

Activity Report

2009

Our business: animals.
Our advantage: people.



SPOTLIGHT ON INDIA,
on the Way
to Asia
p. 20



Seeing Eye-to-Eye
with Veterinarians
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Always at the Forefront
of Innovation
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Sizeable Issues Call
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Vétoquinol
 *a Sign of Passion*

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Always at the Forefront of Innovation

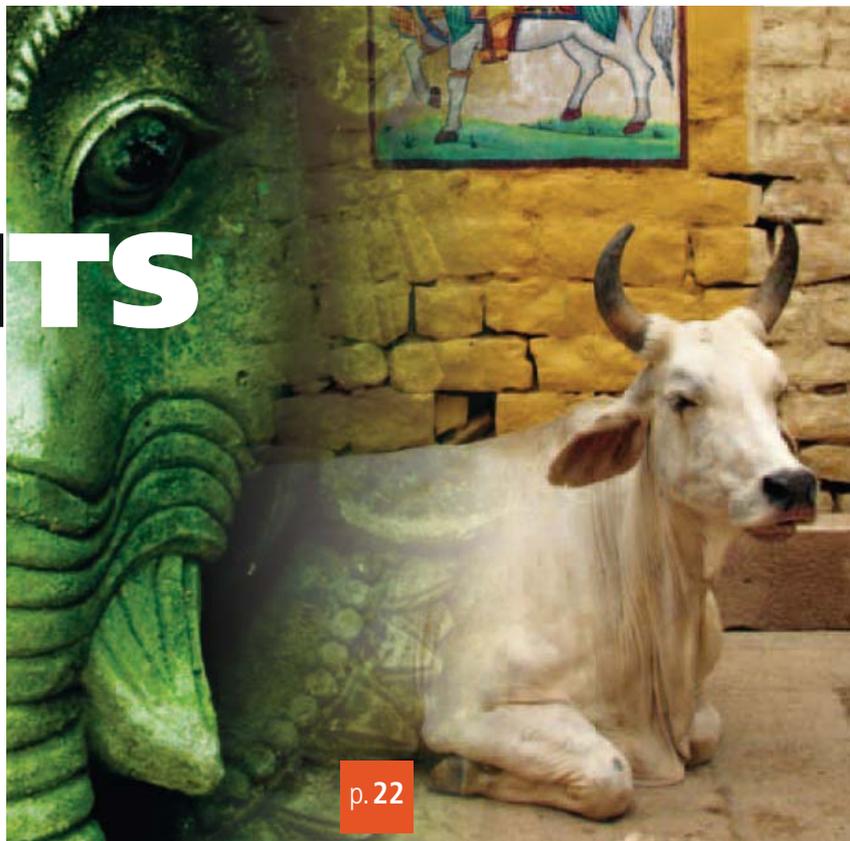
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Vétoquinol
a Sign of Passion

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AN INDEPENDENT BRAND



The 11th largest veterinary pharmaceutical company in the world and the 3rd largest dedicated to animal health, Vétoquinol is first and foremost an independent, family-owned business. Deeply committed to its values, it has always enjoyed a close relationship with its vet clients.

Vétoquinol's growth and development strategy focuses on innovation and finding the right balance between two major markets: companion animals and livestock, bred for human food.

Historically based in France, Vétoquinol currently develops, produces and distributes a wide range of more than 700 medical and non-medical products in Europe, North America and Asia-Pacific. With a presence in 23 countries through its subsidiaries, its strong network of 140 distributor partners provides visibility for its products in more than 100 countries.

**11th LARGEST VETERINARY PHARMACEUTICAL COMPANY
IN THE WORLD // 3rd LARGEST ANIMAL HEALTH SPECIALIST //
1,550 EMPLOYEES // A PRESENCE IN 23 COUNTRIES // 5% EFFECTIVE
MARKET SHARE // REVENUES OF €252.2 MILLION, OF WHICH
OVER 80% IS GENERATED ABROAD // No 2 IN POLAND //
No 3 IN CANADA // No 5 IN FRANCE // No 6 IN IRELAND AND
SWITZERLAND // No 7 IN GERMANY, ITALY AND AUSTRIA //
No 1 IN EUROPE FOR FOOD SUPPLEMENTS AND METABOLIC
MODIFIERS // No 3 IN EUROPE FOR ANTIBIOTICS.**

Joint Interview with **Étienne Frechin**, President & Managing Director
and **Matthieu Frechin**, Deputy Managing Director - Strategy and Development

REMARKABLE



7.6% growth of activity; operational profitability of 11.5%; operational cash flow of €40 millions. These results may seem surprising, given the current economic environment. So how does Véroquinol remain so resilient? An interview with Étienne and Matthieu Frechin provides the answer.



IN A GENERALLY UNSATISFACTORY ENVIRONMENT, ALL OF YOUR PERFORMANCE INDICATORS ARE FLASHING GREEN.

HOW DO YOU EXPLAIN THIS?

Étienne Frechin • The financial crisis has eroded household purchasing power, and has forced people to restrict their healthcare spending on companion animals. Moreover, the absence of major diseases amongst livestock, due to mild weather conditions, the milk crisis and the fall in the price of pork have not been favourable. Despite these issues, however, our market has held up quite well compared with other industries.

In my view, the most important thing is that, unlike our major competitors in the health sector, who have become truly gigantic as a result of mergers, we have the advantage of being a company that is highly flexible and responsive. To maintain our growth and above all preserve our margins, we have been very careful in our expenditure, have co-ordinated our purchasing and have continued to optimise our production facilities and the effectiveness of our marketing. These efforts have borne fruit and have enabled us to show strong external growth in our international markets.

CAN YOU ELABORATE ON YOUR GROWTH STRATEGY?

Matthieu Frechin • One positive development in this crisis year was that we confirmed our strategy and continued to expand and invest, as shown by our acquisition of the Wockhardt Animal Health business in India.

GROWTH

“

2009 WAS A RATHER ENCOURAGING YEAR; WE WEATHERED THE CRISIS AND SUCCEEDED IN BUILDING STRONG EXTERNAL GROWTH.

”

In so doing, we are taking a significant market position in Asia, a region with very high growth potential.

