

Activity Report 2007

VÉTOQUINOL

OUR BUSINESS, ANIMALS. OUR ADVANTAGE, PEOPLE.

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 Vétoquinol
a Sign of Passion



75 YEARS IN THE SERVICE OF ANIMAL HEALTH

- 1933** • First quinoline-based veterinary product, Vétoquinol, developed by Joseph Frechin, Doctor of Pharmacology
- 1962** • Founding of Vétoquinol SA, devoted to animal health
 - Arrival of Étienne Frechin, son of Joseph Frechin, current President
- 1980** • Research & Development centre opened
- 1987** • Tolfedine[®], first marketed (anti-inflammatory)
- 1995** • European launch of Marbocyl[®] (anti-infective)
- 1999** • Acquisition of J.Webster in Canada - 40 employees
- 2001** • Acquisition of Swiss-based group Chassot and subsidiaries in Europe (401 employees)
- 2002** • Evsco and Tomlyn ranges bought from IGI Inc in the USA
 - Prilium[®] launched (canine cardiology)
- 2003** • New premises at Lure double the amount of space for Research & Development
- 2004** • Choice to concentrate exclusively on the development of curative products
 - Sales office opened in Shanghai, China, for Asia-South Pacific
- 2005** • Launch of Clavaseptin[®] (anti-infective)
- 2006** • Lure manufacturing site modernised and production capacity increased
 - Acquisition of Semyung Vet in South Korea and Vet Solutions in the USA
 - Listed on Paris stock market
 - Launch of Marbocyl[®] S (antibiotic), Dolpac[®] (antiparasitic) and Flexadin (chondroprotective agent)
- 2007** • Subsidiary established in Portugal
 - Launch of Alfaxan[®] (anaesthetic)
- 2008** • Development unit established in Canada
 - Acquisition of Viavet in Scandinavia
 - Launch of Vetprofen[®] (anti-inflammatory)

DESCRIPTION OF A LEADING COMPANY

Vétoquinol, a family-owned, independent veterinary pharmaceutical company, is exclusively devoted to animal health. Its business is voluntarily equally focussed on companion animals and livestock.

Already established in the French market, 78% of the Group's consolidated turnover (233.4 million euros in 2007) is now generated outside France. Since 2000, the Group has doubled the number of employees to 1300 in 2007, working in Research & Development, manufacturing, marketing and sales.

This "small business" in France, ranked 12th in the world, now manufactures and distributes 700 medicinal and nutraceutical products in almost 100 countries throughout Europe, North America and Asia. It has subsidiaries in 18 countries and a network of 110 third-party distributors.

This expansion, +10.3%, i.e. 3rd in the world market in 2007, is due to the judicious combination of external growth and the development of market leading products, as well as clearly focussing on:

- three main therapeutic areas: infectious diseases, pain and inflammation and cardiology-nephrology,
- three territories (Europe, North America and Asia),
- three species (companion animals, cattle and pigs).



“2007 COMPLETELY SUMS UP OUR STRATEGY AND OUR VALUES”

ÉTIENNE FRECHIN, PRESIDENT

2007 was a good year for Vétoquinol. Our results show that our fundamental work is relevant and rooted in strong values which contribute to our Group's future and continuing success.

We have tried to be even more profitable in all the company's sectors. We have endeavoured to keep a closer control on our manufacturing cost prices and in this way have improved our productivity.

Our results are better because we have streamlined our production facilities and improved their operating rate, and supplemented our sales teams abroad, particularly in the United States. There are more training courses for our marketing and sales teams and we have implemented the same methods in all countries.

Our position in the animal health market is due to one solid asset: our Research & Development. In 2007 we set up an innovations division to make Vétoquinol even more innovative. The objective is to identify any needs which have not been met and to bring out ideas from the people on the ground and then convert them into potential products. This approach will allow us to target Research & Development projects more accurately and speed up the process of turning ideas into new products.

Our business, in terms of turnover, is growing mainly for two reasons: the uninterrupted development of the animal health market and the balance between companion animals and livestock. This growth has been consolidated by marketing our products in new territories, the impact of Vet Solutions in the United States and marketing new products



Always passionate about animal health, Vétoquinol is an innovative, international company, against the backdrop of human values and personal management style.

for companion animals, particularly nutraceutical products. All these factors have helped us to improve our results.

We have clearly set out our objectives in a new five-year strategic plan. Our priority is still to increase Vétoquinol's market share in Europe, as well as in North America and Asia. With this in mind, we will continue to improve the results of our sales teams, by using dedicated networks. For example, we have just set up a business dedicated to companion animals in Canada. We will, of course, continue with our efforts to innovate and achieve external growth. In 2008, the acquisition of a company in Scandinavia (Denmark, Sweden and Norway) should be supplemented with two buy-outs, in Europe and China. Finally, we will continue to focus on continuous improvement and extend it gradually to all the Group.

All our efforts will help us to achieve our ambition: to make Vétoquinol one of the large international groups specialising in animal health.

Like the 1300 people employed by Vétoquinol, I am proud to belong to a Group founded 75 years ago and have every faith in our future.

Étienne FRECHIN

2007, MOMENTUM CONFIRMED



JANUARY 2007

POLAND

INDUSTRIAL IMPROVEMENT

As a result of the large investments made in several manufacturing departments in Poland, the site has succeeded in obtaining a certificate of compliance with Good Manufacturing Practice (GMP). Issued by the local authorities after an in-depth inspection, this certificate guarantees that facilities and quality systems comply with the current frame of reference in the pharmaceutical industry. Vétocinol is the second Polish company to gain GMP certification: a guarantee of quality for Polish and foreign customers.

MAY 2007

EUROPE

FIRST STEPS FOR THE PORTUGUESE SUBSIDIARY

The subsidiary created in Portugal in February has recorded its first sales. Annual growth is expected to be over 20%. Ten people are in charge of sales, marketing, technical support and legal affairs, liaising closely with the Spanish subsidiary.

FRANCE

20 YEARS OF PROFIT-SHARING

In 1987, Vétocinol was one of the first companies in France to introduce a profit-sharing scheme. The aim of this measure, which was innovative at the time, is to ensure that salaried staff share in the company's targets and results. In 20 years, the results have not been good enough to warrant redistribution in one year only, 1997.

SEPT. 2007

INNOVATIONS DIVISION

INCREASE THE CAPACITY TO INNOVATE

This new entity deals with innovation in medicinal and nutraceutical products, from the identification of medical needs which have not been met through to startup of product-project, via evaluation of ideas received. This new department is in line with Vétocinol's wish to increase its capacity and speed of innovation.



Nov. 2007

PAIN AND INFLAMMATION

PARTNERSHIP IN THE UNITED STATES

Vétoquinol will distribute Vetprofen™ from GeoPharma in the United States. This nonsteroidal anti-inflammatory based on carprofen brings relief to dogs suffering from osteoarthritis or postoperative pain. This launch will help to raise Vétoquinol's profile on the American market and adds to its growing range of products.

Dec. 2007

NEPHROLOGY

A EUROPEAN ACADEMIA SEMINAR

90 practising veterinarians from 14 European countries considered the state of the art in renal pathology presented by the best international experts invited by Vétoquinol. On this occasion, the laboratory introduced its new product Rubenal®, for treating fibrosis in chronic renal insufficiency in cats and dogs.

JANUARY 2008

FELINE HERPES VIRUS

LAUNCH OF ENISYL®-F

After two years of successful marketing in the United States and Canada, Vétoquinol launched Enisyl®-f in Europe, beginning with France. Enisyl®-f is an innovative nutraceutical supplement, 100% natural, consisting of L-lysine in a palatable paste administered using a dial-a-dose syringe. FHV-1 is a highly contagious and sometimes severe disease affecting delicate animals. In cats with the disease, Enisyl®-f helps to prevent disease-related infections, and also reduces the symptoms and their severity.

FEBRUARY 2008

CARDIO-NEPHROLOGY

AZODYL® SETS OUT TO CONQUER EUROPE

After the success of Azodyl® in North America, Vétoquinol is extending its successful partnership with Kibow Biotech, Inc. to the international level. Azodyl® is an innovative, patented product, 100% natural, consisting of (probiotic) bacteria, which reduces azotaemia in dogs and cats with renal insufficiency.

