23.3	1.2%	13.1%
Asia	45.4	31.2	45.6%	46.3%
Pacific	30.5	29.6	3.0%	0.7%
TOTAL	438.5	401.6	9.2%	11.8%

Europe

The Group's European business sales amounted to €236.6 million in 2007, 6.5% up on the previous year (6.8% at constant rates). Sales of all the subsidiaries grew in relation to 2006, except for Greece which has encountered a few difficulties.

• France

Sales were 1.6% up on 2006.

Virbac France, which markets the Group products in the ethical sector, showed a slight growth in relation to 2006. The good results in the companion animal segment offset the difficulties encountered in the food producing animal market. In the companion animal market, growth was seen in the dermatology segment with the successful launch of Cortavance®, specialized petfood with the complete renewal of the Vet Complex® ranges for dogs (March 2007) and cats (September 2007) and the launch of a new dermatological product for dogs, enabling Virbac to position itself favourably in the specialized petfood segment, the progress made by Vet Aquadent® launched in 2006 and equine products with good sales of Equimax® (a broad-spectrum wormer for horses) and Eraquell® (a wormer for horses). In food producing animals, the good performance of the products launched since the end of 2005 (Virbamec® range and Tenotryl®) did not manage to offset all the difficulties encountered on the industrial farming markets (premises and oral antibiotics). In the injectable antibiotics field, the European regulatory context, which led to the suspension of marketing of Suramox® LA and similar products by our competitors in mid-2007, did not allow business to be maintained at the levels of 2006, despite the good performance of our reference products such as Shotapen®.

The subsidiary Virbac Nutrition, which manufactures the specialized petfood range for France and markets it for export, benefited from the launch of the new ranges for dogs and cats and from the launch of the new dermatological product. Export sales to New Zealand, which markets these products under the brand Virbac Excellence®, also grew in 2007.

Finally, the results achieved by Francodex Santé Animale (distribution in specialist channels) grew thanks to the range of external parasiticides.

• Germany

After a difficult 2006, Virbac Germany resumed growth in its two lines thanks to the launches of new products and maintaining existing ranges.

For companion animals, all the segments grew except for immunology where the subsidiary has to face strong competition in canine vaccines. The dermatology segment excelled with the successful launch of Cortavance® in 2007. External parasiticides also continued their rapid growth thanks to Preventic® spot-on and the environmental products. As regards food producing animals, the launch of doxycycline POS enabled the subsidiary to make a successful entry into the industrial pig farming market.

• United Kingdom

Here both businesses contributed to the growth with the companion animal segment showing however faster progress. This business mainly grew thanks to the specialties segment following the marketing of two products: Soloxine® and Medetor. The external parasiticide ranges and electronic identification also contributed to the progress made by the subsidiary. These good results clearly offset the downturn recorded in the equine segment with a fall in sales of Equimax®.

• Spain

2007 sales developed favourably in both lines. For the food producing animals, the industrial strategy introduced enabled Virbac Spain to maintain its positions and to achieve a high growth in bovine products, particularly thanks to the marked growth in sales of Shotapen® (antibiotic against bovine respiratory disorders). On the companion animal market, the subsidiary showed strong growth with the launches of products in four segments: Cortavance® in dermatology, Medetor in the anaesthetics range, Vet Aquadent® in dental products and Milteforan® against leishmaniasis. On the other hand, the slowdown in sales of Preventic® (parasiticide collar) which began in 2006 continued in 2007.

● Holland

Growth here essentially stemmed from the companion animal business. The subsidiary Emax recorded very good results in external parasiticides. Virbac Holland had an excellent year, both in the equine range with very strong growth in sales of Equimax® and Eraquell®, but also in dermatology with the launch of Cortavance®, in dental products with Vet Aquadent® and across the specialties segment with the launch of Anxitane® in particular (a food supplement that aids chronic anxiety in dogs and cats of all ages).

The food producing animal products grew slightly thanks to the bovine parasiticides.

● Italy

Virbac Italy recorded strong growth in 2007 in the companion animal business. On this market, all the segments grew with considerable progress made by internal parasiticides due to the launch of Milteforan® and specialties with the introduction of Medetor, Zoletil® and Anxitane® marketed throughout the year. On the food producing animal market, sales rose slightly thanks to good performances by Stabox® premix and Pulmodox® premix (antibiotics against respiratory disorders in pigs), which largely offset the decline in bovine antibiotics.

The acquisition of Nuova ICC at the end of 2006 enabled Virbac to expand its range on the pig and poultry antibiotics market in Italy.

● Switzerland

At constant rates, the subsidiary showed slight growth in relation to 2006. The food producing animal business was maintained while the companion animal business continued its favourable trend thanks to vaccines and dermatology with the launch of Cortavance®.

● Belgium

After a difficult 2006, particularly on the companion animal market, the subsidiary recorded strong growth in 2007 thanks to sustained growth in both lines.

For companion animals, Virbac Belgium introduced Cortavance® in dermatology and Medetor and Anxitane® (sold under the name Telizen®) in the specialties segment. The subsidiary also increased its sales in antibiotics significantly with Rilexine® total compliance and in the electronic identification field.

The industrial business experienced a growth in products for food producing animals: sales of pig and poultry antibiotics doubled in relation to 2006.

● Portugal

The subsidiary closed the year 2007 with an increase in sales in both lines.

In companion animals, sales improved across the ranges, except for equine products and external parasiticides which encountered a few difficulties. The strong growth in internal parasiticides and dermatology is due to the launches of Milteforan® and Cortavance®, but the subsidiary also recorded significant increases in electronic identification and in the antibiotic range thanks to Rilexine® total compliance.

In food producing animals, Virbac Portugal had a very good year which saw growth in all segments. The successful launch of Shotapen in the bovine antibiotics range should be mentioned.

● Austria

Virbac Austria recorded a very slight downturn in business owing to difficulties on the food producing animal market. In the companion animal segment, the subsidiary's results were stable. The slight downturn on the equine segment was offset by a good year in electronic identification and in dermatology thanks to the launch of Cortavance®.

● Greece

Virbac Greece, which achieves two-thirds of its sales in food producing animals, experienced a fall in business owing to the deterioration in the conditions on the Greek industrial market. The sharpest drop was seen in the pig and poultry antibiotics segment. Despite the launch of new products (Tenotryl® in particular), the competition and marked pressure on prices of Suramox® premix and Pulmodox® premix penalised sales. The companion animal segment showed marked growth. The subsidiary now has a wider range of products thanks to the marketing of Milteforan® and Virbagen® Omega (immunology).

● Eastern Europe

This region has very strong development potential. Once again this year, Virbac recorded high growth in both its markets.

In the companion animal segment, growth was mostly seen in Poland and in the Czech Republic, while in food producing animals the Group showed very strong progress in Poland.

North America

Sales rose by 7.1% in relation to 2006 (16.1% at constant rates), amounting to €72.9 million at 31 December 2007.

In this region, the Group made over 90% of its sales in companion animals, production contracts accounting for the residual sales. This business fell in relation to 2006 following the gradual reorientation of business on the basic lines.

The subsidiary's growth is therefore explained by the strong growth of the companion animal business, particularly with the highly successful launch of Iverhart Max™.

Latin America

The Group's growth in this region amounted to 7.7% at actual exchange rates, i.e. 12.6% at constant rates. At constant rates, all the subsidiaries contributed to this favourable trend, but the excellent performance of Virbac Brazil should be noted, whose business grew by more than 40%.

● Mexico

This subsidiary recorded a slight increase in sales at constant exchange rates, but was highly penalised by the negative impact of exchange rates.

Virbac Mexico experienced a slight fall on the food producing animal market. The increase in sales of bovine parasiticides (particularly Virbamec® F and Zeramec®) and bovine antibiotics with Maxflor® and Shotapen® in particular, was not enough to offset the marked fall in industrial business (mainly pig and poultry antibiotics).

In companion animals, Virbac Mexico achieved good results in the vaccines segment, which continued to grow steadily, and in the specialties segment with the launch of the anti-inflammatory Metacam® (in oral and injectable solution) and a good increase in anaesthetics.

● Brazil

After a difficult 2006, this subsidiary recorded remarkable sales growth of more than 40% in 2007. Both lines contributed to this result and all segments developed favourably.

In companion animals, a particular increase in sales was seen in the internal and external parasiticides range, vaccines and dermatology.

On the food producing animal market, the growth is due to sales of bovine parasiticides and to the launch of Pulmodox® premix and to Suramox® premix.

● Costa Rica

This subsidiary is continuing to develop in both lines: in companion animals all the segments grew, particularly vaccines, and in food producing animals all the ranges grew as well.

● Colombia

Virbac Colombia's business experienced strong growth, mainly in companion animals with the growth resulting from vaccines.

The results in the food producing animal market were stable in relation to 2006.

Asia

In Asia, the Group grew by 45.6% (46.3% at constant rates), essentially due to the first whole year of Virbac India, as well as the acquisition of Bio Solution International in January 2007. Excluding India and Bio Solution International, growth amounted to 4.2% at constant rates.

● Japan

The Japanese subsidiary made most of its sales in companion animals. Except for dermatology and specialties, all the ranges grew, spearheaded by the dental and specialized petfood ranges. In food producing animals, the fall experienced by the subsidiary was mostly explained by the return of competition on the bovine reproduction hormones market, while in 2006 the subsidiary was the only player in this sector.

● Korea

In 2007, the subsidiary experienced a downturn in relation to the previous year and encountered difficulties in both lines. In food producing animals, the bovine sector was unfavourably affected by the dairy crisis, while in companion animals the fall in sales in internal parasiticides and specialized petfood obscured the good results of other products, particularly in dermatology and in dental products.

● Vietnam

The Vietnamese business grew in 2007 but the results differ. Sales were down in companion animals, a sector accounting for less than 20% of the subsidiary's sales.

In the food producing animal business, the remarkable growth in the aquaculture business offset the decline in pig antibiotics and the marked fall in sales of Multibio (antibiotic against respiratory disorders).

● Philippines

Both lines contributed favourably to the increase in sales of Virbac Philippines. Pig and poultry antibiotics stood out with the good results of Suramox® premix and the launch of Maxflor™ and Amphoprim (antibiotics against respiratory disorders in pigs).

● Thailand

Despite the growth in the companion animal business, Virbac Thailand sustained a downturn in relation to 2006 owing to difficulties encountered on the food producing animal market, where the subsidiary had to face very strong competition on one of its beacon products, Suramox® premix, as well as a marked fall in sales of pig antibiotics and, more particularly, in Shotapen® and Citius® (antibiotics against disorders of the digestive system).

Dog vaccines led to the growth in the companion animal business. Bio Solution International, acquired in January 2007, made all its sales on the aquaculture market and recorded promising results.

● Taiwan

At constant rates, sales achieved by the Taiwanese subsidiary rose in 2007.

In companion animals, the results were stable in relation to 2006, the growth of certain segments offsetting the decline of others.

In food producing animals, the growth in sales of pig and poultry antibiotics largely offset the fall in parasiticides.

● India

Virbac has been present in India since August 2006. 2007 was therefore its first whole year; achieving sales of €23.8 million, an increase of 14% at constant exchange rates and with unchanged scope.

The subsidiary is currently present on the food producing animals market, essentially in bovine dairy products.

With an unchanged scope, the growth in India is directly connected with the strengthening of the sales force, sales being closely related to this measure. In fact, the Indian animal health market is very fragmented. The main clients are farmers scattered throughout the region, mostly owning very few cattle. The Group's strategy in India therefore consists in developing its sales force in order to access as many clients as possible and develop its sales in that way.

Pacific

The Pacific region recorded a growth of 3.0% in euros and 0.7% at constant exchange rates. The very favourable trend in New Zealand offset (the fall in business) in Australia, largely connected with very unfavourable weather conditions during the first half of 2007.

● Australia

Virbac Australia's sales were slightly down in 2007. The very good results in the companion animal business failed to make up for the delay in the food producing animal market and in the bovine market in particular; penalised by a marked drought during the first half of the year.

In companion animals, the subsidiary had to face the consequences of equine flu, but recorded a considerable increase in sales across all other segments. Two ranges in particular contributed to the growth in this business: external parasiticides with the success of the range of spot-on products and sprays and immunology with the vaccines for dogs.

● New Zealand

In 2007, the New Zealand subsidiary recorded strong growth, both in companion animals, thanks to the specialized petfood segment, and in food producing animals with all the bovine products.

Africa & Middle East

At constant rates, Virbac South Africa grew in relation to 2006. The food producing animal business showed a favourable development: in the industrial business, all the segments showed strong growth. On the bovine market in June 2007 the subsidiary concluded a contract for the distribution of a product for fighting infection that generated additional sales over six months.

The growth in the companion animal business essentially resulted from the range of vaccines for dogs and cats.

Export sales to Africa and the Middle East were up slightly in relation to 2006.

Acquisitions and disposals

Acquisition of companies

- On 4 January 2007, Virbac acquired Bio Solution International, a Thai company that produces and distributes aquaculture products.

This acquisition contributes to the Group's continuing aquaculture development strategy in Asia, which represents 85% of the total "aquaculture market" worldwide. With a 20% *p.a.* growth rate, this is a very promising market, especially in high-growth countries such as China, Indonesia, Vietnam, Thailand, India and Bangladesh.

Its product portfolio and its distribution network specialising in aquaculture constitute major assets for the Group and provide Virbac with a choice platform for the future development of its aquaculture business.

- On 2 January 2007, Virbac Australia acquired Hancroft Pty Ltd which holds trade marks and patents on equine products.

Acquisition of assets

- On 24 May 2007, Virbac USA acquired from National Pet Supply Inc. (known as Rebound Animal Health) the assets connected with the development, manufacture and distribution of oral electrolytic solutions, liquid food supplements and canine and feline milk substitutes.
- On 6 December 2007, Virbac South Africa acquired parasiticide products and the associated operating rights from the South African company Argos Veterinary Science Pty.

Research, Development and Licensing

In 2007, the Virbac Group dedicated 6.5% of its sales to its RDL (Research, Development and Licensing) activities. RDL is at the centre of an original innovation process combining the contributions made by Virbac's research, the licensing of new molecules, technologies or projects, the Group's biological and pharmaceutical development activities and strategic marketing. This process is applied to proposals on products subject to registration (marketing authorisation) and to proposals on so-called 'free' products, i.e. products not subject to pharmaceutical or biological registration.

One of the priority lines is the formation of a strong portfolio of projects in which the probability of success of each one has been quantified. This quantification is based on a combination of the technical, regulatory and marketing probabilities of success of each project.

This structured and strong portfolio strategy has demonstrated its value in recent years, the new products (less than three years on the market) accounting for around 15% of Virbac's total sales. R&D employs 8.4% of the Group's staff and is organised around five regional centres: Carros (France) for Europe with all animal species and supplying the rest of the world in companion animal dossiers, Fort Worth (USA) for North America, Guadalajara (Mexico) for Latin America, Sydney (Australia) for the Pacific region and Ho Chi Minh City (Vietnam) for Asia.

Smaller structures are also present in South Africa, India and Japan.

These regional R&D centres serve the specific needs of their region of establishment and collaborate on certain joint projects. In particular, the financial and human resources of the two main R&D centres (Europe and North America) were pooled in mid-2007 in order to support a global strategic approach to the companion animal market in these two continents. This provides immediate support in resources for the growth of Virbac in North America and also offers synergies that will increase in future years, both in specifically North American projects and in projects common to the European and North American markets.

Consequently, the portfolio of North American projects was strengthened this year. Following the registration of Iverhart Max™ in 2006, the registration of Virbantel™ (parasiticide) was obtained and the product was launched in 2007.

In Europe, many registrations were obtained, including Virbagest®, product intended for pig reproduction, antibiotic product used for the treatment of canine Leishmaniasis. Milteforan® is a real revolution in treatment in this field which had not seen any new products for 30 years.

The licensing activities led to the marketing of Medetor and Medesedan, tranquillizers used for horses and dogs, as well as Ladoxyn in Germany.

The filing of new pharmaceutical and biological dossiers continued in 2007 in Europe and will lead to registrations being obtained in 2008-2009.

The leishmaniasis vaccine continued its development programme, obtaining favourable scientific results, despite the risks in the parasiticide vaccine field.

RDL in Australia, Latin America and South Africa obtained new registrations, including Zeralon™ and Aflorac Max (Latin America).

The structure in Asia, which has incorporated Bio Solution, obtained Maxflor® 10% PSP Fish and two registrations of florfenicol for pigs and poultry. These products satisfy the needs in aquaculture and the needs of pig and poultry farming in South East Asia.

Japan obtained registration and immediately marketed Equimax®, the jewel of Virbac's equine parasiticide range. India, which joined the Virbac group in 2006, has already obtained new registrations: an enrofloxacin based antibiotic and Hitek® 1% LA (parasiticide) from dossiers originally prepared by R&D in Latin America. R&D in India has begun an aggressive programme of specific parallel developments.

The developments of products without marketing authorisation focused on the incorporation of glycotecnologies into the various topical products existing in USA and in Europe.

Production

France

On the Carros site

2007 saw the finalisation of a major project called Biotech 1, which enabled the manufacture of active bacteriological ingredients (leptospirose) to begin at the start of 2008 under optimum conditions of productivity and conformity. Where the old building had been, new premises were established and the operation and organisation of the workshop were fully reviewed.

In 2007 Virbac continued the protection of its industrial sites with a more efficient sprinkler system offering protection against fire.

Many investments were made in our packaging lines to adapt the capacities, improve productivity and monitor the development of requirements regarding regulatory compliance:

- installation of new labelling machines;
- installation of new loading machines;
- installation of the coding system, allowing the printing of the new Datamatrix standard (traceability).

In 2007, the Carros industrial tool incorporated new products that required adjustments to existing equipment.

On the Magny en Vexin site

No significant investments were made in 2007.

The lean manufacturing project, introduced at Virbac in 2004, enabled a further improvement to be made in the production process this year and thus generated productivity gains.

International

Mexico

Following the renovations carried out last year in the injectable betalactamine production workshops, the subsidiary completed the production line with the commissioning of a homogenizer for high viscosity suspended products and also acquired an automatic filling, capping and labelling line for 50, 100 and 250 millilitre bottles.

The Microbiology Department, obtained regulatory compliance. With a view to the optimisation of the production chain, Virbac Mexico, replacing Virbac SA, now supplies Virbac Brazil's third party clients with intramammary syringes and injectable suspensions.

Finally, the organisation of production changed with the appointment of a manager for the relocated unit housing the warehouses and premix manufacturing workshop.

Australia

The official inauguration of the new site took place on 4 September 2007, together with the celebration of the twentieth anniversary of the subsidiary. The move from Peakhurst to Milperra enabled the following to take place:

- the regrouping of offices, which had previously been scattered over six different areas of the building;
- a considerable increase in the surface area of the R&D and quality control laboratories;
- the regrouping of five different storage areas into a single centralised warehouse;
- an improvement in the acceptance/dispatch operations by adjusting lorry movements.

The Crookwell industrial unit suffered the consequences of the drought that had prevailed in the Australian continent for several years. Business on site was maintained thanks to the return of products previously manufactured externally. Another business recovery project was finalised in January 2008, concerning the range of powders for horses.

USA

The following works were carried out on the St. Louis site:

- the construction of a dedicated controlled-atmosphere workshop for the manufacture of co-extruded implants;
- the renovation and expansion of the granulation/drying workshop with the commissioning of a new fluidised air facility;
- the construction of a new 2,400 m² building to house the quality control laboratory, the R&D laboratory (instruments and formulation), locker rooms and employees' rest rooms, conference room, Quality Assurance, Regulatory Affairs, Logistics and Human Resources departments and the offices of the production monitoring personnel. The works will be completed in 2008.

Several facilities were also commissioned to increase capacity and to improve productivity:

- a mixer and a granulator for tablets;

- an automatic filling line for oral paste syringes for horses.

South Africa

The developments and improvements made mainly involved the parasiticides workshop with the commissioning of a sealing machine that reduced the time taken to cap bottles by 50%.

A new HPLC (high-performance liquid chromatograph) was installed in the quality control laboratory, improving the periods for the release of batches produced.

Vietnam

A new workshop was set up on the Song May site to house the production line for second-generation vegetable chews for dogs (highly effective due to a longer chewing period). The development of the workshop and acquisition of additional facilities such as the cold plant took place over a very short period. The extrusion line was installed during the Christmas period and commissioning took place in January 2008. This new unit should supply all subsidiaries throughout the world in the future.

On all the sites, the development of lean manufacturing continued throughout the year and thousands of hours were saved thanks to the SMED (Single Minute Exchange of Die) campaigns and other specific procedures, which have now been fully adopted by the organisations.

Analysis of 2007 financial statements

Consolidated financial statements

In order to improve the quality of the information provided to readers of the financial statements, the company has, in certain cases, adopted a classification in the 2007 financial statements that differs from the one employed the previous year. For purposes of comparability, the figures in the column for 2006 have been restated pro forma, in accordance with the options selected for 2007. These reclassifications had no impact on net profit, which remained unchanged from the figure presented last year. These reclassifications were:

- in the balance sheet: in accordance with IAS 32 which authorises the offsetting of tax liabilities and assets under certain conditions, the deferred tax assets and liabilities were offset by tax entity for a sum of €9,107 thousand;
- in the balance sheet: restatement in other non-current receivables of the research tax credit of €1,082 thousand;
- in the income statement: restatement in other ordinary income and expenditure of the research tax credit of €1,082 thousand.

Income trends

Operating profit from ordinary activities grew 16.4% in relation to the previous year thanks to the controlled rise in operating expenses and personnel costs which rose less quickly than sales, despite a slight fall in the margin on purchases.

Sales amounted to €438.5 million, an increase of €36.9 million (9.2%) over 2006. All the regions recorded growth in 2007, but, Europe, Asia and USA contributed most to the increase in sales. In Europe, the Group benefited from the acquisition at the end of 2006 of Nuova ICC in Italy and from significant increases in sales in Holland, Italy, Germany and Spain. The very marked growth in Asia is explained by the full year effect of the Indian acquisition, and by the acquisition in 2007 of Bio Solution International. Finally, in USA, the American subsidiary Virbac Corporation recorded a good growth in sales in 2007 thanks to the launch of Iverhart Max™.

The margins on purchase costs rose by 6.8%, less than sales, resulting in a very minor deterioration in the gross margin percentage due to the Indian and Italian acquisitions whose margin percentages are lower than the Group's.

The other operating charges from ordinary activities amounted to €242.2 million, up 5.0%. This rise essentially relates to the purchases and operating expenses and more particularly, to the subcontracting, research and development and travel expenses and to personnel costs (full year of the Indian subsidiary which has 355 employees).

In 2007, there were no net non-recurring operating expenses. In 2006, this item mainly comprised the costs borne by Virbac Corporation on the buyout of its minority shareholders and the additional provision for impairment of the intangible asset romifidine.

The financial result was down 68.2% in relation to 2006 at -€3.4 million compared to -€2.0 million in the previous year. This change is explained by the rise in interest expenses resulting from the debt contracted to finance the acquisition in India and the takeover bid in USA.

Corporation tax amounted to €16.3 million, up 44.7%. The rise in the apparent tax rate (29% in 2006 compared to 33.8% in 2007) is explained by the fact that in 2006 the American subsidiary had only incurred very low taxation after recording all its deferred tax assets, previously amortised.

The amount entered as the share of the net result of companies valued by the equity method corresponds to the results valued by the equity method of European companies in which Virbac has a minority interest.

Minority interests fell from €2.7 million in 2006 to €0.8 million in 2007 owing to the disappearance of the minority shareholders in Virbac Corporation following conclusion of the takeover bid in November 2006.

