2013 Registration Document

Our business: animals. Our advantage: people.

Vétoquinol

a Sign of Passion

2013 key figures

A pure player in animal health

10th largest veterinary pharmaceutical laboratory in the world

Sales

€299.7m

Breakdown of 2013 sales per business segment

Pets

€153.9m

Livestock

€145.8m

Headcount

1,847 employees

Operating in 23 countries

France
Germany
UK
Italy
Spain
Poland
Belgium
Netherlands
Brazil
India
Portugal
Scandinavia
Switzerland
USA
Canada
Mexico
Czech Republic
South Korea
China
Ireland
Austria

Breakdown of 2013 sales per territory

Americas

Europe

Asia Pacific

€87.2m €172.3m €40.2m

147 R&D technicians

5 production centers

Net income Group share

€23.6m

"Ambition is the theme for 2014."

Interview with Matthieu Frechin, Vétoquinol CEO

How would you sum up the year 2013?

We managed to put in a strong performance in the midst of a global downturn thanks to an outstanding commitment on the part of every Vétoquinol employee.

Sales for fiscal 2013 came to €299.7 million, of which 83% were generated outside France. Boosted by the ramp-up of new products and the focusing of resources, reference products achieved organic growth of 9.1%.

The Group's EBIT margin amounted to 11.2% of sales, an increase of 70 basis points. This improvement was due to the growth of reference products and our tight control of expenditure. 2013 net income came to €23.6 million, up 4.5% from the previous year.

At the end of 2013, the Vétoquinol Group had positive net cash of €45.8 million, a €15.7 million improvement over the previous year's closing cash position. This strong financial structure gives us reason to be optimistic and ambitious about the future development of our company.

In terms of strategy, can you say a few words about your reference products?

Our reference products are the very fuel that drives Vétoquinol's growth. Intended for global distribution, they are designed to be a core component of daily veterinary practice and to meet the needs of pet owners and livestock farmers.

Most of our expenditure, on R&D, marketing, sales and production facilities, is thus geared towards our reference products. Over three years, their share in Group sales has increased by 4 percentage points and now stands at 44% of sales.

This strategy is illustrated by our recent product launches and the subsequent extension of these products throughout our strategic countries, as a result of which reference products achieved organic growth of over 9% in 2013.

You have made 'ambition' the theme for 2014. Can you tell us a bit more about that? What is the outlook for Vétoquinol?

We have indeed made 'Ambition' the theme for 2014. Ambition to succeed, ambition to expand ambition to develop, but also the ambition to support the Group's booming growth in the animal health world market. Ambition rhymes with action.

Our development is based on «profitable hybrid growth»: a combination of organic and external growth. The takeover of the animal health business of Bioniche Life Sciences Inc., which we announced at the end of February, is in accordance with this business model. This acquisition represents a new milestone in the implementation of our international growth strategy. The new business will considerably expand our portfolio of livestock products.

Targeted acquisitions in line with our policy of developing reference products should enable us to strengthen our positioning in the most buoyant markets.

Last but not least, our greatest asset remains our staff, who are united by their adherence to our family-oriented corporate values and by a raison d'être that gives us a daily incentive to better our performance.

Matthieu Frechin
Chief Executive Officer

3 Social and Environmental Responsibility

3 – Social and environmental responsibility

Vétoquinol is committed to implementing a safety, health and environmental policy aimed at promoting a responsible attitude, on the part of both the Company and its employees, with regard to social justice and the protection of the environment.

The Group's reputation is of primary importance and is one of our key assets. The fact that Vétoquinol has an excellent reputation in the healthcare sector is no coincidence - this reputation is based on the Company's history and commitment to equity and integrity in its business relations and commercial transactions. Each Group employee is personally responsible for maintaining this reputation.

Vétoquinol has always been committed to preserving natural resources, saving energy, aiding developing countries and being a pharmaceutical company with a human face.

In 2008, the Executive Committee decided to establish an official sustainable development policy that is equally visible to both employees and external partners.

Responsible behavior: the Vétoquinol Guide to Good Business Practices

Vétoquinol ensures that its development strategy complies with legislation and ethical principles and shows respect for individual rights within the context of healthy competition. For this purpose, Vétoquinol has circulated a Guide to Good Business Practices to all of its employees.

The rules in this Guide explain what Vétoquinol expects of each of its employees, regardless of their hierarchical status, so that throughout the world everyone acts in compliance with the law and with the Vétoquinol code of conduct, not only vis-à-vis the Company's competitors, customers and suppliers, but also in order to protect Vétoquinol's assets and prevent any risk of fraud, bribery or corruption for which the Company may be held liable.

Vétoquinol refuses to work with companies or employees of other companies who fail to comply with these agreements and principles. Vétoquinol builds relationships with its customers and suppliers based on honesty and fairness. Adherence to these principles is monitored by all departments, particularly by the Procurement Department.

Vétoquinol is committed to analyzing the impacts of its business activity in order to maximize the preservation of biodiversity and natural resources whilst minimizing pollution and the consumption of resources. In concrete terms, this means designing the most suitable products for promoting animal health whilst conserving the environment. This is precisely the mission of our Product Development Department.

Vétoquinol is committed to respecting the environment in its choice of supplies, means of transport, production processes, packaging and distribution channels - these issues are covered by the Industrial and Quality Department.

The Human Resources Department is committed to training employees to be aware of these issues, so that they can then spread these values amongst their partners and thus have a positive domino-effect.

The person in charge of promoting sustainable development implements and applies standard indicators to measure progress in combating climate change and in the use of resources. They also analyze the risks of harming the environment generated by everyday operations and major projects in order to propose and implement suitable preventive and protective measures. They are notified of projects and decisions that impact or that might impact on one of the three dimensions of sustainable development.

Vétoquinol is committed to preventing all forms of discrimination. Vétoquinol provides its employees with fair compensation and a share in its profits, thus fostering cohesion and loyalty. The Company sets up conditions to ensure that all employees achieve fulfillment within their respective organizational structures. This is one of the tasks of the Human Resources Department.

The safety and health of workers is a constant concern. The Industrial and Quality Department ensures that the most stringent safety standards are applied by all Group entities.

Vétoquinol gets involved in the life of the community by sponsoring local cultural and sporting events and by supporting NGOs whose activity is related to the Company's core business. The Communications Department coordinates these initiatives.

3.1. STAFF INFORMATION

On a daily basis, Vétoquinol seeks to apply the six values that are enshrined in its corporate DNA and that contribute towards driving the Group forward: Performance, Boldness, Commitment, Authenticity, Team Spirit and Openness.

The Vétoquinol values serve as a benchmark that guides the daily actions of each employee. These values help to improve coordination between colleagues working in different countries and in different professional areas and to increase the consistency of actions taken and decisions made.

A global adventure

In the sales subsidiaries, our growth over the upcoming years will be driven by our determination to:

- have our sales teams specialize in our two business segments, livestock and pets, as we have already done in a number of countries;
- develop our key accounts management operations in response to the trend towards business combinations between our customers;
- accelerate the marketing of Group products in our strategic markets, in particular the USA, the world's largest market;
- expand our operations in fast-growing markets (BRIC).

In the area of pharmaceutical production and development, Vétoquinol has invested in a new building on our Lure complex dedicated to dry products. Construction began in late 2011, and the first test batches were produced in 2013. A multi-annual operator skills enhancement program is also currently underway.

In France

In September 2012, Vétoquinol acquired Orsco Laboratoire Vétérinaire, an independent company based in the Lyon region with around ten employees. This acquisition gave Vétoquinol a firm foothold in the pet behavior market and enabled the Company to expand its range of products designed to cater for the requirements of vets and pet owners. In September 2013, industrial operations were relocated to the main production center at Lure. Employees unable to move were granted several months' redeployment leave and are receiving individual guidance to help them find new jobs or set up their own professional projects.

In Brazil

In June 2011, Vétoquinol acquired Farmagricola SA, a family-run Brazilian animal health laboratory specializing in livestock products. Farmagricola is based in the outskirts of São Paulo and employs around 100 people. Most of its employees work in its production plant. The sales network consists of around 30 sales agents. Our priority here is to develop sales by contributing the marketing skills and tools needed to drive sales of the company's existing products and to prepare for the registration of the Group's products in Brazil.

We are gradually hiring salaried sales managers (national director and regional managers) so as to tighten our control over the grass roots application of our sales strategies and improve the coordination of our marketing campaigns.

In India

We aim to expand our operations in this market by considerably boosting the sales force.

Most Vétoquinol India employees are involved in sales operations and comprise the Group's largest sales force. The Indian subsidiary currently outsources its production to subcontractors with whom we have maintained a close relationship for many years.

In 2012 and 2013, a multi-annual sales network reinforcement program was rolled out with the aim of expanding territorial coverage and improving our competitive positioning.

In Russia and China

In 2013, as part of the roll-out of our strategic plan, we established the foundations of an operation in Russia and continued with our plans to set up operations in China. In both of these countries, local teams are hired to develop our business..

3.1.1 Headcount at December 31, 2013

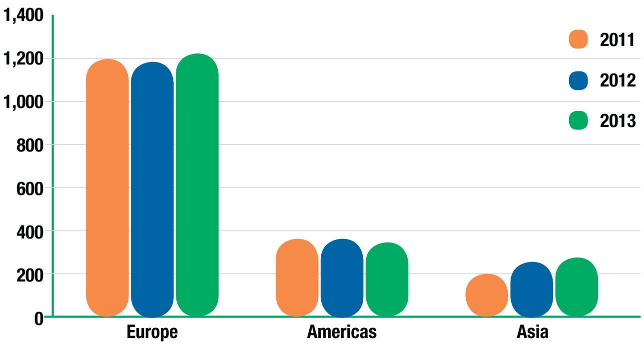
2013 changes in headcount

As of December 31, 2013, the Group had 1,847 employees compared to 1,812 at the end of 2012. The headcount increased by 2%, compared to 4% in 2012. This leveling-off effect was mainly due to the consolidation of our sales force in India (39% increase in 2012).