The Indian operations that we acquired are perfectly in line with our strategy, which is to remain focused on our areas of expertise and our specialities. Indeed, we are concentrating on a part of the market, with two aims: to be a key player in the livestock field and for the most common companion animals, i. e. dogs and cats, and to be able to focus on our three therapeutic areas (anti-infectives, pain-inflammation and cardiology-nephrology).

AFTER 46 YEARS AT THE HEAD OF THE COMPANY FOUNDED BY YOUR FATHER, YOU ARE HANDING OVER TO YOUR SON, MATTHIEU.

HOW DOES EACH OF YOU SEE THE FUTURE OF VÉTOQUINOL?

Étienne Frechin • I have always wanted to find a successor among my children and am very happy that Matthieu has agreed to succeed me. He has all the capabilities required to assume the position of CEO, and this handover is a guarantee of continuity and independence for our customers and shareholders.

Matthieu Frechin • In the coming years, the difference will hinge on marketing skills. No doubt the competitive challenges will demand decisions that are slightly different and bolder.

I intend to uphold our specific values, which are based on innovation and the ability to promote the advantages of our products. My priorities are to continue optimising our production facilities and to further develop our brand with products that are at the forefront of research, whilst remaining ready to seize development opportunities in the mature markets that are Europe and America, as well as in major emerging markets.





VÉTOOQUINOL'S PROUD HISTORY

A visionary pharmacist, a renowned country veterinarian and a captain of industry who was open to the world. Together, united by team spirit, they were able to turn a small provincial company into an international Group with more than 1,550 employees. Today, as a Group that is ranked 11th world-wide in the animal health sector and is present on five continents, Vétoquinol is pursuing this human adventure, under the sign of passion.





JOSEPH FRECHIN'S INTUITION

For Vétoquinol, the adventure began in 1933, in a pharmacy in the Franche-Comté town of Lure, located near Germany and Switzerland. Joseph Frechin, the owner of a reputable dispensary, got hold of a large stock of oxyquinoline, an antiseptic developed by a chemist friend. His idea was to use this product in caring for animals. With the help of Charles Frechin, his father, a well-known veterinarian in the area, he conducted initial tests which proved to be conclusive. Christened Vétoquinol, the remedy became an instant success and was rapidly made available in many forms: tablets, powder, gel, oblets, intra-uterine tablets or creams.

GATHERING RESOURCES AND DIVERSIFYING THE PRODUCT RANGE

After World War II, the company's development was driven by agriculture, where the primary aim was to rebuild livestock herds by relying increasingly on veterinary medicines. Even though the small family-owned and operated pharmacy remained Vétoquinol's nerve centre, it progressively expanded to nine locations across the town and quickly came to employ around one hundred people.

In 1962, Étienne Frechin joined the company founded by his father in order to devote himself to its development. He consolidated its business activities in Magny-Vernois, very close to Lure, and diversified the product range.

Anticipating the social importance of companion animals, he developed a specific product range and the catalogue has continually expanded ever since: 80 specialities in 1948; 250 in 1970 and 700 today.

A PATIENTLY WOVEN GLOBAL FABRIC

At the same time, Vétoquinol was developing its exports. In the 1980s, 20% of revenues were already generated outside France. The company, which had 280 employees at the time, established an export department. Subsidiaries were opened in the Netherlands, Ireland and Belgium. In 2004, a marketing office was opened in China. Vétoquinol chose to weave its world-wide network through founding companies and through buy-outs. Its Initial Public Offering in 2006 enabled the company to strengthen its financial resources and expand into new markets. In late 2008, Vétoquinol reinforced its presence in Europe with the buyout of Ascor Chimici in Italy, while 2009 was marked by the acquisition of the Animal Health Division of Wockhardt Ltd.

| | | | |
|--|---|--|---|
| <p>1933 Launch of the Vétoquinol antiseptic by Joseph Frechin, a pharmacist in Lure</p> | <p>1977 Founding of Vetam, the 1st foreign subsidiary, in the Netherlands</p> | <p>1984 Galvet Ltd founded in Ireland</p> | <p>1990 - 2000</p> <ul style="list-style-type: none"> • Acquisitions of Univet (United Kingdom), Antibioticos Pharma Vet (Spain), Austin, Dispar and Webster (Canada), Immunovet (United States), MECA (Germany) • Foundation of Vétoquinol North America and Vétoquinol Mexico • Launch of Marbocyl®, an anti-infective (1995) |
|--|---|--|---|

THE VALUES OF A GROUP ON A HUMAN SCALE

AUDACITY

| | | |
|--|--|--|
| <p>1963 Consolidation of the business in Magny-Vernois.</p> | <p>1980 Opening of the R & D Centre and creation of the Export Department</p> | <p>1987</p> <ul style="list-style-type: none"> • Launch of Tolfedine®, an anti-inflammatory • Acquisition of Psyphac in Belgium |
|--|--|--|

VÉTOQUINOL'S
PROUD
HISTORY



A STEADY FRAME OF MIND

Now a key player in the animal health field with over 250 million euros revenues and a range of 700 brands, Vétoquinol currently generates nearly 80% of its turnover outside France and employs 1,550 people. However, its original mindset remains unchanged – that of an independent family-owned company, which has close ties to the practising veterinary community and is guided by a passion for innovation. ■

OUTSTANDING EVENTS

JANUARY THE ACQUISITION OF WOCKHARDT LTD IN INDIA TAKES SHAPE

Wockhardt Ltd, the 6th largest animal health company in India with a 5% market share, was seeking a market leading partner. Among the international laboratories who were interested, Vétoquinol proved to be the most energetic. An initial Memorandum of Understanding was signed in June and the final acquisition of the company, which is based in Mumbai (Bombay), took place in August. ■

2001

- Acquisition of the Swiss Chassot Group
- Launch of Aurizon®, for the treatment of canine otitis