Consolidated balance sheet and financing

The Group's cash flow from operations rose to €45.7 million compared to €41.9 million in 2006, an increase of 9.0%, which is explained by the improvement in profitability. The net financial debt at 31 December 2007 fell to €47.4 million (compared to €67.2 million in 2006), despite the acquisitions of Nuova ICC at the end of 2006 and Bio Solution International at the beginning of 2007.

The net debt at the end of 2007 was 1.04 times cash flow from operations and amounted to 23.9% of total consolidated shareholders' equity and provisions (including minority interests).

The change in goodwill is explained partly by the acquisitions of Bio Solution International (+ €0.6 million) and Nuova ICC (consolidated since 2007 only, + €1.7 million) and partly by the decrease in goodwill of Virbac Corporation (-€1.7 million) connected with the impact of the depreciation of the dollar in relation to the euro.

The change in net intangible assets originated from an increase mainly connected with the following acquisitions:

- Bio Solution International for €1.3 million;
- Rebound for €1.4 million;
- Hancroft for €0.5 million;
- Argos for €0.6 million;

and a fall essentially connected with the impact of the exchange rates, particularly the dollar.

In 2006, Virbac SA's interest in Nuova ICC had been recorded in the current financial assets as that subsidiary was not consolidated. In 2007, the subsidiary was consolidated, which essentially explains the drop in this item.

Working capital fell in relation to the previous year to €30.0 million compared to €35.0 million in 2006. This performance was explained by controlling stock levels, reducing customer credit and the favourable impact of the exchange rates.

At 31 December 2007, the Group entered a sum of €4.7 million in the balance-sheet assets, as assets held for sale. This sum corresponding to the land and buildings of Virbac Australia for €1.9 million, which had been placed on sale when the subsidiary moved from Peakhurst to Milperra, and to assets relating to OTC (over the counter) business in the USA for €2.8 million transferred at the beginning of 2008.

On 23 December 2003, Virbac SA opened a credit line with a pool of banks for a period of seven years and a maximum amount of €100 million. At 31 December 2007, the first repayment was made and the maximum amount was then fixed at €90 million until the end of 2008.

In this regard, the Group must fulfil two types of undertakings:

- undertaking to respect financial ratios:
 - consolidated net debt/cash flow from operations;
 - consolidated net debt/shareholders' equity;
- undertaking to publish financial statements.

€28 million of this line of credit had been drawn down at the end of 2007 and the Group fully observed its contractual commitments.

Parent company financial statements

At 31 December 2007, the sales of the parent company Virbac SA amounted to €152.5 million, up 6.4% on the previous year. The portion of sales made by Virbac SA with the Group subsidiaries was stable in relation to 2006 and accounted for 87% of total sales. The remaining 13% related to direct sales made by Virbac SA in the countries in which the company does not have a subsidiary.

In 2007, growth originated from sales in Europe and in Latin America, the other regions showing a downturn.

Operating profit grew 36% in relation to 2006, amounting to €5.5 million (compared to €4.1 million in 2006). This clear improvement is explained by the general control of operating expenses which rose less quickly than sales (these expenses were 4.9% higher than in 2006).

Net financial income was stable at €13.6 million in 2007 compared to €13.2 million in 2006. The decrease in charges to provisions for impairment of participating interests cancelled out the effect of the rise in financial interest connected with the increase in debts resulting from the acquisitions made at the end of 2006.

The exceptional loss amounted to -€1.4 million and mainly comprises:

- accelerated depreciation of €1.4 million;
- the net book value of fixed assets disposed of over the year of €0.2 million, which essentially relates to the sale of shares of Panmedica and the liquidation of Vetarome;
- a €0.8 million capital gain on the sale of 158,544 treasury shares. These disposals stemmed from the exercise of stock options held by Group employees and movements recorded under the market-making agreement in place with Exane BNP Paribas;
- the write-off of receivables from the Japanese subsidiary for €0.5 million.

Net profit amounted to €17.1 million compared to €14.6 million in 2006.

Proposals by the executive board

The net profit of the Virbac SA parent company amounted to €17,100,255.

The annual shareholders' meeting will be asked to grant a dividend of €1.10 for each share with a nominal value of €1.25. In accordance with the provisions of article 243 bis of the French general tax code, it should be noted that all of the dividends distributed qualify for the 40% discount mentioned in article 158-3-2 of the French general tax code, it being added that this allowance is applicable only to individual shareholders domiciled in France.

The net profit for the period will be allocated as follows:

• dividend distribution	€9,585,787.20
• retained earnings	€7,514,468.32
• total equal to net profit for the period	€17,100,255.52

The amount of the dividend relating to treasury shares at the date of payment will be allocated to the "Retained earnings" account.

Dividends will be paid on 24 July 2008.

Dividends over the past three years

The dividends paid out over the past three financial years are as follows:

Year	Net dividend	Part eligible to the Allowance provided for by Article 158-3-2 of the French general tax code	Part not eligible to the Allowance provided for by Article 158-3-2 of the French general tax code	Amount distributed
2004	€0.55	€0.55	N/A	€4,617,723
2005	€0.65	€0.65	N/A	€5,552,885
2006	€0.80	€0.80	N/A	€6,886,402

The 50% discount applicable since 2005 (in 2004 revenues) fell to 40% in 2006 and was maintained at that level in 2007. This system was also combined with a tax credit equal to 50% of the revenue received, limited to €115 or €230 euros depending on the family situation (the amount of the tax credit and the limits have not been changed since they were set in 2005). This system does not apply to legal persons, however.

Share buyback scheme

The ordinary shareholders' meeting on 29 June 2007, authorised the parent company Virbac SA to buy back its own shares in accordance with article L225-209 et seq. of the French commercial code and in accordance with the buyback plan set out in the prospectus published, in accordance with the provisions of the directive on transparency which entered into force on 20 January 2007, by our professional distributor and on the company website on 18 April 2007.

At 31 December 2007, Virbac SA owned 100,305 treasury shares, acquired on the market for an overall sum of €3,365,067 excluding costs, i.e. an average cost of €33.55 per share. During the year, the company bought 97,920 treasury shares, including 84,320 shares within the scope of the market-making agreement and 13,600 shares in connection with a free share grant plan. Virbac also transferred 158,544 shares, including 95,754 shares relating to the market-making agreement and 62,790 shares within the scope of the stock-option plans to Group employees. At 31 December 2007, treasury shares accounted for 1.2% of the share capital of Virbac SA and are held primarily for the purposes of the stock option and free share grant plans.

A resolution will be submitted for the approval of the annual shareholders' meeting authorising the company to buy back up to 5% of its share capital. The purchases may be carried out to ensure the liquidity of the stock or support the price via a market maker acting independently under a market-making agreement, in accordance with the Code of Ethics approved by the AMF and in the light of the proposed resolution regarding the free share grant submitted to the annual shareholders meeting.

The maximum purchase price must not exceed €100 per share. When calculating the maximum number of shares, shares already purchased under the aforementioned prior authorisations will be included, together with those that may be purchased under the liquidity contract.

Employee shareholding

Pursuant to article L.225-102 of the French commercial code, we would like to inform you that employees of the company and affiliates held, at 31 December 2007, 76,519 Virbac shares, namely 0.88% of the share capital, via the company savings plan.

Non tax-deductible expenses

The non-deductible expenses referred to in article 39-4 of the French general tax code amounted to €105,748 for the financial year ended 31 December 2007.

Material events after the closing date

At the beginning of 2008, the Virbac group transferred the non-strategic part of its OTC business in the USA to an American company specialising in the distribution of products for animals in the OTC channel. Virbac did not have the presence and sufficient forces to market this highly diversified and relatively unknown range of products. This business accounted for sales of less than €10 million with low profitability.

Management and supervisory bodies

Supervisory board

● Marie-Hélène Dick, chairwoman of the supervisory board of Virbac SA.

Other positions held:

- chairwoman and general manager and permanent representative of Okelen SA (France);
- chairwoman of Panmedica SAS (France);
- chairwoman of the board of directors of Panpharma SA (France).

Remuneration and directors' fees received in respect of 2007: €106,300.

● Jeanine Dick, vice-chairwoman of the supervisory board of Virbac SA.

Other positions held:

- manager of Investec, a non-trading company (France).

Directors' fees received in respect of 2007: €10,500.

● Pierre Madelpuech, permanent representative of ASERGI SARL, member of the supervisory board of Virbac SA.

Other positions held:

- manager of ASERGI SARL (France);
- director of Panpharma SA (France);
- director of Okelen SA (France);
- general manager of Panmedica SAS (France);
- member of the board of directors of VGC Holding SAS (France).

Directors' fees received in respect of 2007 by ASERGI SARL: €16,300.

● François Guinot, member of the supervisory board of Virbac SA.

Other positions held:

- chairman of the Académie des Technologies (France);
- vice-chairman of the Fédération Française des Chimistes (France);
- director of the Centre National de la Recherche Scientifique (France).

Directors' fees received in respect of 2007: €16,300.

● Xavier Yon, permanent representative of XYC SARL, member of the supervisory board of Virbac SA.

Other positions held:

- chairman of the École de Biologie Industrielle de Cergy-Pontoise (Association loi 1901) (France);
- director of Graceway Pharmaceuticals Inc. (United States);
- director of Medical Instill Technologies Inc. (United States).

Directors' fees received in respect of 2007 by XYC SARL: €16,300.

● Philippe Capron, member of the supervisory board of Virbac SA.

Other positions held:

- member of the executive board and financial director of Vivendi SA (France);
- director and chairman of the audit committee of SFR SA (France);
- member of the supervisory board of Groupe Canal Plus SA (France);
- member of the supervisory board and chairman of the audit committee of Canal Plus France (France);
- member of the supervisory board and chairman of the audit committee of Maroc Telecom SA (Morocco);
- director of Vivendi Games Inc. (United States);
- director of Universal Music Group Inc. (United States);
- director of NBCU Inc. (United States);
- director of Tinubu Square SAS (France).

Directors' fees received in respect of 2007: €19,300.

Executive board

● Éric Marée, chairman of the executive board of Virbac SA.

Other positions held in Virbac subsidiaries:

- chairman of Interlab SAS (France);
- director of Virbac (Australia) Pty (Australia);
- director of Vetsearch International Pty Ltd (Australia);
- director of MR- 067 579 122 Pty Ltd (Australia);
- chairman of Virbac Corporation (United States);
- director of Virbac Ltd (United Kingdom);
- director of Vetsearch International (UK) Ltd (United Kingdom);

- chairman of Laboratorios Virbac Mexico SA de CV (Mexico);
- director of Virbac Mexico SA de CV (Mexico);
- deputy director of Virbac Animal Health India Private Limited (India).

● Pierre Pagès, member of the executive board and chief operating officer of Virbac SA.

Other positions held:

- director of Panpharma SAS (France).

Other positions held in Virbac subsidiaries:

- chairman of Virbac Distribution SAS (France);
- chairman of the management board of Dog N'Cat International SAS (France);
- chairman of the management board of Virbac Nutrition SAS (France);
- director of Virbac (Australia) Pty (Australia);
- director of Vetsearch International Pty Ltd (Australia);
- director of MR- 067 579 122 Pty Ltd (Australia);
- director of Virbac Corporation (United States);
- chairman of PP Manufacturing Corporation (United States);
- director of Virbac New Zealand Ltd (New Zealand);
- joint manager of Virbac Tierarzneimittel GmbH (Germany);
- joint manager of Virbac Pharma Handelsgesellschaft mbH (Germany);
- director of Virbac Japan Co. Ltd (Japan);
- director of Virbac Korea Co. Ltd (South Korea);
- director of Virbac Ltd (United Kingdom);
- director of Vetsearch International (UK) Ltd (United Kingdom);
- director of St Jon VRX Products Ltd (United Kingdom);
- joint manager of Virbac Österreich GmbH (Austria);
- vice-chairman of Virbac Philippines Inc. (Philippines);
- chairman of Virbac RSA (Pty) Ltd (South Africa);
- director of Virbac SRL (Italy);
- director of Nuova ICC SRL (Italy);
- director of Inomark AG (Switzerland);
- vice-chairman of Virbac Vietnam Co. Ltd (Vietnam);
- director of Virbac (Taiwan) Co. Ltd (Taiwan);
- director of Virbac (Thailand) Co. Ltd (Thailand);
- chairman of Laboratorios Virbac Mexico SA de CV (Mexico);
- chairman of Virbac Mexico SA de CV (Mexico);
- vice-chairman of Virbac Hellas SA (Greece);
- vice-chairman of Animedia SA (Greece);
- chairman of Virbac Animal Health India Private Ltd (India);
- director of Virbac Colombia Ltda (Colombia);
- director of Laboratorios Virbac Costa Rica SA (Costa Rica);
- director of Bio Solution International Co. Ltd (Thailand).

● Christian Karst, member of the executive board of Virbac SA.

Other positions held in Virbac subsidiaries:

- chairman of the management board of Bio Véto Test SAS (France);
- member of the management board of Francodex Santé Animale SAS (France);
- director of Virbac (Australia) Pty (Australia);
- director of Vetsearch International Pty Ltd (Australia);
- director of MR- 067 579 122 Pty Ltd (Australia);
- director of Virbac Ltd (United Kingdom);
- director of Geowell Oy (Finland).

● Michel Garaudet, member of the executive board of Virbac SA.

Other positions held in Virbac subsidiaries:

- director of Virbac de Portugal Laboratorios Lda (Portugal);

- member of the management board of Bio Vétro Test SAS (France);
- director of Virbac Corporation (United States);
- member of the management board of Alfamed SAS (France);
- member of the management board of Francodex Santé Animale SAS (France);
- member of the management board of Virbac France SAS (France);

- director of Virbac Hellas SA (Greece);
- director of Animedica SA (Greece).

• Jean-Pierre Dick, member of the executive board of Virbac SA.
Other positions held:

- president of the Virbac Foundation;
- member of the Défi Voile Sud association.

Compensation of members of the executive board in 2007

The remuneration paid in respect of the financial year 2007 corresponds to the fixed remuneration paid in 2007, the remuneration in respect of appointments as directors in Group companies paid in 2007, the variable remuneration paid in 2008 in respect of 2007 and the fringe benefits granted in 2007 (company cars).

Members of the executive board (in euros)	Fixed compensation (including fringe benefits)	Compensation for directorships in Group companies	Variable compensation	Total compensation
Éric Marée	253,313	62,444	126,000	441,757
Pierre Pagès	168,699	59,111	79,000	306,810
Christian Karst	165,126	38,000	64,000	267,126
Michel Garaudet	157,446	12,593	42,000	212,039
Jean-Pierre Dick	32,838	-	15,000	47,838

The remuneration paid in respect of the financial year 2006 corresponds to the fixed remuneration paid in 2006, the remuneration in respect of appointments as directors in Group companies paid in 2006, the variable remuneration paid in 2007 in respect of 2006 and the benefits in kind granted in 2006 (company cars).

Members of the executive board (in euros)	Fixed compensation (including fringe benefits)	Compensation for directorships in Group companies	Variable compensation	Total compensation
Éric Marée	253,313	52,295	121,000	426,608
Pierre Pagès	167,288	52,295	76,000	295,583
Christian Karst	155,007	38,000	61,000	254,007
Michel Garaudet	150,017	14,295	40,000	204,312
Jean-Pierre Dick	30,638	-	15,000	45,638

Calculation criteria for the variable portion

The variable remuneration of the members of the executive board depends on a series of shared goals:

- sales growth,
- growth of operating profit from ordinary activities, as well as specific operating goals.

Other benefits

In addition to the various remuneration items, members of the executive board enjoy the following benefits.

• Retirement

A supplementary defined benefit pension plan (12.5% of reference salary and 22% where over 30 years' service) granted on the basis of the following conditions:

- over 10 years' service in the Group (including 9 years as a member of the executive board);

- be at least 60 years of age;
- finish his/her career in the Group.

• Termination benefits

The commitments made by the company and its subsidiaries in favour of its managers in the event of dismissal are as follows:

- Mr Éric Marée: €483,000
- Mr Pierre Pagès: €404,000
- Mr Christian Karst: €326,000

• Stock options

In accordance with authorisation given it by the annual shareholders' meeting, the executive board of Virbac granted share purchase options to certain employees and managers of Virbac SA and its subsidiaries between 2000 and 2003.

Each option gives the right to purchase one Virbac share at a fixed price and referred to as the exercise price. Beneficiaries are subject to a vesting period and may only exercise 50% of their options 2 years from the date of grant and the remaining

50% after 3 years. The options expire if they have not been exercised six years from the date on which they are granted or if the beneficiary leaves the Group during the lockout period.

Shares purchased via options may not be disposed of until four years from the commencement date of the plans.

The number and price of the purchase options were as follows:

	2007		2006	
	Options	Average price	Options	Average price
Options outstanding at the start of the period	125,300	€26.35	210,223	€24.09
Options granted during the period	-	-	-	-
Options exercised	- 62,790	€26.29	- 84,923	€20.76
Options cancelled	-400	€32.88	-	-
Options outstanding at the end of the period	62,110	€26.37	125,300	€26.35
<i>Of which exercisable options at 31 December</i>	<i>62,110</i>		<i>125,300</i>	

The various stock-options plans not yet matured in 2007 from which members of the executive board benefit were as follows:

	2002 Plan	2003 Plan
Exercise price	€32.88	€22.87

Member of the executive board	Number of shares	Number of shares
Éric Marée	12,000	18,000
Pierre Pagès	6,000	8,000
Christian Karst	6,000	8,000
Michel Garaudet	2,000	6,000

No stock-option plan has commenced since that of 2003.

● Free share grants

In accordance with authorisation given it by the annual shareholders' in 2006 and 2007, the meeting executive board granted free shares to certain management employees of Virbac SA and its subsidiaries.

These grants are contingent upon the meeting of a performance objective - tied to the profitability and net debt of the Group - which will be evaluated at the end of 2008 and 2009 respectively.

Period of ownership for managers:

- 2006 plan: if the targets are met, the shares acquired should be kept by the beneficiaries for two years as from their acquisition;
- 2007 plan: same conditions as 2006. 35% of the shares acquired by the chairman of the board and 25% for the other company officers may not be transferred while they are working in the Group. This constraint will nonetheless be lifted if the company officers form a Virbac share portfolio representing two years of target annual remuneration (gross pay and target bonus), except for the chairman for whom this amount is fixed at three years' target remuneration.

The free shares granted to members of the board in 2006 and in 2007 were as follows:

Member of the executive board	Number of shares	Number of shares
	2006 Plan	2007 Plan
Éric Marée	2,700	1,800
Pierre Pagès	1,700	1,300
Christian Karst	1,400	1,200
Michel Garaudet	900	800

Transactions performed by managers on the company shares

Pursuant to the provisions of articles L621-18-2 of the monetary and finance code and 222-15-3 of the general rules of the AMF, we present a summary statement of the transactions performed during the course of the year elapsed by the managers and the persons connected with them for which we have received notification.

Nature of transactions	Number of shares	Accumulated amount of transactions
Purchases (per exercise)	23,500	€687,595
Sales	17,500	€1,028,505

Information on shareholders and stock market performance

Virbac provides clear, consistent and transparent information to its individual and institutional shareholders and their advisers (financial analysts). This information is relayed by means of financial announcements published in the national media, press releases published on financial web sites and the website of the French Financial Markets Authority (AMF), and the publication of Group quarterly sales and half-yearly profits in the Balo, the French official journal of required publications.

Relations with individual investors

The www.virbac.com website has an investor relations section that is regularly updated. It allows the Group's financial information to be consulted and downloaded: press releases, annual and half-yearly financial statements, annual report... Internet users may also send questions pertaining to Group financial matters to the following address: finances@virbac.com.

Beginning in 2007, in order to comply with the new obligations imposed by the transparency directive and the general

regulations of the AMF, the page devoted to financial communications will be enriched with a section on regulated disclosures entitled "Financial and legal Information" consolidating all of the information required by the directive.

Relations with institutional investors

Senior managers keep in close contact with investors and analysts, in particular meeting them throughout the year primarily in the Paris and London markets.

Meetings and conference calls with analysts are organised to coincide with the publication of profits, acquisitions or other major events of significance for the Group.

The Financial Affairs Department is available to answer any questions investors and analysts may have concerning the Group's strategy, products, published results or major events.

Provisional financial communications timetable for 2008

The provisional timetable for 2008 is as follows:

- first quarter sales 2008, 17 April 2008;
- second quarter sales 2008, 22 July 2008;
- first half profit 2008, 29 August 2008;
- third quarter sales 2008, 16 October 2008;
- annual sales 2008, 20 January 2009.

Stock market data

Share price (in euros)	2003	2004	2005	2006	2007
High	34.45	31.95	41.50	49.00	68.90
Low	20.50	24.03	25.87	37.50	47.00
Average	28.02	27.99	33.08	43.44	59.09
Closing	29.30	26.10	39.80	47.00	68.70

Share capital distribution

Breakdown of share capital at 31 December 2007 was as follows:

	Shares	Voting rights	As a % of share capital	As a % of voting rights
Dick family Group	4,072,720	8,145,440	46.74%	63.67%
Company savings plan	76,519	153,038	0.88%	1.20%
General public	4,464,808	4,493,859	51.23%	35.13%
Treasury shares	100,305	-	1.15%	-%
TOTAL	8,714,352	12,792,337	100%	100%

There were no significant changes in the breakdown of share capital and voting rights in relation to 2006.

At 31 December 2006

	Shares voting	Voting rights	As a % of share capital	As a % of voting rights
Dick family Group	4,072,720	8,137,360	46.74%	63.99%
Company savings plan	76,519	153,038	0.88%	1.20%
General public	4,404,184	4,427,205	50.53%	34.81%
Treasury shares	160,929	-	1.85%	-%
TOTAL	8,714,352	12,717,603	100%	100%

At 31 December 2005

	Shares voting	Voting rights	As a % of share capital	As a % of voting rights
Dick family Group	4,072,720	8,137,360	46.74%	64.34%
Financière de l'Échiquier	665,770	665,770	7.64%	5.26%
Company savings plan	76,519	153,038	0.88%	1.20%
General public	3,667,784	3,691,199	42.08%	29.20%
Treasury shares	231,559	-	2.66%	-%
TOTAL	8,714,352	12,647,367	100%	100%

Thresholds exceeded

During the course of the financial year ended 31 December 2007, the company was not informed of any legal or statutory thresholds for holding shares or voting rights being exceeded.

Information that might affect a public offering

Pursuant to article L225-100-3 of the commercial code, certain shares hold special controlling rights:

- the following shares include double voting rights:

	Number of shares
Dick family Group	4,072,720
Company savings plan	76,519
General public	29,051

- the 100,305 self-controlling shares do not include any voting rights.

Outlook for 2008

Our prospects for growth are good, as we should benefit from the increase in power of many products launched in 2007, particularly in the companion animal segment. We are consequently counting on an organic growth of around 6%, provided the world financial turmoil at the beginning of this year does not affect the growth of the world veterinary market, which cannot be ruled out. Moreover, the strength of the euro and the sell-off of our OTC brands in the United States at the beginning of the year will affect the actual growth rate for the year.

Conversely, we are hoping that some of our external growth projects will materialise and we will devote all our attention to these, with the ambition which our low level of indebtedness and our strong generation of cash flow allow.

We are also maintaining the goal pursued for several years of improving our rate of operational profitability by an average of half a per cent per year, thanks to the combined effects of the growth, the introduction of new products with stronger margins and the efforts made with regard to industrial optimisation.