Group headcount is globally stable. The largest increases are in France, up 5%, and Asia (India), up 3.5%.

Headcount	Europe	Americas	Asia	Total
Total 2013	1,219	357	271	**1,847**
Total 2012	1,187	363	262	**1,812**
2013 CHANGE IN HEADCOUNT	**32**	**- 6**	**9**	**35**
	3%	***2%***	***3%***	***2%***

3.1.2. Breakdown of headcount per territory at December 31, 2013



There are two trends worth noting:

- Europe, where progress is mainly due to France, which has hired new staff mainly in connection with its Excellence 2016 strategic plan.
- Asia, where the headcount registered a further increase during 2013. We are still in the process of strengthening our sales force in India and will continue to do so in 2014.

The slight fall in headcount in the Americas is mainly due to the number of vacant posts at the end of 2013 compared to the end of the previous year.

3.1.3. Breakdown of headcount per department at December 31, 2013

	2012	2013	Change
Sales & Marketing	640	656	3%
Administration	293	298	2%
Production	345	343	- 1%
Quality	180	180	0%
Supply Chain & Procurement	215	223	4%
Scientific	139	147	6%
TOTAL	**1,812**	**1,847**	**2%**

NB: the Supply Chain & Procurement category includes all logistics chain functions (procurement, supplies, raw material and finished product warehousing, scheduling, planning, sales administration, customer service and shipment).

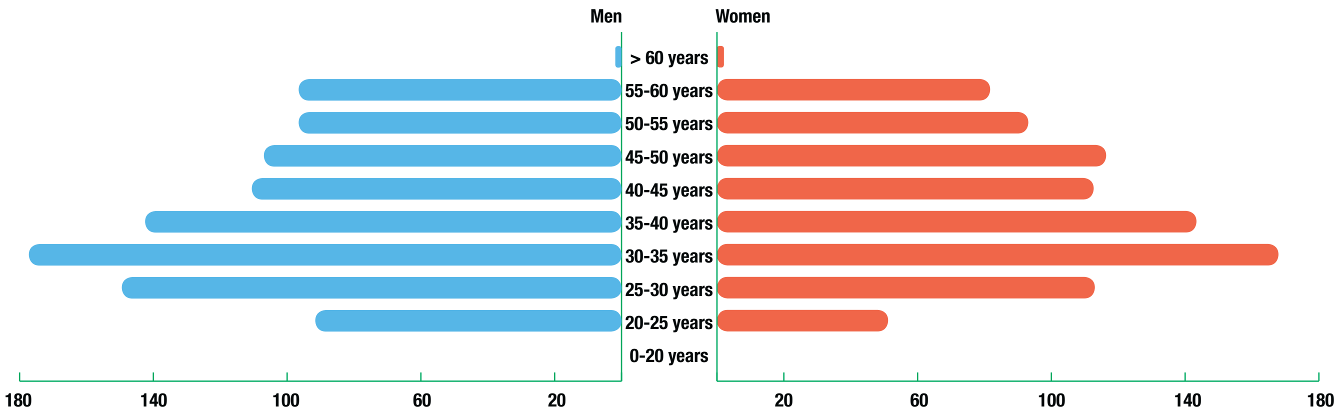
The scientific headcount increased by 6% in 2013, mainly due to the expansion of scientific departments and new product development in line with the Excellence 2016 plan.

3.1.4. Breakdown of headcount per gender and territory at December 31, 2013

Headcount	Europe	Americas	Asia	Consolidated total
Women	692	179	7	878
	57%	*50%*	*3%*	*47,5%*
Men	527	178	264	969
	43%	*50%*	*97%*	*52,5%*
TOTAL	**1,219**	**357**	**271**	**1,847**
	66%	***19%***	***15%***	***100%***

The Indian sales force consists solely of men, due to local working conditions, culture and tradition. This impacts the overall Group gender balance, resulting in a 5 percentage point difference in favor of men. Excluding Asia, the gender balance throughout the rest of the Group is tipped the other way, with a 10 percentage point difference in favor of women. Even including the India impact, the overall Group gender balance remains acceptable.

3.1.5. Age breakdown per gender at December 31, 2013



The age breakdown is more or less evenly balanced: 22% of employees are under the age of 30, while 21% are over 50 years old. The average age of Group employees is 40. Average length of service is 9.6 years. No particular changes occurred in comparison with 2012.

3.1.6. Breakdown by professional category at December 31, 2013

	2013	2012	%
Executive	489	477	26.5%
Sales force	403	397	21.8%
Technician, employee	614	596	33.2%
Manual worker	341	342	18.5%
TOTAL	**1,847**	**1,812**	**100.0%**

The balance between the various categories is relatively even. It is slightly weighted towards technicians due to the fact that the Group's pharmaceutical development and production operations require a considerable number of laboratory and administrative technicians. It is worth noting that the number of manual workers remained stable compared to 2012, whereas other categories registered a slight increase. This is due to annual productivity gains and the fact that the 2013 production volume was relatively stable compared to 2012.

3.1.7. Hiring and dismissals

Vétoquinol reports all staff movements in all of its companies on a monthly basis, mainly in order to track staff turnover rates. The voluntary turnover rate for 2013 was 8%, stable compared to 2012 (8% over the equivalent period).

3.1.8. Recruitment and compensation

The Company reviews its employees' salaries every year, either at its own initiative or in accordance with salary agreements signed with local social partners. Policy regarding compensation is determined by two key factors: individual performance and comparison with the labor market.

The attraction of the Group lies in its family values, its corporate culture, its growth plans particularly in the international sphere, its ambitions and its generous assignment of responsibilities.

3.1.8.1. Profit sharing

In France, the Company applies an exceptional formula (amendment no. 2 of June 29, 2007) to calculate the amount of profit sharing, which is equal to 5% of the Company's operating income. This formula is only applied where the resulting amount is greater than the amount calculated on the basis of the statutory formula.

3.1.8.2. Incentives

In France, an incentive scheme was introduced in the Company in 1987 to enable all employees to benefit from the Company's success and profits. The most recent incentive agreement, signed on June 15, 2011, applied to the 2011, 2012 and 2013 calendar years.

A cap rule is applied (the salary generates no incentives in excess of an amount equal to 2.5 times the annual social security ceiling).

It is expressly agreed that the sum of the special profit-sharing reserve and the overall incentives package for a given year shall not exceed 10% of the gross payroll.

In addition to any applicable statutory provisions, some Group subsidiaries have set up voluntary incentive schemes to enable their employees to share in the subsidiary's earnings.

3.1.8.3. Company corporate savings plan

In France, the Company set up a corporate savings plan in 1989. The plan is managed by Société Générale Gestion (S2G), AMUNDI and CPR Asset Management. Under the plan, employees have a choice of seven investment funds in which to invest their savings (profit sharing, incentives and voluntary contributions).

3.1.8.4. Profit-sharing bonus

In France, pursuant to statutory provisions, the management at its own initiative set up a measure to introduce a profit-sharing bonus for the 2012 fiscal year, applicable as from July 23, 2013. A gross bonus of €100 was paid to each of the beneficiaries in September 2013.

3.1.9. Work organization

In each of its subsidiaries, Vétoquinol complies with statutory and contractual requirements regarding working hours. Working time depends on the local conditions and business activity.

3.1.10. Absenteeism

Vétoquinol monitors absenteeism in all Group entities. The Company closely follows indicators related to short-term and regular absenteeism, as this is generally symptomatic of staff demoralization and considerably disrupts the company's operations.

For reasons of confidentiality, the Group does not publish this data, which is for internal use only.

Abnormal results or negative trends are analyzed in consultation with executives and human resources managers at the subsidiaries concerned, and corrective action plans are formulated and implemented. The absenteeism rate does not call for specific comment.

3.1.11. Labor relations

Vétoquinol pays particular attention to communication with its staff members.

3.1.11.1. Organization of social dialog, including staff information, consultation and negotiation procedures

Vétoquinol complies with local legislation regarding social dialog. Staff representative bodies are set up and operate normally in accordance with the applicable statutory provisions.

In 2013:

- the Group's French employees elected their representatives. The new representative bodies have a four-year term of office expiring at the end of 2017 ;
- following the withdrawal of the existing trade union, the Polish employees elected their new representatives. Due to a shortage of candidates, a Works Council could not be set up, and discussions between staff and management will continue with the newly elected representatives.

3.1.11.2. Collective agreements

No collective agreement has been set up in the Group's two largest entities (France and Poland).

The Princeville plant in Quebec periodically negotiates its "collective bargaining agreement" in accordance with local legislation applicable to union-affiliated sites.

3.1.11.3. Welfare schemes

In France, in accordance with the law, the Works Council manages Vétoquinol SA's welfare schemes in compliance with applicable statutory provisions. In 2013, a secure website was set up to provide employees with information on and access to the various welfare schemes (contribution to sporting activities, travel, discounts, Christmas trees, miscellaneous events, etc.).

In Poland, companies with more than 20 employees are required to set up a welfare fund. The welfare fund is governed by specific rules and is managed by a committee consisting of three representatives: one representative of the Works Council, one union member employee and one employer's representative. The committee meets once a month to discuss current issues related to the following areas: sport, welfare, loans, garden parties, joint sponsorship of cultural events, financial assistance for employees in difficulty and Christmas bonuses.

3.1.12. Health and safety

3.1.12.1. Health and safety conditions in the workplace

Vétoquinol has established a Group safety policy. This policy defines safety and the preservation of employees' health as essential requirements of Vétoquinol's business activity. Duties are clearly defined in each Group entity, and employee safety training is given top priority; given the nature of our business, training in the risks associated with the type of products handled is primordial. A comprehensive risk assessment is carried out at the design stage of every new workstation and thereafter conducted at regular intervals.