2003

- Launch of Propalin® (treatment of incontinence in female dogs)
- New R & D Centre in France: doubling of the surface area

2005

- Launch of Clavaseptin® (antibiotic)

2007

- Foundation of Vétoquinol Unipessoal Lda (Portugal)
- Launch of Alfaxan® (anaesthetic)

2009

- Acquisition of the Animal Health Division of Wockhardt Ltd in India.
- Launch of the "3D" Areas of Expertise advertising campaign

TEAM SPIRIT OPEN-MINDEDNESS COMMITMENT PERFORMANCE GENUINENESS

2002

- Acquisition of the Evsco and Tomlyn ranges (United States)
- Launch of Prilium® (canine cardiology)

2004

- Opening of a marketing office in Shanghai, China

2006

- Acquisition of Semyung Vet (Korea) and Vet Solutions (United States)
- Listing of the shares on the Paris Stock Exchange

2008

- Acquisition of Ascor Chimici (Italy) and Viavet (Scandinavia)
- Creation of a development unit in Canada
- Launch of Vetprofen® (anti-inflammatory) and Rubénal® (nephrology)





SEEING EYE-TO-EYE VETERINARIAN

Vétoquinol is always listening to the veterinarian community, who are the players involved in the animal health care field and are the first to prescribe its products. The Group's veterinary representatives maintain personalised and longstanding relationships with the community, based on trust and service. Through its innovations and the support that it offers to veterinarians, Vétoquinol engages with them on a daily basis.



WITH VETERINARIANS

“

VÉTOQUINOL ACADEMIA ORGANISES SCIENTIFIC MEETINGS AND TRAINING PROGRAMMES FOR ITS VET CLIENTS ALL OVER THE WORLD.

”

“

VÉTOQUINOL CONDUCTS CUSTOMER SATISFACTION SURVEYS EVERY YEAR, WHICH LEAD TO THE DEVELOPMENT OF ACTION PLANS. IN 2009, SUCH SURVEYS WERE CONDUCTED IN POLAND AND CANADA WITH REMARKABLE RESULTS: 9 OUT OF 10 CUSTOMERS WERE SATISFIED OR VERY SATISFIED WITH VÉTOQUINOL.

”

A LONG-TERM PARTNERSHIP WITH AVSF

> After a product-sharing arrangement (2005) and funding the “*Histoires sans faim*” (*Stories without Hunger*) (2006) book, Vétoquinol signed a three-year (2007-2009) partnership agreement with *Agronomes et Vétérinaires Sans Frontières-AVSF*

(Agronomists and Veterinarians Without Borders). In doing so, the company is supporting animal health through projects that AVSF has launched to improve husbandry practices in Mali, in the Timbuktu and Mopti areas. In recognition of its initiatives to promote sustainable development, AVSF was awarded the *Prix Association Solidaire (Solidarity Association Prize)* in 2009 by *Actine Stratégies*, the sustainable development consulting firm, *Innovact* and the *Nouveau Consommateur* and *Nouvel Entrepreneur* magazines..

DETAILS THAT MAKE DAY-TO-DAY TASKS EASIER

> The new injectable Marbocyl® packs come with three labels to paste onto livestock records, whose maintenance is mandatory. The product name, the dose, the batch number and the waiting time to be observed are already indicated: the veterinarian will therefore no longer need to write this information down for each animal that he treats. A small detail that saves a lot of time!

A VETERINARIAN TALKS ABOUT HIS RELATIONSHIP WITH VÉTOQUINOL



WHAT DO YOU SPECIALISE IN?

I am a partner in a veterinary practice whose activity is 80% rural, mostly in dairy production. The remaining 20% is dedicated to canine and equine medicine. Our activity is thus mixed, which is what I really like.

DO VÉTOQUINOL PRODUCTS MEET YOUR EXPECTATIONS?

My Vétoquinol veterinary representative always begins by asking me about my expectations! I know that I can speak frankly to him and that the company listens to practitioners. In the companion animals area, for example, Vétoquinol really cares about offering palatable products. This is very important, because if an animal is refusing to accept a medication, the owner is likely to stop the treatment very quickly. An antibiotic like Clavaseptin®, which dogs and cats see as a treat, represents a real step forward for animal health.

ARE YOU EQUALLY SATISFIED REGARDING LIVESTOCK?

We are in an area where animal health goes hand-in-hand with food security. It is therefore very important that breeders adhere to the length of the treatment and the doses prescribed. The information that my Vétoquinol adviser provides regularly about clinical trials, drug interactions or monitoring, helps me to convey the information to my clients.

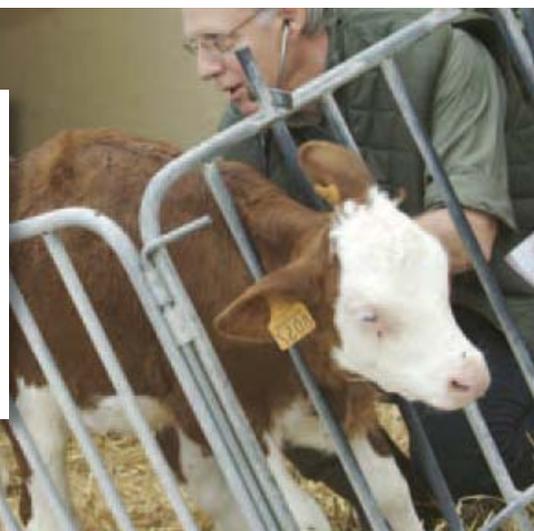
WHAT DO YOU LIKE MOST ABOUT VÉTOQUINOL?