Risk factors**Risks related to the Group's businesses and strategy****Risks related to the research, development, licensing and product registration process**

The veterinary pharmaceutical industry is highly competitive and each year, to maintain its market share and sustain its growth, Virbac must devote considerable resources to research and development in order to discover new products. In 2007, Virbac committed 6.5% of its total sales to research and development. The research and development process generally takes several years and entails multiple steps. Each of these steps entails a risk that objectives will not be met and that a project in which significant amounts have been invested will have to be abandoned.

Consequently, the investments underway for the development and launch of future products may involve costs that will not necessarily generate additional sales for Virbac.

At the same time that it invests in in-house R&D projects, the Group also has a policy of acquiring licences granting it access to

either new products ready to be marketed, or to projects under development that it will itself pursue up through their successful conclusion. As is true of in-house R&D projects, there is always a risk that these projects will not be finished, or that the commercial prospects will turn out to be less attractive than expected, which may lead to the recognition of a provision for impairment of these assets.

Once the research and development phase is finished, Virbac, in its capacity as a veterinary pharmaceutical laboratory, must obtain any administrative authorisations necessary to market its products. This step is often long and complicated, and the Group's chances of success are not guaranteed. In fact, the filing of a registration dossier with the appropriate authority provides no automatic guarantee that the authorisation to market the product will be obtained, or such authorization may be only partial, i.e. limited to certain countries or to certain applications. Once marketing authorisation has been obtained, products are subjected to continuous controls and their marketing may still be restricted, or they may be withdrawn from the market. Virbac seeks to limit these risks by employing a stringent selection process for the research and development projects in which it invests (whose probabilities of success, as measured by a combination of technical, regulatory and marketing factors, are over 50%) and through the expertise of its Department of Regulatory Affairs, which is responsible for the filing, monitoring and renewal of marketing authorisations.

Risks related to the Group's distribution

Virbac is present in many countries, either through its subsidiaries or through distributors in those countries in which the Group has no subsidiary.

Although there are many types of distribution networks, and each depends on the country in which the products are being sold, the Group's products are virtually always distributed to veterinarians through wholesalers and central purchasing groups. Throughout the world, these relationships are defined by contracts that are reviewed regularly; nevertheless, this kind of distribution method can occasionally create a certain dependency for Virbac, or provide it with an insufficient degree of control over its presence and future growth.

Virbac seeks to reduce this risk by studying opportunities to create a distribution subsidiary each time its sales attain a sufficient level in any given market. Virbac then proceeds with the most appropriate solution, either acquiring its distributor or creating a new company.

Reputational risks

Product liability is a risk inherent to Virbac's type of business (pharmaceutical products).

In order to keep these risks low, Virbac has established drug monitoring procedures and stringent quality controls for all of the products the Group markets, in addition to taking out appropriate insurance.

It is nevertheless possible for Virbac to be involved in product liability suits, which could affect its reputation as well as its sales, operating profit or financial position.

Risk of dependency on third parties for the supply or manufacturing of certain products

All of the raw materials and active ingredients that make up the products Virbac produces are supplied by third parties. In certain cases, the Group also uses manufacturers or industrial partners with expertise in or control over special technologies. Virbac diversifies its sources of supplies to the greatest extent possible by establishing relationships with several suppliers, while ensuring that all of these different sources present adequate profiles in terms of quality and reliability. Virbac is exposed to some risk of supply shortages or price pressure, however, on certain supplies or technologies for which diversification is difficult or impossible.

To limit these risks, the Group strives to identify as many diverse suppliers as possible, and in certain cases acts to secure its supply chain by acquiring the technologies and expertise it is missing and that create too much of a dependency. An example of this was the acquisition of the patent rights and the industrial plant for the production of the protein used to make the main cat vaccine, Leucogen®.

Risk related to the Group's external growth policy

Ever since it was founded, Virbac has pursued an active acquisition policy. As a result, the Group now has operations in many countries and a broad range of products.

In 2007, the Group continued its geographic expansion by making an acquisition in Thailand in the aquaculture sector and is contemplating continuing this policy in the future to reinforce both its geographic positioning and its product offer.

This growth through acquisitions entails both financial and operational risks.

Virbac's previous acquisitions, both older and more recent, demonstrate the company's ability to manage the acquisition process and all associated challenges effectively. It accomplishes this notably by using competent, multidisciplinary teams in all its acquisition projects; if needed, these teams may be backed up by independent advisors.

Industrial and environmental risks

Risks related to the use of dangerous materials

As part of its business manufacturing veterinary medicine, Virbac uses substances that present health, fire and/or explosion, air pollution and water pollution risks at the various phases of the production process (manufacturing, storage and transport).

To minimise these risks, the Group complies with the safety measures prescribed by all prevailing laws and regulations, establishes best manufacturing and laboratory practices, and ensures that all its employees have been trained appropriately. Its manufacturing sites and research and development facilities are also inspected regularly by regulatory authorities.

Legal and tax risks

Risks related to the maintenance of patent rights

One of the major keys to the Group's success is its ability to effectively obtain and protect its intellectual property rights, and notably as concerns its formulas, technologies and patents. Patents provide protection for only a limited time. Once a patent expires, there is always a risk that a greater number of competitors will bring generic products to market. The launch of a generic product results most often in a decrease in both the price and the volumes sold of the branded product.

In addition, patent laws are constantly changing, which can render the patentable nature of an innovation or the scope of a patent's protection uncertain.

The company is thus exposed to two risks: the risk of a competitor attacking or exploiting its intellectual property rights, and the risk of its product being counterfeited by third party rights holders.

Virbac's legal departments and, above all, its own patents department are responsible for managing both these rights and risks.

Risks of insufficient insurance

Virbac has established an exhaustive review process for insurable risks and their financial cover, and is assisted in this by a brokerage that is a member of an international network.

As such, all contracts have been reviewed and standardised at the Group level, and the parent company helps subsidiaries set up local insurance policies and monitor all contractual insurance and liability clauses.

Once these procedures have been followed, insurable risks are taken into account in the Group insurance policies with a level of cover that the Group considers appropriate for its position, barring any completely unforeseeable events.

Risks of legal actions

In the normal course of its businesses, Virbac is exposed to the risk of being involved in legal actions, arising essentially from commercial, staff and tax-related issues.

The Group considers that the provisions for these legal actions that are recognised in the financial statements are sufficient to cover the financial risk that would be incurred in the event it should lose such actions.

It should be stated that, within the scope of the public buyout offer launched on the shares held by the minority interests of Virbac Corporation in the United States, the action that was still in progress at 31 December 2006 was finally concluded by a judge's ruling on 1 August 2007.

Financial risks

Market risks

● Exchange rate risk

The Group's policy is to hedge exchange rate risks when the scope and risk of currency fluctuation are high. It accordingly uses various instruments available on the market and generally uses foreign exchange forwards.

● Interest rate risk

Virbac's primary exposure to interest rate risk comes from the variable-rate lines of credit it has set in place in France and in the United States. These lines are based on the Euribor in France and on the prime rate and Libor in the United States. To manage its risks and optimise the cost of its debt, the Group tracks expectations of market rates and may choose to enter into interest rate swaps (into fixed rates) that never exceed either the maturity or the value of its actual commitments.

● Cash liquidity risks

A policy of pooling excess cash and financing requirements in the Europe zone means that the Group's net positions can be reduced and that the management of its deposits or financings be optimised, thereby ensuring that the Group has the ability to meet its financial undertakings and maintain a level of cash and cash equivalents in line with its size and requirements.

Virbac SA also has a line of credit whose term and amount guarantee sufficient funding for the Group and its development projects.

Other financial risks

● Hedge accounting

Hedge accounting is used to offset the impact of the item hedged against that of the hedging instrument in the income statement. In order to qualify for hedge accounting, all hedging relationships must satisfy several stringent conditions in terms of documentation, probability of event, effectiveness of the hedge and reliability of measurement. The Group recognizes only those hedges used to cover actual exposures, and does not create any speculative risk.

Nevertheless, due to the constraints imposed by documentation of hedging relationships, the Group has elected not to classify any of the derivatives that it held on the balance sheet date as hedges for accounting purposes.

Country risks

Virbac is an international group with operations in a large number of countries that do not suffer from political or economic instability of a kind that could have a major impact on the Group's assets or business activities.

Sustainable development

Safety - Environment

The environmental data set out here is for the French sites.

Consumption of water and energy resources:

m ³	2007	2006	2005
Water	79,000	80,000	92,000

Water is used in production and for thermal uses. The commissioning of closed-circuit cooling systems as well as careful management of usage help keep consumption levels down.

KWh (kilowatt-hours)	2007	2006	2005
Gas	11,867,921	9,939,937	10,592,962
Electricity	18,197,839	17,674,180	16,871,686

Energy is used in manufacturing, to filter and treat air coming into and going out of buildings in order to comply with good pharmaceutical manufacturing practices. Compared with other industries, the pharmaceutical industry is not a business that requires large amounts of energy.

Virbac, as a health company, is currently actively implementing a comprehensive hygiene, safety and environment policy. The goals of this policy primarily relate to human resources (safety of personnel) followed by economic (protection of property) and regulatory concerns (compliance with legal obligations). The Workplace Safety project has now been made part of the lean manufacturing project.

Continuous monitoring

Virbac SA continuously monitors and systematically ensures that it is in compliance with changes in regulatory requirements with regard to hygiene, safety and the environment. Virbac SA carries out all modifications and improvements to its classified facilities related to changes in those of its businesses requiring updating of operating permits issued by the Drire (French regulatory department responsible for industry, research and the environment). Recommendations from the annual site audits carried out by the experts of our insurance company are also taken into account.

Investment in technical solutions

A host of investments in the field of prevention were made at French sites in 2007:

- improved security of handling systems for technical/ burglary and lightning alarms;
- IT protection;
- additional fire detection systems in the Virbac I buildings;
- the "potentially explosive atmospheres" (ATEX) study launched in 2006 which consists in classifying each work area based on the potential risk of each activity's likelihood of explosion, continued in 2007;
- audit of work atmospheres;
- inspection of industrial and used water networks (carried out each year);
- execution of the automatic fire extinguisher installation programme, in accordance with the recommendations of the insurance companies (sprinklers);
- installation of a dust remover (local suction) on the Magny en Vexin site;
- ensuring compliance of the suction system on the Magny en Vexin site (operator protection);
- ensuring compliance of the biological evacuation system;
- installation of seals on the rainwater network.

Investments made in 2007 totalled €1,050,000. This programme of improving the company's safety and environmental conditions will be continued in 2008.

Special training Hygiene-Safety-Environment

In 2007, 1,044 people participated in yearly regulatory fire safety training programmes:

- fire drill: 528 people;
- training at the workstation: 516 people.

Risk prevention and analysis

The action plans, drawn up following the regulatory risk analysis, continued.

The main achievements in this field in 2007 were:

- the update of the Internal Organisation Plan;
- Virbac I's CNPP (National Prevention and Protection Centre) audit;
- continued updating of the prefectorial operating permit for environmental protection within classified facilities (ICPE) for Virbac I 3e rue, for Drire compliance;
- continued negotiations on a waste agreement with the Carros Town Hall, with the aim of cutting clean-up costs;
- a chemical risk analysis of the Magny en Vexin site.

Energy savings

During the final quarter of 2006, Virbac launched two energy audits based on technical proposals.

The implementation of these proposals over several years began in 2007 and enabled the following measures to be taken:

- a study on the installation of a heat pump at Virbac I 3e rue (delivery in 2008);
- a study on the installation of photovoltaic panels.

Goals given to the Group's international subsidiaries

In all the countries in which the Group has production units, the Group puts in place policies to comply with environmental standards and safety rules, and trains its personnel. This policy is designed to comply with local regulations and with the Group's values and thinking in this regard.

Human resources

The Group has 2,737 employees in 29 countries, 38 subsidiaries and 5 representative offices.

Strategy

Virbac's men and women are central to the company. They represent a competitive advantage and a key factor in our success.

The human resources policy works to further the company's strategy, and may be summed up very simply by: striving for excellence in HR management in order to drive the company's growth and help all employees fulfil their potential.

This strategy has a few clear goals:

- remaining in touch with and sensitive to the needs of operational personnel, employees and managers, to provide them with the best possible assistance in accomplishing their daily tasks;
- making Virbac's people and organisation more effective, helping the business with its major growth and optimisation initiatives;
- training managers and making them drivers of change and growth for their personnel;
- encouraging geographic and functional mobility, to spread the Group's business culture and values throughout the world;
- developing a style and a culture open to discussion, in order to promote innovation and effectiveness.

Recruitment and mobility

Virbac has a selective recruitment policy designed to attract professional candidates to the sales and marketing functions in its animal health business and to its other industrial and research and development operations on a permanent basis. Virbac also recruits specialists for its support functions, such as the finance, legal, human resources, communications and IS departments, all of which help add value to the business.

In France, the head office recruits young interns, in order to expose the future graduates to the business world, while offering some of them the chance to join the company once they have finished their studies.

Virbac attaches a great deal of importance to the concepts of commitment and results, and to the heightened sense of social responsibility that is characteristic of the Group and is a key criterion during the selection process.

The professionalism with which all recruitment is performed, often both in-house and outside of the Group, stimulates internal mobility while increasing the quality of the recruits.

Training and development

Training and development have been practical priorities

of Virbac's human resources strategy since 2006. Management of the training function was optimised greatly by the creation of a specific Virbac training catalogue and the use of a participatory definition of needs process that increased employees' sense of responsibility. All categories of personnel participate in training. Considerable efforts were made to assist and train managers to bring about major changes within their organisations. The Performance Management process was made an obligatory part of career training for all management personnel in France, enriched by an additional topic each year (this year: close management).

A complete marketing curriculum was launched for employees in Europe as well as tools for developing our sales skills in order to harmonise our client approach.

The Virbac Leadership programme was initiated in 2007 and will be developed in 2008 and 2009 for 130 managers worldwide. This constitutes the basis of the Virbac culture, the know-how and strategic skills for the company's future growth.

Remuneration

The Virbac Group's remuneration policy is tied directly to the performance of the company as a whole and the individual contribution made by each employee.

In France, the policy for manual workers, technicians and supervisory staff has a strong social focus with social benefits above and beyond the sector median as well as a policy of combined general and individual salary increases that are also above average for the industry. The policy for executives is constantly being reviewed and focuses primarily on rewarding individual performance, which is subject to a full analysis of mastery of the position, contribution over the year as well as internal and external criteria regarding fairness. Considerable upgrades have been achieved in this area through efforts made in the areas of remuneration, training and communications.

Outside of France, Virbac has taken an initial step in its plan to standardise remuneration by starting with the Group's managers, who follow an international career path in order to facilitate exchanges of expertise around the globe.

Group workforce

Analysis of workforce by geographic region	Total	%	Women	%	Men	%
Europe	1,270	46%	651	51%	619	49%
North America	299	11%	119	40%	180	60%
Latin America	260	9%	103	40%	157	60%
Pacific	160	6%	78	49%	82	51%
Asia	618	23%	114	18%	504	82%
Africa & Middle East	130	5%	47	36%	83	64%
TOTAL	2,737	100%	1,112	41%	1,625	59%

Nearly half of the Group's workforce is located in Europe (46%), with 1,000 employees (37%) in France alone.

Change in workforce per geographic area	2007	2006	Change	%
Europe	1,270	1,249	21	2%
North America	299	293	6	2%
Latin America	260	250	10	4%
Pacific	160	162	- 2	- 1%
Asia	618	481	137	28%
Africa & Middle East	130	129	1	-9%
TOTAL	2,737	2,564	173	7%

The total permanent workforce at 31 December 2007 grew 7%, with 173 more employees, including 89 in India.

Workforce by function	2007	%	2006	%
Production	945	35%	947	37%
Administration	358	13%	352	14%
Sales & Marketing	1,198	44%	1 049	41%
Research & Development	236	9%	216	8%
TOTAL	2,737	100%	2,564	100%

With 81 additional sales employees, Virbac India changed the allocation by function once again this year. In fact, the sales function now accounts for 44% of the Group's workforce compared to 41% in 2006 and 34% in 2005.

Virbac in France

Workforce

Virbac has 1,000 employees in France. With 56% women and 44% men, the workforce breaks down as follows in terms of status:

Statuts	%
Executives	42%
Supervisory staff/technicians/non-manual employees	41%
Manual workers	17%

Changes in staffing

In 2007, there were ten more new recruits than there were people leaving the company.

Remuneration

In 2007, gross remuneration amounted to €36,706,805 and social security to €16,026,557. The average gross annual salary was €38,808, up 3.95% on 2006.

Social and community services

In 2007 the company allotted €342,960 to social and community services.

Training

This year training expenses amounted to €1,459,149, 3.98% of gross payroll. Training expenses were optimised by the development of inter-company training and the measures taken by internal training officers.

Working time

All employees are covered by a working time reduction agreement: the working week is annualised from 1 June to 31 May at 1560 hours (with an additional 130 hours for executives). Since the 2004/2005 financial year, and in accordance with the law, this annual period is increased by 7 hours for solidarity day. The decision to replace this national solidarity day by one less "working time reduction" (RTT) day during the year was upheld. Following the agreement signed in November 2004, executives legally classified as 'autonomous' (above grade 7 and salespeople) organise their work on a fixed annual basis of 213 days (212 days plus the national solidarity day). An agreement on part-time working was signed in 2005 for 2006: this agreement is limited to 3% of employees and a reduction to 4/5ths of working time. This agreement was renewed in 2006 for an unspecified duration, and by modifying the amendments to the work contract over the same period as for paid holidays and RTT in order to simplify administration.

Workplace safety

In 2007, there were a total of 17 work-related accidents, resulting in 242 days of absence from work. Special awareness measures were taken after each accident in all departments (wearing protective equipment, posture at work, further training, etc.).

Employee safety remains an ongoing concern. Virbac's industrial facilities comply with European standards, and the Group also conducts regular audits to guarantee that protection measures are effective.

Furthermore, all work-related accidents are followed up by an internal investigation with members of the Hygiene, Safety and

Working Conditions Committee, with solutions proposed and set in place with the involvement of the line management concerned and monitoring of the action plan for corrective measures.

Absenteeism

Absenteeism in the company amounted to 4.70%, and may be analysed as follows:

Causes	%
Work accident	0.44%
Maternity	0.84%
Illness	3.27%
Commuting accident	0.03%
Part-time medical leave	0.12%

Industrial relations

Employee representatives were re-elected in 2007 for the Economic and Social Unit (UES).

A company agreement was signed to fix the offices of the Works Council and personnel representatives at 3 years. The Works Council for the UES comprising Virbac, Virbac France, Francodex Santé Animale and Alfamed comprises 7 permanent and 5 replacement members. Ordinary meetings are organised monthly.

The Carros site has 7 permanent employee representatives and 6 substitutes; there are 2 employee representatives (one permanent and one substitute) at Magny en Vexin and a statement of insolvency has been drawn up in Verzeille.

There are two union representatives: a labour representative from the CGT (Confédération Générale du Travail) labour union and a CFE-CGC (Confédération Française de l'Encadrement - Confédération Générale des Cadres) [French Confederation of Executives – General Confederation of Executives] representative, appointed in 2007.

Disabled workers

In France, Virbac employs the equivalent of 46 people with a legally-recognised disability, representing 5% of the workforce. Virbac and Francodex Santé Animale both fulfilled their employment obligations, notably by making significant efforts to retain disabled people in the workforce (using transfers and modifications of job functions) and by financing the needed equipment.

Virbac France and Virbac Distribution, which do not employ any workers meeting this description, made respective contributions of €23,632 and €3,376 to Agefiph.

Agefiph is the French agency responsible for financing measures to retain and integrate handicapped people into the workplace.

Profit-sharing and company savings plan

Employee profit-sharing

Employees of Virbac, Virbac Distribution, Virbac France, Francodex Santé Animale and Alfamed with at least 3 months'

service on 31 December of the year in question are entitled to participate in profit-sharing. The agreement signed in June 2005 associated two profitability ratios with the discretionary profit-sharing calculation:

- a profitability ratio that looks at the consolidated net profit – Group share to consolidated sales;
- a profitability ratio that looks at the Group's consolidated operating profit to its consolidated sales.

An amendment to adapt this agreement to IFRS was signed in June 2006, with the ratio based on 'operating profit' being replaced by one based on 'operating profit from ordinary activities'.

The combination of these two ratios in order to calculate the share in the profits has the twin goal of:

- giving employees a share in the profits that is in line with the company's financial performance (ratio based on net profit); and
- rewarding the collective contribution of employees (ratio based on operating profit).

Since 2005, Virbac has also established a matching programme whereby employees electing to invest their discretionary profit-sharing bonus in the company savings plan (PEE) or the collective retirement savings plan (Perco) receive, respectively, an additional 25% or 50% matching payment from the company.

Employee profit-sharing in company net profit

Employee profit-sharing in a company's net profit is mandatory in companies with over fifty employees and has been in place in Virbac since 1987.

A Group profit-sharing agreement covering Virbac, Virbac Distribution, Virbac France, Francodex Santé Animale and Alfamed is in force. Each Group company contributes to building up a general reserve for the total amount of its own reserve, calculated using the legally prescribed formula.

The profit-share may be paid in three ways: to a blocked current account, the PEE and the Perco.

Company savings plan

Monies paid in under the various profit-sharing agreements or voluntary payments may be invested in mutual funds. The PEE covers employees in Virbac, Virbac Distribution, Virbac France, Francodex Santé Animale and Alfamed.

The PEE, managed by Creelia, comprises equities, bonds and treasuries: around 3/4 equities and 1/4 bonds and treasuries. The portion of Virbac shares represents around 1/3 of the portfolio. The Perco, collective retirement savings plan, managed by Novacy, allows employees to build up a diversified savings portfolio for their retirement.

Fees paid by the Group to the statutory auditors and members of their networks

(€ thousands)	Deloitte & Associés				David & Associés Groupe Novances			
	Amount		%		Amount		%	
	2007	2006	2007	2006	2007	2006	2007	2006
Audit								
Audit, review of statutory and consolidated financial statements	769.3	659.4	96%	96%	98.1	98.5	100%	95%
- Issuer	145.3	197.1	18%	29%	72.4	72.0	73%	69%
- Globally integrated subsidiaries	624.0	462.2	78%	68%	25.7	26.5	26%	26%
Other fees and services directly linked to assignment of the statutory auditors	-	9.0	-%	1%	0.5	4.3	-%	4%
- Issuer	-	2.0	-%	-%	0.5	4.3	-%	4%
- Globally integrated subsidiaries	-	7.0	-%	1%	-	-	-%	-%
Subtotal	769.3	668.4	96%	98%	98.5	102.8	100%	99%
Other services provided to globally integrated subsidiaries								
Legal, tax and social affairs	35.5	16.2	4%	2%	-	1.0	-%	1%
Others	-	-	-%	-%	-	-	-%	-%
Subtotal	35.5	16.2	4%	2%	-	1.0	-%	1%
TOTAL	804.8	684.6	100%	100%	98.5	103.8	100%	100%

For the first time in 2007, the subsidiary Virbac Corporation was audited by Deloitte & Associés, which largely explains the increase in audit fees between 2006 and 2007.

Report of the chairwoman of the supervisory board on the conditions for the preparation and organisation of the work of the supervisory board and on the internal control procedures

Article 117 of the French financial security act - article 225-68 of the French commercial code

The contents of this report are based on an analysis of the Group's position and organisation primarily carried out through a series of meetings with the executive board of Virbac SA.

A draft report was subsequently submitted to the audit committee and its recommendations taken on board. The supervisory board received the comments of the audit committee and the statutory auditors and had regard to the final version of the chairwoman's report.

Preparation and organisation of the work of the supervisory board and the executive board

Preparation and organisation of the work of the supervisory board

Membership and responsibilities of the supervisory board

At 31 December 2007, the supervisory board comprised six members, three of whom are independent: i.e. they have no relationship of any nature whatsoever with the company, its group or its management that might jeopardise the exercise of their freedom of judgment.