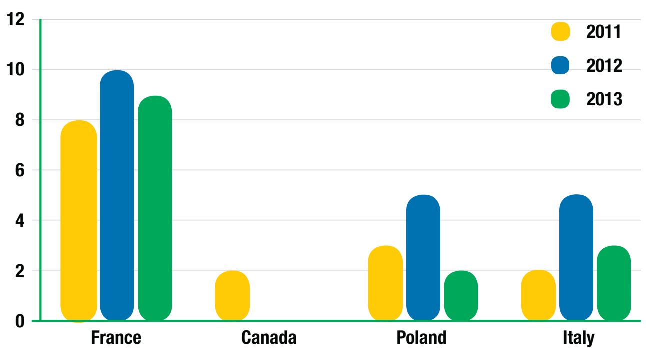
Particular attention is paid to employees exposed to the risks of handling carcinogenic, mutagenic and reprotoxic (CMR) substances. The Group also endeavors to reduce such risks.

Regular safety audits ensure that safety is included in the continuous improvement process in all sectors. Collective protection measures are prioritized over individual protective equipment. Likewise, all external companies that carry out operations on the premises of the Company are required to comply with a safety procedure. Each site has its own designated safety teams and equipment, and regular training is carried out. In each country, the local safety officer monitors changes in the regulations.

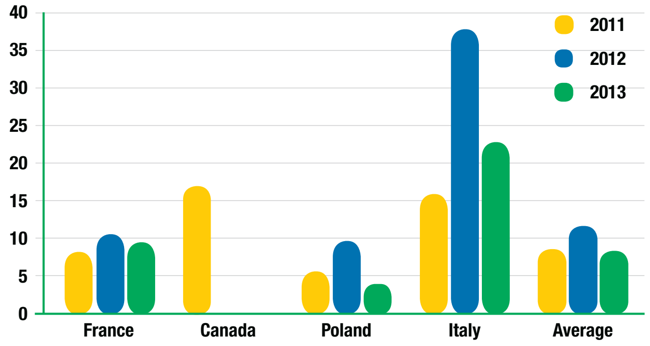
They are also responsible for security, excluding IT security which is managed by the IT department.

All of the Group's industrial companies are periodically audited by the Group safety coordinator, who thus ensures that all sites comply with the most stringent safety standards as defined and applied at the head office.

Number of lost-time industrial accidents per country

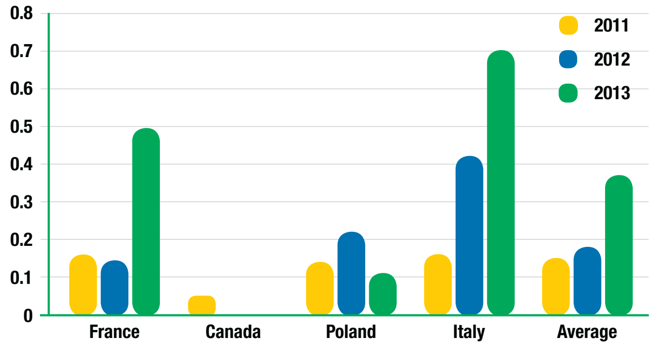


Lost-time industrial accident frequency rate per country



Frequency rate: number of lost-time industrial accidents x 1 million/number of hours worked.

Industrial severity rate per country



Severity rate: number of days lost x 1 million/number of hours worked.

3.1.12.2. Review of agreements on health and safety at work entered into with trade union organizations or staff representatives

Since March 30, 2011, companies where over half of the employees are exposed to arduous work factors as defined by law have been required under French law to establish an action plan or company agreement aimed at mitigating or eliminating such factors.

Vétoquinol is not bound by this requirement, as less than 50% of its French employees are exposed to arduous work as defined by the legislation. Nevertheless, in accordance with the Company's responsibility towards its staff, and to prevent the occurrence of industrial accidents and occupational illnesses, an action plan has been formulated and implemented in cooperation with the Health, Safety and Working Conditions Committee. Three types of arduous work have been identified and are being addressed:

- manual handling;
- repetitive work;
- night shift work.

Around 100 improvement measures were to be phased in over a period of three years. At present, over 90% of these measures have been implemented. Only the measures requiring study and/or major expenditure remain to be planned over the coming years.

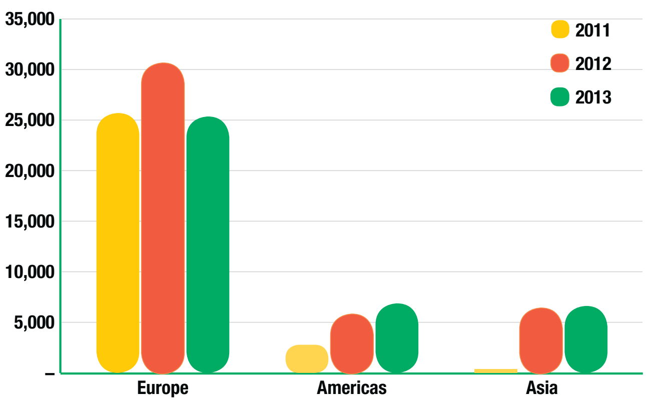
Following the 2013 French presidential elections, a trade union delegate was appointed by a representative trade union. The first company agreement on night shift work was signed in January 2014.

3.1.12.3. Compliance with the ILO fundamental

Vétoquinol seeks to comply with local and international labor law regulations in all countries in which it operates and manages employees.
Every newcomer to the Group receives a copy of the «Guide to Good Business Practices» and signs a statement of awareness, thereby agreeing to abide by the rules set out in the Guide.
These rules reiterate the statutory prohibitions regarding harassment, non-discrimination, child labor and the use of certain websites and e-mails during work.

3.1.13. Training

Number of training hours per territory



NB: in 2011, training hours were not reported in India, which explains Asia's very low result for that year. At the time, the India headcount accounted for 94% of the total headcount for Asia.

During 2013, Vétoquinol continued its Group-wide training initiatives despite a slight decrease in the total number of training hours, which in 2013 totaled 38,71 compared to 42,987 in 2012.

In 2013, the average number of training hours per employee was 21.

The amount of training provided is increasing steadily in the Americas, while Europe reverted to its 2011 level.

Enhancing the skills of Group employees is one of the priorities of the human resources department, which has imposed a minimum employee training budget on the Group's subsidiaries.

3.1.14. Non-discrimination and equal opportunity

Vétoquinol practices no discrimination in the hiring, remuneration or promotion of its employees.

The Group's subsidiaries, many of which are located far from major cities, may experience severe difficulties attracting talented people, whose spouses will have difficulty finding jobs in the area. Positions in production and control of pharmaceutical products, which are carried out in a clean and sensitive environment, tend to attract women rather than men.

In France, an action plan drafted in consultation with employee representatives was launched in 2012 to improve gender equality and redress the balance among certain professions naturally more prone to inequality.

The ratio of women to men remains relatively stable from one year to the next.

3.1.14.1. Employment of disabled persons

For a number of years, Vétoquinol has been working in partnership with an ESAT institution, a French center for promoting the employment of disabled employees. In 2010, premises were specially adapted in the Nénuphar building to accommodate a team of disabled workers, accompanied by their supervisor, who were engaged to carry out daily manual packaging operations. Early in 2014, Vétoquinol launched a new outsourcing partnership with the institution for operations performed on its own premises. The new arrangements were decided primarily in the interests of the workers and to improve the correlation between their projects and those of Vétoquinol.

In the Polish subsidiary, which employs three disabled persons, hiring is non-discriminatory with regard to disabled applicants. Certain degrees of handicap (intermediate) may give entitlement to extra days' leave and (until 2012) entail a limit on the number of hours worked per day.

3.2. ENVIRONMENTAL INFORMATION

The environment, our shared responsibility

3.2.1. Overall environmental policy

Controlling risk is one of our core concerns

All centers in which industrial operations are carried out have an environmental officer. This person reports both annually and whenever an incident occurs. The HSE (Health, Safety & Environment) engineer at head office also conducts safety and environmental audits.

All new Group employees are trained in environmental protection. On sites that have an emergency plan, the managers and technicians responsible for putting the plan into action receive periodic training in emergency measures.

Procedures and working methods, such as waste sorting, are implemented on a local basis. Staff are trained with a view to applying these procedures.

The Group has around five full-time employees responsible for managing environmental factors, in particular the prevention of risks and pollution.

The Group has not recorded any provisions or guarantees related to environmental contingencies.

At each production center, the environmental officer monitors the applicable regulations in order to anticipate any changes thereto.

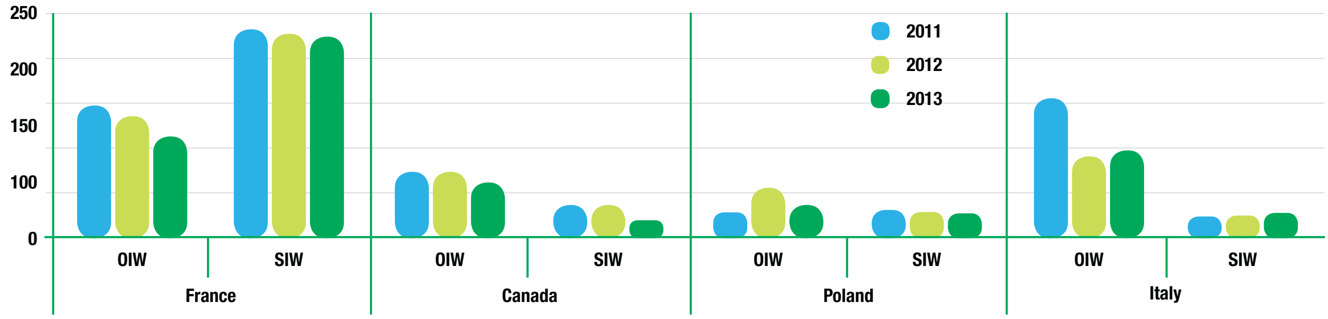
Information concerning the Brazilian plant is not taken into account as it is non-material.

3.2.2. Pollution and waste management

Given that it is a pharmaceutical company, the only direct atmospheric emissions generated by Vétoquinol's industrial plants are combustion products emanating from the gas boilers.