The fact that we speak the same language! Vétoquinol is not only genuinely committed to providing veterinarians with innovative solutions, but also to helping us follow and understand advances in pharmacological knowledge. Besides, I often consult the Vétoquinol website, on which there is a wealth of information for practitioners. I am also regularly invited to training sessions by my Vétoquinol representative. Despite my busy schedule, I always manage to attend. To do our job properly, it is essential to keep abreast of scientific advances. ■

OUTSTANDING EVENTS

MAY THE VÉTOQUINOL ACADEMIA SEMINAR IN BERLIN WAS VERY POPULAR WITH ATTENDEES

A two-day Vétoquinol Academia seminar that was held in Berlin for around one hundred experts and practitioners from 18 countries helped increase their awareness of the relationship between kidney and heart diseases in cats and dogs. This innovative approach was presented according to the *Parcours du Praticien®* (Practitioner Path) method, which has been used for years in human medicine and was transferred to veterinary medicine for the first time on this occasion. Following this event, 97% of attendees wanted to be involved in further *Parcours du Praticien®* sessions. ■





ALWAYS AT **THE FOREF**

With nearly 8% of revenues spent on R & D, Vétoquinol places innovation among its top strategic priorities. The Group's ongoing aim is to anticipate the needs of veterinarians, owners and breeders so as to serve them better and thereby increase its market share.



In 2009, Vétoquinol spent 19.5 million euros on R & D, which employs around one hundred researchers spread across three sites: a main centre in France, a pharmaceutical development unit in Canada and a team of around ten people in Poland. The Group's strategic priority is to launch innovative products,

which, together with external growth, are one of the two levers that allow Vétoquinol to grow faster than the market.

TARGETED RESEARCH IN THREE AREAS OF EXPERTISE

The aim of the R & D Department is to respond ever more effectively to the needs of veterinarians, owners and breeders, while anticipating changes in regulation. Research focuses on targeted therapeutical areas, in line with Vétoquinol's strategy,

OUTSTANDING EVENTS

JULY Z IS FOR ZENTONIL®

Launched by Vétoquinol in fifteen countries, Zentonil® Plus and Zentonil® Advanced use a new patented technique based on the micro-encapsulation of S-Adenosyl methionine (SAMe), a molecule that enables the synthesis of glutathione, among other processes. Both these innovative products enrich the Zentonil® brand, which is the market leader in hepatoprotectives for cats and dogs. Zentonil® Plus and Zentonil® Advanced are presently the only two products on the market offering SAMe in the form of palatable breakable tablets for greater ease of administration. ■



VÉTOQUINOL SPONSORS REQUEST

> REQUEST is a group of European experts that was formed in 2009 to define the optimal use of fluoroquinolone antibiotics for companion animals. This group consists of seven veterinarians and one

physician, an expert at the Vétoquinol Division of Innovation. Its aim is to develop and issue a set of recommendations for practitioners. Vétoquinol has been promoting Request's initial work since April 2009.

“
STRATEGIC PRODUCTS THAT HAVE RESULTED FROM INNOVATION BY VÉTOQUINOL
 Aurizon®
 Clavaseptin®
 Dolpac®
 Epiphen®
 Flexadin®
 Ipakitine®
 Marbocyl®
 Propalin®
 Prilium®
 Rubénal®
 Tolfine®
 Tolfedine®
 Zentonil®
 ”

FRONT OF INNOVATION

which is designed to strengthen its leadership position in anti-infectives, while also developing its two other sectors of expertise: pain-inflammation and cardiology-nephrology. Approximately twenty projects are currently under development in one of these three areas.

INNOVATION AT THE CROSSROADS OF DIFFERENT FIELDS

In order to better align and integrate research and efficiency, Vétoquinol has established a Group Division of Innovation, which plays a key role in listening, idea generation and monitoring in animal health, and also in human health where basic research are particularly numerous and important.

PARTNERSHIPS OF EXCELLENCE

The new medicinal products offered by Vétoquinol are designed based on molecular innovations but also thanks to the use of unpatented molecules. For certain highly specific issues that are beyond its field of expertise, the Group is forging partnerships of excellence with international experts and research organisations. Its own teams can thus focus on Vétoquinol's areas of expertise. ■



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THE 'EASY TO GIVE' LABEL WAS AWARDED TO CLAVASEPTIN®, THE ANTI-INFECTIVE FOR CATS AND DOGS, BY EXPERTS FROM THE FELINE ADVISORY BUREAU (FAB).

”



SIZEABLE ISSUES CALL **FOR PROPORTIONATE ANSWERS**

Vétoquinol has chosen to develop and expand in a balanced manner in the companion animals and livestock markets. This is a winning strategy that boosts the profitability of the production facilities while allowing the company to ride the crest of the growth market wave at no risk.



The global Animal Health market (US\$19.2 billion in 2008) is divided between livestock (cattle, pigs, poultry and sheep) and companion animals (cats, dogs, horses and exotics).

Vétoquinol generates 50% of its revenues from livestock and 50% from companion animals. This balance is the result of a deliberate effort to promote profitability and efficiency by controlling risk. The Group is thus in a position to mitigate the impact of the cyclical crises that affect livestock while benefiting from the dynamism of the companion animals segment.

LIVESTOCK A SIZEABLE MARKET

The livestock sector represents 59% of the world market and involves large sales volumes. Maintaining a very significant share of its business activities in this sector allows Vétoquinol to optimise the usage rate of its production facilities. The Group currently offers the widest range of cattle health products, along with proven products for the prevention and treatment of swine diseases. By targeting both types of husbandry, Vétoquinol manages to smooth out fluctuations in their respective markets and to maintain high sales volumes at all times.

VÉTOQUINOL IN THE SADDLE WITH THE VIENNA RIDING SCHOOL

> Vétoquinol has committed to a three-year partnership with the Spanish Riding School in Vienna, a secular institution of international renown, which welcomes

several hundred thousand visitors every year. The Equistro® product range will contribute to the good health of the Lipizzaner horses bred at the Piber Federal Stud Farm (Austria). This partnership is in line with the strategy of developing the reputation and image of the Equistro® product range.

COMPANION ANIMALS WELL-BEING ABOVE ALL

The companion animals segment, which is the second largest, with 41% of the market, is characterised by higher added-value, as well as by steady growth in mature countries and rapid development in emerging countries like India or China. In this sector, the emotional ties that pet owners have to their companion animals are fundamental. Vétoquinol therefore not only develops its products with improved effectiveness in mind, but also ease of administration, particularly by working on the palatability of its products.

