

# Group's perspectives for 2015 impacted by the industrial situation in the United-States

Public release – June 23rd, 2015



During the Annual Shareholders Meeting to be held on June 24th, Virbac's management will provide the following update on 2015 perspectives.

Virbac reminds that early this year, its U.S. affiliate has interrupted manufacturing and deliveries from its St. Louis (Missouri) facility, in order to implement in the best conditions the Quality System Improvement Plan ("Q.S.I.P.") submitted to the F.D.A. following the inspection completed by this authority end of 2014. As mentioned with the release of Group's first quarter revenue, the action plans initiated are progressing according to expectation. The teams have been strengthened with the recruitment of a very experienced vice-president, Manufacturing, which was publicly announced recently, as well as a vice-president, Quality Assurance also very experienced, who will join Virbac US on the 1<sup>st</sup> of July. Manufacturing of some ranges has resumed gradually in the course of the second quarter.

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

Consequently, the U.S. affiliate will ultimately suffer in 2015 from a significant drop in revenue generated by its historical range, i.e. excluding the Sentinel range acquired in the beginning of this year. The very positive contribution from Sentinel will largely exceed such decline but will not allow to offset the resulting impact: loss of margin, under-absorption of fixed operating costs and one-time expenses incurred in St. Louis. Thus the current operating result of this affiliate in 2015 is now expected to decrease despite the integration of Sentinel.

The evolution of business in the other regions of the world cannot compensate for the erosion of results in the United-States; at consolidated level this situation might result in a decrease of the Group's current operating profit in 2015, despite the favorable impact of exchange rates. For the first half-year, current operating profit is already expected to show a significant decrease as compared to the same period of 2014.