There is no soil pollution. All industrial plants have waterproof floors designed to contain any accidental spillage.

Ordinary (OIW) and Special (SIW) Industrial Waste per country (tonnes)



Regarding water pollution, the Canadian and Polish sites have separate sewer systems connected to the local municipal wastewater treatment plant. The Italian site does not produce any water pollution: all wastewater is collected and stored in containers for treatment by a specialist firm.

The Lure site has its own biological treatment plant, which is currently undergoing improvements in order to increase capacity and treat drug residues with even greater efficiency: the first phase of work was completed in 2012 and 2013, and an order was placed in 2013 for a second phase of work to be carried out in 2014. This innovative installation will enable the site to reduce the chemical oxygen demand (COD) concentration by half and the amount of drug residues insufficiently degraded during the biological stage of the treatment process by over 95%.

Solid waste is monitored closely by means of detailed indicators and changes are analyzed in order to prevent anomalies.

In accordance with the waste sorting policy, materials such as wood, cardboard, paper, metal and electrical and electronic equipment are sent to recycling companies. Pharmaceutical waste, which cannot be recycled, is incinerated at a certified energy recycling facility.
The best way to deal with waste is to re-use it, wherever possible. Vétoquinol prioritizes this solution, which is already applied to pallets, transport containers, etc.

Vétoquinol is committed to dealing rapidly with any disturbance caused to local residents. Whenever a potential disturbance is identified in advance, for example building work or roadworks, local residents who may be bothered by such operations are warned in advance and steps are taken to minimize the inconvenience.

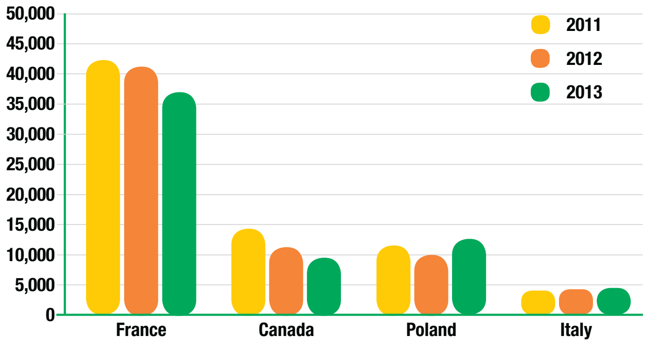
In 2013, Vétoquinol paid no compensation pursuant to a court decision relating to an environmental issue.

3.2.3. Sustainable use of resources

Limiting the impact of our operations on water consumption

Water is a key resource for Vétoquinol's production centers. Laboratory conditions require increasingly efficient and repeatable cleaning processes, which are generally performed using water mixed with detergents followed by successive rinses with water of increasing purity. These operations are generally automated and the control programs are designed and upgraded so as to optimize water consumption.
Meters and sub-meters are installed in all locations where control of consumption is important, and readings are analyzed in order to prevent anomalies and establish an area of improvement priority list.

Drinking water consumption (m³)



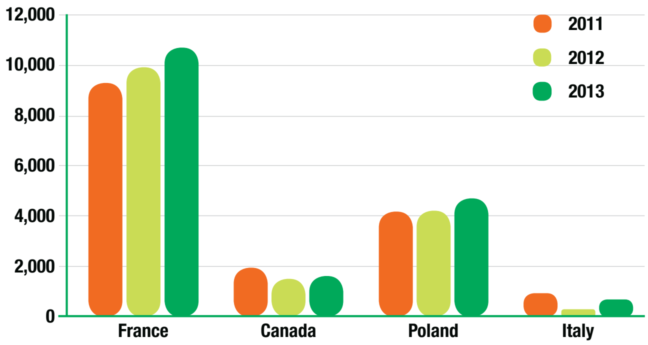
One specific feature of the Lure site is its additional use of groundwater for the industrial cooling of some facilities (annual consumption of approx. 30,000 m³). This water, which remains clean and is only slightly heated, is drained into the rainwater system. The Group plans to eventually reduce the use of groundwater via the gradual installation of closed circuit cooling systems.

In the pharmaceutical industry, raw materials are expensive and generate waste that is expensive to treat. The degree of material waste during the production process makes it more difficult to judge the quantities required, a problem exacerbated by the fact that these substances have a limited lifespan. Therefore, Vétoquinol makes every effort to optimize the use of these substances.

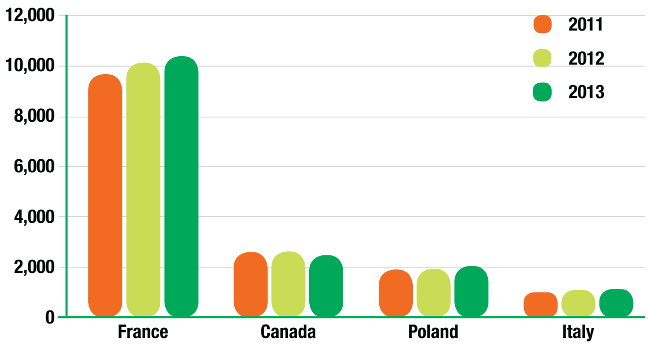
Regular investments are made in order to improve the energy efficiency of operations. At Lure, three major refrigeration units were simultaneously replaced in order to improve efficiency and to switch to a gas less harmful to the ozone layer. More efficient air compressors have been ordered and meters are gradually being installed in order to improve control of gas and electricity consumption. In Canada, in the production sector, an initiative to improve the efficiency of the ventilation units should lead to energy savings.

Vétoquinol maintains and upkeeps a maximum amount of grassy areas on its sites, with regular planting of trees and flowers.

Gas consumption (MWh)



Power consumption (MWh)



3.2.4. Climate change

Given the nature of its business and energy sources, which consist of natural gas for the production plants and low GHG emission electricity in France (primarily nuclear) and Canada (mainly hydroelectric), Vétoquinol does not generate a major impact in terms of greenhouse gas emissions in proportion to its value added.

The Group has already seized opportunities to reduce emissions by cutting energy consumption and streamlining transportation. In order to divide its greenhouse gas emissions by four by the year 2050, in line with the «Factor 4» commitment adopted by the French government, Vétoquinol will have to reduce its consumption of natural gas and replace it with renewable source electricity, as is already the case in Canada.

3.2.5. Protection of biodiversity

The Group's operations do not involve production processes that cause severe harm to rare, non-renewable or natural resources or to biodiversity. Vétoquinol is attentive to its surroundings and is committed daily to protecting its environment. All new building projects include a landscaping study geared towards preserving the ecosystem. On the Lure site, Vétoquinol chose to conserve an existing lake and to maintain it in order to preserve the diversity of natural living organisms.

3.3. SOCIAL INFORMATION

3.3.1. Territorial, economic and social impact of the Group's business

Vétoquinol plays an active role in the life of local communities through its involvement in and support for a variety of social, environmental and humanitarian schemes. Vétoquinol sponsors cultural events as well as sporting events and clubs.

In October 2013, employees at the Lure site and throughout the Group took part in a campaign in aid of breast cancer prevention. 130 employees on the Lure site posed cheerfully for the camera in order to produce a calendar from their photos. The proceeds from the sale of the calendars, which raised a considerable amount of money, were used to supplement the annual donation made by Vétoquinol to the French Cancer League.

Most of the Group companies are located away from large cities, and their presence and growth contribute to local and regional development in terms of employment.

Vétoquinol is keen to stay on good terms with the local community and ensures that its sites are sensitively integrated into the natural surroundings.

The Group's operations, including those of its industrial plants, generate little noise, visual or environmental pollution that could have a negative impact on the local community. The industrial sites are drug production centers where several types of ingredient, in liquid or powder form, are mixed in accordance with formulations registered and certified by the supervisory authorities (Health or Agriculture Ministry, depending on the country).

As with all production sites worldwide, the daily coming and going of heavy goods vehicles may occasionally disturb the local population. To date, Vétoquinol has received no complaints concerning these sites, some of which are located close to residential areas.

At the end of 2011, the Lure production plant in France set up a partnership with the national employment agency («Pôle Emploi») for the purpose of hiring, training and employing job-seekers without any qualifications or experience in laboratory techniques. The results of this first experiment are highly convincing: all participants in the scheme passed their training programs and were still working for the company at the end of 2013.

Every year, Vétoquinol contributes towards training around thirty apprentices, some of whom come from the local region. Furthermore, a strong culture of mentoring prevails throughout the Group, such that a large number of Group companies regularly organize student internships in order to T train the next generation of employees.

Vétoquinol, sponsor of Paris Zoo

Having partnered the "Animal Beauty" exhibition organized in 2012 at the National Galleries of the Grand Palais, Vétoquinol is now working with the French Natural History Museum in Paris and is particularly involved in the project to re-open Paris Zoo, renamed the "Parc Zoologique de Paris", in April 2014.

Vétoquinol is working closely with the medical veterinary teams, providing equipment and funding for the veterinary center. The center's mission includes training students and serving as a place of exchange, research and discussion for issues related to animal health, preserving endangered species and informing younger visitors about the various animal health professions.

Solidarity without borders

Vétoquinol USA at the Paris marathon: on April 7, 2013, six Vétoquinol USA employees ran the Paris marathon in order to raise funds for the Leukemia & Lymphomia Society.

Vétoquinol Canada and Centraide: for over 10 years, Vétoquinol's Canadian subsidiary has been working hard and has organized a number of schemes to raise money for the Centraide foundation, a charity that helps individuals and families to overcome from poverty and exclusion. Vétoquinol is actively involved in all local events and is still one of the most generous corporate donors in this part of Canada, beating its record in 2013.

3.3.2. Charter of commitments

Vétoquinol conducts its business activity in compliance with applicable laws and regulations. The Company is specifically committed to abiding by the ILO Fundamental Conventions, in particular those related to the protection of workers and the prohibition of child labor and forced labor.

As a matter of principle, Vétoquinol avoids all forms of discrimination, for any reason whatsoever, in the context of labor relations.

Regarding matters that are not governed by laws or regulations, Vétoquinol's employees are expected to apply the principles of fairness and honesty in their daily activities.