A SPECIAL CASE HORSES

Horses represent a very specific segment, on the border between livestock and companion animals. For this reason, Vétoquinol treats man's greatest conquest as a special case. With Equistro®, the Group offers a very wide range of medicinal and non-medicinal products specifically designed to promote equine health and well-being.

OUTSTANDING EVENTS

FEBRUARY A SPECIALISED TECHNICAL SERVICE FOR CATTLE AND PIGS

The French Livestock Department has launched a service called "Vétoquinol Contact: Technical Services", which offers tours of breeding farms, breeders' meetings and telephone support. This service has been designed to develop and expand the use of and confidence in two of the Group's key products, Marbocyl® and Tolfine®. It provides practical answers to the problems of rural veterinarians, through a team of experts specialised by type of livestock (pigs and cattle). A dedicated website will be launched soon! ■



A MODEL OF INDUSTRIAL PERFORMANCE

Vétoquinol has five production facilities in Europe and North America that meet increasingly stringent international standards. The efficiency of the facilities, which are particularly involved in the Group's continuous improvement programme, is continually increasing.



PROXIMITY AND RESPONSIVENESS OF THE PRODUCTION SITES

Vétoquinol has five production sites (in Europe and North America), which produced almost 24 million sales units in 2009. These sites are specialised according to their pharmaceutical characteristics and geographical region. In order to maximise responsiveness and logistics costs, the sites primarily serve markets on the same continent, but are capable of supplying to the rest of the world. In India, the products developed by the new Vétoquinol subsidiary are manufactured locally by subcontractors.

STRICT COMPLIANCE WITH INCREASINGLY STRINGENT STANDARDS

In all countries, the production of medicinal products for animals must comply with increasingly stringent standards, the same level as human pharmaceutical.

Good Manufacturing Practices (GMP) were made mandatory in France, leading to more controls. Thanks to its membership of national and international professional associations, Vétoquinol anticipates regulatory developments in order to improve the adaptation of its production facilities. The aim is to minimise the cost impact while balancing adherence to standards with customer satisfaction.

CONTINUOUS IMPROVEMENT

Production planning is governed by a rigorous organisation process and requires optimum inventory management. The teams are therefore particularly involved in the continuous improvement programme that the Group has been implementing for several years, and which has enabled an average 25% reduction in product availability lead times. In 2009, the production sites in Lure (France), Tarare (France) and Princeville (Canada) began to implement the DARWIN project, which aims to involve every employee in the continuous improvement process through their participation in optimisation programmes. ■



SINCE NO PROCESS
CAN EVER BE DECLARED
PERFECT, THERE IS ALWAYS
ROOM FOR IMPROVEMENT.



Masaaki Imai,
founder of the Kaizen Institute

“ THANKS TO THE CONTINUOUS IMPROVEMENT PROGRAMME, PRODUCT AVAILABILITY LEAD TIMES HAVE BEEN REDUCED BY AN AVERAGE OF 25%. ”



■ Production/distribution Subsidiaries
■ Distribution subsidiaries

■ Sales offices
■ Headquarters

FIVE PRODUCTION SITES

LURE (France)

10 million sales units per year intended for the global market. Specialities: injectables, tablets, non-sterile liquids and powders.

TARARE (France)

the site specialises in non-medicated products. It serves all markets, including the United States, for non-pharmaceutical products such as Ipakitine®.

GORZÓW (Poland)

two plants produce numerous pharmaceutical forms (injectables, powders, pre-mixes and liquids, etc.) intended for all European and major export markets.

PRINCEVILLE (Canada)

the plant, which is approved by the US Food and Drug Administration (FDA), is dedicated to liquids, gels and powders. A specific building is devoted to penicillins. The site mainly supplies Canada and the United States. It also ships to the rest of the world through the export department.

FORLI (Italy)

the plant specialises in pharmaceutical and non-pharmaceutical pre-mixes (powders, granules and liquids). It processes an average of 20 tonnes of products and 25 batches per day. It mainly supplies the local market and North Africa.

OUTSTANDING EVENTS

MARCH VÉTOQUINOL CANADA RESTRUCTURES ITS ORGANISATION

The commercial branch of Vétoquinol Canada has been reorganised into two Business Units: one dedicated to companion animals, and the other to livestock. Each Business Unit manages its own marketing, technical and sales activities. However, the other functions remain shared by both Business Units. ■



MORE THAN JUST PACKAGING, ADDING VALUE

Vétoquinol products target three strong, differentiated areas of expertise: anti-infectives, pain-inflammation and cardiology-nephrology. The Group offers product ranges that have become market leaders in the animal health sector and have enabled it to become one of the European leader in anti-infectives for companion animals.



Vétoquinol has made clear strategic choices, aimed at strengthening its expertise as well as its market positions. By staying intensely focused on three main therapeutic areas, the Group is in a position to optimise its investments in R & D, production and marketing.

LEADER IN THE ANTI-INFECTIVES MARKET

As a creator of innovative antibiotics, Vétoquinol is one of the European market leader in anti-infectives for companion animals and ranks third in anti-infective injectables for livestock. The Group has several major brands. Marbocyl®, its best-selling antibiotic range, is ranked in the top five anti-infectives in the European market. Developed for the treatment of otitis in dogs and cats, Aurizon® (the only fluoroquinolone that can be used locally) and Oridermyl® are also among the leading products in this market. More recent products like Clavaseptin® and Enisyl® have also further reinforced the Group's position.



VÉTOQUINOL 3D, A BRAND IN PROFILE

> To boost its identity, its uniqueness and expertise with customers, the Group changed its logo in 2009. The visibility of the Vétoquinol name has been enhanced, to ensure a more immediate identification of the company. An international marketing campaign was also launched in April on the theme of "Vétoquinol 3D, three dimensions of a passion". Veterinarians spontaneously associate the Vétoquinol brand with the Group's three main areas of expertise. .