● François Guinot

Aged 64, an ENSC chemical engineering graduate, Doctor in the Physical Sciences and Doctor in Business Administration, François Guinot was previously chairman and general manager of Rhône-Poulenc Chimie and general manager of Biomérieux. He is currently chairman of the Académie des Technologies, vice-chairman of the Fédération Française des Chimistes and director of the Centre National de la Recherche Scientifique.

● XYC SARL, represented by Xavier Yon

Aged 67, a graduate of Faculté des Sciences de Paris and Harvard Business School, Xavier Yon is XYC SARL's permanent representative. The former chairman and general manager of Laboratoires Galderma, he is currently chairman of École de Biologie Industrielle de Cergy-Pontoise, and a director of both Graceway Pharmaceuticals Inc. (Philadelphia, Pennsylvania) and Medical Instill Technologies Inc. (New Milford, Connecticut).

● Philippe Capron

Aged 49, a graduate of HEC and Institut d'études politiques de Paris, a former ENA student and auditor at the Treasury (with special responsibility for the inspection of public finances), Philippe Capron holds the following offices within the Vivendi group: member of the executive board and financial director of Vivendi, director and chairman of the audit committee of SFR, member of the supervisory board of Groupe Canal Plus, member of the supervisory board and chairman of the audit committee of Canal Plus France, member of the supervisory board and chairman of the audit committee of Maroc Telecom (Morocco), director of Vivendi Games Inc. (USA), director of Universal Music Group (USA) and of NBCU (USA). He is also a director of Tinubu Square SAS.

The other members are:

● Marie-Hélène Dick

Aged 43, veterinarian and a holder of an MBA from the HEC, Marie-Hélène Dick was appointed chairwoman of the supervisory board of Virbac SA in April 2006.

She is also chairwoman and general manager of Okelen SA, permanent representative of Okelen SA as chairwoman of Panmedica SAS, and chairwoman of the board of directors of Panpharma SA.

● Jeanine Dick

Aged 71, widow of the founder of Virbac SA Pierre-Richard Dick, Jeanine Dick was chairwoman of the supervisory board of Virbac SA for a number of years. She has held the position of vice-chairwoman of Virbac SA since April 2006. She is also manager of Investec, a non-trading company.

● ASERGI SARL represented by Pierre Madelpuech

Aged 47, an ENSAM engineering graduate and a holder of an MBA from the HEC; he represents ASERGI SARL of which he is manager. He is also a director of Panpharma SA and Okelen SA, general director of Panmedica SAS, and a member of the board of directors of VGC Holding SAS.

The board is responsible for monitoring the management of the executive board.

It exercises its monitoring powers by meeting every three months in order to review in particular the company's and Group's performance indicators and annual and half-yearly financial statements presented to it by the executive board. It carries out its work by, where necessary, getting information from the statutory auditors. It also carries out a careful review of any planned acquisitions on the basis of analyses drawn up by the executive board.

In accordance with the law of 11 December 2006, the supervisory board is also responsible for establishing the principles and the rules on remuneration and benefits of any kind granted to the company representatives.

The following principles and rules have been fixed by the supervisory board:

- the managers' remuneration is composed of a fixed part and a variable part; the latter is connected with the achievement of operational and financial targets fixed each year by the supervisory board;
- allocations of free shares to certain managers of Virbac SA and its subsidiaries are subject to the achievement of a performance target connected with the profitability and net indebtedness of the Group.

Supervisory board meetings

In line with article 15 of the Articles of association, members of the board are notified fifteen days in advance by ordinary letter sent by courier.

The statutory auditors are invited to all supervisory board meetings.

The documents, technical material and information necessary for the performance of the duties of the members of the supervisory board relating to the items on the agenda are sent out, by courier, as early as possible prior to the meeting.

Supervisory board meetings are generally held at head office. Minutes of supervisory board meetings are drawn up at the end of each meeting and submitted for the approval of supervisory board members at the next meeting.

In accordance with the Articles of association, the supervisory board meets at least once each quarter. During the past year, the supervisory board met four times. Every member of the supervisory board attended all of the meetings, with the exception of Jeanine Dick who attended three of the four meetings, and François Guinot who attended two. Members of the supervisory board also met informally several times during the year for work and review sessions.

Special committees

● Remuneration committee

The membership and responsibilities of the remuneration committee are set out in the "Corporate governance" section of the annual report.

The remuneration committee, chaired by an independent member of the supervisory board, met four times during 2007, once with the chairman of the executive board in attendance.

● Audit committee

The membership and responsibilities of the audit committee are set out in the "Corporate governance" section of the annual report.

The audit committee, chaired by an independent member of the supervisory board, met twice during 2007 with the chairman of the executive board, the chief financial officer and the statutory auditors in attendance.

Executive board membership

The executive board has five members:

● Éric Marée

Aged 55, a graduate of the HEC and a holder of an MBA from Cornell University, Éric Marée joined Virbac in October 1999 and has been chairman of the executive board since December of the same year. He supervises the human resources, communications and IS departments.

● Pierre Pagès

Aged 56, veterinarian and a holder of an MBA from the HEC, Pierre Pagès joined Virbac in 1980.

Member of the executive board since December 1992, he supervises global operations, production activities and quality assurance.

● Christian Karst

Aged 49, veterinarian, Christian Karst joined Virbac in 1984. Member of the executive board since December 1996, he supervises research and development, licensing, Group strategic marketing and the Medical department.

● Michel Garaudet

Aged 53, a graduate of the HEC, Michel Garaudet joined Virbac in 1993.

Member of the executive board since December 2002, he supervises the financial and legal departments.

● Jean-Pierre Dick

Aged 42, veterinarian and a holder of an MBA from the HEC, Jean-Pierre Dick is responsible for special projects and is president of the Virbac Foundation. He has been a member of the executive board since December 1996.

The members of the executive board meet, in line with the law, in order to report quarterly to the supervisory board and whenever business so requires.

The members of the executive board met ten times in an official capacity during 2007, and much more frequently on an informal basis.

In accordance with Act no. 2006-1770 of 30 December 2006 regarding the expansion of mandatory profit-sharing and employee stock ownership, the methods and rules used to calculate remuneration and all types of benefits granted to members of the executive board are described in the section of the management report on "Compensation of members of the executive board".

Internal control system

Definition and goals

Virbac views internal control as a set of processes established by senior executives, implemented by Group management and personnel, designed to provide reasonable assurance that the following goals are achieved: reliability of financial information, execution and optimisation of operations, compliance with applicable laws and regulations and asset protection.

One of the goals of the internal control system is to manage the risks stemming from the Group's business activities and risks of error or fraud, in particular in the accounting and financial fields. Like any control system, there can, however, be no ironclad guarantee that these risks have been completely eliminated.

The internal control system in place within the Group is thus designed to:

- ensure that the execution of operations and employee conduct are in line with the guidelines laid down for the Group's business activities by the management bodies, applicable laws and regulations, and the Group's internal values, standards and rules;
- ensure that the accounting, financial and management data given to the supervisory board and shareholders genuinely reflects the business and financial position of the company.

Organisation of internal control

The Group's international expansion requires a sound, shared and pragmatic framework to allow for the integration of new employees, regardless of where they are from.

The Group is organised into five decentralised international regions, each of which is headed up by managers familiar with and able to apply the Group's best operational practices, and regional financial controllers responsible for ensuring that the Group's internal control rules are applied correctly. Each region

is responsible for its own operations, after discussion and validation of their strategic choices by the executive board. The executive board determines the Group's strategic orientations and areas for development, which are then adapted and applied locally.

The coordination of local actions is also carried out by specific departments and central departments under the supervision of members of the executive board.

Internal control is also carried out in a decentralised manner by each department for all processes regardless of whether they are operational, support or management. This system thus enables operational risks to be better assessed.

Parties involved

The organisation of the supervisory board, its membership and that of its special committees together with their responsibilities, help the Group to operate in an efficient and transparent manner (see section I of the report).

● Role and operation of the executive board

The executive board is primarily responsible for organising, driving and ensuring the proper development of the Group. Its members have divided the responsibilities as follows:

● **Éric Marée**, chairman of the executive board, is responsible for supervising and coordinating the activities of all the members of the executive board. He performs all the legal functions of a Company Head and assumes the responsibility. He represents the company and acts on its behalf in all circumstances and particularly before the courts. For the purposes of the company's internal organisation, he is, moreover and more particularly, responsible for the following central departments:

- Human resources department;
- Group IS department;
- Communications department, including financial communications in tandem with Michel Garaudet.

● **Pierre Pagès**, chief operating officer, aids the chairman in his work and stands in for him with his agreement, exercising the same powers pursuant to the law. He also, more specifically, manages the Production department and sits as head veterinarian of Virbac SA, pursuant to articles L5142-1 et seq. of the French public health code. For the purposes of the company's internal organisation, he supervises the following departments:

- International Operations department, responsible operationally for the subsidiaries and export activities, covering twenty-nine countries split into five areas: Europe, North America, Latin America, Asia and Sanza (South Africa, New Zealand and Australia);
- Industrial Operations department, in particular responsible for drawing up and carrying out the Group's industrial strategy, coordinating the seven production sites, the main ones being based in France, and coordinating actions designed to ensure strict regulatory compliance;
- Industrial Quality Assurance department.

● **Christian Karst** supervises the following departments:

- Research and Development department (pharmaceutical and biological), responsible for drawing up the Group's R&D strategy, implementing projects and coordinating the work of

the research centres across the various geographic areas;

- Corporate Marketing department for companion animals, responsible for laying down the international development guidelines for the companion animal segment and the coordination of major product launches;
 - Licensing department, the work of which mainly consists of acquiring or disposing of rights to active ingredients, finished products or products in development in line with Group strategy;
 - Medical department.
- **Michel Garaudet** supervises the following departments:
- Financial Affairs department, responsible for the Group's financial policy, for preparing consolidated financial and accounting information, and for processes relating to budgetary and financial planning and financial controlling;
 - Legal department, responsible for company law, insurance policy, negotiations, drafting and managing contracts and suits.
- **Jean-Pierre Dick** has taken responsibility for:
- the presidency of the Virbac Foundation;
 - communications and growing Virbac's reputation through sponsorship.

● Specialized committees aiding the executive board

● Strategic committee

The strategic committee is chaired by the chairman of the executive board and comprises the following departments, represented as follows:

- members of the executive board;
- directors of the following areas: Europe, North America, Latin America, Asia and Sanza;
- Group Human Resources department;
- Industrial Operations department;
- Research and Development department.

The strategic committee gives its opinion on the Group's major strategic decisions: strategy per business, function and major project.

● Executive committee France

The executive committee is chaired by the chairman of the executive board and comprises the following departments, represented as follows:

- members of the executive board;
- Group Human Resources department;
- French Industrial Operations department;
- Research and Development department;
- Group Communications department;
- Group IS department;
- Europe department;
- Legal department.

The executive committee France is primarily responsible for deciding, coordinating and providing information on all issues affecting all the Group's French companies and constitutes a platform from which to disseminate information within the various departments.

● Other parties aiding good risk management

Building on the company culture, the executive board implemented systems to anticipate and control risks within operating entities as well as action plans to limit the impact

thereof. In 2007, the Group launched two parallel actions aimed at an improvement in risk management. The first action, which has a preventive role, consists in listing and evaluating the risks in all the Group activities and areas. It will be continued in 2008 with the introduction of action plans leading to a strategy for responding to each major risk. The second action aims to update risk management with regard to communications and has resulted in the revision of the crisis plan and the training and awareness of key players.

The internal control system is also driven by the functions specifically and directly involved in these risk detection and management processes with ongoing goals of being proactive and preventive. The main areas affected are described below.

● Finance

The Financial Affairs department is organised as follows:

- a Financial Services department, which manages the Treasury and Accounting departments:
 - the Treasury department partakes in the prevention system through the policy of reviewing and optimising the management of interest rate and exchange rate risks. With regard to the exposure to exchange rate risks in particular, the Financial Affairs department forbids speculation and only allows the hedging of positions that, whether current or future, are certain;
 - the Accounting department regularly updates the instructions issued to the subsidiaries concerning the submission of accounting and financial information. These instructions were overhauled entirely following the adoption of International Financial Reporting Standards (IFRS), which enabled the department to carry out a comprehensive inventory of all of the Group's operating and accounting procedures. The need for absolute transparency in all transactions in order to provide the best possible reconstitution in the financial statements and to improve anticipation of potential risks was reaffirmed.
- a Financial Control department organised around two poles:
 - one centred on business (financial and budget, sales and marketing, R&D, production) reporting hierarchically to the Financial Control department, itself part of the Financial Affairs department;
 - and the other geographic (presence of a financial controller functionally reporting to the Financial Affairs department in each area).

This organisation makes it possible to position the Financial Controller as a key partner for Group managers in the taking of strategic and operational decisions so as to:

- ensure the controlling of operations and be a key player in internal control;
- measure and analyse the performance of the businesses;
- anticipate short-term events;
- act as a conduit and signal for identified risks (operational, financial...).

The budgetary and reporting tools as well as performance analysis and indicators developed by the Group help to drive the whole.

● Communications

In 2001, the Communications department, at the urging of the executive board, put in place a system to anticipate risks to handle any crisis that could affect the Group's image and impair its share capital.

This system consists of:

- sharing the information feedback and risk assessment tools;
- quickly mobilising those working in this field;
- applying a methodology drawn up together with professionals and documented in procedures;
- allowing preventive measures to be undertaken, beyond curative measures.

The updating of this system, which began in the second half of 2006, was finalised in 2007. It has resulted in some ten awareness or training sessions for the key players identified as active resources.

● Insurance

The Group's insurance policy is based on risk prevention and protection. The non-life and business interruption insurance programme and the general public liability and products liability insurance programme cover the entire Group except for a few companies recently acquired by Virbac. These programmes were renewed on 1 January 2007 for a period of 2 years in order to accompany the progress in investment undertaken by the Group to improve the protection of its most sensitive premises. The directors' liability insurance programme protects all the Group's legal entities as well as their directors.

For all its insurance programmes, the Group calls upon leading insurers and reinsurers. The cover has been defined based on the Group's risk profile. This centralisation of risks allows a better level of protection to be obtained for all Group entities despite unequal local resources, whilst making savings.

Property damage is insured based on a new replacement value and business interruption based on the loss of margin over one year:

The following main risks are insured:

- property damage and business interruption;
- general public, products and environment liability;
- transportation of goods or equipment;
- loss or damage caused to clients and third parties;
- motor damage.

In 2007, the insurance premiums borne by the Group for this insurance cover amounted to around €1.2 million.

● Health, Safety and the Environment

In order to respond to increasing regulatory requirements, the HSE process covers the management of risks related to materials handling, working conditions and the environment.

The Technical Services department responsible for HSE issues sets out the goals and underlying principles to be implemented within French units and in line with the strengthening of the regulatory framework. Raising awareness and empowerment are coordinated within the subsidiaries by the central industrial departments normally working in the field.

The strategy of implementing a comprehensive policy covering health, safety and the environment is designed to ensure the safety of persons, property and compliance with legal obligations.

The main actions taken in this domain are on the following lines:

- implementing an ongoing monitoring programme making it possible to quickly adapt to new regulatory requirements and to make HSE issues part and parcel of the Group's expansion;
- making preventive audits and investments such as increasing the security of fire detection systems, installing automatic fire-extinguishing systems or automating waste treatment units at the French sites;
- training personnel;
- implementing a risk-analysis strategy for the Group's production sites which resulted in France, for instance, in the finalisation of an intranet database of product and reagent safety datasheets for laboratory materials and finished products.

Frameworks

The effectiveness of the internal control system within the Group largely depends on the various policies and operating rules that were progressively drawn up in line with the company culture. This is based on a set of strong values, encouraging initiative, trust in people and their empowerment. These operating rules and policies were drawn up in the forms of directives, procedures and "Best practices", in line with Group values.

• Group Code of Ethics

Adopted in 2004, the Virbac Code of Ethics is a sign of the Group's commitment to carry on its activities legally and ethically through its workforce. This code, an initiative of the executive board and distributed to all employees, is a framework guiding people in their work, in line with the Group's values and principles.

It also sets out the nature of the relationships that Virbac wishes to build with its partners: shareholders, customers, suppliers.

• Purchasing Code of Ethics

A Code of Ethics specific to purchasing was also drawn up for professional and occasional buyers.

It sets out the guidelines for the function within the Group, defines the roles and responsibilities of each party in their job and thereby represents a guide to the performance of each person's duties.

• Stock market Code of Ethics

A Stock market Code of Ethics was drawn up and distributed to all Group employees in 2005. This Code sets out the applicable rules within Virbac SA and all of its subsidiaries regarding trading in the listed shares of the company and, as the case may be, of its subsidiaries. It is designed both to serve as a reminder of the key principles of the stock market regulations regarding trading in listed shares and to lay down some internal rules of conduct designed to ensure the correctness and transparency of transactions carried out by Group employees.

• Delegation of authority

The Group's organisational choices are based on empowerment, the efficiency of operations, while having regard to economic, labour and regulatory environments affecting the business.

In 2007, the Legal Department continued the redrafting and introduction of the organisation of the delegation of authority within the Group and its areas.

At the same time, powers relating to health, safety and the environment were the object of formal authorities in order to further improve personnel safety on the sites and prevent environmental damage.

Internal control procedures

The complex regulatory environment in which Virbac's technical and industrial functions operate has always helped to raise awareness amongst employees as to the need and importance of internal control.

The Group has, moreover, put in place, within its organisations, internal operating rules and procedures designed to ensure high levels of internal control.

Virbac organises this system through the progressive formalisation of "Best internal control practices", indicating the key internal control points, having regard to the material nature and likelihood of inherent risks. These "best internal control practices", published and distributed within all Group subsidiaries as they are drawn up, are expanded and applied to all corporate processes.

• Processes aiding the preparation and processing of accounting and financial information

Accounting and financial information is drawn up by the Financial Affairs department, in cooperation with the subsidiaries. It is organised in such a way as to enable a proper assessment of the financial position and effective management of the Group's businesses. The chairman of the executive board and the chief financial officer are responsible for the completeness, integrity, correctness and quality of the accounting and financial information.

The Group's consolidated financial statements are drawn up pursuant to the IFRS, a summary of which is set out in the financial report and on the basis of careful planning.

The Group's decentralised structure required the putting in place of a certain number of principles and systems to ensure the completeness and quality of the information, including the selection of an integrated international auditor network for most of the subsidiaries.

This set-up helps improve the controlling of the accounting and financial information generated, thanks to the implementation of a structured and standardised approach for the carrying out and submission of reviews, while providing the Group with a global view.

• Accounting and consolidation

The generation of information is achieved via consolidation processes supervised by a dedicated unit within the Financial Affairs department and built on accounting principles applicable to all subsidiaries and ensuring that methods are consistent.

A single chart of accounts for the entire Group is used to prepare the financial statements: accounting and financial procedures are in place to guarantee the consistency and accuracy of the recognition of transactions, in line with Group rules and compliance with local regulations. When Virbac adopted IFRS, these procedures were reviewed, requiring a high level of transparency for operational managers to better assess the accounting and financial treatment of transactions.

The Magnitude software, which the Group installed in 2006, has made it possible to improve the consolidation process by increasing the fluidity of exchanges of information between the consolidation unit and the subsidiaries' finance departments.

● Financial Controlling

The Financial Control department is primarily responsible for measuring corporate performance, but must also provide real support to the businesses and zones, providing them with the appropriate analysis tools and methods. In this regard, it is a true conduit between the Group's operational and financial departments.

The Financial Control department also drives the consolidation and monthly budget tracking process on the basis of information provided by the various Group departments and subsidiaries. It reviews the quality of the information received by accounting reconciliations and analyses the consistency of the data.

For the preparation of the financial items, the Financial Control department has recourse to the Group's rules set out in a reporting manual applicable to all subsidiaries; this manual sets out the principles and definitions of the line items in the financial statements and is designed to ensure that the same rules are applied across all Group subsidiaries.

A commitment monitoring program, allowing complete automation of the process, was installed at the beginning of 2008. The installation of this new program has also made it possible to redefine the expense commitment process and the levels of operational management of the various departments.

● Treasury management

All treasury operational directives and procedures were reviewed and their conversion into "Best practices" applicable across the Group completed and sent out to all Group subsidiaries.

A process for putting in place an annual treasury plan was also implemented across the Group and makes it possible to control and consolidate the forecasting of cash movements of subsidiaries, a sign of the accuracy of sales and expense forecasts and customer collection policy.

A policy of pooling excess cash and financing requirements in the Europe zone means that the Group's net positions can be reduced and the management of its deposits or financings optimised.

The following processes, designed to support the Group's operational processes, also help to improve the quality and the reliability of the preparation and processing of accounting and financial information.

● Information systems

The IS department is implementing the six-year strategy drawn up at the end of 2003. The policy of providing services on the basis of specific needs is moving towards a policy of first and foremost providing a standardised offering across all products and services. Toward this end, ERP (Enterprise Resource Planning) Movex software has been gradually installed in all the Group subsidiaries since 2005. In 2007, the installation of this software was extended to India and the Philippines and the development will continue in the years to come.

Tasks regarding the safety and technical architecture of the subsidiaries' sites were completed in 2007 and the CRM (Customer Relationship Management) project, which began in 2007, was rolled out to the French and English subsidiaries at the beginning of 2008.

IS and Financial affairs department staff also collaborated in the implementation of the Movex ERP financial module in the Group's French subsidiaries. This module, which includes general and management accounting systems and trade receivables and payables sub-systems, started up in January 2007.

● Purchases

Following on from the initiative undertaken by Virbac several years ago, the process covers more and more activities and types of goods and services purchased. It is based on certain operating and financial procedures such as the Investment procedure and the Group purchasing procedure, reworked as "Best practices" to improve application within all Group subsidiaries.

In addition to covering all purchasing, the goal is also to prevent the inherent risks to which the Group may be exposed (bankruptcy of a supplier; cut in supply...).

● Human resources management

Virbac's human resource management strategy is based on several clear objectives:

- remaining in touch with and sensitive to the needs of operational personnel, employees and managers, to provide them with the best possible assistance in accomplishing their daily tasks;
- making Virbac's people and organisation more effective, helping the business with its major growth and optimisation initiatives;
- training managers and making them drivers of change and growth for their personnel;
- encouraging geographic and functional mobility, to spread the Group's business culture and values throughout the world;
- developing a style and a culture open to discussion, in order to promote innovation and effectiveness.

● Legal affairs

The Legal Department assists Group entities in managing their contractual commitments, negotiating and drafting contracts, analysis and the strategy to be adopted in litigation. It provides them with all advice and recommendations in the main fields of business law.

All contracts falling outside Virbac SA's routine operations are reviewed and signed by a member of the executive board. In the other Group entities, contracts are signed by the Area Director or where so authorised by a subsidiary manager.

The Legal Department ensures legal monitoring of company law. It is directly responsible for company law for all French companies; it supervises the correct legal form of the foreign entities.

It manages the portfolio of trade marks and domain names for the world and assists operational personnel in the choice and confirmation of trade marks for the new projects.

● Other processes involved in the management of Group operations

● Strategy

The Group's strategy is laid down by the executive board with the support of the strategic committee; it is approved by the supervisory board and published (annual management meeting in France, meetings held by area managers...).

Domain specific strategies (R&D, production), segment strategies (biology, dermatology...) and geographic area strategies are reviewed and decisions to switch focus made by the strategic committee. The decentralised three-year plan annual process, framed by goals laid down by the executive board, involves all areas and major subsidiaries.