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19 – Financial statements

19.1. CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME for the year ended December 31, 2013

€000	Note	Dec 31, 2013	Dec 31, 2012
Sales	19.1.8	299,727	298,293
Purchases consumed		(103,068)	(107,132)
Other purchases and external expenses	19.1.10	(64,280)	(63,471)
Staff costs	19.1.11	(87,846)	(85,835)
Taxes other than on income		(3,865)	(4,174)
Depreciation and impairment of fixed assets	19.1.20/19.1.21	(11,568)	(11,815)
Provisions and write-backs		(228)	339
Other operating income	19.1.13	5,461	6,345
Other operating expenses	19.1.13	(743)	(1,105)
EBIT		**33,589**	**31,446**
Non-recurring operating income and expenses	19.1.14	(427)	
OPERATING INCOME		**33,162**	**31,446**
Income from cash and cash equivalents	19.1.16	1,246	880
Gross cost of debt	19.1.16	(579)	(693)
NET COST OF DEBT	**19.1.16**	**667**	**188**
Other financial income	19.1.16	2,036	1,756
Other financial expenses	19.1.16	(3,645)	(2,798)
NET FINANCIAL ITEMS	**19.1.16**	**(941)**	**(853)**
INCOME BEFORE TAX		**32,221**	**30,592**
Income tax expense	19.1.17	(8,636)	(8,019)
NET INCOME FOR THE YEAR		**23,585**	**22,574**
Attributable to:			
Shareholders of the Company		23,580	22,569
Non-controlling (minority) interests		5	5
Exchange differences on translation of foreign operations		(11,623)	(1,387)
Actuarial gains (losses), net of tax		(48)	(389)
Other comprehensive income, net of tax			
Total comprehensive income for the year, net of tax		**11,914**	**20,798**
Attributable to:			
Shareholders of the Company		11,909	20,793
Non-controlling (minority) interests		5	5
Basic EPS (€)	19.1.18	1,99	1,91
Diluted EPS (€)	19.1.18	1,99	1,91

STATEMENT OF FINANCIAL POSITION

€000	Note	Dec 31, 2013	Dec 31, 2012
ASSETS			
Goodwill	19.1.19	58,748	65,933
Other intangible assets	19.1.20	32,881	33,756
Property, plant and equipment	19.1.21	44,309	46,805
Financial assets available for sale	19.1.22	0	0
Other financial assets	19.1.23	694	600
Deferred tax assets	19.1.17	6,114	7,780
Total non-current assets		**142,746**	**154,875**
Inventories	19.1.25	56,431	55,315
Trade and other receivables	19.1.26	66,064	59,330
Current income tax receivables		784	3,482
Other current assets	19.1.26	1,878	1,844
Cash and cash equivalents	19.1.27	83,928	81,595
Total current assets		**209,084**	**201,563**
TOTAL ASSETS		**351,831**	**356,438**
SHAREHOLDERS' EQUITY			
Capital stock and additional paid-in capital	19.1.28	70,831	70,831
Reserves		141,497	134,566
Net income for the year		23,580	22,569
Equity attributable to shareholders of the Company		**235,908**	**227,966**
Non-controlling (minority) interests		47	43
Shareholders' equity		**235,956**	**228,009**
LIABILITIES			
Non-current financial liabilities	19.1.29	10,791	21,909
Deferred tax liabilities	19.1.17	3,624	3,421
Provisions for employee benefits	19.1.30	5,967	5,650
Other provisions	19.1.31	622	483
Other long-term liabilities		14	14
Government loans	19.1.32	1,031	1,151
Total non-current liabilities		**22,050**	**32,629**
Trade and other payables	19.1.33	65,805	66,296
Current income tax liabilities		1,020	724
Current financial liabilities	19.1.29	26,198	28,480
Other provisions	19.1.31	439	47
Other current liabilities	19.1.33	243	253
Government loans (portion due in less than 1 year)	19.1.32	120	0
Total current liabilities		**93,826**	**95,800**
Total liabilities		**115,875**	**128,429**
TOTAL EQUITY AND LIABILITIES		**351,831**	**356,438**

CONSOLIDATED STATEMENT OF CASH FLOWS

€000	Note	Dec 31, 2013	Dec 31, 2012
Consolidated net income		**23,585**	**22,574**
Elimination of non-cash items			
Net depreciation, impairment and provisions		12,352	12,331
Income tax expense	19.1.17	8,752	7,799
Interest expense		(675)	(73)
Provisions for employee benefits		91	102
Impairment of available-for-sale financial assets			
Capital gains (losses) on asset sales, net of tax		40	(41)
Other non-cash items		0	0
Income and expenses from share-based payments		11	106
Cash flows from operating activities		**44,155**	**42,798**
Tax paid		(9,673)	(6,664)
Change in working capital		(6,376)	(1,926)
Net cash flow from operating activities		**28,106**	**34,209**
Purchase of intangible assets		(1,068)	(1,563)
Purchase of PP&E		(6,472)	(7,525)
Purchase of available-for-sale assets		0	0
Purchase of other financial assets			
Proceeds from sale of assets		137	103
Loan repayments / income from other financial assets		(121)	(5)
Net cash flow from (used by) business combinations	19.1.7.2	(165)	(15,841)
Net cash flow from (used by) investing activities		**(7,689)**	**(24,832)**
Capital increase		(0)	0
Net (purchase) / sale of treasury stock		15	(305)
Issuance of debt and other financial liabilities		0	16,202
Repayment of financial liabilities		(10,568)	(10,485)
Interest paid		672	54
Dividends paid to parent company shareholders	19.1.28.5	(4,139)	(3,906)
Dividends paid to non-controlling (minority) interests		(1)	(1)
Investment subsidies and government loans			
Other cash flows from financing activities			
Net cash flow from (used by) financing activities		**(14,021)**	**1,559**
Exchange gains (losses)		(1,459)	(64)
Net change in cash		**4,938**	**10,872**
Opening net cash and cash equivalents		**63,964**	**53,092**
Change in cash and cash equivalents		4,938	10,872
Closing net cash and cash equivalents	19.1.27	68,901	63,964

TABLEAU DE VARIATION DES CAPITAUX PROPRES CONSOLIDÉS

€000	Capital stock and additional paid-in capital (note 19.1.28)	Translation reserve	Actuarial gains (losses)	Other reserves	Total reserves	Net income for the year	Total equity attributable– to parent company shareholders	Non-controlling (minority) interests	Total shareholders' equity
December 31, 2011	**70,831**	**1,941**	**286**	**115,498**	**117,725**	**22,695**	**211,252**	**40**	**211,291**
Net income for the year						22,569	22,569	5	22,574
Other comprehensive income, net of tax		(1,387)	(389)		(1,775)		(1,775)		(1,775)
2012 comprehensive income		**(1,387)**	**(389)**		**(1,775)**	**22,569**	**20,793**	**5**	**20,798**
Appropriation of earnings				22,695	22,695	(22,695)			0
Stock options exercised				106	106		106		106
Bond conversions									
Treasury shares				(188)	(188)		(188)		(188)
Dividends paid by the parent company				(3,906)	(3,906)		(3,906)	(1)	(3,907)
Other				(92)	(92)		(92)		(92)
December 31, 2012	**70,831**	**554**	**(102)**	**134,114**	**134,566**	**22,569**	**227,966**	**43**	**228,009**
Net income for the year						23,580	23,580	5	23,585
Other comprehensive income net of tax		(11,623)	(48)		(11,671)		(11,671)		(11,671)
2013 comprehensive income		**(11,623)**	**(48)**		**(11,671)**	**23,580**	**11,909**	**5**	**11,914**
Appropriation of earnings				22,569	22,569	(22,569)	0		0
Stock options exercised				11	11		11		11
Bond conversions									
Treasury shares			70	70		70		70	
Dividends paid by the parent company				(4,139)	(4,139)		(4,139)	(1)	(4,140)
Other				91	91		91		91
December 31, 2013	**70,831**	**(11,069)**	**(151)**	**152,716**	**141,497**	**23,580**	**235,908**	**47**	**235,956**

19.1.1. Overview of the Vétoquinol Group

Vétoquinol is a leading global player in the animal health sector serving both the livestock (cattle and pigs) and pet (dogs and cats) markets. An independent pure player, Vétoquinol designs, develops and sells veterinary drugs and non-medicinal products in Europe, the Americas and the Asia Pacific region.

Since its foundation in 1933, Vétoquinol has pursued a strategy combining innovation with geographical diversification. The Group's hybrid growth is driven by the reinforcement of its product portfolio coupled with acquisitions in high potential growth markets. Vétoquinol employs over 1,800 people.

Vétoquinol has been listed on NYSE Euronext Paris since 2006 (symbol: VETO).

The parent company, Vétoquinol SA, is a French public limited company (société anonyme) with its head office at Magny-Vernois, 34 rue du Chêne-Sainte-Anne, 70204 Lure Cedex.

Vétoquinol SA, the Group parent company, is controlled by Soparfin.

The consolidated financial statements of the Vétoquinol Group were approved by the Board of Directors on March 11, 2014. They will be submitted for shareholder approval at the next Ordinary General Meeting, due to be held on May 14, 2014.

19.1.3. Key events

None

19.1.3. Accounting principles

19.1.3.1. General principles and accounting standards

The 2013 consolidated financial statements were prepared in accordance with international accounting standards as published by the IASB and adopted by the European Union as of December 31, 2013. These international standards include IAS (International Accounting Standards), IFRS (International Financial Reporting Standards) and SIC and IFRIC interpretations. The IFRS adopted by the European Union as of December 31, 2013 may be consulted in the section entitled "IAS/IFRS Standards and Interpretations" on the following website: http://ec.europa.eu/internal_market/accounting/ias/index_en.htm.

The financial statements have been prepared on a historical cost basis, except for available-for-sale financial assets, which are measured at fair value and for which adjustments are recognized in other comprehensive income, and financial assets and liabilities, which are measured at fair value and for which adjustments are recognized in profit or loss (including derivatives).