MARBOCYL®: A ROLLS ROYCE WITHIN EVERYONE'S REACH

> A reliable and high quality car, a very beautiful woman, a dynamic man who has everything he requires to succeed: these are some of the images which European

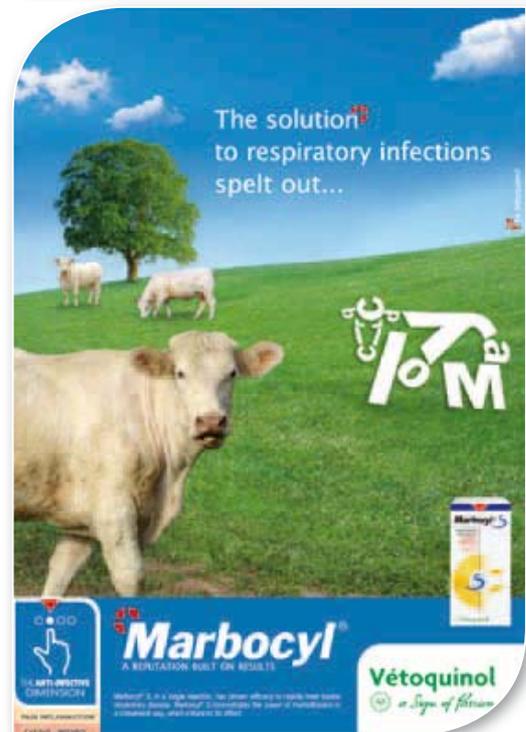
veterinarians associate with the Marbocyl® antibiotic range. This was the result of a survey conducted among canine and rural veterinarians in Germany, France and the United Kingdom in March 2009.

INFLAMMATION AND PAIN MANAGEMENT: AN ETHICAL ISSUE

Vétoquinol has developed a complete range of products aimed at preventing and relieving pain. By contributing to the well-being of the animal, the Group is responding as much to an ethical issue as to a therapeutic one, as the damaging effects of pain on health are well-known. The Group's benchmark product ranges in this area include the Alfaxan® anaesthetic (specially designed for companion animals), non-steroid anti-inflammatories like Tolfedine® (dogs and cats) and Tolfine® (livestock), as well as food supplement ranges for the management of osteo-arthritis with Flexadin® and Caniviton®.

RECOGNISED EXPERTISE IN CARDIOLOGY-NEPHROLOGY

Heart failure and kidney diseases are the most common chronic ailments in older dogs and cats respectively. As a pioneer in this field and the first company to offer such a broad product range, Vétoquinol continues to develop innovative therapeutic solutions. Prilium® is the only treatment for canine heart failure available in oral form. For the treatment of renal failure, innovation comes under the Rubénal®, Ipakitine® and Azodyl® brand names. In order to strengthen its expertise in cardio-nephrology, Vétoquinol supports research teams from the Veterinary Schools in Maison Alfort and in Toulouse (France), who have highlighted the relevance of treating the heart kidney axis in dogs and cats. This work was presented at the Vétoquinol Academia seminar held in Berlin in May 2009. ■



OUTSTANDING EVENTS

MAY FREE SOFTWARE DEVELOPED BY VÉTOQUINOL CANADA

Available for free download on the Internet, Vétoquinol Precision software can calculate highly precise mixtures of soluble veterinary powders according to multiple criteria. Specifically developed for use in swine and poultry breeding, it ensures the optimal use of Vétoquinol products, thereby enhancing the effectiveness of the treatments. ■





With the acquisition of the highly profitable Animal Health Division of Wockhardt Ltd in India, Véroquinol has not only gained a 5% share in a booming local market, but has also established a solid beachhead for the development of its Asian activities.



SPOTLIGHT ON INDIA ON THE WAY TO ASIA



- ▶ Vétoquinol India ranks 2nd in the Indian market for poultry, 5th in the livestock segment and 3rd in the companion animals segment.



NAMASTE **INDIA!** **WELCOME TO INDIA!**

On August 20th 2009, Vétoquinol completed the acquisition of the Animal Health Division of Wockhardt Ltd in India, which is currently ranked 6th in a rapidly developing national market.

IN INDIA, ANIMAL HEALTH INVOLVES...

> 50 million breeders, 187 million cows, oxen and bulls, 97 million buffaloes, 160 million hens, 1,500 million chickens, 62 million sheep, 2.25 million companion animals, 120 million goats and 14 million pigs.

→ The Indian subsidiary, which was consolidated in August, generates revenues of around 12 million euros on a full-year basis. It is a high-performing business, with a rate of return that is higher than the Group's. The subsidiary is innovative, with 7% of its revenues allocated to R & D, and is preparing to launch a dozen new products.

Establishing a subsidiary in India represents a major advantage for Vétoquinol, which has made the development of its Asian operations one of its strategic priorities. The Indian animal health market is estimated at U\$350 million with an annual growth rate of over 8%. Over 50% of the market is dedicated to the 284 million heads of cattle in the country, which has been the largest milk producer world-wide since 2001. The companion animals segment is also booming, with double-digit growth rates.

A SALES FORCE OF 135 SALES REPRESENTATIVES IN A COUNTRY OF MORE THAN ONE BILLION PEOPLE

Vétoquinol India markets about one hundred or so products, mainly for cattle, with a well diversified range (anti-infectives, NSAIDs, anthelmintics, antiprotozoals and food supplements), and poultry (vitamin pre-mixes, food supplements and anticoccidials). These specialities are produced by local subcontractors with whom partnerships have been forged. Obvious synergies have immediately appeared with some of the Group's product lines, which will be distributed as soon as the administrative authorisations are available. Their promotion will be supported by a sales force of 135 sales representatives, who travel an average of 150 km per day on their two-wheelers to visit Vétoquinol India's 27,000 or so customers. Welcome to the new Indian colleagues! Or "Namaste!", as they say in the country where cows are sacred.