Licensing activities, carried out in line with the strategy laid down by the Group and largely consisting of the acquisition or disposal of rights to active ingredients, products (finished or in development), are extensive. A database accessible to all zones provides for a dynamic exchange of information and improves responsiveness on ongoing projects. A large team is put in place to manage and carry out projects.

The rules governing information and action were clarified and formalised within "Good practices"; the systematic approval of the executive board makes it possible to monitor this business and, for larger projects, formal approval by the supervisory board is required.

The Group also has an active acquisitions policy and planned acquisitions are systematically managed by an *ad hoc* unit consisting of at least one member of the executive board and including the Financial Affairs department and the Legal department. The approval loop for planned acquisitions is the same as for Licensing activities.

● Research and Development

Research and Development, partly decentralised across the zones, is essential to growth of the Group. The goal is to adapt the portfolio of projects to the local regulatory requirements and specific sales and marketing needs in the zones.

In order to further cooperation and sharing, the Research and Development department encourages synergies between the regional research centres. In this regard, the monitoring of activities, framed by directives and methods, is organised so as to provide exhaustive documentation and full traceability of the data, itself subject to controlling, generated from studies.

An operational monitoring procedure, covering all Group projects, makes it possible to be responsive with regard to the decisions to be taken, on the basis of progress and the expected and actual technical position of projects, thereby cutting financial risks to a minimum.

The development and registration of products is carried out in compliance with operating methods having regard to Good Manufacturing Practices and Good Laboratory Practices, imposed by the regulatory framework governing this business.

● Production

The veterinary industry complies with the strict requirements of the pharmaceutical industry. The carrying out of research and development, production and distribution operations is subject to regular auditing by French and international bodies with strong sanction powers.

The Industrial Operations department is responsible for Group industrial strategy in line with the strategic goals, via an industrial plan.

The production activity is also aided by an ERP system selected by the Group and progressively rolled out in Group subsidiaries with a standard and homogeneous *modus operandi*.

The Industrial Operations department also undertook a project to simplify and optimise production processes in order to further standardise preventive maintenance on production machinery and improve productivity through shorter switchover times.

● Sales & marketing

In line with the product portfolios, operational marketing has become further regionalised. Product marketing is coordinated at zone level, the Corporate Marketing Unit handling more longer-term strategic marketing.

Sales & marketing initiatives are based on the Group's strategic goals set out within the zones and then within subsidiaries, who enjoy significant independence with regard to the putting together of local sales & marketing policies.

The monitoring of initiatives in the field is dynamic and proactive because of the direct relationship between the Department, the zones and the subsidiaries. This monitoring is strengthened by the presence of a financial controller dedicated to each zone: s/he reports to the area director and functionally to the chief financial officer.

In Europe, commercial efficiency has increased thanks to the gradual introduction of a CRM tool that enables a real competitive advantage to be developed by means of a keen knowledge of customers and therefore suitable responses more in line with their requirements.

Commercial dynamics have also been strengthened with the optimisation of the internal marketing procedures aiming to shorten the market launch periods.

Outlook and areas for improvement in the internal control system

The strengthening of the internal control system and of its effectiveness is an ongoing process: the action plans put in place in recent years helped significantly and new avenues for improvement have since been identified and followed:

- continuation of the risk mapping project with the introduction

of additional action plans for the major risks identified;

- continuation of the introduction of the ERP Movex software in the Group's subsidiaries: India and the Philippines in 2007 and Italy and Spain planned for 2008;
- initiation at the beginning of 2008 in Carros of an automated commitment monitoring system.

This improvement work helps to empower people within the organisation and ensure constant vigilance by all levels of management. It should, moreover, encourage constructive exchanges within the Group.

These progressive changes towards increased formalism, in line with the changes in the regulatory framework, are driven by the executive board of Virbac with an eye to retaining flexibility, proactiveness, responsiveness and a sense of responsibility deemed key to the strength and success of the Group.

Report of the statutory auditors drawn up pursuant to article L225-235 of the French commercial code on the report of the chairwoman of the supervisory board, with regard to the internal control procedures relating to the preparation and processing of accounting and financial information

Financial year ended 31 December 2007

To the shareholders,

As Virbac's statutory auditors and in accordance with the provisions of article L.225-235 of the French commercial code, we present you with our report on the report prepared by the chairwoman of your supervisory board in accordance with the provisions of article L.225-68 of the French commercial code for the year ended 31 December 2007.

It is the responsibility of the chairman to report therein on the conditions for preparing and organising the work of the supervisory board and the internal control procedures in place within the company.

Our role is to provide you with our observations on the information set out in the report of the chairwoman on the internal control procedures relating to the preparation and processing of accounting and financial information.

We carried out our audit in accordance with professional standards applicable in France. This requires us to carry out our work in such a manner as to ensure the accuracy of the information set out in the report of the chairwoman on the internal control procedures relating to the preparation and processing of accounting and financial information. This work consisted notably of:

- familiarising ourselves with the internal control procedures relating to the preparation and processing of accounting and financing information underlying the information set out in the report of the chairwoman, as well as existing documentation;
- familiarising ourselves with the work enabling this information to be prepared as well as the existing documentation;
- determining whether any major deficiencies in the internal control relating to the preparation and processing of the accounting and financial information detected by us within the scope of our assignment are appropriately reported in the report of the chairwoman.

As a result of our work, we have no observations to make on the information presented in the report of the chairwoman of the supervisory board regarding the internal control procedures of the company relating to the preparation and processing of accounting and financial information, prepared in accordance with the provisions of article L.225-68 of the French commercial code.

Nice and Marseilles, 11 April 2008

The statutory auditors

David & Associés
Jean-Pierre Giraud

Deloitte & Associés
Vincent Gros

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Consolidated financial statements

Balance sheet

(€ thousands)	Notes	2007	2006
Goodwills	B1	82,633	82,136
Intangible assets	B2	62,936	60,361
Property, plant and equipment	B3	63,254	62,295
Other non-current financial assets	B4	1,159	5,005
Investments in associates	B5	407	475
Other non-current receivables	B6	-	591
Deferred tax assets	B7	3,677 *	4,834 *
Non-current assets		214,066	215,697
Inventories and work-in-progress	B8	62,240	59,649
Trade receivables	B9	66,554	65,225
Tax receivables		3,351 **	2,965 **
Other current receivables	B6	15,557 **	12,981 **
Other current financial assets	B4	218	75
Cash and cash equivalents	B10	9,941	13,166
Current assets		157,861	154,061
Assets held for sale	B11	4,710	
TOTAL ASSETS		376,637	369,758
Share capital		10,893	10,893
Reserves and retained earnings		140,307	126,939
Net profit for the year		31,042	24,913
Shareholders' equity - Group share	B12	182,242	162,745
Minority interests		2,043	2,183
Share capital & reserves		184,285	164,928
Deferred tax liabilities	B7	4,722 *	5,183 *
Employee benefits	B13	6,231	5,457
Long-term provisions	B14	1,224	816
Other non-current financial liabilities	B15	43,013	67,378
Other non-current payables	B16	11,382	13,835
Non-current liabilities		66,572	92,669
Current provisions	B14	1,498	1,768
Trade payables	B17	51,875	47,738
Tax payables		3,784	1,422
Other current financial liabilities	B15	14,328	12,975
Other current payables	B16	54,295	48,258
Current liabilities		125,780	112,161
TOTAL LIABILITIES		376,637	369,758

* Deferred tax assets and liabilities have been shown net by tax entity since 2007 (the 2006 figures have consequently been restated).

** Reclassification of the CIR (Research Tax Credit) in "Other current receivables" since 2007 (the 2006 figures have consequently been restated).
(cf. section "Accounting standards applied" in the Notes).

Income statement

(€ thousands)	Notes	2007	2006	Variation
Sales	R1	438,548	401,636	9.2%
Purchases consumed	R2	-144,750	-126,581	
External expenses		-108,030	-100,481	
Personnel costs		-110,984	-105,996	
Taxes and duties		-9,442	-9,665	
Depreciations and provisions		-11,720	-12,525	
Other operating revenues and expenses	R3	-1,971 *	-2,029 *	
Operating profit from ordinary activities		51,651	44,359	16.4%
Other non-recurring operating revenues and expenses		-	-3,463	
Operating profit		51,651	40,896	26.3%
Interest expense on gross debt	R4	-4,474	-2,750	
Other financial income and expenses	R4	1,050	714	
Profit before tax		48,227	38,860	24.1%
Tax charge	R5	-16,321 *	-11,276 *	
Share in the earnings of companies accounted for by the equity method		-33	43	
CONSOLIDATED NET PROFIT	R6	31,873	27,627	15.4%
Of which				
Group share		31,042	24,913	24.6%
Minority interests		831	2,714	-69.4%
Basic earnings per share - Group share (in euros)	R6	€3.60	€2.91	
Diluted earnings per share - Group share (in euros)		€3.60	€2.91	

* Reclassification of the CIR (Research Tax Credit) in "Other current receivables" since 2007 (the 2006 figures have consequently been restated).
(cf. section "Accounting standards applied" in the Notes).

Cash flow statement

(€ thousands)	2007	2006
Consolidated net profit	31,873	27,627
Elimination of Group's share of earnings of companies accounted for by the equity method	33	-43
Elimination of amortisations and provisions	12,262	13,642
Elimination of the change in deferred taxes	195	-4
Elimination of (gains) losses on asset disposals	437	1,202
Other non cash items	909	-493
Cash flow	45,709	41,931
Impact of the net change in inventories	-6,422	-1,794
Impact of the net change in trade receivables	-265	2,621
Impact of the net change in trade payables	2,111	4,083
Impact of the net change in other receivables and payables	2,170	1,297
Impact of working capital items net movements	-2,406	6,207
Cost of net debt	4,402	2,740
Impact of the changes in taxes	2,746	-2,071
Net cash flow from operating activities	50,451	48,807
Acquisition of intangible non-current assets	-3,751	-3,282
Acquisition of property plant and equipment	-13,101	-8,939
Disposals of non-current assets	459	237
Change in financial assets	-295	-3,563
Change in debts on assets	2,637	-
Acquisitions of subsidiaries or activities	-6,080	-36,376
Acquisitions/disposals of minority interests	-	-42,980
Dividends received	-	88
Net cash flow allocated to investments	-20,131	-94,815
Dividends paid by the parent company	-6,886	-5,552
Dividends paid to minority interests	-926	-487
Change in treasury shares	1,464	1,154
Increase/decrease of share capital	-	-
New borrowings	8,341	57,120
Repayments of borrowings	-32,983	-8,926
Cost of net debt	-4,402	-2,740
Net cash provided by financing activities	-35,392	40,569
CHANGE IN CASH AND CASH EQUIVALENTS	-5,072	-5,439

Statement of changes in cash position

(€ thousands)	2007	2006
Cash and cash equivalents	13,166	14,139
Bank overdrafts	-10,116	-5,199
Accrued interest not yet payable	-84	-38
Opening net cash position	2,966	8,902
Cash and cash equivalents	9,941	13,166
Bank overdrafts	-12,207	-10,116
Accrued interest not yet payable	-116	-84
Closing net cash position	-2,382	2,966
Impact of translation adjustments	-276	-497
Change in net cash position	-5,072	-5,439

Consolidated statement of changes in shareholders' equity

(€ thousands)	Share capital	Share premium	Reserves	Net profit	Translation adjustments	Shareholders' equity, Group share	Minority interests	Total shareholders' equity
Shareholders' equity at 1 January 2006	10,893	6,534	106,081	19,799	4,768	148,075	12,112	160,187
Allocation of 2005 net profit	-	-	19,799	-19,799	-	-	-	-
Dividends distribution	-	-	-5,552	-	-	-5,552	-487	-6,039
Translation adjustments	-	-	-	-	-5,619	-5,619	-703	-6,322
Treasury shares	-	-	1,044	-	-	1,044	-	1,044
Changes of scope	-	-	-	-	-	-	-11,453	-11,453
Other changes	-	-	-116	-	-	-116	-	-116
Net profit of the period	-	-	-	24,913	-	24,913	2,714	27,627
Shareholders' equity at 31 December 2006	10,893	6,534	121,256	24,913	-851	162,745	2,183	164,928
Allocation of 2006 net profit	-	-	24,913	-24,913	-	-	-	-
Dividends distribution	-	-	-6,886	-	-	-6,886	-926	-7,812
Translation adjustments	-	-	-	-	-6,129	-6,129	-45	-6,174
Treasury shares	-	-	1,508	-	-	1,508	-	1,508
Changes of scope	-	-	-	-	-	-	-	-
Other changes	-	-	-38	-	-	-38	-	-38
Net profit of the period	-	-	-	31,042	-	31,042	831	31,873
Shareholders' equity at 31 December 2007	10,893	6,534	140,753	31,042	-6,980	182,242	2,043	184,285

Notes to the consolidated financial statements

General information

Virbac is not only the eighth veterinary laboratory worldwide, it is also the world's leading independent laboratory dedicated exclusively to animal health, with a comprehensive range of products for both companion and food producing animals.

Virbac's shares have been listed on the second market of the Paris stock exchange since June 1985 (the second market subsequently became the Eurolist, on which Virbac is listed in compartment B).

Virbac is a French limited company with a management structure comprising a management board and supervisory board (*société anonyme à directoire et conseil de surveillance*). Its trade name is "Virbac". The company was formed in Carros in 1968. Under the company's current Memorandum and articles of association, its duration is set to expire on 2 January 2028, subject to any further extension thereof. The registered office is located at 1^{ère} avenue 2065 LID, 06511 Carros. The company is registered on the Grasse trade and companies register under number 417350311 RCS Grasse.

The 2007 financial statements were prepared by the executive board on 11 March 2008.

The following notes to the financial statements form an integral part of the consolidated financial statements.

Post-balance sheet events

At the beginning of 2008, the Virbac group transferred the non-strategic part of its OTC (over the counter) business in USA to an American company specialising in the distribution of products for animals in the OTC channel. This business had a turnover of less than \$10 million with low profitability.

Accounting principles applied

Under the terms of regulation 1606/2002 of the European Council adopted on 19 July 2002, the Virbac group's 2006 consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted within the European Union.

For the presentation of the 2007 consolidated accounts, the Group applied the new IFRS 7 on financial instruments and the amendment to IAS 1 on the presentation of financial statements and information on capital for the first time.

The Group did not adopt early application of IFRS 8, "operating segments", applicable by 1 January 2009 at the latest, or the interpretation IFRIC 11 on equity and inter-group transactions, applicable to financial years commencing as from 1 March 2007. The Group has not yet evaluated the potential impacts of these standards and interpretations on its consolidated financial statements in future years.

In order to improve the quality of the information provided to readers of the financial statements, the company has, in certain cases, adopted a classification in the 2007 financial statements that differs from the one employed the previous year. For purposes of comparability, the figures in the column for 2006 have been restated pro forma, in accordance with the options selected for 2007. These reclassifications are identified by an asterisk (*) in the financial statements and had no impact on net profit, which remained unchanged from the figure presented last year.

By way of example, in 2007, the Group opted to show the deferred tax assets and liabilities offset by tax entity, in accordance with standard IAS 12, and therefore carried this treatment over to the period 2006 (cf. note B7).

Scope of consolidation

The consolidated financial statements for the year ended 31 December 2007 comprise the financial statements of those companies that Virbac, *de jure or de facto*, directly or indirectly controls. A list of consolidated companies is provided in the notes to the financial statements

Changes to the consolidation scope during the period were as follows:

- Virbac included the Italian company Nuova ICC, wholly acquired at the end of 2006, in its scope of consolidation. Bearing in mind the date of acquisition, the Group was unable to include this company in the consolidation of the 2006 financial statements. It had been noted that the consolidation of this subsidiary would not have significantly affected the financial statements for the previous year owing to the amount of turnover (€511 thousand) and the loss (-€12 thousand) made by this company between the acquisition and the 2006 year end.
- On 4 January 2007, through its subsidiary Virbac Thailand, Virbac acquired 90% of the shares in Bio Solution International, a Thai company that manufactures and distributes aquaculture products. The acquisition contract also provides a cross purchase option and sale option to 10% of the minority interest.
- On 24 May 2007, Virbac Corporation acquired shares in Rebound Animal Health whose business is connected with the development and manufacture of oral electrolyte solutions, liquid supplements and canine and feline milk substitutes.

Consolidation rules

Consolidation method

The financial statements of companies under the exclusive control of Virbac are fully consolidated. Those companies over which Virbac exercises joint control or significant influence are accounted for by the equity method.

All companies have been consolidated on the basis of financial statements drawn up to 31 December 2007.

Translation of financial statements

The functional currency of the Group's foreign subsidiaries is their local currency.

The financial statements of foreign companies whose functional currency is not the euro are translated in accordance with the following principles:

- balance sheet items are translated at the exchange rate ruling on the balance sheet date. The translation adjustment resulting from the use of a different exchange rate on opening shareholders' equity is recorded in shareholders' equity in the consolidated balance sheet;
- income statement items are translated at the average rate for the financial year. The translation adjustment resulting from the use of an exchange rate that is different from the balance sheet rate is recorded in shareholders' equity in the consolidated balance sheet.

Elimination of inter-company transactions

- All transactions between Group companies are eliminated.
- Other intra-Group transactions:
 - unrealised gains on inventories purchased from other Group companies are eliminated,
 - intra-Group dividend payments are recorded in reserves at their gross amount.

Accounting policies

Goodwill

Goodwill recognised on the asset side of the balance sheet represents the excess of the acquisition cost of the shares in the acquired companies, acquisition expenses included, over the Group's share of the fair value of the identifiable assets, liabilities and contingent liabilities acquired. It also includes any business goodwill acquired.

In accordance with the provisions of IAS 36 "Impairment of assets", the value of goodwill is tested annually. Impairment testing is carried out during the second half of the year; regardless of whether or not there is any indication of impairment, and as soon as any new events or circumstances indicate that assets may be impaired.

For the purposes of this testing, assets are grouped by Cash-Generating Units (CGU). In the case of goodwill, it is the legal entity that is used as the CGU. When carrying out the tests, the Group combines a market value approach (estimate of fair value) and an approach based on estimated future cash flows (estimate of value in use). For the purposes of the market value approach, the Group compares the carrying amount of the CGU with multiples of the operating profits generated by them. If this approach identifies the risk of impairment for a CGU, further testing using estimated cash flows is undertaken. This approach involves calculating the value in use of the CGU by discounting estimated future cash flows. When the value in use of the CGU calculated in this way is lower than its carrying amount, an impairment loss in respect of goodwill is recognised to reduce the carrying amount of the assets in the CGU to their recoverable amount, defined as the higher of net fair value and value in use.

The valuations made for the purposes of the goodwill impairment tests are sensitive to the assumptions used as regards not only the selling price and future costs, but also the discount rate and growth rate. The future cash flows used for the impairment tests are calculated on the basis of estimates made over a period that may vary between a minimum of five years and a maximum of twenty years. The choice of the duration of projection of cash flows takes into account the lifecycle of the products in the veterinary industry, which is very long and generally far longer than five years. For the cash flow projections, the Group adopts a growth rate to infinity between 0% and 3% depending on the products and anticipated market growth. The Group also uses a discount rate of 10% for these calculations, based on the weighted average cost of capital, before tax.

Intangible assets

In accordance with the criteria stipulated in IAS 38, an intangible asset is recognised as an asset in the balance sheet if it is probable that the future economic benefits attributable to the asset will flow to the Group.

Intangible assets with indefinite useful lives are reviewed annually to ensure that their useful lives have not become finite.

Intangible assets with finite useful lives are amortised on a straight-line basis as from the date on which the asset is ready for use:

- concessions, patents, licences and trademarks: amortised over their useful life;
- software (office tools, etc): amortised over three or four years;
- ERP: amortised over five to ten years.

Research and development costs are capitalised from the time when they satisfy the criteria stipulated by IAS 38. As regards the Group's activities, most of the development costs are associated with products the use of which requires the obtaining of a market authorisation. The Group considers that, until this authorisation has been obtained, not all of the criteria of IAS 38 have been fulfilled and the costs incurred are shown as expenses.

In accordance with the provisions of IAS 36 "Impairment of assets", intangible assets are tested for impairment annually. In the case of assets with indefinite useful lives, the tests are carried

out during the second half of the year, regardless of whether or not there is any indication of impairment. Assets with finite useful lives are tested for impairment as soon as any new events or circumstances indicate that assets may be impaired. For the purposes of this testing, the Group takes into account sales generated by the intangible asset. When testing intangible assets for impairment, the Group combines a market value approach (estimate of fair value) and an approach based on estimated future cash flows (estimate of value in use). The future cash flows used for the impairment tests are calculated on the basis of estimates made over a period that may vary between a minimum of five years and a maximum of twenty years. The Group also uses a discount rate of 10% for these calculations, based on the weighted average cost of capital, before tax.

Property, plant and equipment

As required by IAS 16, property, plant and equipment are measured in accordance with the historical cost method. If the acquisition of an item of property, plant and equipment is financed by means of a loan, the costs associated with the loan are not included in the gross value of the item concerned. As required by IAS 17, assets acquired under a finance lease are recognised as assets in the balance sheet when the lease transfers to the Group substantially all the risks and rewards of ownership incidental to ownership of the assets concerned. The component approach is adopted, each component of an asset having its own specific depreciation period, in line with the depreciation period of assets of the same type.

Property, plant and equipment are depreciated over their estimated useful lives, which are:

- buildings:
 - structure : 40 years;
 - components: 10 to 20 years;
- machinery and industrial equipment:
 - structure : 20 years;
 - components: 5 to 10 years;
- computer hardware: 3 or 4 years;
- other property, plant and equipment: 5 to 10 years.

Other financial assets

The other financial assets mainly include:

• loans (mainly employee loans)

When initially entered in the accounts, loans are measured at fair value plus transaction costs. A reserve is entered when there is an objective indication of impairment of value, due to an event occurring after the initial entry of the asset.

• other receivables recognized as assets (rents paid in advance, bonds, etc.)

These are entered at fair value plus transaction costs.

• other operating receivables

These are recognized and entered at the initial amount of the receivable.

Inventories and work-in-progress

Inventories and work-in-progress are stated at the lower of cost and net realisable value.

The cost of inventories includes all acquisition costs, transformation costs and other costs incurred to transfer the inventories to the place and in the state in which they are found. The acquisition costs of inventories include the purchase price, customs duties and other taxes, as well as transportation, handling and other costs directly attributable to the acquisition of raw materials and finished products. Discounts and other similar items are deducted.

Inventories of raw materials and supplies are measured using the weighted average cost method, whereas finished products are measured using the FIFO ("First In, First Out") method. The cost of acquisition of raw materials inventories includes all incidental purchase costs.

Work-in-progress and finished goods are measured at their actual manufacturing cost including direct and indirect production costs. Finished products are valued in each subsidiary at the price invoiced by the Group company that sold them, plus shipping costs; the margin included in these inventories is cancelled in the consolidated financial statements, using the average full production cost recorded at the vending company.

A provision is recognised to reduce inventories to their net realisable value when products are damaged or become unusable or when the likely selling prices of these products, assessed on the basis of the market, seem lower than the gross inventory amount.

Trade receivables

Trade receivables are classified as current assets to the extent that they form part of the Group's normal operating cycle. Trade receivables are measured and recognised at the initial amount of the invoice, less provisions for doubtful debts in the case of any irrecoverable amounts. An estimate of the amount of the doubtful debts is made when it is no longer probable that the receivable will be recovered in full. Bad debts are written off when identified as such.

Cash and cash equivalents

This category comprises bank balances, investments and cash equivalents that are very liquid. Bank accounts that are subject to restrictions (blocked accounts) are not included in cash but are reclassified as financial assets.