Preparation of IFRS financial statements requires the use of certain accounting estimates, the most important of which are described in Note 19.1.6.

The principal accounting principles and policies applied in the preparation of the consolidated financial statements are presented below.

These methods are identical to those used by the Group as of December 31, 2012, with the exception of standards, interpretations and amendments adopted by the European Union and applicable for accounting periods beginning on or after January 1, 2013, without these having any material impact on the Group's financial statements for the year ended December 31, 2013:

IAS 1 – Amendment - Presentation of items of other comprehensive income

Revised IAS 19 - Post-employment benefits; the application of this standard had no impact on the financial statements, given the method previously applied (SORIE).

IFRS 13 – Fair value measurement

IAS 12 – Amendment – Deferred tax: recovery of underlying assets

IFRS 7 – Amendment - Offsetting financial assets and financial liabilities.

The Group opted not to adopt in advance those standards and amendments adopted by the European Union for which the application is not mandatory. The standards applicable as of January 1, 2014, i.e. those related to consolidation (IFRS 10 – Consolidated financial statements, IFRS 11 – Joint arrangements, IFRS 12 – Disclosures of interests in other entities, amendments to IAS 27 (2011) – Separate financial statements, and IAS 28 (2011) – Investments in associates and joint ventures) are not expected to have an impact on the consolidated financial statements.

19.1.3.2. Consolidation and business combinations

19.1.3.2.1. Consolidation scope

The consolidated financial statements include those of Vétoquinol SA and those of its subsidiaries in which the Company directly or indirectly holds a majority of the voting rights. Together, they comprise the Vétoquinol Group.

The subsidiaries comprise all entities over which the Group exercises exclusive control, i.e. has the power to govern their financial and operational policies in order to benefit from their activities. Such control is deemed to exist when the Group holds more than half of the voting rights, either directly or indirectly via its subsidiaries. Potential voting rights are taken into consideration when assessing the control exercised over another entity by the Group when such rights are derived from instruments exercisable or convertible at the time of the assessment. The financial statements of subsidiaries are fully consolidated, with non-controlling interests calculated as the percentage of the equity interest not held by the parent company.

A company is included in the consolidation scope from the date on which the Group acquires control thereof, and is deconsolidated as of the date on which the Group ceases to exercise control over it.

Acquisitions of subsidiaries are recognized using the acquisition method. The cost of an acquisition is equal to the total fair value of the assets obtained, liabilities incurred or assumed and equity instruments issued by the acquirer as of the acquisition date. The identifiable assets acquired and the identifiable and contingent liabilities assumed in a business combination are initially measured at fair value as of the acquisition date, irrespective of the amount of minority interests. The excess of the acquisition cost over the Group's interest in the fair value of the recorded assets, liabilities and contingent liabilities is recognized as goodwill (Note 19.1.19). Conversely, if the share of assets, liabilities and contingent liabilities at fair value exceeds the acquisition cost, the excess is posted immediately to income.

The non-controlling shareholders' interests are shown on the balance sheet within a specific category of other comprehensive income. The amount of their share of consolidated net income is presented separately in the income statement.

All inter-company balances and transactions, including gains and losses, as well as dividends, are eliminated on consolidation. The Group is composed solely of Vétoquinol SA and its subsidiaries. It has no joint ventures or associated companies. Group companies are presented on page 134 under "Group companies".

19.1.3.3. Business combinations

With regard to business combinations carried out on or after January 1, 2004, in compliance with IFRS 1, the Group has applied the so-called acquisition method as set forth in IFRS 3. Since January 1, 2010 the Group has applied revised IFRS 3, the main provisions of which are as follows: goodwill represents the fair value of the consideration transferred (including the fair value of any previously held equity interest in the acquired company) plus the amount recorded for any non-controlling interest in the acquired entity, less the net amount recognized (generally the fair value) for identifiable assets acquired and liabilities assumed, all of which are valued as of the acquisition date.

In some cases, pursuant to the provisions of IFRS 3 revised, when the consideration paid constitutes payment for a transaction that is separate from the business combination, such as future services, it is excluded from the cost of the business combination.

Acquisition expenses, other than those from the issuance of debt or equity securities, incurred as a result of a business combination, are expensed as they are incurred.

Within a period of one year from the date of acquisition:

- changes in fair value due to events and circumstances that existed as of the acquisition date result in adjustments to the cost of the business combination;
- changes in fair value that are explicitly linked to events occurring after the acquisition date are posted to income;
- following this period, any adjustment to the price of the business

The Group has a period of 12 months from the acquisition date within which to finalize the accounting of the business combination in question.

19.1.3.4. Foreign currency translation

19.1.3.4.1. Functional currency and presentation currency

The items included in the financial statements of each Group entity are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in euros, the Company's presentation currency.

19.1.3.4.2. Transactions, assets and liabilities

Among the Group companies, transactions in foreign currency are translated into the functional currency at the prevailing exchange rate at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate.

Non-monetary items measured at historical cost are translated using the prevailing exchange rate as of the date of the transaction, whilst those measured at fair value are translated using the prevailing rate on the date when the fair value is determined.

Exchange gains and losses resulting from these transactions are recognized in income, except for:

- those related to gains or losses recognized directly in other comprehensive income, which are recorded in equity, and
- those arising from the translation of net investments in subsidiaries, which are recorded in other comprehensive income, then taken to income when the investment is sold.

19.1.3.4.3. Translation of Group company financial statements

Group company financial statements denominated in functional currencies (excluding hyperinflationary economies) other than the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate as of the relevant balance sheet date;
- income statement items are translated at the annual average exchange rate or, in the case of material transactions, at the exchange rate applicable as of the date of the transaction;
- all resulting exchange differences are recorded as a separate item in other comprehensive income.

When a foreign operation is sold, such currency differences initially recognized in other comprehensive income are recognized in the income statement under gains or losses on disposal, except for currency differences recognized before January 1, 2004 and transferred to consolidated reserves as part of the changeover of Group accounting to IFRS.

19.1.3.5. Revenue recognition

Income from ordinary operations corresponds to the fair value of the consideration received or receivable for goods sold and services rendered in the normal course of the Group's business.

Revenue arises from the sale of goods to third parties, net of trade discounts and volume rebates granted to final customers, as well as cash discounts, and after elimination of inter-company transactions.

Revenue arising from the sale of goods is recognized when all of the following conditions have been fulfilled:

- the company has transferred to the buyer the material risks and benefits inherent to ownership of the goods;
- the company retains neither continuing managerial involvement, to the degree usually associated with ownership, in the goods sold, nor effective control over such goods;
- the income amount from the economic activities associated with the transaction will flow to the Company;
- the costs incurred or to be incurred in respect of

19.1.3.6. Segment reporting – IFRS 8

Pursuant to IFRS 8, segment information reported is established on the basis of internal management data communicated to the Group's Executive Committee, which is responsible for the Group's key operating decisions. Operating segments are monitored individually through internal reporting.

The first and only operating segment of the Group is a geographical segment.

A geographical segment is a group of assets and operations engaged in providing products or services within a particular economic environment and which is exposed to risks and returns that are different from the risks and returns of other economic environments in which the Group operates.

The Group's worldwide organizational structure is divided into three regions defined by the location of the Group's assets and operations:

- Europe;
- the Americas;
- Asia Pacific, distributors, rest of world.

Although the Group also has two marketing segments, the companion animal and livestock segments, they cannot be deemed to form a separate reportable operating segment, for the following reasons:

- nature of the products: most of the therapeutic segments are common to companion animals and livestock (antibiotics, parasiticides, etc.);
- production processes: the production lines are common to both segments and there is no significant differentiation in terms of sources of supply;
- type or category of customers: distinction is made between the ethical sector (veterinarians) and the OTC market (general public);
- distribution methods: the main distribution channels depend more on the legislation of the country than on the marketing segment. Sales forces can, in some cases, be common to both marketing segments;
- nature of the regulatory environment: the regulatory bodies responsible for product approvals are the same for both segments.

For this reason, the Group will only report a single segment.

Transfer prices between regions are the prices that would have been fixed under arm's length conditions, as in the case of a third-party transaction.

19.1.3.7. Earnings per share

Basic earnings per share is calculated by dividing Group share of net income by the weighted average number of shares outstanding during the period, adjusted for the number of shares held as treasury shares.

The calculation of diluted earnings per share takes into account share equivalents having a potentially dilutive effect and excludes share equivalents having no potentially dilutive effect.

19.1.3.8. Employee benefits

19.1.3.8.1. Liabilities for pensions and other long-term employee benefits

The schemes put in place to provide for these benefits are either defined as contribution plans or defined as benefit plans.

Defined contribution plans: in accordance with the laws and customs specific to each country, Vétoquinol pays contributions based on employee salaries to national bodies in charge of pension and health insurance plans. There is no actuarial liability in this respect. Vétoquinol's payments to such plans are recognized as expenses in the period in which they are incurred.

Defined benefit plans for post-employment benefits: the amount recognized as a liability on the balance sheet is the present value of the defined benefit plan obligation at the balance sheet date. The costs of the benefits are estimated using the projected credit unit method. Under this method, the benefits are attributed to periods of service under the plan's benefit formula, using a straight line approach if the rate at which the employee accrues benefits varies in respect of later periods of service. When a plan is adopted or changed, the cost of past services is recognized immediately under expenses as of the date of the change. Actuarial gains or losses and the cost of past services relating to other long-term benefits are recognized immediately in the income statement.

The amount of future employee benefit payments is estimated using actuarial assumptions as to future salary levels, age at retirement and mortality, then discounted to present value by reference to interest rates on high quality long-term corporate bonds.

Actuarial gains and losses related to pensions and post-employment benefits, arising from adjustments due to revised actuarial assumptions and to experience, are recognized in other comprehensive income net of deferred taxes in the period in which they occur.

19.1.3.8.2. Share-based payments

Six stock option plans have been available to employees since June 1999. During the implementation of plans 5 and 6, Vétoquinol SA decided that exercised stock options shall be exchanged as consideration for its own shares.