“
10 EMPLOYEES FROM VÉTOQUINOL INDIA CAME TO LURE
TO ATTEND THE 2010 NEW YEAR CELEBRATIONS, SHOWING
THEIR EAGERNESS TO TAKE THEIR PLACE QUICKLY
IN THE VÉTOQUINOL FAMILY.
”

OUTSTANDING EVENTS

OCTOBER 8,500 PRODUCT DATA ITEMS RECOVERED IN INDIA

Vétoquinol's Technical Data Services completed the data recovery for 263 finished products marketed by the Wockhardt Ltd Animal Health Division, less than two months after its acquisition by the Group. In total, 8,500 data items were retrieved using the Enterprise Resource Planning and the application that reference all Vétoquinol's finished products. ■





PROXIMITY IS GAINING GROUND

With a presence in 23 countries on five continents, Vétoquinol continues to pursue its strategy of establishing new operations and expanding existing ones in Europe, America and in emerging countries with high growth potential.

A PRESENCE IN 23 COUNTRIES

> **EUROPE:** Germany, Austria, Belgium, Denmark, Spain, France, Ireland, Italy, Norway, Netherlands, Poland, Portugal, Czech Republic, United Kingdom, Sweden, Switzerland, Ukraine

> **AMERICA:** Canada, United States of America, Mexico

> **ASIA:** China, South Korea, India



Vétoquinol distributes its products in more than one hundred or so countries through 23 local companies and its network of distributors. Traditionally well-established in Europe, the Group has been present in North America since the late 1990s and continues to grow there, particularly in the United States, the world's largest market. At the same time, Vétoquinol is looking to conquer emerging markets with high growth potential. After opening a marketing office in China and a subsidiary in Korea in 2006, the Group established a strong presence in Italy, Europe's 5th largest market, in 2008. The roll-out of its network assumed a new dimension in 2009 with the acquisition of the Wockhardt Ltd Animal Health Division in India. Other opportunities to establish or expand the company's operations are now being sought in China and Brazil (the world's 2nd largest market).

THE BENEFITS OF DIVERSITY

In order to improve the integration of employees in its new subsidiaries, Vétoquinol adopts a management approach that values skills, based on a respect

for differences. Around the world, Vétoquinol gives its teams the resources and the autonomy that are essential for meeting the specific requirements of each market, by remaining very close to their customers.

THE POWER OF UNITY

The sustained external growth policy has effectively doubled the number of Vétoquinol's employees within a few years. In order to make sure that it is united, the Group relies first and foremost on respect for its founding values, which form an essential part of the annual performance evaluation process for each of its employees. Those values are also promoted by specific actions taken by the subsidiaries: seminars, posters, targets or competitions. A list of desired behaviours in terms of relations between departments, countries, services and colleagues has also been drawn up: the "Do's and Don'ts" list. To promote internal dissemination and exchange of information, the Group's intranet site was made accessible to most subsidiaries in 2009.

“
62% OF VÉTOQUINOL'S
EMPLOYEES ARE BASED
OUTSIDE FRANCE.
”

“
IN THE VÉTOQUINOL
STRATEGY
AND CUSTOMER
RELATIONSHIP
DIVISION, WOMEN
AND MEN BELONGING
TO SIX DIFFERENT
NATIONALITIES
WORK TOGETHER
ON A DAY-TO-DAY
BASIS.
”

“
CHALLENGING A
DECISION IS NORMAL
AND HEALTHY IN A
LIVING ORGANISATION.
BUT AFTER THE
ARBITRATION PROCESS,
YOU MUST ACCEPT
AND SUPPORT THE
FINAL DECISION.
”

Extract from the company
"Do's & Don'ts"

OUTSTANDING EVENTS

DECEMBER FOUR APPLICATIONS FOR MARKETING AUTHORISATION IN 2009

Vétoquinol has filed four applications for Marketing Authorisation (MA): two of them relate to anti-infective products for livestock, while the other two concern medicines for companion animals. Issued on the basis of a very comprehensive dossier, the MA is proof that the product meets the requirements of health authorities in terms of quality, safety and efficacy. The probability of obtaining these authorisations is greater than 95%. The four new Vétoquinol products should therefore be marketed as early as 2011. ■





RESPONSIBLE CORPORATE GOVERNANCE

Vétoquinol is committed to conducting its business in a thorough and ethical manner, and undertakes to comply with relevant laws, regulations and best market practices. Pursuant to Act No 2008-649 of July 3rd 2008, adopted by decree dated December 8th, 2008, the Board of Directors has decided to adopt the corporate governance code for listed companies developed by AFEP-MEDEF¹ in December 2008 as a reference.

The Group's intention is to enable its shareholders to benefit from its growth. Beyond compliance with legal and regulatory provisions, Senior Management is committed to safeguarding the interests of all stakeholders in the Group's business activities: shareholders, banks, customers, suppliers and employees. The General Management of the Group is currently the responsibility of the Managing Director, who is also the Chairman of the Board of Directors, assisted by the Deputy Managing Directors. As of April 1st 2010, the roles of Managing Director and Chairman of the Board will be split.

The Board of Directors, for which its Chairman is responsible, determines the Group's strategic orientations and oversees their implementation. The Chairman of the Board of Directors organises and directs the work of the Board, on which he reports to the annual general meeting of shareholders.

He sees to the proper working of the various component entities of the company and, in particular, he ensures that the directors are in a position to fulfil their assignments. The Board of Directors consists of eight members, two of whom are independent directors.

GROWTH AND PERFO MOMENTUM

The Compensation Committee reviews the compensation packages for directors of the company and, where appropriate, for the employees of Group companies.

The role of the Audit Committee is to deliver an opinion on the interim and annual financial statements to the Board of Directors, in respect of the consolidated and parent company financial statements. Each of these two committees consists of three members, two of whom are independent directors.

The Strategic Committee issues all recommendations to the Board of Directors in areas involving strategy, opportunities and development prospects. It consists of the following members:

- the Chairman;
- the Managing Director;
- the Group Deputy Managing Director;
- two independent directors.