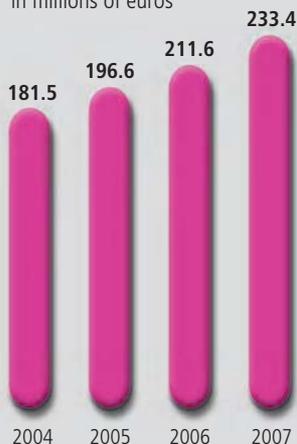


2007, PROFITABLE GROWTH, BEYOND THE ECONOMIC MODEL

With turnover of 233.4 million euros (+10.3%), Vétoquinol records the 3rd growth in the market. With a constant perimeter and at a constant exchange rate, growth is 7.6%.

CONTINUING SUSTAINED GROWTH

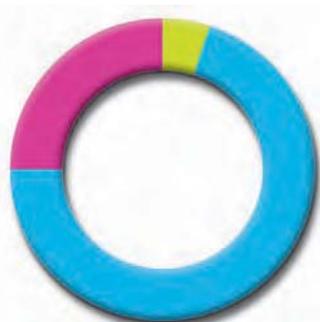
in millions of euros



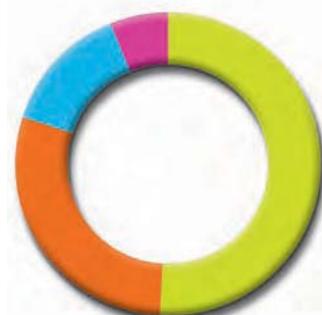
In the last four years, turnover has increased by 28.6%, above the objectives of the economic model of the Group (4 to 5% of growth per year).

DIVERSIFICATION IN GEOGRAPHIC REGIONS

There has been rapid growth in turnover in North America (+19.4%) benefiting both from the development of existing ranges and the acquisition of Vet Solutions at the end of 2006. In Europe, organic growth has been sustained (+8.1%), particularly in France (+9.3%).



-  **70%** Europe
-  **25%** North America
-  **5%** Rest of the world



-  **51%** Companion animals
-  **29%** Cattle
-  **14%** Pigs
-  **6%** Other

A PORTFOLIO WITH A BALANCE OF SPECIES

Growth applies to both products for companion animals (+18%) and for livestock (+3%, in particular cattle: +7%). Companion animals now make up 51% of Vétoquinol's business, which is in line with the company's wish to keep a portfolio with a balance of species.



| In millions of euros | 31/12/2007 | 31/12/2006 | % change |
|---|---------------------|---------------------|----------|
| Turnover | 233.4 | 211.6 | + 10.3 |
| Operating profit in % of turnover | 29.2 12.5 | 25.6 12.1 | + 13.9 |
| Group's net income in % of turnover | 18.6 8.0 | 15.8 7.5 | + 17.7 |
| Free cash-flow from operations | 33.0 | 29.9 | |

NOMINAL ACCOUNTS

The profit and loss account shows profitable growth. Current operating profit (12.5% of turnover) is up by 0.4 point compared to 2006. Net income (8% of turnover) has increased by 17.7%.

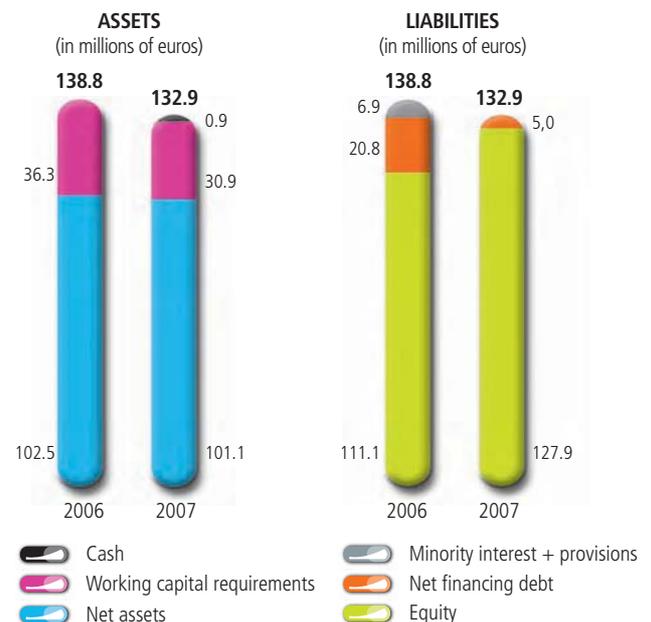
DISTRIBUTION OF WORKFORCE BY FUNCTION

The main additions have been made in Administrative & Management positions, as well as R&D and Technical and are essentially due to the strategic direction the Group wishes to take. Nearly 60% of the 1301 salaried staff are based outside France.

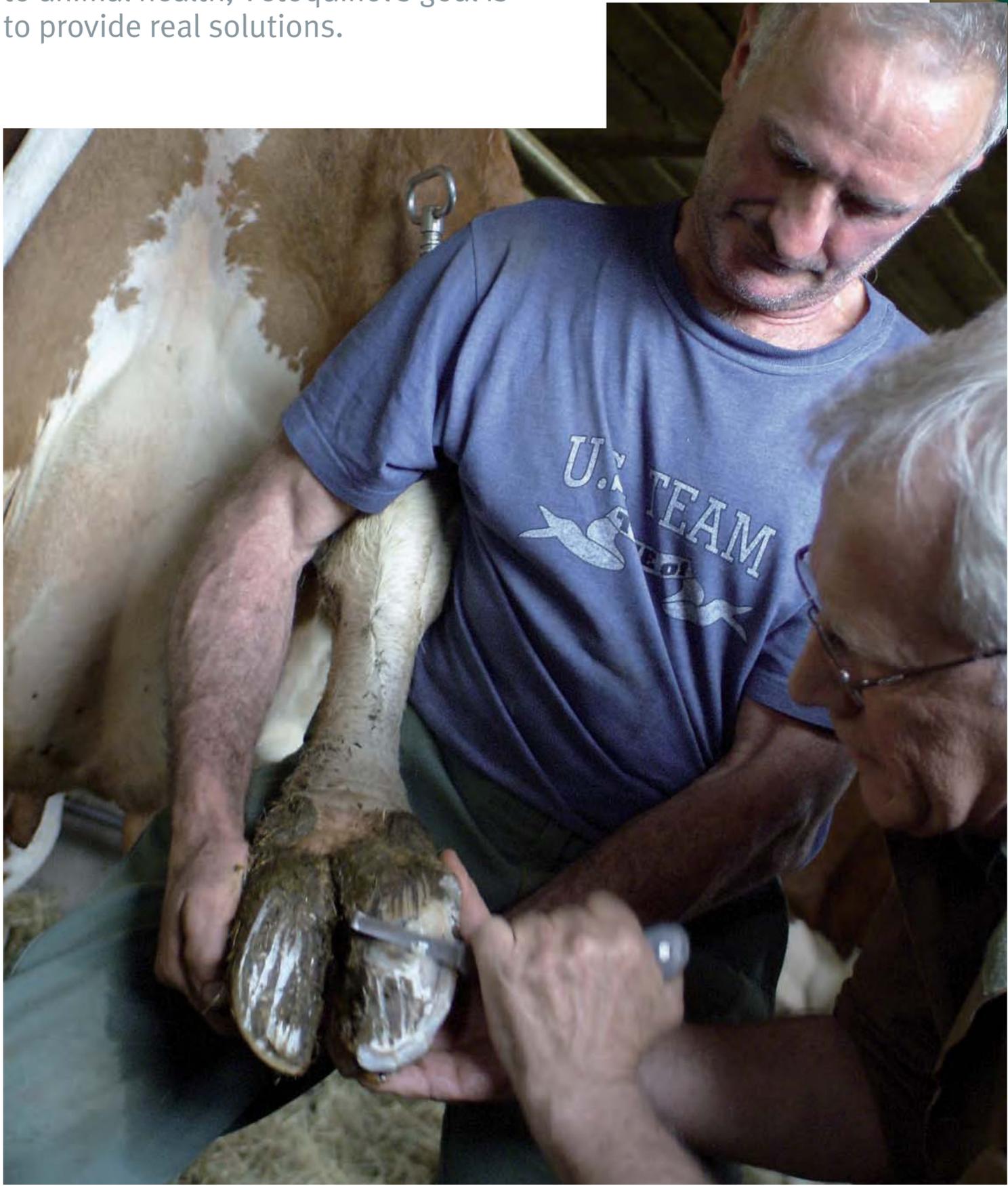


FINANCIAL STRUCTURE

There has been an improvement in the balance sheet structure, due to substantial generation of cash flow (21.1 M€) and an improvement in working capital requirements (5.5 M€).