The fair value of services rendered by employees in exchange for the grant of options is posted to expenses. The total amount expensed over the vesting period is determined by reference to the fair value of the stock options granted, without taking into account the terms and conditions under which the options were granted, which are not market conditions.

The amounts received when stock options are exercised are credited to the "Capital stock" (par value) and "Additional paid in capital" accounts, net of any directly attributable transaction costs.

19.1.3.9. Leases

19.1.3.9.1. Operating leases

Operating lease payments are recognized as an expense in the income statement on a straight line basis over the lease term.

19.1.3.9.2. Finance leases

For finance leases entered into by the Group as a lessee, an asset and a liability are recognized in the balance sheet at the lower of the fair value of the leased property or the present value of the minimum lease payments (at the interest rate implicit in the lease agreement). The payments are divided between interest expense and reduction of the lease liability. Property, plant and equipment acquired under finance leases is depreciated over the useful life of the assets or, if shorter, over the lease term.

19.1.3.10. Intangible assets

19.1.3.10.1. Goodwill

Goodwill is valued at cost less accumulated impairment losses. See Note 19.1.3.3. for the initial valuation of goodwill. Under IAS 36, goodwill is allocated to cash-generating units for purposes of impairment testing as described in Note 19.1.3.12. Goodwill is subject to testing for impairment at least once a year – and more frequently if there are any indicators of impairment – and is carried at cost less any accumulated impairment losses. Impairment losses are irreversible.

19.1.3.10.2. R&D expenses

Under IAS 38, research costs are expensed as incurred, whereas internal development costs are capitalized as intangible assets, but only if all six criteria set forth in IAS 38 are met. Owing to the risks and uncertainties associated with regulatory approvals and the research and development process, the capitalization criteria are not deemed to have been met until the Group obtains marketing approvals for its drugs.

However, amounts paid in consideration of the grant of licenses and marketing rights for molecules, processes, information of a scientific nature and in-licensing arrangements are recognized in the balance sheet as intangible assets. These amounts are generally paid in the start-up phase and during the course of a research project, until marketing authorization has been obtained.

They are amortized over periods ranging from 5 to 12 years.

19.1.3.10.3. Other intangible assets

Intangible assets are stated in the balance sheet at historical cost and systematically amortized over their useful lives, with the exception of some trademarks (e.g. Equistro®) which have an indefinite useful life; an impairment test is conducted at least once a year to determine whether the assets should be written down.

The same amortization periods are used throughout the Group:

Categories	Method	Period
Licenses and patents	Straight line	5 to 10 years
Software	Straight line	1 to 5 years
Trademarks	Straight line	7 to 10 years
Other	Straight line	10 years

19.1.3.11. Property, plant and equipment

Property, plant and equipment is carried at acquisition cost (initially the purchase price, plus any ancillary expenses and purchase-related costs) or at production cost less accumulated depreciation. Straight line depreciation is the method considered to be most economically justifiable. The Group has not opted for revaluation at fair value. Land is not depreciated. The Group uses the following depreciation periods for property, plant and equipment:

Categories	Method	Period
Buildings	Straight line	15 to 40 years
Fixtures	Straight line	10 to 20 years
Production equipment	Straight line	6 to 10 years
Vehicles	Straight line	5 years
Office equipment	Straight line	5 years
R&D equipment	Straight line	5 years
Furniture & furnishings	Straight line	8 to 10 years
Other PP&E	Straight line	5 years

19.1.3.12. Impairment of assets

In accordance with the requirements set forth in IAS 36, the Group assesses whether there is any indication that an asset may have suffered an impairment loss. If any such indication exists, the Group estimates the recoverable value of the asset. In addition, the Group annually tests intangible assets with an indefinite useful life and intangible assets not yet ready to be put into service for impairment, by comparing the carrying amount to the recoverable amount.

An impairment loss equal to the excess of the carrying amount over the asset's recoverable value is recognized. The recoverable amount of an asset represents the higher of its fair value less costs to sell and its value in use.

For the purposes of assessing impairment, assets are grouped together in cash-generating units (CGU), which represent the lowest level that generates independent cash flows. The CGUs defined for the Vétoquinol Group are the following entities: USA, Canada, France, UK, Belgium, Switzerland, Czech Republic, Austria, Poland, Ireland, Germany, Italy, India, Scandinavia and Brazil.

Non-financial assets (excluding goodwill) that have incurred impairment losses are reviewed for possible reversal of those losses at each annual or interim closing. Impairment losses are first charged against goodwill. The balance is allocated to the assets of the CGU.

19.1.3.13. Financial assets available

Available-for-sale financial assets are essentially composed of unconsolidated equity investments, which are measured in the balance sheet at fair value. Changes in fair value are recorded in other comprehensive income. If an objective indication of impairment of a financial asset exists (notably a material or permanent decline in the value of the asset), an irreversible impairment loss is recognized in income. Changes in fair value recognized in other comprehensive income are transferred to income upon the derecognition/disposal of the assets in question.

19.1.3.14. Other financial assets

Other financial assets mainly consist of deposits and guarantees paid. Because they are treated as receivables, they are measured at amortized cost.

19.1.3.15. Derivatives

To hedge its currency and interest rate exposure, the Group sometimes enters into derivative contracts. Such derivatives are used only as part of centralized head office cash management for the purpose of hedging risk.

The main currency hedge instruments used are the purchase of forward contracts on the British pound expiring in less than one year. To hedge interest rate exposure, the Group primarily uses swaps.

For significant hedging transactions, the Group applies hedge accounting as prescribed under IAS 39, i.e. derivatives are measured at fair value as of the balance sheet date based on how the hedge is classified:

- with a cash flow hedge, any change in the fair value of the derivative is recorded in a separate equity account called "Cash flow hedge reserve" that is transferred to the income statement as the risk crystallizes (in respect of the effective portion of the hedge; while the ineffective portion is recognized in the income statement);
- with a fair value hedge, any change in the fair value of the derivative is recorded in the income statement, as is any change in the fair value of the hedged item.

When the transaction is not material, or when the conditions for applying hedge accounting have not been met, any change in the fair value of the derivative is credited to or charged against income for the period.

At each balance sheet date, the fair value of the instruments used is determined by reference to market value. If no market value is available, an expert assessment is obtained.

Note 19.1.4.1 below provides quantified details on the use of these instruments.

19.1.3.16. Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted average unit cost method.

The cost of work in progress and of finished goods held in inventories includes raw materials, direct labor and an appropriate portion of variable and fixed production costs and overheads, the latter being allocated on the basis of normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business less costs of completion and costs to sell, and also the prospects for future consumption given the expiry dates of products.

19.1.3.17. Trade receivables

Trade receivables are recognized at the fair value of the cash to be received. Given the Group's business practices, fair value is usually equal to the face value of the receivables. Trade receivables are subsequently stated net of provisions for impairment recorded after an itemized analysis of the risk of uncollectibility.

The credit risk relating to the trade receivables held by the Group is low. Write-offs recorded mainly relate to customers whose receivables are past due.

19.1.3.18. Cash and cash equivalents

Cash includes bank accounts, investments and cash equivalents, and is measured at fair value.

These investments are either short-term investments, usually less than three months, or liquid investments readily convertible to known amounts of cash and not subject to risks of changes in value.

19.1.3.19. Financial liabilities

Financial liabilities mainly include borrowings from credit institutions and bank overdrafts.

Borrowings are recognized at amortized cost, net of any transaction costs incurred.

Borrowings with a term of less than one year are classified as current liabilities, with the exception of borrowings for which the Group has an unconditional right to defer repayment for at least 12 months after the balance sheet date. In such cases, the borrowings are classified as non-current liabilities.

In the case of borrowings related to restatements of finance lease liabilities, the capital borrowed is equal to the initial value of the assets acquired under finance leases, which are recorded in Property, plant and equipment.

Interest expenses are expensed as incurred.

19.1.3.20. Deferred taxes

Deferred taxes are recognized on temporary differences between the tax bases of assets and liabilities and their carrying amounts as recorded in the consolidated statement of financial position. No deferred tax is accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that affects neither accounting profit nor taxable income at the transaction date. No deferred tax liability is recognized on initial recognition of goodwill.

Deferred tax is determined using tax rates (and tax regulations) that have been adopted or substantially adopted as of the balance sheet date, and that are expected to apply when the related deferred tax asset is realized or the deferred tax liability settled.

Deferred tax assets are recognized only to the extent that it is probable that future taxable income, against which the temporary differences can be applied, will be earned. Deferred taxes are recognized for temporary differences associated with investments in subsidiaries and associates, except where the Group can control the timing of the reversal of those temporary differences and it is probable that they will not reverse in the foreseeable future.

19.1.3.21. Provisions

Provisions are recognized when the Group has a legal or implicit liability as a result of a past event, when it is probable that an outflow of resources representing economic benefits will be required to settle this liability, and when the liability can be reliably estimated.

Provisions for restructuring cover lease termination penalties and employee severance. No provision is recognized for future operating losses.

Where there is a number of similar liabilities, the probability that an outflow of resources will be required to settle those liabilities is determined by considering all liabilities in the same category. Although the actual probability of payment for any one item may be small, it may be probable that some outflow of resources will be required to settle all liabilities in the category. If so, a provision is recorded.

Provisions are discounted to present value when the impact thereof is deemed to be material.

19.1.3.22. Non-current assets held for sale

Non-current assets (or groups of assets held for sale) are classified as assets or groups of assets held for sale and measured at the lower of carrying amount and fair value less costs to sell, if the carrying amount of the asset or group of assets were to be recovered through sale rather than through continued use thereof.

19.1.3.23. Government grants

Government grants are recognized when there is reasonable assurance that the Group will fulfill the conditions attached to the grant and that the grant will be received.

Grants related to assets (investment grants) are recognized as deferred income under liabilities, then systematically transferred to the income statement over the useful life of the assets.