COMPLETE, ACCESSIBLE AND REGULAR INFORMATION

The evolution of Vétoquinol's business activities, as well as the company's results and its strategy, are presented to analysts and institutional investors through semi-annual presentations, meetings (road shows) and conference calls. The annual general meetings represent ideal venues for individual shareholders. Continuity of information is ensured through the dissemination of specific press releases on significant events that occur outside regular publication periods and through announcements on the website. The website, which is updated on an ongoing basis, enables visitors to track Vétoquinol's share price movements and to consult all the statutory financial information set out in the EU directive known as "the Transparency Directive".

¹ Association Française des Entreprises Privées-AFEP (French Association of Private Sector Companies);
Mouvement des Entreprises de France-MEDEF (French Business Confederation)



THE GROUP MANAGEMENT COMMITTEE

Étienne Frechin
(President & Managing Director)

Dominique Henryon
(Group Deputy Managing Director)

Matthieu Frechin
(Deputy Managing Director –
Strategy and Development)

Alain Chaptal
(Group Director – Manufacturing
and Quality)

Pierre-Yves Colin
(Group Director – Information
Technology)

Alain Cosnier
(Group Director – Innovation)

Dominique Derveaux
(Group Director – Europe)

Didier Peoc'h
(Group Director – Research
& Development)

Hans Hollegien
(Group Director – Strategy
and Customer Relationship)

Pierre Konareff
(Group Director – Finance and Legal)

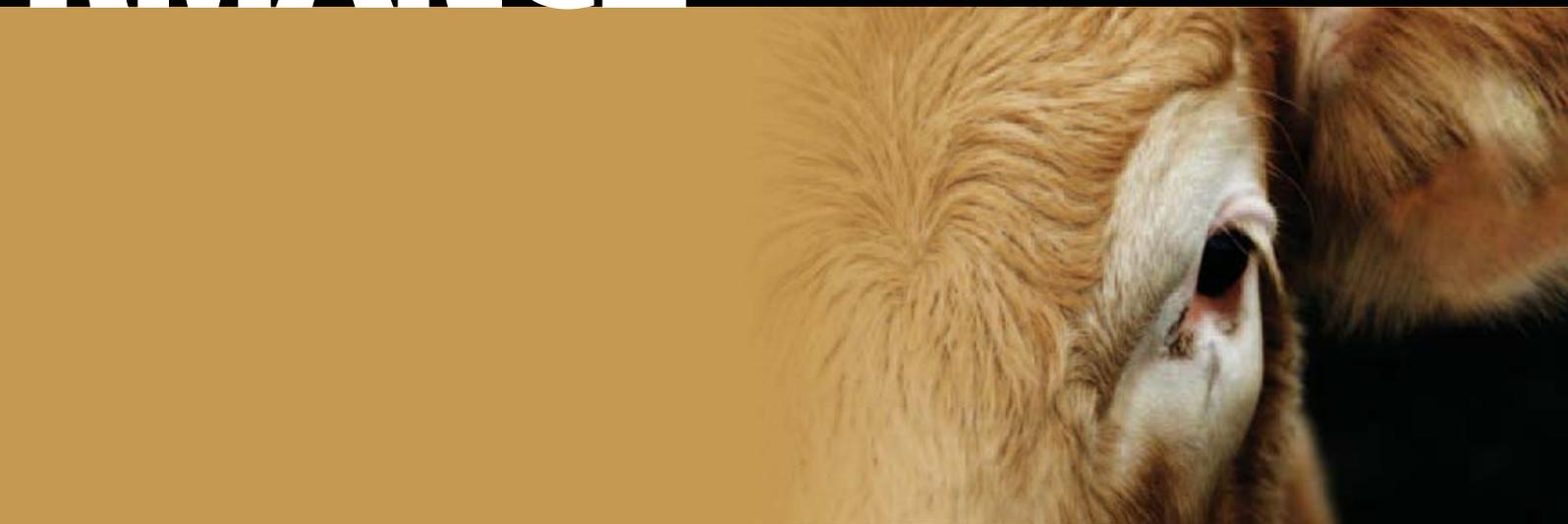
Isabelle Proust-Cabrera
(Group Director – Human Resources)

Tom Robitaille
(Group Director – America)

Dan Tasli
(Group Director – Asia-Pacific)



RMANCE





UNSETTLED EQUITY MARKETS

Equity markets were particularly unsettled in 2009, with significant fluctuations both upwards and downwards. "Small caps" were more affected by market volatility than stocks in the CAC 40 index.

Despite the economic environment, the Vétuquinol stock has largely defeated the SBF 250 index.

CODES AND INDICES

ISIN: FR0004186856
 Reuters: VETO.PA
 Bloomberg: VETO.FP
 Indices: CAC MID&SMALL 190

AS AT DECEMBER 31ST 2009

Number of shares traded: 11,292,632
 Share price: €22.30
 Market Capitalisation: €251.8 million

SHARE PRICE TREND

Vétuquinol was introduced on the Euronext™ Paris Compartment B in 2006
 Price relative to the SBF250 Index (rebased to 100)



FINANCIAL CALENDAR

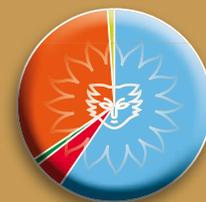
May 7th 2010 Annual Shareholders' Meeting
 June 4th 2010 Dividend Distributions
 July 20th 2010 2010 Interim Revenues
 August 31st 2010 2010 Interim Results
 October 19th 2010 2010 3rd Quarter Revenues

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VÉTOQUINOL AND THE STOCK MARKET

Share Ownership Structure at March 1st 2010



| | |
|-------|----------------------|
| 60.3% | Soparfin SCA |
| 5.2% | Frechin Family |
| 0.5% | Treasury stock |
| 33.4% | Free Float |
| 0.6% | FCPE (Employee Fund) |

2009 revenues
by Territory



- 61% Western Europe
- 8% Eastern Europe
- 23% North America
- 8% Rest of the World

2009 revenues
by Therapeutic Class



- 44% Anti-infectives
- 13% Pain-inflammation
- 4% Cardiology-Nephrology
- 39% Other

2009 revenues
by Species



- 50% Companion Animals
- 32% Cattle
- 12% Pigs
- 6% Other



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