Since the veterinarian is pivotal to animal health, Vétoquinol's goal is to provide real solutions.





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BARBARA M. KIRBY

ASSOCIATE PROFESSOR,
SMALL ANIMAL VETERINARY SURGERY, UNIVERSITY COLLEGE DUBLIN

“I was a guest at the Academia symposium dedicated to Best Practices in Surgery in Brussels. I was most impressed by the entire team of Vétoquinol at this meeting. This was one of the most professionally run meetings I have attended. The standards of the organization, accommodation, catering, and social programme were outstanding. The Vétoquinol team deserves the highest accolades.”

BEING THERE FOR VETERINARIANS ON A DAILY BASIS

Vétoquinol's vocation is animal health, which means helping veterinarians in their day-to-day work. In concrete terms, Vétoquinol is developing original, safe, effective drugs and products for veterinarians with practical galenic formulations: drugs and nutraceuticals which represent real progress.

Our close links with veterinarians are evident from the personal, lasting relations maintained by the sales representatives of the Group. The sales networks and channels of product distribution are organised to fit in with the practices and culture of each market country and to address customers' concerns more satisfactorily.

Apart from the organisational aspects, Vétoquinol is introducing various initiatives which really put the veterinarian first.

AWARE OF THE CUSTOMERS' NEEDS

Vétoquinol regularly conducts satisfaction surveys of veterinarians in its main markets.

Conducted by an agency to guarantee objectivity, these surveys cover five major areas: product range, representatives, services, business conditions and communication. As a result of the "Customer's Voice" programme, improvements have been made. Result: since 2003, there has been an increase in Vétoquinol customer satisfaction in most of the countries surveyed.

FROM THEORY TO PRACTICE FOR VETERINARIANS

Vétoquinol has founded Vétoquinol Academia, a combination of training, information and aids for veterinarians in their daily work. Under this name, Vétoquinol organises scientific meetings and training programmes that are recognised throughout the world and supported by acknowledged experts in their field. International symposia are then available at a local level. Due to the high standard of these events, satisfaction scores are always high with many positive comments.

RENEWED COMMITMENT

To build further on its commitment to veterinarians, Vétoquinol supports the work of Agronomes et Vétérinaires Sans Frontières (AVSF). After a profit-sharing campaign in 2005 and providing financial backing for the book "Histoires sans faim" in 2006, Vétoquinol has committed itself for three years (2007-2009), supporting two animal health projects conducted by the association in Mali. AVSF is involved in sixty projects in twenty countries in Africa, Latin America and Asia where the population is directly dependent on agriculture and animal breeding for their livelihood.

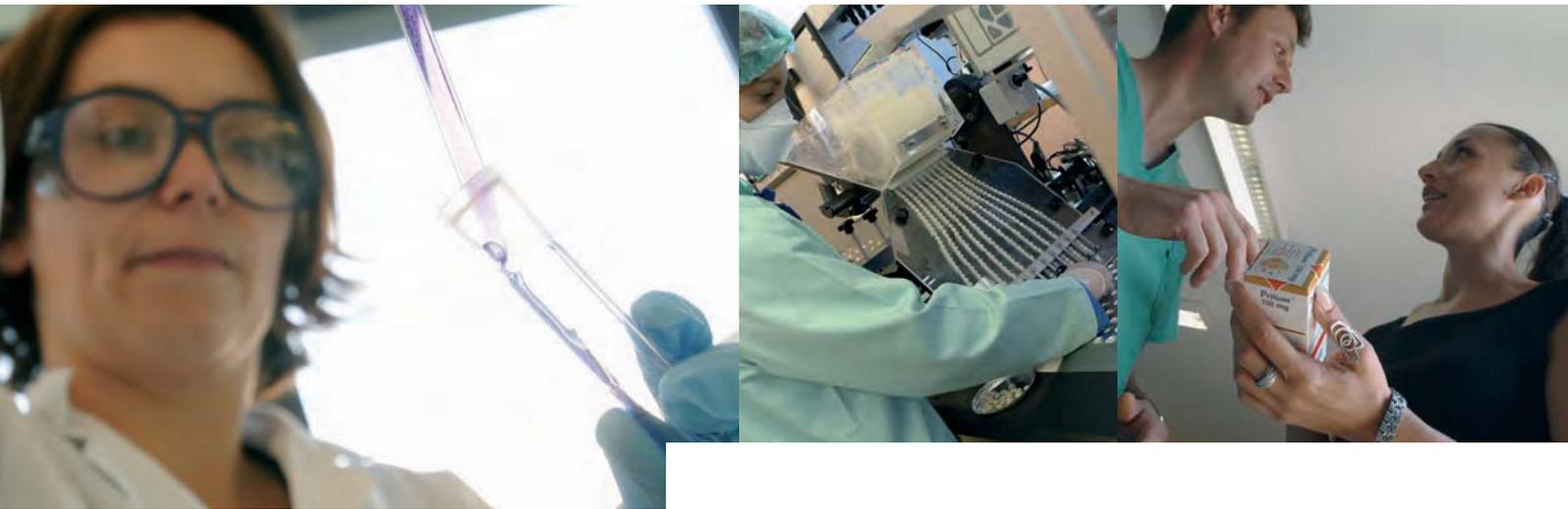
VÉTOQUINOL ACADEMIA: HIGH-QUALITY INTERNATIONAL SYMPOSIA...

- 2002 - Prague
First international symposium on cardiology in companion animals, attended by 130 experts from 16 countries.
- 2004 - Naples
The first European summit on mastitis, attended by experts and practitioners.
- 2005 - Madrid
Symposium on the treatment of *Actinobacillus pleuropneumoniae* – a bacterium which causes respiratory diseases in pigs.
- 2006 - Paris
Symposium on "innovations in antibiotic treatment for companion animals". ...
- 2007 - Nice
Symposium on "state of the art in nephrology". 90 practitioners, 14 European countries.
- 2008 - Brussels
Symposium on "best practices in surgery". 150 European veterinary surgeons specialised in surgery and anaesthesia.

...AND NUMEROUS NATIONAL SEMINARS.

On a day-to-day basis, Vétoquinol relies on strong values which help to motivate and energise the Group: audacity, genuineness, commitment, team spirit, open-mindedness and performance.





VÉTOQUINOL, PEOPLE AND VALUES

Vétoquinol's values are reference points which guide the behaviour of each individual in his/her daily work. They enable colleagues with different aspirations to work together harmoniously, throughout the world and also help to ensure that actions and decisions are more consistent.

Audacity

Daring, innovating, putting forward alternative solutions, advancing with determination and pragmatism. At Vétoquinol, a sense of risk combines courage and realism.

Genuineness

Growing but staying true to oneself: we are a Group where the human aspect counts. Genuineness means simplicity, frankness and quality of relationships, both within the company and with our customers, our partners and our suppliers.

Commitment

Putting all the Group's energy and resources into promoting its vocation, by taking responsibility and using all the Group's skills.

Team spirit

Sharing success and overcoming obstacles together. The success of Vétoquinol products is the outcome of a complex blend of various specialist skills - veterinarians, pharmacists, scientists, technicians as well as sales, administrative, manufacturing and logistical staff.

Open-mindedness

Being curious, keeping in touch with the market, welcoming diversity without prejudice.

By being open, we can develop ideas, improve working methods and compare ourselves with the best.

Performance

Achieving controlled, profitable growth whilst delivering what the customer wants.