Treasury shares

Those of the parent company's shares that are held by the parent company or its consolidated subsidiaries (whether classified in the parent company's financial statements as financial assets or marketable securities), are recognised as a deduction from shareholders' equity. The amount of the deduction is equal to the acquisition cost of the shares concerned. Any gain or loss on disposal of these shares is recognised (net of tax) directly in shareholders' equity and does not form part of the profit or loss for the year.

Translation adjustments

This item represents on the one hand the translation adjustment on opening net assets of foreign companies, resulting from differences between the exchange rate on the date on which they were first consolidated and the rate ruling on the balance sheet date and, on the other hand, the translation adjustment on the profit or loss for the year, resulting from differences between the rate used to translate the income statement (average rate) and the rate ruling on the balance sheet date.

Consolidated reserves

This item represents the interests of the parent company in the reserves accumulated by consolidated companies since they were first consolidated into the Virbac group.

Minority interests

This item represents the share of shareholders external to the Group in the shareholders' equity and results of consolidated companies.

Derivatives and hedge accounting

The Group holds derivative instruments solely in order to reduce its exposure to interest rate and exchange rate risks on any balance sheet items, firm or highly-probable off-balance sheet commitments and certain foreign currency-denominated investments in foreign entities.

Virbac uses hedge accounting to offset the impact of the item hedged and the hedging instrument in the income statement, when the following conditions apply:

- there is a significant impact on the income statement;
- the hedging links and efficacy of hedging can be duly demonstrated.

Other financial liabilities

The other financial liabilities mainly comprise loans with credit institutions and debts relating to finance leases. These loans and debts are entered at amortised cost.

Pensions schemes and other post-employment benefits

Defined contribution pension schemes

In the case of defined contribution schemes, costs incurred by the Group in the provisions of benefits are recognised as an expense in the period to which they relate.

Defined benefit schemes

The Group's commitments in respect of defined benefit schemes are calculated using the projected unit credit actuarial method. These commitments are measured at each balance sheet date. The actuarial information is provided by external consultants. The actuarial assumptions used to calculate the commitments take into account the economic conditions prevailing in the country. The Group's commitments are recognised as a provision for their net amount at the fair value of the hedging assets. The actuarial gains and losses are recognised immediately in the income statement.

Other provisions

A provision is booked when the Group has a present obligation resulting from a past event which is likely to result in an outflow of economic benefits that can be estimated reliably. The amount booked is the best estimate of the expenditure required to settle the present obligation at the balance sheet date. The amount is discounted if the effect is material.

Taxation

The Group's subsidiaries recognise current tax on the basis of the tax rules applicable locally. The parent company and its main French subsidiaries are part of a consolidated tax group. Under the terms of the tax consolidation agreement, each consolidated company is required to account for tax as if it were taxed as a separate entity.

The Group recognises deferred taxes on temporary difference between the carrying amount and the tax value of an asset or a liability. Tax assets and liabilities are not restated at their present value.

As required by IAS 12, which authorises the offsetting of tax payable and tax receivable under certain conditions, the deferred tax assets and liabilities have been offset by tax entity.

Non-current assets held for sale and discontinued operations

Under IFRS 5, an operation must be regarded as discontinued when the criteria for classification as held for sale are satisfied or when the Group has disposed of the operation. An asset is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

At 31 December 2007, the amount of the assets held for sale, shown on a separate line of the balance sheet, stands at €4,710 thousand. Since the sale contemplated does not comprise discontinued operations, within the meaning of the standard, no reclassification is made in the income statement.

Sales

Sales are measured at the fair value of the consideration received or receivable, net of any discounts, rebates and sales taxes.

Sales are recognised as follows:

- sales of goods are recognised when the goods are delivered and ownership transferred;
- transactions in respect of the supply of services are spread over the period during which the services are rendered.

Personnel costs

Personnel costs include all expenses related to pension schemes (amortisation of past service costs in the new scheme and the cost of services rendered during the period). Actuarial gains and losses are recognised immediately in the income statement under personnel costs.

Other non-recurring operating revenues and expenses

This item includes revenues and expenses of particularly significant amount and which are attributable to events or transactions that fall outside the scope of the Group's ordinary activities. They are presented on a separate line within the income statement to enable readers of the financial statements to gain a better understanding of the Group's performance from ordinary activities.

Other financial income and expenses

This item comprises mainly interest and other similar income and expenses.

It also includes foreign exchange gains and losses, which are recognised in the income statement.

Earnings per share

Net earnings per share is calculated by dividing net profit-Group share, by the total number of shares issued and outstanding at the period end (i.e. net of treasury shares).

Net diluted earnings per share is calculated by dividing the net profit-Group share, by the total number of shares outstanding to which is added the maximum number of shares that could be issued in the event of an issue of dilutive instruments (on the conversion into ordinary shares of instruments giving deferred access rights to Virbac's capital).

Segment information

The primary and only segment reporting format used by the Group is geographical segments. The Group's operating activities are organised and managed separately depending on the nature of the markets. There are also two marketing segments – companion animals and food producing animals – but they cannot be used as a secondary segment reporting format for the following reasons:

- nature of the products: most of the therapeutic segments are common to companion animals and food producing animals (antibiotics, parasiticides, etc.);
- manufacturing processes: the production lines are common to both segments and there is no significant differentiation in the sources of supply;
- type or category of customers: a distinction is made between the ethical sector (veterinarians) and over the counter (general public);
- internal organisation: the management structures of the Virbac group are organised by geographical areas. At Group level, there is no management structure based on marketing segments;
- distribution methods: the main distribution channels depend more on the country than on the marketing segment. Sales forces may, in certain cases, be common to the two marketing segments;
- nature of the regulatory environment: the bodies authorising the marketing of products are the same regardless of the segment.

Consequently, the Group uses only one reporting segment.

Information by geographic region is broken down into seven zones, based on the location of the Group's assets and operations (cf. note A1):

- France;
- Rest of Europe;
- Latin America;
- North America;
- Africa & Middle East;
- Asia;
- Pacific.

The transfer prices used between the Group subsidiaries are the same prices that would have been used in arm's length transactions with third parties.

Main sources of uncertainty regarding estimates

In order to prepare its consolidated financial statements in accordance with IFRS, the Group is required to make a certain number of estimates and use certain assumptions that it deems realistic and reasonable.

Certain facts and conditions may cause these estimates and assumptions to change, which would affect the value of the Group's assets, liabilities, shareholders' equity and net results.

Acquisition prices

Certain acquisition contracts relating to company regroupings or the purchase of intangible assets include a clause on the possible variation in acquisition price depending on the objects connected with financial results, obtaining marketing authorisation or results of efficiency tests.

In this case, the Group estimates the acquisition price at the year end based on the most realistic assumptions of achieving the objects.

Goodwill and other intangible assets

The Group possesses intangible assets that were purchased or acquired during business combination transactions, in addition to the resulting goodwill. As indicated in the section on "Accounting principles applied," every year the Group tests its goodwill and other intangible assets whose economic lives cannot be defined for impairment. These impairment tests are based on an estimate of the future cash flows over a period of between five and twenty years. The estimates calculated at the time these tests are performed are sensitive to assumptions of sale prices and future costs, and discount and growth rates.

The Group may in the future have cause to write down the value of certain non-current assets, in the event of a worsening of the outlook for the profitability of these assets or if there is an indication of a loss of their value, as was the case in 2006 for one particular intangible asset Virbac had acquired.

At 31 December 2007, the net amount of goodwill stood at €82,633 thousand and other intangible assets at €62,936 thousand.

Deferred taxes

Deferred tax assets are recognised essentially on unused tax losses and deductible temporary differences between the tax and accounting values of the company's assets and liabilities. Assets relating to tax losses are recognised if it is probable that the Group will have future taxable profits against which these tax losses can be applied, based in part on a major judgement call.

At each balance sheet date, the Group has to analyse the origin of losses for each of the tax entities concerned and reevaluate the amount of deferred tax assets based on the probability of realising sufficient tax profits in the future.

Provisions for pension schemes and other post-employment benefits

As indicated in note B13, the Group has set up pension schemes and other post-employment benefits. The corresponding commitments were calculated using actuarial methods that take account of assumptions such as the benchmark salary for scheme beneficiaries and the likelihood of the persons concerned being able to benefit from the scheme, and the discount rate. These assumptions are updated every year. Actuarial gains or losses are recognised immediately in profit or loss.

Total employee benefits commitments amounted to €6,231 thousand at 31 December 2007.

Notes to the consolidated financial statements

Note B1 - Goodwill

The following table analyses the movements in goodwill by CGU (Cash Generating Unit):

(€ thousands)	Carrying amount as at 1 January 2007	Increases	Disposals	Impairment	Transfers	Translation adjustments	Carrying amount as at 31/12/2007
Virbac SA	450	-	-	-	-	-	450
Virbac France SAS	-	-	-	-	-	-	-
Virbac Nederland BV	1,605	-	-	-	-	-	1,605
Virbac do Brasil Industria e Comercio Ltda	21	-	-	-	-	-	21
Virbac Nutrition SAS	7	-	-	-	-	-	7
Dog N'Cat International SAS	43	-	-	-	-	-	43
Bio Veto Test SAS	6,177	-	-	-	-	-	6,177
FrancoDex Santé Animale SAS	-	-	-	-	-	-	-
Virbac Hellas SA	1,564	-	-	-	-	-	1,564
Animedica SA	90	-	-	-	-	-	90
Virbac Korea Co. Ltd	130	-	-	-	-	-	130
Bio Solution International Co. Ltd	-	591	-	-	-	-	591
Virbac Colombia Ltda	387	-	-	-	-	-	387
Virbac Japan Co. Ltd	352	-	-	-	-	-	352
Laboratorios Virbac Costa Rica SA	14	-	-	-	-	-1	13
Virbac de Portugal Laboratorios Lda	187	-	-	-	-	-	187
Virbac Vietnam Co. Ltd	115	-	-	-	-	-13	102
Virbac RSA (Pty) Ltd	331	-	-	-	-	-27	304
Virbac Animal Health India Pvt. Ltd	19,219	-	-	-	-	61	19,280
Nuova ICC SRL	-	1,765	-	-	-	-	1,765
Virbac Corporation	48,463	77	-	-	-247	-1,702	46,591
Virbac (Australia) Pty Ltd	2,981	-	-	-	-	-7	2,974
Goodwill	82,136	2,433	-	-	-247	-1,689	82,633

No impairment losses in respect of goodwill have been recognised since the opening balance sheet.

The increase of this item is attributable primarily to the acquisitions made during the year:

● Europe: acquisition of the company Nuova ICC

Virbac acquired 100% of the shares in the Italian company Nuova ICC.

This transaction was entered in the accounts according to the acquisition method defined by IFRS 3.

The acquisition contract provides for the payment of price supplements, subject to the achievement of certain objectives.

The sales and loss made by Nuova ICC in 2007 were €4,274 thousand and -€226 thousand, respectively.

(€ thousands)	Goodwill calculation
Purchase price of the shares	2,700
Supplements of purchase price of the shares *	849
Associated acquisition expenses	75
Total acquisition cost of the shares	3,624
Fair value of assets acquired	1,859
Goodwill	1,765

* The amount of the price supplements that Virbac may have to pay is estimated at €849 thousand at 31 December 2007.

The assets acquired break down as follows:

(€ thousands)	Fair value	Carrying amount prior to the business combination
Intangible and tangible assets	96	96
Inventories	458	408
Operating receivables	2,435	2,484
Provisions and operating debts	-1,117	-1,067
Bank overdrafts	-13	-13
Assets acquired	1,859	1,908

● Asia: acquisition of the company Bio Solution International

Through its subsidiary Virbac Thailand, Virbac acquired 90% of the shares in the Thai company Bio Solution International. This transaction was entered in the accounts in accordance with IFRS 3.

The acquisition contract also provides a cross purchase option and sale option to 10% of the minority interest.

The sales and profit made by Bio Solution International over the year, if the company had been acquired on 1 January 2007, would be €1,069 thousand and €199 thousand, respectively.

(€ thousands)	Goodwill calculation
Purchase price of 90% of the shares, paid by Virbac Thailand	204
Forecast of price supplement for the purchase of minority interests *	638
Total acquisition cost of the shares	842
Fair value of assets acquired	204
Minority interests at closing	47
Goodwill	591

* The amount of the price supplement is based on the achievement of certain objectives

The assets acquired break down as follows:

(€ thousands)	Fair value	Carrying amount prior to the business combination
Intangible and tangible assets	129	129
Inventories	62	62
Operating receivables	13	13
Assets acquired	204	204

● USA: acquisition of Rebound Animal Health

This transaction was entered in the accounts in accordance with IFRS 3.

(€ thousands)	Goodwill calculation
Purchase price of the shares paid by Virbac Corporation	1,407
Total acquisition cost of the shares	1,407
Fair values of assets acquired	1,330
Goodwill	77

The assets acquired break down as follows:

(€ thousands)	Fair value	Carrying amount prior to the business combination
Brands	1,407	-
Operating debts	-77	-77
Assets acquired	1,330	-77

Note B2 - Intangible assets

The Group's intangible assets comprise mainly:

- rights relating to patents and know-how required for the Group's production and marketing activities;
- trademarks;
- licences and other acquisition costs of the Group's information systems.

(€ thousands)	Indefinite useful life	Concessions, patents, licences and trademarks Finite useful life	Other intangible assets	Total
Cost as at 1 January 2007	44,532	19,677	24,657	88,866
Acquisitions	3,478	-	4,320	7,798
Disposals	-21	-	-61	-82
Business combinations	81	-	3	84
Transfers/reclassifications	1,959	-	301	2,260
Impact of exchange rate fluctuations	-1,380	-	-316	-1,696
Cost as at 31 December 2007	48,649	19,677	28,904	97,230
Depreciations as at 1 January 2007	-7,362	-10,061	-11,082	-28,505
Allowances	-	-1,292	-2,558	-3,850
Written-back provisions	-	1	27	28
Business combinations	-	-33	-1	-34
Transfers/reclassifications	-	-1,577	-862	-2,439
Impact of exchange rate fluctuations	-	419	87	506
Depreciations as at 31 December 2007	-7,362	-12,543	-14,389	-34,294
Carrying amount as at 1 January 2007	37,170	9,616	13,575	60,361
Carrying amount as at 31 December 2007	41,287	7,134	14,515	62,936

The increase in this item corresponds to fixed assets acquired. No fixed assets were generated internally.

• Concessions, patents, licences and brands

This increase in this item mainly relates to the acquisition:

- by Virbac SA, of different intangible assets in the field of aquaculture for €1.9 million;
- by Virbac Corporation, of brands for €1.4 million within the scope of the acquisition Rebound, and distribution rights amounting to €0.2 million.

• Other intangible assets

This increase in this item mainly relates to the installation of Movex ERP in several subsidiaries.

Note B3 - Property, plant and equipment

Property, plant and equipment are assets purchased or acquired by means of finance lease contracts.

At 31 December 2007, the gross value of assets acquired under finance leases and restated as property, plant and equipment, in accordance with IAS 17, amounted to €6,976 thousand.

The main assets comprising the Group's property, plant and equipment are:

- land;
- buildings, including:
 - buildings;
 - building improvements;
- plant, machinery and equipment;
- other property, plant and equipment, including notably:
 - hardware;
 - office furniture;
 - motor vehicles.

	Land	Buildings	Machinery and industrial equipment	Other property, plant and equipment	Total
(€ thousands)					
Cost as at 1 January 2007	6,094	72,425	55,366	16,238	150,123
Acquisitions	-	2,365	3,480	7,256	13,101
Disposals	-	-222	-3,229	-2,204	-5,655
Business combinations	-	-	123	79	202
Transfers/reclassifications	-760	-1,280	304	-1,332	-3,068
Impact of exchange rate fluctuations	-275	-973	-985	-607	-2,840
Cost as at 31 December 2007	5,059	72,315	55,059	19,430	151,863
Depreciations as at 1 January 2007	-	-37,744	-38,960	-11,124	-87,828
Allowances	-	-3,254	-3,617	-1,237	-8,108
Written-back provisions	-	210	2,912	2,011	5,133
Business combinations	-	-	-6	-38	-44
Transfers/reclassifications	-	446	347	217	1,010
Impact of exchange rate fluctuations	-	381	579	268	1,228
Depreciations as at 31 December 2007	-	-39,961	-38,745	-9,903	-88,609
Carrying amount as at 1 January 2007	6,094	34,681	16,406	5,114	62,295
Carrying amount as at 31 December 2007	5,059	32,354	16,314	9,527	63,254

Note B₄ - Other financial assets

(€ thousands)	2007		2006	
	Current	Non-current	Current	Non-current
Participating interests in non-consolidated companies	-	-	-	2,915
Loans and other non-current receivables	8	689	13	1,110
Foreign currency and interest rate derivatives	210	-	62	613
Cash subject to restrictions	-	434	-	362
Other	-	36	-	5
Other financial assets	218	1,159	75	5,005

The decrease in the item "Participating interests in non-consolidated companies" relates to the reclassification of the shares in Nuova ICC, a company acquired in December 2006 and included within the scope of consolidation as from 1 January 2007.

Note B₅ - Share in companies accounted for by the equity method

(€ thousands)	Individual financial statements of companies accounted for by the equity method				Consolidated financial statements	
	Total assets	Total liabilities	Sales	Net profit (loss)	Group shares of shares holders' equity	Group share of earnings
German subsidiary	1,399	1,399	5 095	190	421	46
Finnish subsidiary	279	279	818	-179	-14	-79
TOTAL					407	-33

German subsidiary

Virbac holds 24% of the shares of a German subsidiary which is accounted for by the equity method.

Finnish subsidiary

Virbac has joint control of a Finnish company that the Group has elected to account for by the equity method, as is permitted under IAS 31.

Note B₆ - Other receivables

(€ thousands)	2007		2006	
	Current	Non-current	Current	Non-current
Due from staff and social security bodies	424	-	301	-
Due from the State	7,456	-	6,331	-
Advances and payments on account to suppliers	615	-	864	-
Provisions on other receivables	-88	-	-55	-
Prepaid expenses	3,226	-	2,692	-
Blocked accounts	150	-	-	591
Sundry receivables	3,774	-	2,848	-
Other receivables	15,557	-	12,981	591

Note B7 - Deferred taxes

Main sources of deferred taxes

(€ thousands)	Deferred tax assets	Deferred tax liabilities
Margins on inventories	3,999	Adjustments on intangible assets 7,879
Pension commitments and termination benefits	1,809	Adjustments on tangible assets 2,179
Losses carried forward	2,428	Regulated provisions 2,304
Adjustments on sales (IAS 18)	744	Capitalisation of acquisition-related costs 1,003
Adjustments on inventories (IAS 2)	294	Restatement of financial leases 308
Other non-deductible provisions	2,934	Other expenses carried forward 671
Other pre-taxed revenue	1,091	
Impact of the offsetting by tax entity	-9,622	Impact of the offsetting by tax entity -9,622
Deferred taxes net assets	3,677	Deferred taxes net liabilities 4,722

As required by IAS 12, which authorises the offsetting of tax payable and tax receivable under certain conditions, the deferred tax assets and liabilities have been offset by tax entity.

The impact of offsetting the deferred tax assets and liabilities by tax entity at 31 December 2006 amounted to -€9,107 thousand.

Note B8 - Inventories and work-in-progress

Breakdown of inventories and work-in-progress by type

(€ thousands)	2007			2006		
	Gross	Depreciation	Net	Gross	Depreciation	Net
Raw materials and supplies	21,922	-1,263	20,659	21,129	-2,939	18,190
Work-in-progress	4,542	-874	3,668	4,483	-644	3,839
Finished products and goods	39,154	-1,241	37,913	39,003	-1,383	37,620
Inventories and work-in-progress	65,618	-3,378	62,240	64,615	-4,966	59,649

Changes in depreciation of inventories and work-in-progress

(€ thousands)	2006	Allowances	Write-backs	Reclassifications	Translation	2007
Raw materials and supplies	-2,939	-723	1,728	576	95	-1,263
Work-in-progress	-645	-874	645	-	-	-874
Finished products and goods	-1,382	-996	1,120	-	17	-1,241
Depreciations of inventories and work-in-progress	-4,966	-2,593	3,493	576	112	-3,378

Note B9 - Trade receivables

(€ thousands)	2007	2006
Trade receivables - gross	69,689	67,741
Provisions	-3,135	-2,516
Trade receivables - net	66,554	65,225

Note B10 - Cash and cash equivalents

(€ thousands)	2007	2006
Cash	7,952	12,020
Marketable securities	1,989	1,146
Cash and cash equivalents	9,941	13,166
Bank overdrafts	-12,207	-10,116
Accrued interest not yet payable	-116	-84
Closing net cash position	-2,382	2,966

Note B11 - Assets held for sale

At 31 December 2007, this item relates to the land and buildings of Virbac Australia which were placed on sale following the subsidiary's move from Peakhurst to Milperra, as well as the assets relating to the OTC business in USA, which will be sold at the beginning of 2008.

(€ thousands)	2007
Goodwill	98
Concessions, patents, licences and brands	322
Industrial machinery	12
Inventories	2,397
Virbac Corporation	2,829
Land	1,066
Buildings	815
Virbac (Australia) Pty Ltd	1,881
Assets held for sale	4,710

Note B12 - Shareholders' equity - Group share

Analysis of shareholders' equity accounts

(€ thousands)	2007	2006
Share capital	10,893	10,893
Share premium	6,534	6,534
Legal reserve	1,089	1,089
Other reserves and retained earnings	132,772	125,051
Consolidation reserves	6,892	-4,884
Translation reserves	-6,980	-851
Net profit for the year	31,042	24,913
Shareholders' equity - Group share	182,242	162,745

Treasury shares

At 31 December 2007, Virbac held treasury shares to be used, essentially, for stock option plans and free share grants. These treasury shares are recognised as a deduction against shareholders' equity.

As certain plans expired during the year, some employees exercised their options. At 31 December 2007 there were 100,305 treasury shares (160,929 shares at 31 December 2006) with a total value of €3,365 thousand.

Note B13 - Employee benefits

Change in provisions

(€ thousands)	2006	Charges	Write-backs	Other movements	Translation adjustments	2007
Post-employment benefits	3,553	280	-171	352	-5	4,009
Directors' pensions	610	339	-	-	-	949
Termination benefits	754	284	-66	-361	-15	596
Medical cover	511	16	-	168	-48	647
Other employee benefits	29	1	-	-	-	30
Provisions for employee benefits	5,457	920	-237	159	-68	6,231

Pension schemes and post-employment benefits

• Commitments in respect of post-employment benefits

Pursuant to a collective labour agreement, French companies in the Group pay retiring employees post-employment benefits in accordance with their salary and length of service.

- Vesting of rights:
 - executives: 12/100 per year of service;
 - non-executives: 10/100 per year of service;
 - discount rate: 4.5%;
 - social security rate: 46%;
 - rate of staff turnover: determined by category, the age of the employee and his/her length of service.

- Other factors:

	Senior executives	Executives	Employees and supervisory staff	Manual workers and technicians
Retirement age	64 ans	64 ans	62 ans	60 ans
Rate of salary increase	2.5%	2.5%	1.5%	1.0%

Calculations of benefits commitments take account of the modifications brought about by the 2007 French Social Security Finance Act regarding the impact the retirement of employees who are not yet 65 years old will have on social security.

• Pension commitments

Virbac SA recognised a provision for the defined benefits plan set in place in 2003 for the members of the executive board. The total provision amounted to €949 thousand at 31 December 2007.

At the end of 2006, the company paid €1 million toward the funding of the pension plan. This amount constitutes a hedging asset, and as such is recognised as a deduction against the provision.