“



ISABELLE PROUST-CABRERA

GROUP DIRECTOR – HUMAN RESOURCES

“In 2007, Vétoquinol gave Ipsos the job of conducting its first survey on in-house satisfaction, across the Group. 87% of salaried staff, i.e. 1109 people, replied! Of course, the results show us where improvements can be made. But above all they show the solid foundations on which the Group can rely: company loyalty, support for its values, high level of personal commitment. For example, 86% of salaried staff say they are proud of their company and 80% are optimistic about its future. 93% say they are highly committed to their work. Finally, salaried staff agree with the Group's values which are the same as their own values, in 9 cases out of 10.”

Vétoquinol wants to be a perennial, international and independent company in the animal health industry, acting for the protection and well-being of animals and people and recognized as a leader on targeted markets: Europe and North America.



Ever since it came into being, Vétoquinol has pursued a policy of sustained expansion, both organic and external. Growth has been achieved in a regular, targeted way at a pace which matches its financial resources and its ability to absorb acquisitions. The Group has extended its international network, consolidated certain therapeutic categories and recouped its research costs, while spreading the risk.

FOUR PRIORITIES IN THE NEXT FIVE YEARS

1. Consolidating its presence in Europe

The place where the Group first began, Europe now represents 70% of its sales. Vétoquinol's market shares in Europe are contrasting, according to country. The prospects for market growth by 2012 promise renewed development potential. As well as adding to the sales, technical and marketing teams in

its subsidiaries, Vétoquinol is constantly improving coverage of the European territory with its existing ranges of products.

2. Innovating

- Capitalising on existing products. In fact, Vétoquinol is making the most of the existing range, by expanding the sales regions and developing new indications or targeting new species.
- Developing innovative products which are the result of its own research. Vétoquinol believes that about twenty of the ongoing projects in its preferred areas will contribute to the Group's future growth.
- Adding to and changing the product range with distribution-in products. Two agreements with American and Australian partners were finalised in 2007.



A VOCATION AS AN ENDURING LEADER

3. Continuing external growth

In order to grow more rapidly than the market, which will guarantee its future, Vétoquinol is adding targeted external growth to its capacity for organic growth. The Group has shown real expertise in acquiring and successfully incorporating companies.

- Europe. Vétoquinol is aiming for direct representation in new countries: Scandinavia and Italy. It is also interested in countries with potential, such as Spain, Germany and the UK.
- North America. Buying out shares in Vet Solutions in December 2006 contributed to Vétoquinol's good results in America in 2007. The sales network aimed at veterinarians is now close to its envisaged size of 40 representatives. In Canada, Vétoquinol is consolidating its presence in the companion animals market.
- China. There is very great potential both for livestock and companion animals in this huge market. The aim is to acquire a local laboratory so that Vétoquinol products can be gradually introduced.

4. Improving all the time

The operation which began a few years ago is continuing in a more structured way and will affect all departments of the company. For example:

- Centralising stocked purchases at Group level in order to reduce manufacturing costs.
- Setting up a shared information system (ERP – Enterprise Resource Planning) at all the Group's companies in order to reduce stocks and improve the real indicators that will help to steer the company.

- Optimising the supply at every stage to give customers the right quality and quantity of product, on time. All at a retail price which is right for the market, and always with the Group's profitability in mind. This process ensures that distribution flow, which will become more complex as the Group takes on an even more international dimension, is regulated and enables the subsidiaries to focus on their sales objectives.
- Continuing with training of sales networks and introducing common methods.



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THIERRY DÉTRÉE
GROUP DIRECTOR – EUROPE

“Founded in France, Vétoquinol firstly expanded into Europe, which is now a solid historic foundation. However, Vétoquinol still does not have a subsidiary in every country. In addition, the prospects for growth on the “old continent” are still interesting, with an average annual rate by 2012 of + 4.7% in Western Europe and + 3% in Eastern Europe (source: Vetnosis-2008). So everything is leading towards Vétoquinol consolidating its presence in Europe, in terms of teams, products and subsidiaries.”

Vétoquinol has elected to strike a balance between livestock and companion animals, favouring profitability over risks.





BALANCE BETWEEN LIVESTOCK AND COMPANION ANIMALS

Of the species which Vétoquinol knows best, it bases its choice on 2 principles: it has opted for species with the most potential, striking a balance between companion animals and livestock. This strategic choice allows the company to minimise the cyclical risks which affect the livestock sector and cash in on the fast-moving companion animals segment.

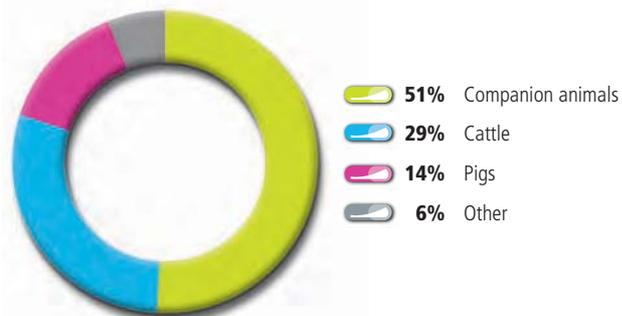
COMPANION ANIMALS: DOGS, CATS, EXOTICS

Emotions play a crucial role in this sector. Owners want treatments which are effective, quick and easy to administer for their companion animals. The animal's well-being and the quality of its relationship with humans must be taken into account. There is considerable potential in this rapidly growing market in terms of products and geographic areas. As with humans, the range of successfully treated diseases is expanding all the time and therapeutic innovations are contributing to strong growth in this market, in the same way as the increasing provision of medical care and growth of the animal population are. As well as supplying the products, Vétoquinol offers its veterinary customers training opportunities in fast-moving scientific areas.

LIVESTOCK: CATTLE, PIGS

Despite a reduction in the volume of the livestock market in the global animal health market, this market still represents the largest volume in terms of production. By keeping a

TURNOVER BY SPECIES 2007



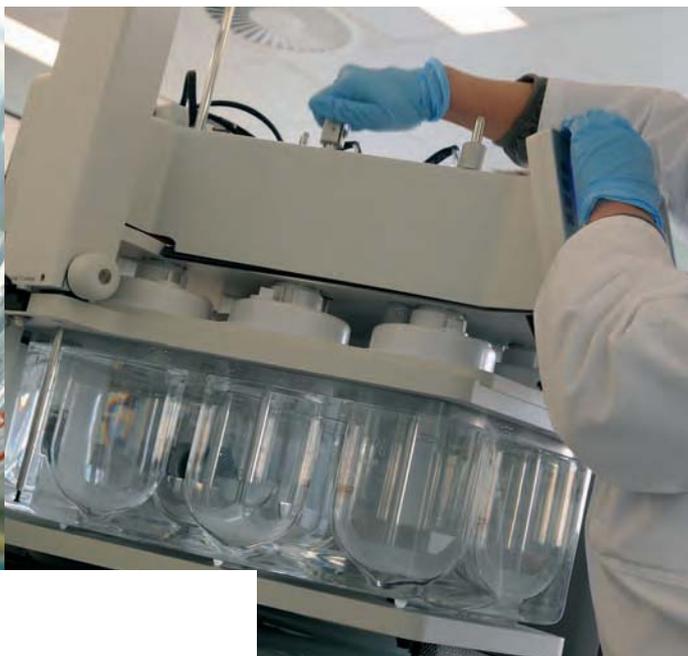
substantial proportion of its business in this sector, Vétoquinol is able to optimise the operating rate of its production facilities.

In order to satisfy the demands of economics, which are of prime importance in this sector, Vétoquinol is constantly innovating and providing more effective treatments with both animal and consumer in mind. By targeting two species in particular, cattle and pigs, Vétoquinol is able to minimise any fluctuations in their respective markets whilst continuing to produce bulk quantities.

Vétoquinol allocates real resources to Research & Development, both human and budgetary. That is how ideas are converted into new products.

AMBITIOUS RESEARCH & DEVELOPMENT





The process of developing a new product, which is long, costly, arbitrary and strictly regulated, requires considerable funds.

ABOUT A HUNDRED RESEARCHERS, 7% OF THE TURNOVER

Vétoquinol R&D employs about one hundred researchers in a specialist centre in Lure, France. With their expertise, a budget amounting to 7% of turnover, as well as strict management, world-class products can be developed.