At the time this new pension plan was set up, the commitment in respect of past service was spread over the remaining period in accordance with the terms and conditions of the plan. At 31 December 2007, the amount of the commitment not yet recognised amounted to €244 thousand (€370 thousand at 31 December 2006), i.e. an impact of €126 thousand on the net profit for the year.

Note B14 - Provisions

	2006	Charges	Write-backs Amounts used	Write-backs Amounts not used	Reclassifications	Translation adjustments	2007
(€ thousands)							
Commercial or staff litigation	638	435	-104	-	222	8	1,199
Tax litigation	114	-	-114	-	-	-	-
Other contingencies and losses	64	-	-39	-	-	-	25
Non-current provisions	816	435	-257	-	222	8	1,224
Commercial or staff litigation	71	190	-207	-	139	3	196
Tax litigation	1,549	173	-532	-	-	-	1,190
Other contingencies and losses	148	73	-111	-	-	2	112
Current provisions	1,768	436	-850	-	139	5	1,498
Provisions	2,584	871	-1,107	-	361	13	2,722

The provisions for tax disputes result from continued tax inspections in France and Spain. The other provisions, essentially located in France, concern trade disputes and risks.

Note B15 - Other financial liabilities

	2007		2006	
(€ thousands)	Current	Non-current	Current	Non-current
Borrowings	1,849	40,297	2,355	64,362
Bank overdrafts	12,207	-	10,116	-
Accrued interest not yet payable	116	-	84	-
Liabilities in respect of finance lease contracts	80	2,133	218	2,470
Employee profit-sharing	70	448	78	416
Conditional advances	-	-	-	120
Derivatives	5	-	7	-
Other financial liabilities	1	135	117	10
Other financial liabilities	14,328	43,013	12,975	67,378

Note B16 - Other current payables

	2007		2006	
(€ thousands)	Current	Non-current	Current	Non-current
Social liabilities	17,664	-	14,832	-
Tax liabilities	5,016	-	5,093	-
Advances and prepayments received on orders	645	-	936	-
Prepaid income	606	2,815	338	4,865
Other liabilities	30,364	8,567	27,059	8,970
Other current payables	54,295	11,382	48,258	13,835

Note B₁₇ - Trade payables

(€ thousands)	2007	2006
Operating trade payables	47,753	45,996
Amounts owed suppliers of non-current assets	4,122	1,742
Trade payables	51,875	47,738

Note R₁ - Sales

(€ thousands)	2007	2006	Variation
Sales of finished products and goods	482,168	437,090	10.3%
Provision of services	141	201	-29.9%
Other income from ordinary activities	1,097	423	159.3%
Rebates, reductions and discounts on sales	-35,224	-28,113	25.3%
Fees and rental payments	343	-	-%
Income from ordinary activities	448,525	409,601	9.5%
Sales-related expenses	-6,368	-5,206	22.3%
Payment discounts	-2,284	-2,124	7.5%
Provisions for returns	-1,325	-635	108.7%
Sales	438,548	401,636	9.2%

Note R₂ - Purchases consumed

(€ thousands)	2007	2006
Purchases transferred to inventory	-139,842	-117,033
Purchases not transferred to inventory	-11,428	-11,343
Related costs on purchases	-448	-781
Rebates, reductions and discounts obtained	546	396
Purchases	-151,172	-128,761
Change in gross inventories	5,629	1,211
Charges to depreciation of inventories	-2,575	-2,216
Written-back depreciation of inventories	3,368	3,185
Net change in inventories	6,422	2,180
Purchases consumed	-144,750	-126,581

Note R3 - Other operating revenues and expenses from ordinary activities

(€ thousands)	2007	2006
Fees and rental payments	-1,807	-1,603*
Research tax credit	1,318	1,082
Charges to provision for bad debts	-888	-298
Recoveries of provision for bad debts	376	500
Losses on bad debt	-214	-160
Carrying amount of assets	-582	-1,439
Proceeds from sales of assets sold	305	237
Other revenues and expenses	-479	-348
Other operating revenues and expenses	-1,971	-2,029

* Reclassification of CIR 2006

Note R4 - Financial income and expenses

(€ thousands)	2007	2006
Interest expense on gross debt	-4,474	-2,750
Foreign exchange losses	-660	-1,750
Foreign exchange gains	1,534	1,298
Changes in fair value of foreign currency and interest rate derivatives	-443	704
Other financial expenses	-332	-19
Other financial income	951	481
Financial income and expenses	-3,424	-2,036

Note R5 - Tax charge

Reconciliation of the Group's effective tax rate

(€ thousands)	2007		2006	
	Base	Tax	Base	Tax
Profit before tax	48,227		38,860	
Restatement of CIR (Research tax credit)	-1,318		-1,082	
Result before tax, after restatement of CIR	46,909		37,778	
Current taxes		-16,126		-11,280
- French companies		-2,051		-1,192 *
- Foreign companies		-14,075		-10,088
Deferred taxes		-195		4
- French companies		1,203		-648
- Foreign companies		-1,398		652
Total taxes recognized		-16,321		-11,276
Effective tax rate		34.79%		29.85% *
Theoretical tax rate		34.43%		34.43%
Theoretical taxes		-16,151		-13,007 *
Variance between theoretical taxes and taxes recognized		170		-1,731 *

* Reclassification of the CIR (Research Tax Credit) gave rise to a change in the presentation of the table above.

For the 2007 and 2006 financial years the reconciliation of the effective tax rate has been calculated on the basis of the tax rate applicable in France, i.e. 34.43%.

Transactions affecting the amount of tax

The difference between tax entered in 2007 and the theoretical tax is mainly due to the difference in tax rates abroad. In 2006, besides the difference in tax rates abroad, the difference between the tax entered in the accounts and the theoretical case also resulted from deferred tax credits not previously recognised.

Note R6 - Earnings per share

	2007	2006
Net profit - Group share (in euros)	31,041,518	24,912,961
Total number of shares	8,714,352	8,714,352
Impact of dilutive instruments	N/A	N/A
Number of treasury shares	100,305	160,929
Number of shares outstanding	8,614,047	8,553,423
Basic earnings per share - Group share (in euros)	€3.60	€2.91
Diluted earnings per share - Group share (in euros)	€3.60	€2.91

Note A1 - Segment information

These notes show the items presented above by geographic region.

Intangible assets

(€ thousands)	France	Europe (except France)	Latin America	North America	Africa & Middle East	Asia	Pacific	Total
Concessions, patents, licences and trademarks	38,909	1,405	245	12,268	-	15,499	-	68,326
Other intangible assets	22,890	412	435	2,104	797	663	1,603	28,904
Gross value	61,799	1,817	680	14,372	797	16,162	1,603	97,230
Concessions, patents, licences and trademarks	-15,263	-1,015	-218	-3,409	-	-	-	-19,905
Other intangible assets	-11,675	-352	-423	-887	-50	-96	-906	-14,389
Depreciations	-26,938	-1,367	-641	-4,296	-50	-96	-906	-34,294
Concessions, patents, licences and trademarks	23,646	390	27	8,859	-	15,499	-	48,421
Other intangible assets	11,215	60	12	1,217	747	567	697	14,515
Carrying amount	34,861	450	39	10,076	747	16,066	697	62,936

Property, plant and equipment

(€ thousands)	France	Europe (except France)	Latin America	North America	Africa & Middle East	Asia	Pacific	Total
Land	1,804	241	62	2 262	246	-	444	5,059
Buildings	57,629	4,165	1,063	5 834	1,467	620	1,537	72,315
Plant, machinery and equipment	40,825	1,368	2,629	6 431	414	1,104	2,288	55,059
Other plant, machinery and equipment	7,244	2,477	2,380	3 148	533	1,169	2,479	19,430
Cost	107,502	8,251	6,134	17,675	2,660	2,893	6,748	151,863
Land	-	-	-	-	-	-	-	-
Buildings	-33,992	-2,100	-509	-2,290	-327	-249	-494	-39,961
Plant, machinery and equipment	-29,347	-1,133	-1,353	-4,049	-278	-677	-1,908	-38,745
Other plant, machinery and equipment	-3,564	-2,118	-1,384	-1,146	-360	-227	-1,104	-9,903
Depreciation	-66,903	-5 351	-3,246	-7,485	-965	-1,153	-3,506	-88,609
Land	1,804	241	62	2,262	246	-	444	5,059
Buildings	23,637	2,065	554	3,544	1,140	371	1,043	32,354
Plant, machinery and equipment	11,478	235	1,276	2,382	136	427	380	16,314
Other plant, machinery and equipment	3,680	359	996	2,002	173	942	1,375	9,527
Carrying amount	40,599	2,900	2,888	10,190	1,695	1,740	3,242	63,254

Other financial assets

(€ thousands)	France	Europe (except France)	Latin America	North America	Africa & Middle East	Asia	Pacific	Total
Participating interests in non-consolidated companies	-	-	-	-	-	-	-	-
Loans and other non-current receivables	324	28	1	56	-	288	-	697
Foreign currency and interest rate derivatives	210	-	-	-	-	-	-	210
Cash subject to restrictions	-	-	168	262	-	4	-	434
Other	31	5	-	-	-	-	-	36
Other financial assets	565	33	169	318	-	292	-	1,377

Other current receivables

(€ thousands)	France	Europe (except France)	Latin America	North America	Africa & Middle East	Asia	Pacific	Total
Due from staff and social security bodies	165	58	14	-	-	187	-	424
Due from the State	6,671	345	-	-	-	440	-	7,456
Advances and payments on account to suppliers	321	36	125	51	-	82	-	615
Depreciations on other receivables	-70	-	-	-	-	-18	-	-88
Prepaid expenses	1,783	145	105	971	-	147	75	3,226
Blocked accounts	150	-	-	-	-	-	-	150
Sundry receivables	2,265	348	544	53	182	276	106	3,774
Other receivables	11,285	932	788	1,075	182	1,114	181	15,557

Inventories and work-in-progress

(€ thousands)	France	Europe (except France)	Latin America	North America	Africa & Middle East	Asia	Pacific	Total
Raw materials and supplies	11,451	1,102	1,589	3,277	1,729	293	2,481	21,922
Work-in-progress	4,322	9	100	110	-	1	-	4,542
Finished products and goods	8,809	11,644	2,696	4,798	2,554	4,773	3,880	39,154
Gross value	24,582	12,755	4,385	8,185	4,283	5,067	6,361	65,618
Raw materials and supplies	-631	-54	-12	-566	-	-	-	-1,263
Work-in-progress	-874	-	-	-	-	-	-	-874
Finished products and goods	-380	-337	-54	-16	-4	-203	-247	-1,241
Depreciations	-1,885	-391	-66	-582	-4	-203	-247	-3,378
Raw materials and supplies	10,820	1,048	1,577	2,711	1,729	293	2,481	20,659
Work-in-progress	3,448	9	100	110	-	1	-	3,668
Finished products and goods	8,429	11,307	2,642	4,782	2,550	4,570	3,633	37,913
Net value before neutralisation of intercompany margin in inventories	22,697	12,364	4,319	7,603	4,279	4,864	6,114	62,240
Neutralisation of intercompany margin in inventories	-4,158	4,560	84	-1,516	171	728	131	-
Net value after neutralisation of intercompany margin in inventories	18,539	16,924	4,403	6,087	4,450	5,592	6,245	62,240

Trade receivables

(€ thousands)	France	Europe (except France)	Latin America	North America	Africa & Middle East	Asia	Pacific	Total
Trade receivables - gross	19,647	22,967	9,765	2,501	2,794	6,607	5,408	69,689
Depreciations	-373	-1,497	-957	-19	-	-271	-18	-3,135
Trade receivables - net	19,274	21,470	8,808	2,482	2,794	6,336	5,390	66,554

Net cash

(€ thousands)	France	Europe (except France)	Latin America	North America	Africa & Middle East	Asia	Pacific	Total
Cash	453	1,599	1,280	1,137	-	2,375	1,108	7,952
Marketable securities	885	-	1	-	-	1,103	-	1,989
Cash and cash equivalents	1,338	1,599	1,281	1,137	-	3,478	1,108	9,941
Bank overdrafts	-9,328	-	-	-725	-219	-1,935	-	-12,207
Accrued interest not yet payable	-116	-	-	-	-	-	-	-116
Closing net cash position	-8,106	1,599	1,281	412	-219	1,543	1,108	-2,382

Provisions for employee benefits

(€ thousands)	France	Europe (except France)	Latin America	North America	Africa & Middle East	Asia	Pacific	Total
Post-employment benefits	3,159	566	-	-	-	284	-	4,009
Directors' pensions	949	-	-	-	-	-	-	949
Termination benefits	-	-	-	-	-	596	-	596
Medical cover	-	-	-	-	647	-	-	647
Other employee benefits	-	30	-	-	-	-	-	30
Provisions for employee benefits	4,108	596	-	-	647	880	-	6,231

Provisions

(€ thousands)	France	Europe (except France)	Latin America	North America	Africa & Middle East	Asia	Pacific	Total
Commercial or staff litigation	838	361	-	-	-	-	-	1,199
Tax litigation	-	-	-	-	-	-	-	-
Other contingencies and losses	-	25	-	-	-	-	-	25
Non-current provisions	838	386	-	-	-	-	-	1,224
Commercial or staff litigation	-	15	173	-	-	8	-	196
Tax litigation	607	583	-	-	-	-	-	1,190
Other contingencies and losses	73	39	-	-	-	-	-	112
Current provisions	680	637	173	-	-	8	-	1,498
Provisions	1,518	1,023	173	-	-	8	-	2,722

Other financial liabilities

(€ thousands)	France	Europe (except France)	Latin America	North America	Africa & Middle East	Asia	Pacific	Total
Bank borrowings and overdrafts	35,321	1,210	39	2,630	219	15,050	-	54,469
Liabilities in respect of finance lease contracts	612	-	-	-	1,601	-	-	2,213
Employee profit sharing	448	-	70	-	-	-	-	518
Conditional advances	-	-	-	-	-	-	-	-
Foreign currency and interest rate derivatives	5	-	-	-	-	-	-	5
Other	-	5	-	-	-	71	60	136
Other financial liabilities	36,386	1,215	109	2,630	1,820	15,121	60	57,341

Other payables

(€ thousands)	France	Europe (except France)	Latin America	North America	Africa & Middle East	Asia	Pacific	Total
Social liabilities	14,597	1,080	528	1,152	32	275	-	17,664
Tax liabilities	1,906	1,954	342	149	-	564	101	5,016
Advances and prepayments received on orders	16	503	-	-	-	126	-	645
Prepaid income	25	589	2	2,805	-	-	-	3,421
Other	26,865	2,417	967	661	685	7,274	62	38,931
Other payables	43,409	6,543	1,839	4,767	717	8,239	163	65,677

Trade payables

(€ thousands)	France	Europe (except France)	Latin America	North America	Africa & Middle East	Asia	Pacific	Total
Trade payables	28,257	6,303	1,331	4,457	1,753	1,451	4,201	47,753
Amounts owed suppliers of non-current assets	3,064	-	-	678	379	1	-	4,122
Trade payables	31,321	6,303	1,331	5,135	2,132	1,452	4,201	51,875

Sales

Within the context of the information required by IAS 14, the Group has chosen a breakdown by location of assets. However, in order to provide additional relevant information, a breakdown of sales by customer location and by market has also been provided.

(€ thousands)	By location of customers and markets			By location of assets		
	2007	2006	Change (as %)	2007	2006	Change (as %)
France	94.9	93.3	1.7%	118.4	114.2	3.6%
Europe (except France)	141.7	128.7	10.1%	123.8	112.3	10.2%
Latin America	29.5	27.4	7.7%	28.8	26.9	7.1%
North America	72.9	68.0	7.2%	73.0	68.1	7.2%
Africa & Middle East	23.6	23.3	1.3%	19.3	19.8	-2.5%
Asia	45.4	31.2	45.5%	43.8	29.4	49.0%
Pacific	30.5	29.6	3.0%	31.4	30.8	1.9%
Sales	438.5	401.6	9.2%	438.5	401.6	9.2%

Results

(€ thousands)	France	Europe (except France)	Latin America	North America	Africa & Middle East	Asia	Pacific	Total
Operating profit	4,526	17,835	5,579	16,686	1 543,	2,718	2,764	51,651
Financial income and expenses								-3,424
Profit before tax								48,227
Share in earnings of associated companies								-33
Tax charge								-16,321
Consolidated net profit	1,343	12,254	4,175	10,260	939	804	2,098	31,873

Note A2 - Financial instruments

Financial assets

The various categories of financial assets are as follows:

- at 31 December 2007

(€ thousands)	Securities available for sale	Loans and receivables	Financial assets at fair value through profit or loss	Financial assets at fair value through shareholder's equity	Total
Financial derivatives, non current	-	-	-	-	-
Other financial assets, no current	-	1,159	-	-	1,159
Customers	-	66,554	-	-	66,554
Other receivables*	-	12,331	-	-	12,331
Financial derivatives, current	-	-	191	19	210
Other financial assets, current	-	8	-	-	8
Cash and cash equivalents	-	7,962	1,979	-	9,941
Financial assets	-	88,014	2,170	19	90,203

* Excluding prepaid expenses.

- at 31 December 2006

(€ thousands)	Securities available for sale	Loans and receivables	Financial assets at fair value through profit or loss	Financial assets at fair value through shareholder's equity	Total
Financial derivatives, non current	-	-	613	-	613
Other financial assets, no current	-	4,392	-	-	4,392
Customers	-	65,225	-	-	65,225
Other receivables*	-	10,880	-	-	10,880
Financial derivatives, current	-	-	62	-	62
Other financial assets, current	-	13	-	-	13
Cash and cash equivalents	-	12,021	1,145	-	13,166
Financial assets	-	92,531	1,820	-	94,351

* Excluding prepaid expenses.

● Loans and receivables

Loans and receivables are unlisted non-derivative financial assets, for which payments are or may be fixed. The items falling into this category are described below.

● Loans and other fixed receivables

These are mainly guarantee deposits and other prepaid rent, sequestration accounts and loans granted (to employees in particular).

● Trade receivables

These are recognised and entered for the initial amount of the invoice, less provisions for amortisation and depreciation.

● Current receivables

These are mainly receivables from the tax authority (excluding corporation tax) and social security authorities, as well as advances and deposits on orders.

● Cash and cash equivalents

These are mainly bank account deposits and cash and blocked bank accounts.

● Financial assets stated at fair value

The financial assets stated at fair value shown in the income statement include the rate or foreign exchange instruments that Virbac chose not to classify as hedging, whose changes are recorded immediately in the profit or loss.

This category also includes securities acquired by Virbac for sale or redemption in the short term. They are valued at fair value at year end, and any changes in fair value are shown in the profit or loss. The fair values of securities are mainly determined with reference to the market price (buying or selling rate as appropriate).

● Securities available for sale

At the end of 2007, Virbac had no assets in this category.

● Assets held to maturity

Virbac does not own any securities defined as investments held to maturity (the securities held in portfolio are shares).

Financial liabilities

The different categories of financial liabilities are as follows:

(€ thousands)	2007		2006	
	Current	Non-current	Current	Non-current
Trade payables	51,875	-	47,738	-
Other payables*	53,689	8,567	47,920	8,970
Other financial liabilities	14,328	43,013	12,975	67,378
Financial liabilities	119,892	51,580	108,633	76,348

* Excluding prepaid income.

Note A3 - Management of risks connected with financial instruments

The Group holds derivative instruments solely in order to reduce its exposure to interest rate and exchange rate risks on any balance sheet items, firm or highly-probable off-balance sheet commitments and certain foreign currency-denominated investments in foreign entities.

Credit risk

The Group's maximum exposure to the credit risk amounts to €66,554 thousand, i.e. the amount of the trade receivables shown in the consolidated accounts.

The risk on sales between Group companies is insignificant, since Virbac ensures that its associates have the financial structure to honour their debts.

With regard to non-Group receivables, the main Group companies have set up a system for monitoring receivables due, enabling them to limit the amount of doubtful debts.

The following statement provides a breakdown of receivables at 31 December 2007:

(€ thousands)	Accruing receivables	less than 3 months	Receivables, overdue		more than 12 months	Depreciated receivables	Total
			3-6 months	6-12 months			
France	18,457	366	66	410	-26	373	19,646
Europe (except France)	15,854	4,150	1,456	11	-	1,497	22,968
Latin America	8,336	273	28	169	2	957	9,765
North America	2,482	-	-	-	-	19	2,501
Africa & Middle East	1,392	1,391	11	-	-	-	2,794
Asia	5,994	116	200	26	-	271	6,607
Pacific	5,117	273	-	-	-	18	5,408
Trade receivables	57,632	6,569	1,761	616	-24	3,135	69,689

Receivables due and not paid are analysed periodically and classified as doubtful debts when there appears to be a risk that the receivable will not be fully recovered. The amount of the provision set up at the year end is defined based on the age of the receivable and possibly criteria regarding the debtors. Bad debts are written off when identified as such.

Cash risk

A policy of pooling excess cash and financing requirements in the Europe zone means that the Group's net positions can be reduced and that the management of its deposits or financings can be optimised, thereby ensuring that the Group has the ability to meet its financial commitments and maintain a level of cash and cash equivalents in line with its size and requirements.

Virbac SA also has a variable-rate credit line for a maximum amount of €90 million, whose term and amount are sufficient to ensure funding for the Group and its development projects. At 31 December 2007, the amount drawn on this credit line amounted to €28 million (€48 million at 31 December 2006).

Market risks

● Exchange rate risk

Virbac carries out transactions in currencies other than the euro, its reference currency. Given the Group's exchange rate risk exposure, currency fluctuations have a significant impact on its income statement both in terms of translation risk and transaction risk.

In order to protect itself against adverse movements in the various currencies in which its sales and certain specific transactions are denominated, Virbac uses forward contracts on foreign currencies to hedge its exposure to exchange rate risk.

The Group notably hedges a portion of its future sales and firm orders denominated in foreign currencies, as well as the dividends of consolidated companies and certain intercompany loans.

The financial exchange rate derivatives are shown below, at market value:

	2007	2006
Fair value hedge	-	-
Cash flow hedge	27	-
Net investment hedge	-	-
Derivatives not classified as hedge	205	529
Exchange derivatives	232	529

The Group's policy is to hedge exchange rate risks when the scope and risk of currency fluctuation are high. It accordingly uses various instruments available on the market and generally uses foreign exchange forwards.

Due to the constraints imposed by documentation of hedging relationships, the derivatives held at year end are not always classified as hedging instruments in the consolidated financial statements. In this case, the changes in value directly affect the profit or loss for the period. This applies in particular:

- to the interest rate swap that was classified as a cash flow hedge until June 2005 and that was restated at the 31 December 2005 closing;
- to certain short-term exchange rate contracts for which the impact of classification as hedging in the accounts would not be significant.

• Interest rate risk

The Virbac group's exposure to interest rate risks mainly results for the variable-rate credit lines set up in France (for a maximum amount of €90 million) and in USA (for a maximum amount of \$20 million). These lines are based on the Euribor in France and on the prime rate in the United States. The loans located at Virbac India to fund the acquisition of the veterinary division of GlaxoSmithKline are fixed-rate loans reviewable annually for the first part and every three years for the second.

The amounts outstanding on the credit lines are as follows:

(€ thousands)	2007		2006	
	Actual average interest rate	Carrying amount	Actual average interest rate	Carrying amount
India	8.810%	6,022	8.810%	7,203
India	9.370%	6,882	8.280%	7,717
Others	ND	339	ND	1,739
Fixed rate debt		13,243		16,659
United States	5.250%	1,019	8.250%	2,142
France	5.345%	28,000	4.072%	18,000
France	-	-	3.996%	30,000
Variable rate debt		29,019		50,142
Bank overdrafts		12,207		10,116
Bank borrowings and overdrafts*		54,469		76,917

* Excluding amount payable on finance leases.