A new pharmaceutical development unit, set up in 2008 in Canada, will maintain the existing range of medicinal products and improve its performance. The work undertaken will focus on developing pharmaceutical forms or packaging which are more convenient for the end user or on improving palatability.

OVER 20 PROJECTS IN THE PIPELINE

There are about twenty projects in the R&D portfolio, mainly involving innovative galenic formulations and substances which have not yet been used in animal health.

- In the area of anti-infectives, the Group is trying to improve the life cycle of marbofloxacin (an oral or injectable anti-infective). The aim is to obtain an innovative treatment for two important diseases affecting pigs.
- In the area of pain and inflammation management, one project consists of treating chronic and acute pain in companion animals. This product is scheduled for launch in 2010.
- In cardiology and nephrology, the Group is finalizing the development of a support for renal function in companion animals which is due to be marketed in 2008. A product for treating cardiac insufficiency in dogs is due to be launched in 2011.

The Group's researchers explore all possibilities leading from the active ingredient to the animal, making the treatment as effective, acceptable and easy to administer as possible. They regularly demonstrate innovative skills and focus on short development processes.



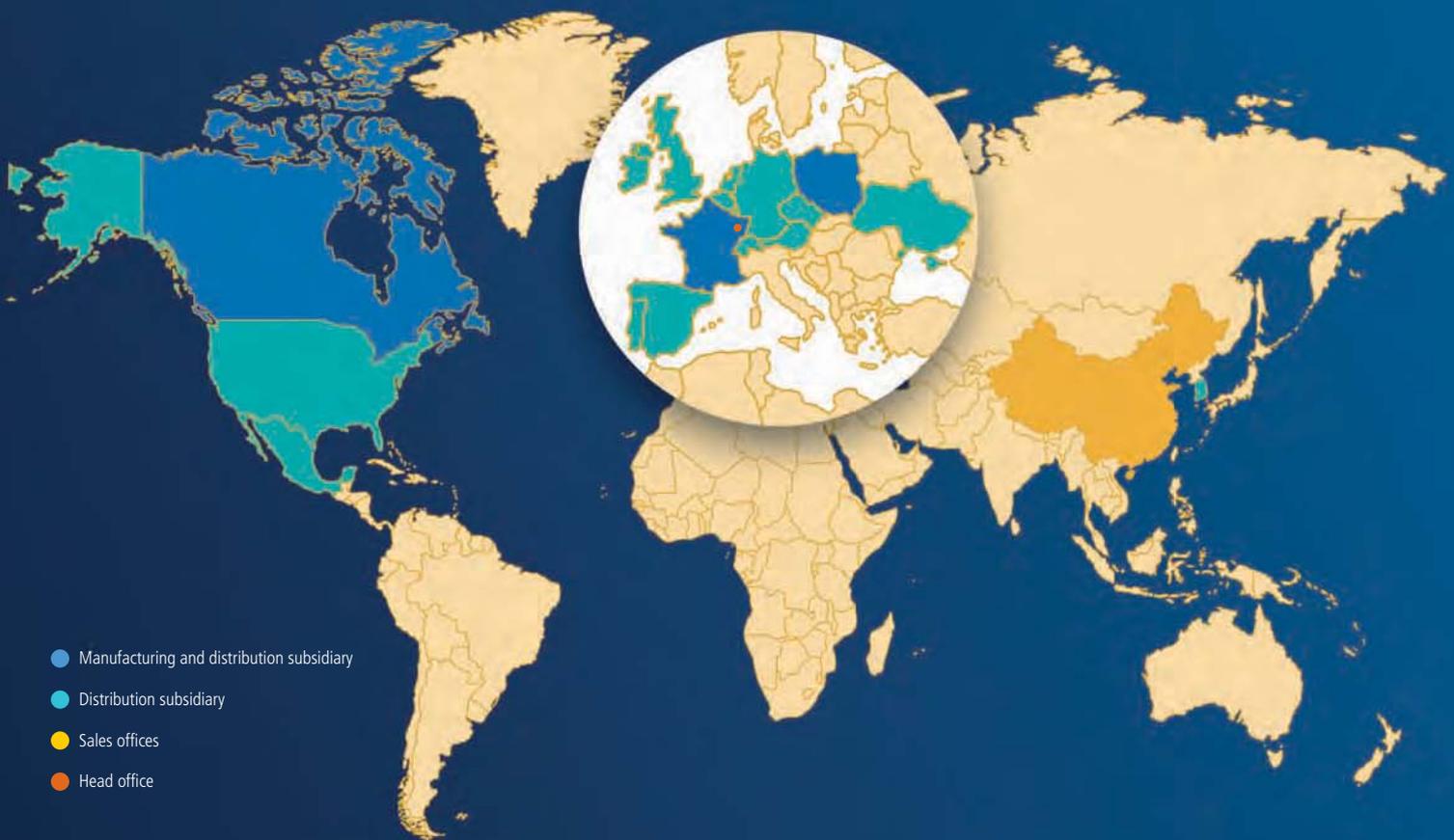
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MATTHIEU FRECHIN
GROUP DIRECTOR,
STRATEGY AND DEVELOPMENT

“Development consists of converting one or more substances into a product which can be administered to animals by the veterinarian, taking into account the wide range of animals which need treatment (cattle, pigs, dogs, cats), their size and, if applicable, the fact that the animal or its products (milk, eggs) will be consumed by humans. Before a medicinal product can be marketed, official authorisation needs to be obtained. Issued after inspection of very detailed documentation, the official marketing authorisation proves that the product satisfies the requirements of the health authorities in terms of quality, safety and efficacy. Quality affects all raw materials used to make the medicinal product, the manufacturing process, analytical methods, etc. in order to guarantee the stability and quality of each manufactured batch.

In order to prove a medicinal product is effective, one must firstly identify the effective dose, find out what happens to the active ingredient in the animal's body then carry out tests on sick animals: these are clinical trials conducted by practising veterinarians. Finally, we have to prove that the product is harmless to the animal species in question, to the person administering the product, to any consumer and to the environment.”

INTERNATIONAL GROWTH THROUGH ACQUISITIONS



Geographically, the Group covers the major world markets, and is well-established in more mature markets and also in fast-growing areas: Western Europe, North America and Asia.



There are two economic reasons for setting up overseas:

- to obtain a return on expensive products, particularly in terms of research, over a wider area,
- to gain access to the most buoyant markets in terms of the Group's sectors - companion animals such as dogs and cats versus livestock such as cattle and pigs.

Firmly established in Europe, the Group has opened up the North American market - ranked 3rd in Canada and, more recently, the Asian market - South Korea in 2006. In most countries, the sales networks are responsible for different species and deal with specific market features in each market.

EXPANDING WHILST ADHERING TO ITS VALUES

The main method of international expansion is by acquisition. Making the most of its partners' expertise -

an important selection criterion for Vétoquinol - the Group's policy is to retain existing teams. Vétoquinol grants them autonomy and resources in order to satisfy the particular economic and cultural characteristics of their individual market. Vétoquinol positions its workforce as closely as possible to its customers, both geographically and professionally.

Vétoquinol will continue to expand internationally through further acquisitions, favouring collaboration with trade and industry and stepping up its presence in areas of high-consumption, particularly in Asia.

Today, Vétoquinol remains receptive to partners who are resourceful, whether they be existing products, developments or business partnerships, in order to consolidate its areas of strength and step up its international development.

DOMINIQUE HENRYON

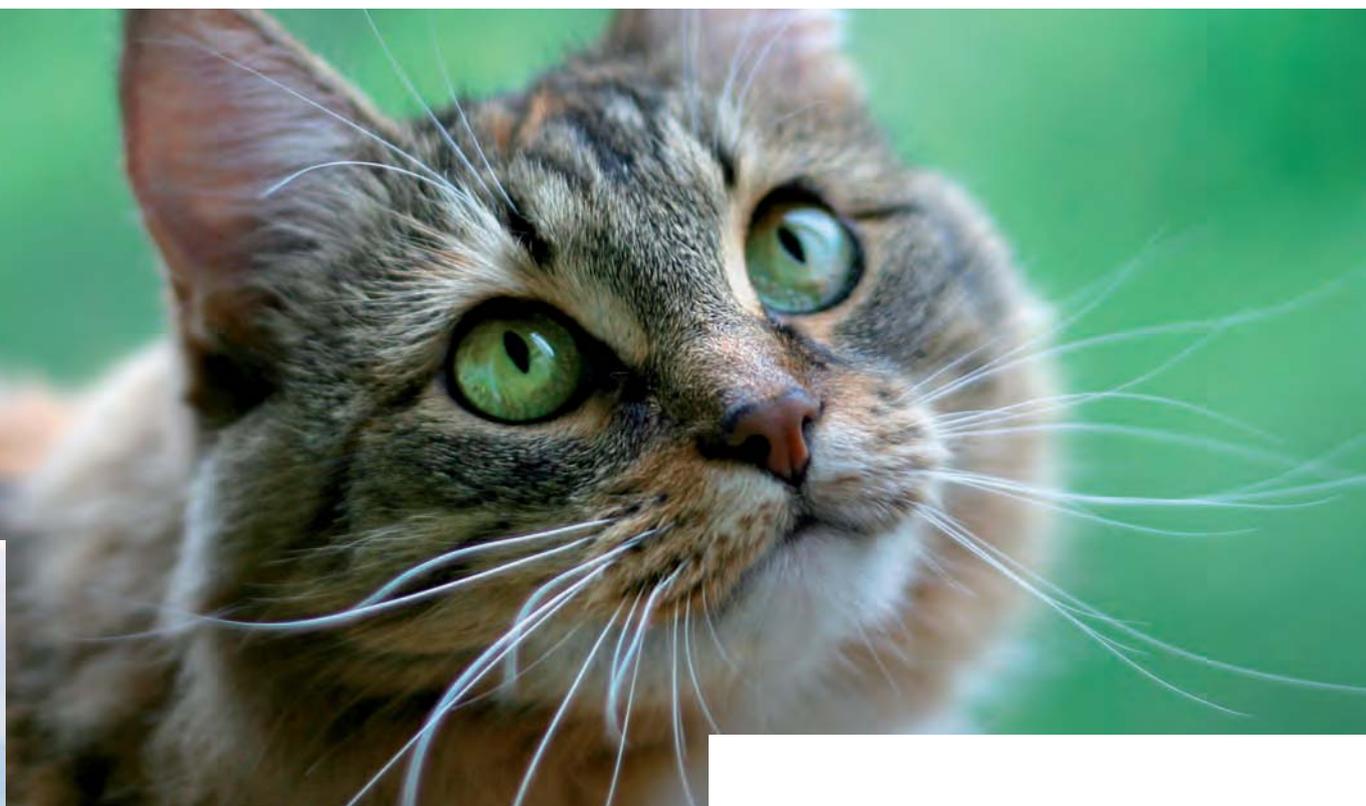
GENERAL MANAGER



“Vétoquinol has a proven capacity for organic growth, coupled with real expertise in acquiring and incorporating companies. With innovation, external growth is still an important mainstay of the Group's future growth. Vétoquinol has the right resources for pursuing this strategic focus, with a dedicated team, substantial financing capacity for achieving over 50% growth through this channel.”

Vétoquinol has decided to be an all-rounder of the animal health market. It is involved in Research & Development, manufacturing and marketing of medicinal products and nutraceuticals.





THE ANIMAL HEALTH MARKET

The animal health market is a fragmented, growing market and becoming increasingly specialised, like the human health market.

A FRAGMENTED MARKET

1. Animal species: 2 sectors, 2 dynamics

Animal species are traditionally divided between livestock (cattle, pigs, poultry and sheep) and companion animals (cats, dogs, horses, exotics). These two sectors have different dynamics.

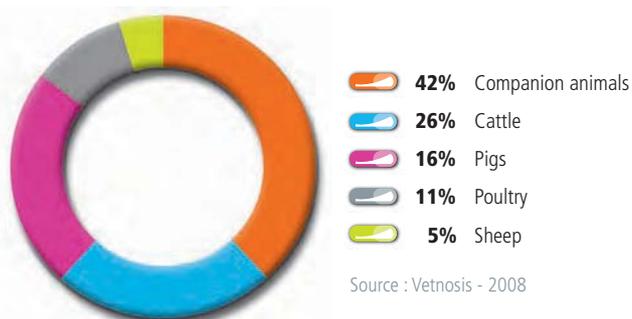
The "livestock" sector which represents 60% of the international market is a high-volume market guided by economic concerns that has to meet the growing demand in animal protein requirements in mature and developing countries.

The "companion animals" sector, with 40% of the international market, is characterised by strong growth and greater added value. It is guided by owners' feelings and is at the same time, in some countries, linked to changes in their purchasing power.

2. Two lines of treatment: preventive and curative

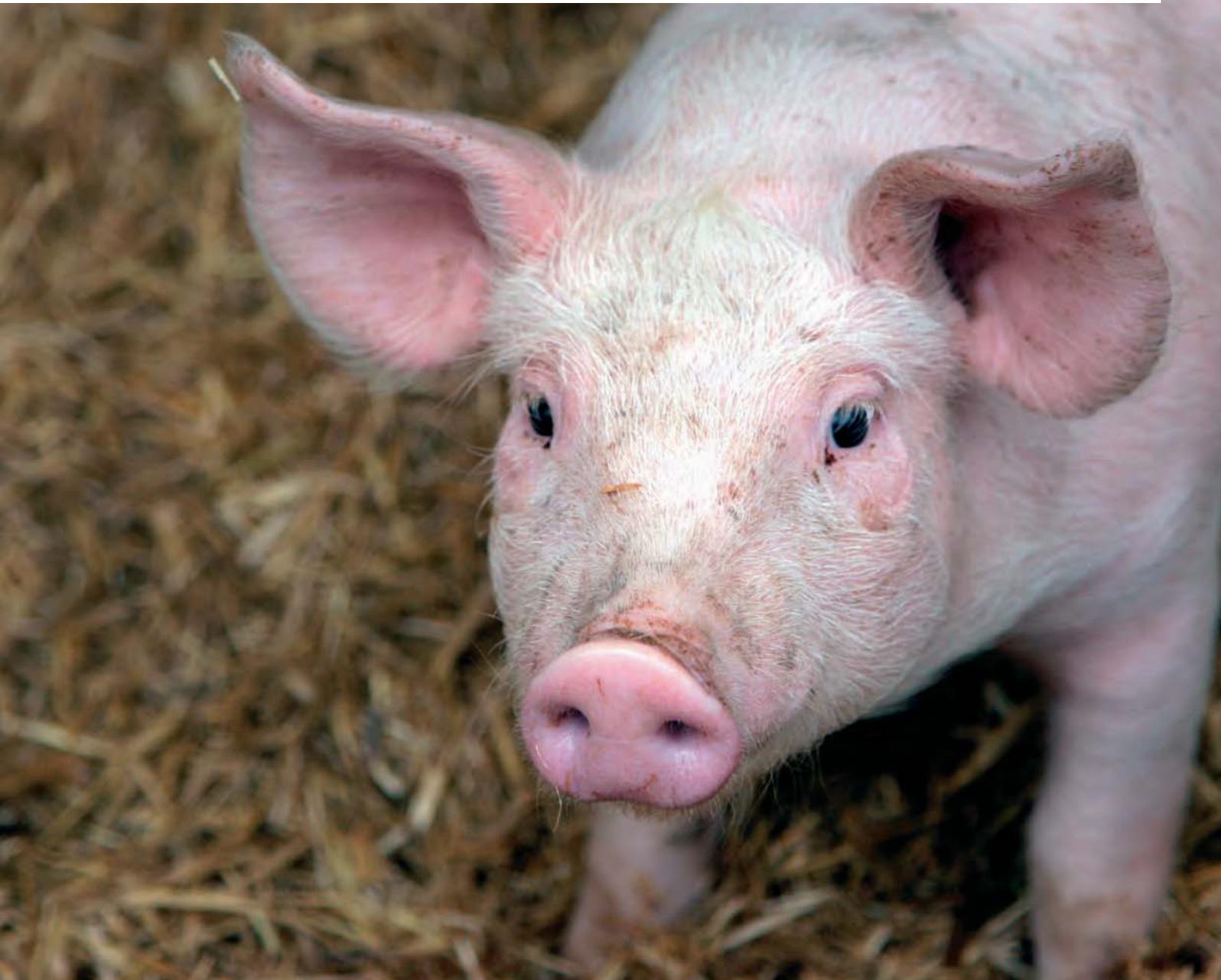
Preventive treatment covers vaccines, medicinal feed additives and some antiparasitic agents. It applies mainly to bulk treatments. Curative treatment includes anti-infectives, other antiparasitic agents, anti-inflammatories and therapeutic categories in cardiology, nephrology, rehydration, hygiene etc. It is geared more towards treatment of individual animals.