The financial interest rate derivatives are shown below, at market value:

	2007	2006
Fair value hedge	-	-
Cash flow hedge	-	-
Net investment hedge	-	-
Derivatives not classified as hedge	-	139
Rate derivatives	-	139

To manage its risks and optimise the cost of its debt, the Group tracks expectations of market rates and may choose to enter into interest rate swaps (into fixed rates) that never exceed either the maturity or the value of its actual commitments.

There was no interest rate risk hedging at 31 December 2007. At 31 December 2006 the interest rate swap could not be classified as hedging as the hedging exceeded the amount outstanding at the year-end date.

• Specific impact of exchange rate and interest rate risk hedging

The financial exchange rate derivatives involved in a cash flow hedge generally mature within one year.

The financial interest rate derivatives are used to hedge credit lines or loans and therefore mature after several years, in accordance with the flows hedged. There were no interest rate swaps at 31 December 2007.

At 31 December 2007, the amount of the hidden gains and losses recorded as shareholders' equity over the period was €19 thousand. The ineffective part entered for this cash flow hedging amounted to €27 thousand.

(€ thousands)	Nominal value		Positive fair value		Negative fair value	
	2007	2006	2007	2006	2007	2006
Exchange rate instruments						
Forward exchange contracts (sale)	3,805	9,985	203	536	2	7
Forward exchange contracts (purchase)	6,408	-	38	-	35	-
Over the counter foreign exchange options	-	-	-	-	-	-
Interest rate instruments						
Interest rate swaps	-	15,000	-	139	-	-
Interest rate options	-	-	-	-	-	-
Financial instruments	10,213	24,985	241	675	37	7

Note A₄ - Workforce

Breakdown of workforce by function

	2007		2006	
Production	945	35%	947	37%
Administration	358	13%	352	14%
Sales and marketing	1,198	44%	1,049	41%
Research and development	236	9%	216	8%
Total workforce	2,737	100%	2,564	100%

Change in workforce by geographic region

	2007	2006	Variation
Europe	1,270	1,249	1.7%
Latin America	260	250	4.0%
North America	299	293	2.0%
Africa & Middle East	130	129	0.8%
Asia	618	481	28.5%
Pacific	160	162	-1.2%
Total workforce	2,737	2,564	6.7%

The increase in the workforce mainly originated from Asia with the inclusion of Bio Solution International in the scope of consolidation, with 40 persons, and the hiring of 89 persons, essentially in the sales field, at Virbac India.

Note A5 - Stock-option plan and free share grants

Stock-options

In accordance with authorisation given it by the annual shareholders' meeting, the executive board granted free shares to certain employees and managers of Virbac SA and its subsidiaries.

Each option gives the right to purchase one Virbac share at a fixed price and referred to as the exercise price. Beneficiaries are subject to a vesting period and may only exercise 50% of their options two years from the date of grant and the remaining 50% after 3 years. The options expire if they have not been exercised six years from the date on which they are granted or if the beneficiary leaves the Group during the lockout period. Shares purchased via options may not be disposed of until four years from the commencement date of the plans.

● Fair value of stock option plans in force

In accordance with IFRS 2, only those plans established after 7 November 2002 the rights of which had not been vested by 1 January 2007 were measured and recognised in Virbac's consolidated financial statements for the year ended 31 December 2007.

Stock option plans still in force at 31 December 2007 are as follows:

Plan	Date from which options can be exercised	Exercise price	Balance at 1 January 2006	Options Annulations/ exercised during the year	Cancellations transfers	Balance remaining to be exercised 31 December 2007	Expiry date
27 July 2002	27/07/2004	€32.88	60,000	-38,290	-	21,710	27/07/2008
14 april 2003	14/04/2005	€22.87	58,000	-17,600	-	40,400	14/04/2009

Free share grants

In accordance with authorisation given it by the annual shareholders' meeting, the Executive board granted free shares to certain employees and managers of Virbac SA and its subsidiaries.

● Fair value of free share grants

In accordance with IFRS 2, these plans were valued in the consolidated financial statements of Virbac SA with reference to the fair value of the shares granted on the date on which they were granted, i.e.

- for the 2006 plan, €700,755 corresponding to 17,050 shares of €41.10 each. This amount was staggered over the 29-month vesting period. The impact at 31 December 2007 was €289,968, i.e. 12/29ths of the total charge;
- for the 2007 plan, €881,820 corresponding to 13,800 shares of €63.90 each. This amount was staggered over the 30-month vesting period. The impact at 31 December 2007 was €176,364, i.e. 6/30ths of the total charge.

Note A6 - Information regarding the Individual Entitlement to Training (DIF)

Accumulated DIF hours at 1 January 2007	DIF hours used during the year	DIF hours available at 31 December 2007
29,190	6,110	23,080

All requests submitted were for training programmes related to the company's business activities.

Note A7 - Operating lease contracts

The rental payments relating to operating lease contracts paid during the 2007 financial year were as follows:

(€ thousands)	France	Europe (except France)	Latin America	North America	Africa & Middle East	Asia	Pacific	Total
Land	-	-	100	-	-	9	-	109
Building	844	506	283	429	67	503	202	2,834
Industrial machinery	398	26	-	118	-	-	15	557
Hardware	764	-	27	-	-	18	-	809
Office equipment and furniture	651	10	-	19	8	2	-	690
Transportation equipment	775	510	63	-	19	55	317	1,739
Total rental payments	3,432	1,052	473	566	94	587	534	6,738

Note A8 - Composition of Virbac's share capital

	2006	Increases	Decreases	2007
Number of shares authorised	8,714,352	-	-	8,714,352
Number of shares issued and fully paid-up	8,714,352	-	-	8,714,352
Number of shares issued and not fully paid-up	-	-	-	-
Nominal value of the shares	€1.25	-	-	€1.25
Shares outstanding	8,553,423	158,544	-97,920	8,614,047
Treasury shares	160,929	97,920	-158,544	100,305

Note A9 - Proposed dividends

The annual shareholders meeting will be asked to approve the payment of a net dividend of €1.10 per share with a nominal value of €1.25 each.

Note A10 - Directors' remuneration

Directors' remuneration

Members of the executive board	Fixe remuneration (including fringe benefits)	Remuneration paid in respect of appointments as directors of Group companies	Variable remuneration	Remuneration total
Mr Éric Marée	€253,313	€62,444	€126,000	€441,757
Mr Pierre Pagès	€168,699	€59,111	€79,000	€306,810
Mr Christian Karst	€165,126	€38,000	€64,000	€267,126
Mr Michel Garaudet	€157,446	€12,593	€42,000	€212,039
Mr Jean-Pierre Dick	€32,838	-	€15,000	€47,838

Remuneration paid during the 2007 financial year corresponds to the fixed remuneration paid in 2006, remuneration paid in respect of appointments as directors of Group companies paid in 2007, variable remuneration paid in 2008 in respect of 2007 and benefits in kind granted in 2007 (company car).

Calculation criteria for the variable portion

The variable remuneration of the members of the executive board depends on a series of shared goals:

- sales growth;
 - growth of operating profit from ordinary activities;
- and specific operating goals.

Other benefits

In addition to the various items of remuneration, members of the executive board enjoy the following benefits:

• Retirement

A supplementary defined benefit pension plan (12.5% of reference salary and 22% where over 30 years' service) granted on the basis of the following conditions:

- over 10 years' service in the Group (including 9 years as a member of the executive board);
- be at least 60 years of age;
- finish his/her career in the Group.

• Termination benefits

The commitments made by the company and its subsidiaries in favour of its managers in the event of dismissal are as follows:

- Mr Éric Marée: €483,000
- Mr Pierre Pagès: €404,000
- Mr Christian Karst: €326,000

• Stock-options

In accordance with authorisation given it by the annual shareholders' meeting, the executive board of Virbac granted share purchase options to certain employees and managers of Virbac SA and its subsidiaries between 2002 and 2003.

Each option gives the right to purchase one Virbac share at a fixed price and referred to as the exercise price. Beneficiaries are subject to a vesting period and may only exercise 50% of their options two years from the date of grant and the remaining 50% after three years. The options expire if they have not been exercised six years from the date on which they are granted or if the beneficiary leaves the Group during the lockout period. Shares purchased via options may not be disposed of until four years from the commencement date of the plans.

No stock-option plan has commenced since that of 2003.

• Free share grants

In accordance with authorisation given it by the annual shareholders' meeting, in 2006 and 2007 the executive board granted free shares to certain management employees of Virbac SA and its subsidiaries.

These grants are contingent upon the meeting of a performance objective - tied to the profitability and net debt of the Group - which will be evaluated at the end of 2008 and 2009 respectively.

Period of ownership for managers:

- 2006 plan: if the targets are met, the shares acquired should be kept by the beneficiaries for two years as from their acquisition;

- 2007 plan: same conditions as 2006. 35% of the shares acquired by the chairman of the board and 25% for the other company officers may not be transferred while they are working in the Group. This constraint will nonetheless be lifted if the company officers form a Virbac share portfolio representing two years of target annual remuneration (gross pay and target bonus), except for the chairman for whom this amount is fixed at three years' target remuneration.

The free shares granted under the 2006 and 2007 plans amounted to 17,050 shares and 13,800 shares, respectively.
The free shares granted to members of the executive board in 2006 and in 2007 were as follows:

Members of the executive board	Number of shares	Number of shares
	Plan 2006	Plan 2007
Mr Éric Marée	2,700	1,800
Mr Pierre Pagès	1,700	1,300
Mr Christian Karst	1,400	1,200
Mr Michel Garaudet	900	800

Note A11 - Off-balance sheet commitments

Guarantees given to Sanofi/Navetco on behalf of Virbac Vietnam: €76,225.

Note A12 - Scope of consolidation at 31 December 2007

Companies	Location	Country	% ownership	% control
Fully-consolidated subsidiaries:				
Virbac SA	Carros	France	Société mère	100.00%
Interlab SAS	Carros	France	100.00%	100.00%
Virbac France SAS	Carros	France	100.00%	100.00%
Virbac Belgium SA	Wavre	Belgium	75.27%	99.99%
Virbac Nederland BV	Barneveld	Netherlands	75.28%	75.28%
Virbac (Switzerland) AG	Glattbrugg	Switzerland	99.90%	99.90%
Virbac Ltd	Bury St. Edmunds	United Kingdom	99.95%	99.95%
Virbac SRL	Milan	Italy	99.90%	99.90%
Virbac do Brasil Industria e Comercio Ltda	São Paulo	Brazil	100.00%	100.00%
Inomark AG	Glattbrugg	Switzerland	99.90%	99.90%
Virbac Mexico SA de CV	Guadalajara	Mexico	100.00%	100.00%
Laboratorios Virbac Mexico SA de CV	Guadalajara	Mexico	100.00%	100.00%
Virbac Pharma Handelsgesellschaft mbH	Bad Oldesloe	Germany	100.00%	100.00%
Virbac Tierarzneimittel GmbH	Bad Oldesloe	Germany	100.00%	100.00%
Soparlic SARL	Carros	France	100.00%	100.00%
Virbac Distribution SAS	Wissous	France	100.00%	100.00%
Virbac Nutrition SAS	Vauvert	France	100.00%	100.00%
Phavi International BV	Amsterdam	Netherlands	99.90%	99.90%
Dog N'Cat International SAS	Vauvert	France	100.00%	100.00%
Bio Veto Test SAS	La Seyne sur Mer	France	100.00%	100.00%
FrancoDex Santé Animale SAS	Carros	France	99.60%	99.60%
Virbac Hellas SA	Agios Stefanos	Greece	100.00%	100.00%
Animedica SA	Agios Stefanos	Greece	100.00%	100.00%
Virbac Czv SL (JV)	Porrino Pontevedra	Spain	100.00%	100.00%
Virbac España SA	Barcelone	Spain	100.00%	100.00%
Virbac Österreich GmbH	Vienne	Austria	100.00%	100.00%
Virbac Korea Co. Ltd	Séoul	South Korea	100.00%	100.00%
Bio Solution International Co. Ltd	Bangkok	Thailand	100.00% *	90.00%
Virbac Thailand Co. Ltd	Bangkok	Thailand	100.00%	100.00%
Virbac Taiwan Co. Ltd	Taipei	Taiwan	100.00%	100.00%
Virbac Colombia Ltda	Bogota	Colombia	100.00%	100.00%
Virbac Philippines Inc.	Pasig City	Philippines	100.00%	100.00%
Virbac Japan Co. Ltd	Osaka	Japan	100.00%	100.00%
Laboratorios Virbac Costa Rica SA	San José	Costa Rica	100.00%	100.00%
Virbac de Portugal Laboratorios Lda	Almerim	Portugal	100.00%	100.00%
Virbac Vietnam Co. Ltd	Ho Chi Minh Ville	Vietnam	75.00%	75.00%
Virbac RSA (Pty) Ltd	Centurion	South Africa	100.00%	100.00%
Alfamed SAS	Carros	France	99.70%	99.70%
Virbac (HK) Ltd	Towloon	Hong Kong	100.00%	100.00%
Virbac Animal Health India Pvt. Ltd	Mumbai	India	100.00%	100.00%
Nuova ICC SRL	Milan	Italy	100.00%	100.00%
St Jon VRX Products Ltd	Bury St. Edmunds	United Kingdom	99.95%	100.00%
Virbac Corporation	Fort Worth	United States	100.00%	100.00%
PP Manufacturing Corporation	Framingham	United States	100.00%	100.00%
Virbac (Australia) Pty Ltd	Peakhurst	Australia	100.00%	100.00%
Companies accounted for by the equity method:				
German subsidiary	-	-	23.99%	23.99%
Finnish subsidiary	-	-	44.00%	44.00%

* including the commitment to buy back 10% of minority interests (cf. note B1 – Goodwill).

Report of the statutory auditors on the consolidated financial statements

Financial year ended 31 December 2007

To the shareholders,

In accordance with the assignment entrusted to us by your annual shareholders' meeting, we have audited the consolidated financial statements of Virbac for the year ended 31 December 2007, as attached to this report.

The consolidated financial statements were prepared by the executive board. Our role is to express an opinion on these financial statements based on our audit.

Opinion on the consolidated financial statements

We conducted our audit in accordance with the professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for the opinion expressed below.

In our opinion, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and results of the consolidated group of companies and other entities in accordance with the IFRS framework as adopted within the European Union.

Justification of the basis of our assessments

In accordance with the requirements of article L823-9 of the French commercial code regarding the justification of our assessments, we bring to your attention the following matters:

- the notes "Goodwill" in the accounting principles and "BI-Goodwill" in the notes to the financial statements detail the accounting principles applied to measure goodwill. As part of our evaluation of the accounting principles applied by your company, we verified the appropriateness of the accounting principles described above and the information provided in the notes to the financial statements.
- at each balance sheet date, the company systematically carries out an impairment test in respect of goodwill and intangible assets with indefinite useful lives and also assesses whether there is any indication of impairment in respect of its long-term assets, in accordance with the procedures described in the note to the financial statements entitled "accounting policies". We have examined the procedures for carrying out these impairment tests as well as the forecast cash flows and assumptions used and have verified that the note entitled "accounting policies" provides appropriate information.

These assessments form part of our audit of the consolidated financial statements as a whole and therefore contributed to the formation of the audit opinion expressed in the first section of this report.

Specific verification

We have also verified the information regarding the Group provided in the management report, in accordance with professional standards applicable in France. We have no matters to report regarding its fair presentation and consistency with the consolidated financial statements.

Nice and Marseilles, 11 April 2008

The statutory auditors

David & Associés
Jean-Pierre Giraud

Deloitte & Associés
Vincent Gros

Certificate issued by the person responsible for the annual financial report

I certify that, to my knowledge, the financial statements are prepared in accordance with the applicable accounting standards and provide a true and fair view of the capital, financial situation and profit or loss of the company and of all the companies included in the consolidation, and that the management report provides a fair view of the trend of business, results and financial situation of the company and of all the companies included in the consolidation as well as a description of the main risks and uncertainties with which they are faced.

Carros, 12 March 2008

Éric Marée
Chairman of the executive board

Supervisory board report

The executive board presented to the supervisory board, which took note of them, the financial statements and management report for the year ended 31 December 2007.

The Group's consolidated sales increased by 9.2% to €438.5 million. At constant scope and exchange rates, the increase over 2006 would have been 8%, which constitutes one of the best performances of the market. For the first time in several years, the gross margin grew less quickly than sales (+ 6.8%), mainly due to the impact of acquisitions made in 2006 in India and in Italy which are activities with a lower margin.

Operating profit from ordinary activities totalled €51.7 million (11.8% of sales compared to 11% in 2006), up 16.4% on 2006 thanks to a slower change in operating expenses than the change in sales.

In the absence of non-recurring expenses, operating profit for 2007 rose very significantly in relation to that of 2006 (+ 26.3%).

Taxes, which amounted to €11.3 million in 2006, rose to €16.3 million in 2007. This increase is explained by the absence of taxes in the United States in 2006 owing to the recognition of Virbac Corporation's previous tax losses.

The net profit of €31 million was up 24.6% on 2006.

In the absence of significant acquisitions and thanks to the excellent control of working capital requirements, the Group continued to reduce its debt very significantly, as net debt at 31 December 2007 amounted to €47.4 million compared to €67.2 million in 2006, i.e. a ratio of Group net debt to shareholders' equity of 26%.

The good performance of the share price should also be noted, closing at €68.70 at the end of 2007, i.e. a rise of 46.2% over the year, clearly above that of the SBF 250 index. During the last three years, the share price has multiplied by 2.5.

The annual shareholders' meeting will be asked to approve the payment of a dividend of €1.10 per share. In total, the dividends per share will be 37.5% higher than those for 2006.

The supervisory board is currently composed of six members, three of whom are independent. The board met in an official capacity on four occasions during the year, and on many other occasions for more informal work sessions. The audit committee met twice during the year and the remuneration committee met four times.

In 2008, Virbac will celebrate 40 years of business. Virbac has been listed on the stock market since 1985.

The supervisory board would like to thank the members of the executive board, Virbac's managerial staff and all of its employees worldwide for their continuing hard work, and the shareholders for their loyalty to the Group.

Resolutions put to the annual shareholders' meeting of 20 June 2008

First resolution (approval of the annual financial statements)

The annual shareholders' meeting, having noted the report of the executive board, the report of the supervisory board, the report of the chairwoman of the supervisory board and the report of the statutory auditors, approves the annual financial statements for the year ended 31 December 2007 presenting a net profit of €17,100,255.52 and the transactions recorded in the financial statements or summarised in the reports.

The annual shareholders' meeting also approves the expenditures incurred during the year ended 31 December 2007 that come within the scope of article 39-4 of the French general tax code (*code général des impôts, or CGI*), which amounted to €105,748.

Accordingly, the annual shareholders' meeting gives the members of the executive board full, unqualified discharge in respect of the performance of their duties for the said financial year.

Second resolution (approval of the consolidated financial statements)

The annual shareholders' meeting, having noted the report of the executive board, the report of the supervisory board and the report of the statutory auditors for the year ended 31 December 2007, approves the consolidated financial statements for said financial year, presenting a Group net profit of €31,041,518.

The annual shareholders' meeting also approves the transactions recorded in the financial statements or summarised in the reports.

Third resolution (allocation of net profit)

The annual shareholders' meeting decides to allocate the net profit for the year of €17,100,255.52 as follows:

- net income for the year €17,100,255.52
- increased by retained earnings
brought forward of €30,266,404.20
- forming distributable profit of €47,366,659.72
- dividend distribution €9,585,787.20
- retained earnings carried forward €7,514,468.32

The dividend allocated to each share with a nominal value of €1.25 amounted to €1.10. The dividends will be paid on 24 July 2008.

The meeting decides that, in accordance with the provisions of article L.225-210 of the French commercial code, the amount of the dividends in respect of the treasury shares held as at the date of payment will be allocated to retained earnings, which will be increased by that amount on that account.

When the beneficiaries are natural persons domiciled for tax purposes in France, this dividend is eligible for a 40% reduction (article 158-3-2 of the French general tax code). Instead of and in the place of progressive income tax, beneficiaries may opt for a fixed releasing withholding of 18% pursuant to and under the conditions laid down by article 117 quater of the French general tax code.

As required by law, details of the dividends paid in respect of the preceding three financial years are provided in the table below:

Financial year	Dividend per share	Reduction provided for pursuant to article 158-3-2 of the CGI	Amount distributed
2004	€0.55	50%	€4,617,723.00
2005	€0.65	40%	€5,552,885.00
2006	€0.80	40%	€6,886,401.60

Fourth resolution (regulated agreements)

The annual shareholders' meeting, having heard the special report of the statutory auditors mentioning the agreements subject to articles L.225-86 *et seq.* of the French commercial code, and ruling on this report, approves each of the agreements mentioned in it, the shareholders concerned not taking part in the vote.

Fifth resolution (approval of total amount of directors' fees)

The annual shareholders' meeting resolves, for the current year, to set at €95,000 the total amount of directors' fees to be allocated by the supervisory board between its members.

Sixth resolution (authorization of the executive board to acquire shares of the company)

The annual shareholders' meeting, having acquainted itself with the report of the executive board, authorises the executive board, with the option of sub-delegation, in accordance with articles L.225-209 *et seq.* of the French commercial code, to purchase the company's shares up to a limit of 5% of the company's share capital on the date of this meeting.

Shares may be purchased with a view to:

- stimulating the liquidity of, or the market for, the shares through an independent investment services provider, acting under a market-making agreement that complies with the code of business ethics recognised by the French Financial Markets Authority (*Autorité des Marchés Financiers*, or AMF);
- their being granted, free of charge, in accordance with the provisions of articles L.225-197-1 *et seq.* of the French commercial code.

The maximum purchase price must not exceed €100 per share. The maximum amount of the transaction, after taking into account the 102,985 shares already held at 29 February 2008, is set at €33,273,200.

In the event of a capital increase by means of the capitalisation of reserves, the attribution of bonus shares, a stock split or reverse stock split, this amount will be adjusted by a coefficient equal to the ratio between the number of shares making up the share capital before the transaction and the number after the transaction.

This authorisation, which cancels and replaces all previous authorisations of the same nature, and, in particular, that granted by the annual shareholders' meeting of 29 June 2007 (sixth resolution), is granted for a period of eighteen months as from the date of this meeting.

All powers are invested in the executive board, with the option of delegation, to place any orders, conclude any agreements, carry out any formalities and make any declarations to any bodies, in particular the AMF and, generally, to do all that is necessary for the implementation of transactions carried out under the terms of this authorisation.

Glossary

Marketing authorization: veterinary drugs cannot be marketed without official approval (from the Agriculture Ministry, Health Ministry, Drug Agency, etc.), granted after a dossier is filed, with proof of the product's efficacy, harmlessness and quality: this is the marketing authorisation.

Dermocorticoid: a medical treatment used in the treatment of chronic inflammatory skin disorders. Derived from cortisone, salicylic acid and Vaseline, the dermocorticoid slows down the inflammation caused by the disease.

Lean manufacturing: method which aims at focusing on maximising added value for the customer while optimising the resources used (just-in-time manufacturing).

Leishmaniasis: serious skin or visceral disease present in Mediterranean countries; transmitted to dogs by the sting of certain species of insect of the phlebotomus genus (sand flies).

Sandfly: the sandfly is a small stinging insect similar to the mosquito. It is widespread in hot regions where it is active at nightfall and transmits various skin and visceral diseases.

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