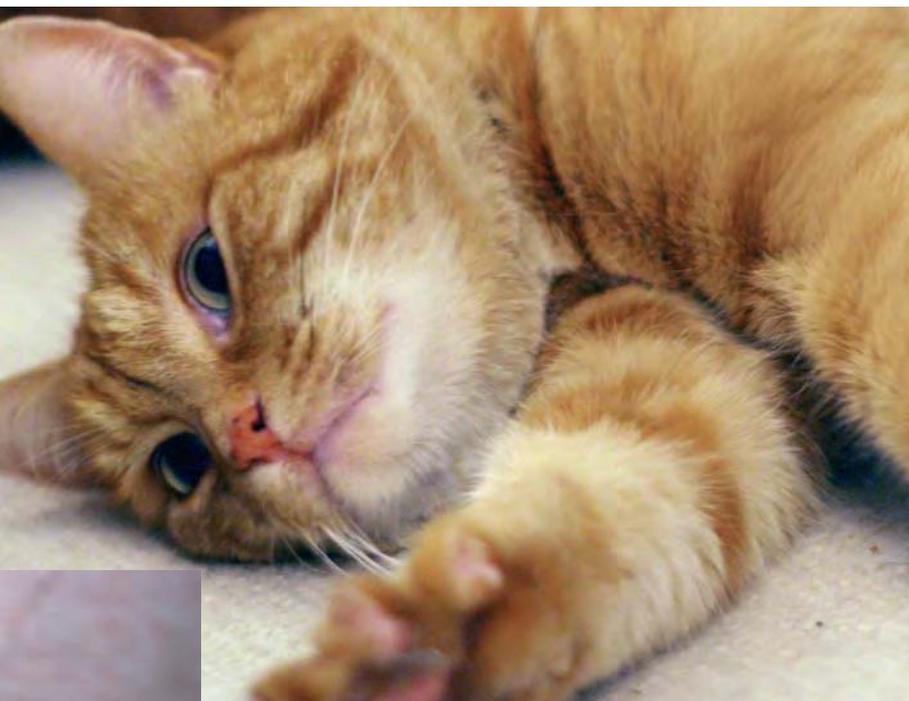
WORLD MARKET BY SPECIES



12th pharmaceutical company in the world and 3rd dedicated to animal health // No.2 in Poland // No.3 in Canada // No.5 in France
No.2 in anti-infectives in an oral form for companion animals in Europe
No.3 in injectable anti-infectives for livestock in Europe
9% of market share in injectable antimicrobials in Western Europe

Sources: Vetnosis, CEESA, Vétquinol - 2007





3. A global market worth nearly 18 billion dollars in 2007

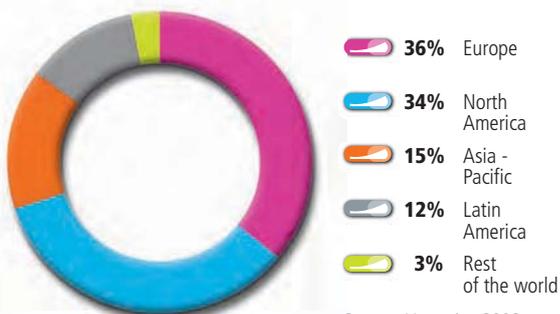
The global animal health market is split into two main areas.

- The first area comprises North America and Western Europe, i.e. 2/3 of the developed, mature international market. It is characterised by strong growth, particularly in the “companion animals” sector.
- The second area is Asia-Pacific, South America and Eastern Europe. These make up the developing markets, characterised by the growing need for animal protein and the emerging companion animals market.

The Rest of the World totals less than 3% of the world animal health market i.e. 0.5 billion dollars.

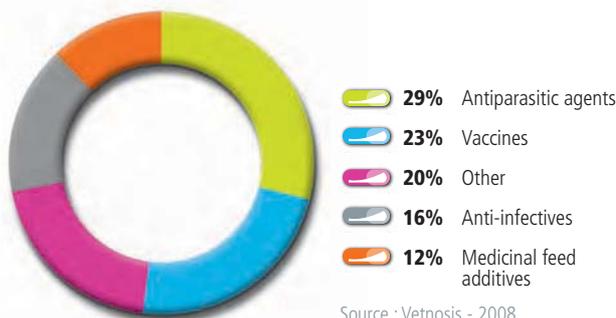
If we compare Vétoquinol’s turnover with the size of the world market, including only the therapeutic fields and areas where the Group has chosen to operate, its relevant market share is about 5%.

WORLD MARKET BY GEOGRAPHIC AREA



Source : Vetnosis - 2008

WORLD MARKET BY THERAPEUTIC CATEGORY



Source : Vetnosis - 2008

A GROWING MARKET

As a yearly average from 2008 to 2012, volume growth is expected to reach 2.2% in volume (source: Vetnosis-2008), with an upward trend (+0.4 point in relation to estimates from the previous year for 2007-2011).

A MARKET OF PROFESSIONALS

Animal health is closely linked to the protection of human health, so it is governed by manufacturing, scientific and environmental legislation and regulations which are constantly changing, becoming more and more rigorous and complex.

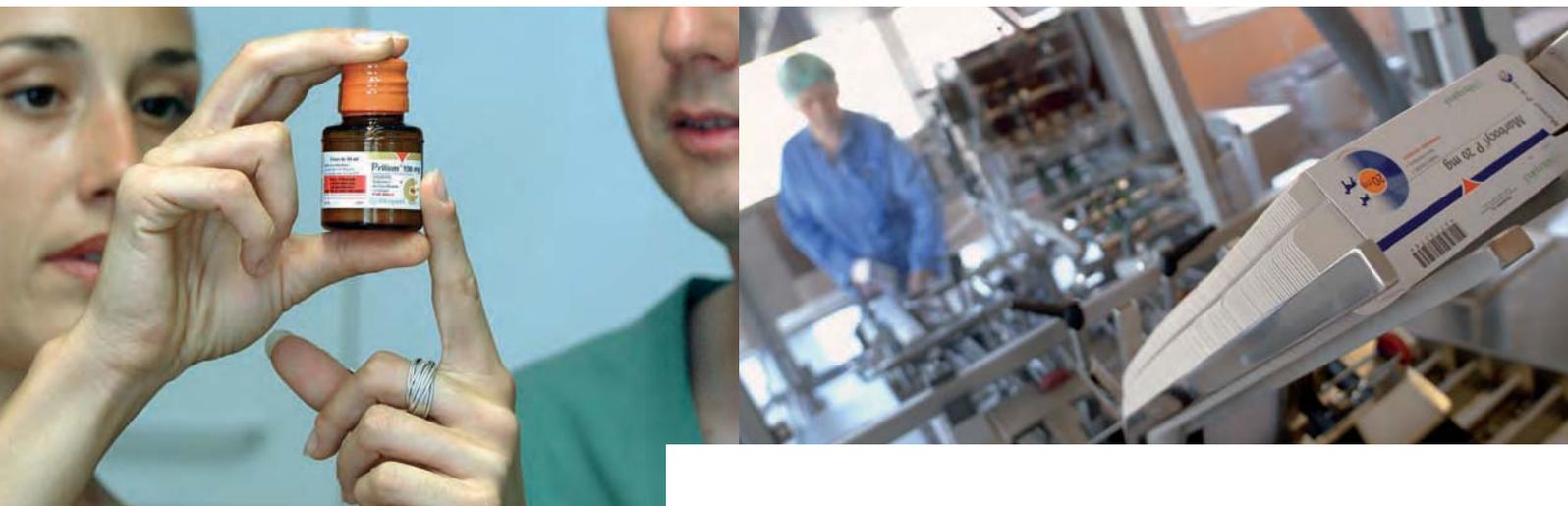
Fifteen international groups, the largest of whom are pharmaceutical companies operating in both human and animal health, hold 80% of the world market. The remaining 20% are owned by a myriad of local players who are looking to make alliances now or in future, in view of increasingly heavy investments.

The animal health market is becoming more and more specialised. This trend will reinforce the role of veterinarians who are pivotal in the prescription process.

With Marbocyl[®], Aurizon[®], Tolfedine[®], Clavaseptin[®], Epiphen[®], Propalin[®] and Prilium[®], Vétoquinol has developed leading products which stand out through their innovation and practicality.

A RANGE OF LEADING PRODUCTS





Vétoquinol is focussing on the treatments of three types of diseases.

INFECTIOUS DISEASES

Vétoquinol develops different families of antibiotics, with protocols adapted for different species. This approach combines effective treatments and respect for the environment and the consumer.

In the European market, Vétoquinol is no. 1 in the segment of topical ear products for companion animals, no. 2 in oral anti-infectives for companion animals and no. 3 in injectable anti-infectives. Launched in 1995 and source of successive innovations, Marbocyl® - the Group's flagship product – is one of the five most popular brands of anti-infectives in Europe. This antibiotic with numerous indications treats both livestock and companion animals.

Aurizon® and Oridermyl®, prescribed for treating otitis in dogs and cats, are also among the market leaders in Europe.

Launched more recently, other brands such as Clavaseptin® and Enisyl® make a considerable contribution to the Group's growth in the anti-infective sector.

PAIN AND INFLAMMATION

Alleviating an animal's pain is an ethical challenge which is very much in demand as the animal's well-being is more and more important. It is also a medical challenge as pain has detrimental effects on health. Products in this area are therefore aimed at preventing pain, particularly during surgery, reducing it when it appears and eventually managing chronic situations by improving the animal's comfort, for

example in cases of osteoarthritis.

Vétoquinol satisfies these various needs thanks to a complete range of products:

- for surgery, an anaesthetic specifically developed for companion animals, Alfaxan®, and the distribution of a range of surgical equipment,
- a nonsteroidal anti-inflammatory (NSAID) for the management of acute pain and inflammation, Tolfedine® for dogs and cats and Tolfine® for livestock,
- two NSAIDs for managing chronic pain, Rimifin® in Europe and Vetprofen® in the United States,
- two ranges of chondro-protective nutraceutical supplements for managing osteoarthritis, Flexadin® and Caniviton®.

CARDIOLOGY AND NEPHROLOGY

Cardiac and renal insufficiency are the most common chronic diseases affecting respectively elderly dogs and cats. Vétoquinol has developed some innovative treatments in this fast-growing sector.

Prilium®, a product for dogs with cardiac insufficiency, has an innovative galenic formulation: the only one in its category to be marketed in a liquid form. It is available in most European countries, Australia and New Zealand.

The rest of the range is dedicated to treating renal insufficiency. With the success of other innovative brands - Ipakitine® in Europe and North America and Azodyl® in the United States and Canada – the Group is consolidating its position as experts in this area, by offering training tools such as Vétoquinol Academia, and regular innovations (existing and future products).

“
DR. NATARAJAN RANGANATHAN
 VICE-PRESIDENT R&D OF
 KIBOW BIOTECH INC.

“In 2006, U.S. and Canadian marketing and distribution rights of Kibow Biotics® were sold to Vétoquinol. In 2007, we have extended our partnership worldwide. Vétoquinol is a recognized leader in the field of animal health as demonstrated by its portfolio of outstanding innovative products, and by its steady growth”.

TONY COOLEY
 JUROX HEAD OF SALES
 AND MARKETING

“14 months after Vetoquinol's extremely successful launch of Alfaxan® in the United Kingdom, continental Europe was the next logical step in the collaboration on Alfaxan® for both organizations.”

VÉTOQUINOL AND THE STOCK MARKET

Vétoquinol shares are listed on Euronext Paris – Compartment B.

A COMMITMENT TO SHARING INFORMATION

Vétoquinol is pursuing its policy of sharing information in a dynamic, transparent way.

Our web site, www.vetoquinol.com, gives privileged access to the Group and its activities. This site has up-to-date information about Vétoquinol in both French and English.

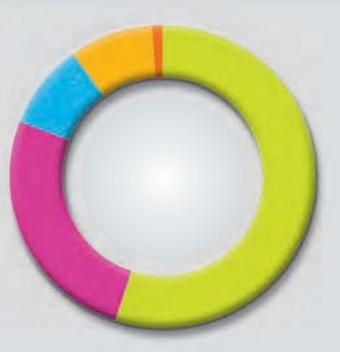
IMPORTANT FACTS ABOUT THE GENERAL MEETING

Any Vétoquinol shareholder, regardless of how many shares he has, can attend and vote at the General Meeting.

Each share entitles the holder to vote. For more information about attending the General Meeting either in person or by proxy (postal vote), visit the web site or contact the company directly.

DISTRIBUTION OF CAPITAL BY SHAREHOLDER CATEGORY

as % - 31/12/2007



| | | |
|---|------------|------------------------|
|  | 55% | Soparfin |
|  | 26% | Public |
|  | 9% | Étienne Frechin Family |
|  | 9% | Other Frechin Families |
|  | 1% | FCPE + own shares |

Vétoquinol's capital on 31 December 2007 comprised 11,290,332 shares with a nominal value of 2.50 euros, fully paid, registered or bearer, according to preference.

SHARE PRICE TRENDS



SHARE CODES AND CLASSIFICATION

Euronext Paris– Compartment B

| | |
|-------------------------------------|---------------|
| ISIN | FR0004186856 |
| Reuters | VETO.PA |
| Bloomberg | VETO.FP |
| Share price on 31/12/2007 | 27.35 € |
| Market capitalisation on 31/12/2007 | 308,790,580 € |
| Share price on 16/04/2008 | 22.80 € |
| Market capitalisation on 16/04/2008 | 257,419,570 € |

FINANCIAL DATES FOR 2008

- 19 May 2008 - General Shareholder Meeting
- 22 July 2008 - Half-yearly turnover 2007
- 27 August 2008 - Half-yearly results 2007
- 6 November 2008 - Turnover 3rd quarter 2007

SHAREHOLDERS' CONTACT

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www.vetoquinol.com

CORPORATE GOVERNANCE

A family-owned company with relevant Committees.



The Strategic Committee, from left to right: **Étienne Frechin** (President), **Christian Schirvel** (Group Director - Business Development), **Thierry Détrée** (Group Director - Europe), **Dominique Henryon** (Deputy Managing Director), **Christophe Chossat de Montburon** (Group Director - Finance and Legal), **Alain Chaptal** (Group Director - Industrial and Quality), **Pierre-Yves Colin** (Group Director - Information Systems), **Hans Hollegien** (Group Director - Strategy and Customer Relation), **Alain Cosnier** (Group Director - Innovation), **Isabelle Proust-Cabrera** (Group Director - Human Resources), **Matthieu Frechin** (Deputy Managing Director - Strategy and Development), **Dan Tasli** (Group Director - International Development), **Tom Robitaille** (Group Director - North America).

The Managing Director, who is also Chairman of the Board, is responsible for the Group's general management, assisted by the Deputy Managing Directors.

The **BOARD OF DIRECTORS**, headed by its Chairman, sets the direction of the company's business and ensures that it is followed through. The Chairman of the Board supervises the work of the Board and reports on this at the General Meeting. He ensures that the company's bodies work properly and that the administrators are able to fulfil their duties. The Board of Directors comprises nine members, including two independent administrators.

The **COMPENSATION COMMITTEE** examines compensation packages for the company's directors and, if relevant, for employees in the Group's companies. There are three people on the Compensation Committee.

The **STRATEGIC COMMITTEE** formulates recommendations to the Board of Directors with regard to strategy, opportunities and prospects for growth.

The **AUDIT COMMITTEE** is in charge of giving its views on half-yearly and yearly, consolidated and corporate financial statements.

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