Other grants are credited to the income statement under "Other operating income" on a scheduled basis over the relevant periods so that they match the costs they are intended to offset.

19.1.3.24. Dividend distribution

Dividends distributed to Group shareholders are recognized as a liability in the period in which they are approved by the shareholders.

19.1.4. Financial risk management

19.1.4.1. Currency risk management

The Group centralizes management of the foreign exchange risk of its parent company, Vétoquinol SA, by ensuring that its distribution subsidiaries send and receive invoices that are denominated in their respective operating currencies.

Accordingly, the distribution subsidiaries are subject to very low exchange rate risk. Foreign currency movements are centralized at the level of Vétoquinol SA and hedging instruments are put in place. These instruments have a term of less than one year. At the balance sheet date, there were no material hedging instruments outstanding. For this reason, the provisions of IAS 39 pertaining to such instruments were not found to be applicable as of December 31, 2013 or to the previous year. If Vétoquinol earns gains or losses on these instruments, such gains or losses are recognized under net financial items.

As described above, the currency risk related to subsidiaries' operations largely only involve a risk in the consolidated income statement.

On the basis of the 2013 financial statements, and only for subsidiaries, a 10% increase in the value of the euro compared to all other foreign currencies would have resulted in a €14.1 million decrease in consolidated sales (2012: €14.4 million) and a €1.5 million decrease in consolidated operating income (2012: €1.5 million).

Conversely, a 10% reduction in the value of the euro compared to other currencies would have resulted in a €17.2 million increase in sales (2012: €17.6 million) and a €1.8 million increase in consolidated operating income (2012: €1.8 million).

On account of its sales in foreign currencies, the Company is exposed to currency risk between the invoice date and the date on which payment is received.

Based on the central rates defined during the budget preparation process and/or the exchange rates used for invoicing, forecasts of collections and actual or forecast exchange rates, the Company hedges part or all of its inflows in foreign currencies using traditional banking products.

Currency gains or losses and the net result of hedging transactions are recognized under net financial items. Most of these transactions are entered into and closed during the year, over very short periods, and therefore there are no outstanding items recorded in the closing balance sheet. The Group's procedures do not permit speculative transactions.

Analysis of the Group's exposure to currency risk (IFRS 7) based on notional amounts is as follows:

€000	Euros	CAD	CHF	USD	GBP	ZPN	Other	Total currencies
Dec 31, 2013								
Trade receivables	31,663	6,346	473	6,607	4,439	1,811	6,925	58,264
Impairment of trade receivables	**(1,237)**	**(63)**	**(24)**	**(0)**	**(4)**	**(223)**	**(224)**	**(1,774)**
Net trade receivables	**30,426**	**6,283**	**450**	**6,606**	**4,436**	**1,589**	**6,701**	**56,490**
Prepayments	432	720	0	513	0	103	79	1,846
Prepaid expenses	469	462	2	4	242	88	171	1,436
Receivables from government agencies	5,805	285	93	0	0	84	542	6,809
Other operating receivables	**417**	**0**	**0**	**0**	**0**	**115**	**125**	**656**
Miscellaneous receivables	436	11	11	17	3	201	35	714
Provisions	0	0	0	0	0	0	(10)	(10)
Total other receivables	**7,559**	**1,478**	**105**	**533**	**245**	**590**	**942**	**11,452**
Trade and other payables	45,011	7,651	638	3,192	2,946	3,040	3,571	66,048
Net trade and other payables	**45,011**	**7,651**	**638**	**3,192**	**2,946**	**3,040**	**3,571**	**66,048**
Total gross balance sheet exposure	**(7,026)**	**110**	**(83)**	**3,947**	**1,735**	**(862)**	**4,072**	**1,893**

€000	Euros	CAD	CHF	USD	GBP	ZPN	Autres	Total monnaies
Dec 31, 2012								
Trade receivables	26,584	5,871	426	6,515	4,179	2,309	5,882	51,766
Impairment of trade receivables	**(1,244)**	**(64)**	**(22)**	**(47)**	**(3)**	**(183)**	**(207)**	**(1,771)**
Net trade receivables	**25,340**	**5,807**	**405**	**6,468**	**4,176**	**2,125**	**5,675**	**49,995**
Prepayments	254	444		282		108	256	1,345
Prepaid expenses	583	338	8	25	210	134	151	1,450
Receivables from government agencies	5,341	461				281	567	6,649
Other operating receivables	**153**		**3**	**171**		**10**	**95**	**432**
Miscellaneous receivables	980	32	15	25		210	53	1,314
Provisions	0	0	0	0	0	0	(10)	(10)
Total other receivables	**7,311**	**1,275**	**26**	**503**	**210**	**743**	**1,111**	**11,179**
Trade and other payables	44,537	8,584	329	3,194	3,400	2,326	4,178	66,549
Net trade and other payables	**44,537**	**8,584**	**329**	**3,194**	**3,400**	**2,326**	**4,178**	**66,549**
Total gross balance sheet exposure	**(11,886)**	**(1,502)**	**101**	**3,776**	**985**	**542**	**2,608**	**(5,375)**

19.1.4.2. Interest rate risk management

The Group's general policy on interest rate risk is to globally manage its exposure through the use of swaps and options. Pursuant to the provisions of IAS 39, whenever the conditions for hedge accounting are met, the Group applies the relevant procedures. When these conditions are not met, or if the amounts concerned are not material, as has been the case in recent years, derivatives are carried on the balance sheet at their fair value, and all changes in fair value are posted to income, in accordance with the provisions of IAS 39.

Normally, the Group's exposure to interest rate risk is insignificant and concerns basically two line items on the balance sheet: financial liabilities and cash.

As of December 31, 2013, 59% of the Group's financial liabilities (including bank overdraft facilities) bore interest at a fixed rate, compared to 32% as of December 31, 2012. Floating rate commitments amounted to €15.1 million as of December 31, 2013, compared to €34.2 million as of December 31, 2012. The latest €16 million loan taken out by the Group to finance the Orsco acquisition was swapped in 2013.

The Group's investments consist of fixed-rate term deposits with major banks, whilst the corresponding bank overdrafts are subject to a floating rate. This enabled the Group to minimize its interest costs for the 2013 financial year.

On the basis of the 2013 financial statements, an increase of 100 basis points in interest rates would have increased earnings by €328,000, whereas in the previous year it would have decreased earnings by €180,000.

19.1.4.3. Liquidity risk management

The Group's cash – excluding bank overdrafts – stood at €83.9 million as of December 31, 2013 (2012: €81.6 million). Besides cash, it also includes fixed-rate term deposits similar to cash equivalents placed with major retail banks, to the tune of €39.1 million (2012: €41.3 million).

During 2013, the Group posted free cash flow before net cost of debt and tax of €44.2 million, compared to €42.8 million in the previous year.

In order to fund its acquisitions, in January 2009 Vétoquinol signed an agreement with two banks for a medium-term loan of €25 million. This loan funded most of the Indian acquisition.

The loan is subject to financial covenants (debt ratio, profitability ratio) that Vétoquinol is committed to respecting. During 2013 and 2012, the Group met its financial covenant obligations, which are as follows:

- Ratio 1: Net debt/EBITDA must be less than or equal to 3
- Ratio 2: EBITDA/cost of net debt must be less than or equal to 5
- Ratio 3: Gearing less than 1

The loan taken out in 2011 to finance the Brazilian acquisition is not subject to any financial covenants.

In October 2012, Vétoquinol signed an agreement with a bank for a medium-term €16 million loan to finance the Orsco acquisition.

This loan is subject to a financial covenant that Vétoquinol is committed to respecting. During 2013, the Group met the financial covenant requirement in respect of this loan: consolidated net debt/consolidated equity (gearing) less than 1.

In light of its financial position at December 31, 2013, the Group considers that it is not exposed to liquidity risk. As of December 31, 2013, the Group's cash was largely sufficient to meet its financial liabilities due in less than one year. Net debt amounted to €45.8 million as of December 31, 2013, compared to €30.0 million as of December 31, 2012.

Each Group subsidiary is responsible for collecting its own trade receivables and cash. The Group Finance Department uses a cash forecast based on the annual budget to provide ongoing reporting of the cash flow of subsidiaries, in order to establish the Group's net cash positions as precisely as possible and maintain the Group's ability to meet its financial commitments.

19.1.4.4. Credit risk management

Credit risk is the risk of the Group incurring a financial loss in the event that a customer or counterparty to a financial instrument fails to comply with its contractual obligations. The only credit risk to which the Group is exposed is the risk arising from its trade receivables. In fact, with regard to investments, the Group limits its exposure to credit risk by investing only in secure, liquid instruments. Given the characteristics of the term deposits used, management does not expect any counterparty default.

The Group's exposure to credit risk is mainly influenced by the individual features of its customers. The Group markets its products in around 115 countries via its own network of 140 distributors.

In some geographical regions, the occurrence of a concentration of wholesalers and/or central purchasing agencies could result in a revision of the margins following renegotiation of these contracts. However, this risk appears to be limited, as the Group is sufficiently large and diversified geographically and by product to be able to withstand such pressures. By way of illustration, the Group's largest wholesale distributor accounted for 6.8% of consolidated revenues in 2013 (2012: 6.1%).

Any customers who do not meet the Group's solvency requirements may only enter into transactions on the condition that they settle their orders in advance.

Sales of goods are subject to a retention of title clause that provides the Group with a form of security in the event of default. The Group does not require any specific security with regard to trade and other receivables.

The carrying amount of the Group's financial assets represents its maximum exposure to credit risk; as of December 31, 2013 this amounted to €61.5 million (2012: €54.7 million).

19.1.5. Capital management

The Group's policy is to maintain a strong capital base in order to maintain the confidence of investors, creditors and the market and to support the future growth of its business. Assisted by Corporate Management, the Board of Directors monitors the number and diversity of the Group's shareholders, return on equity and the number of dividends paid to holders of common stock.

Occasionally, the Group purchases its own shares on the market. The timing of these purchases depends on prevailing market prices. These shares are primarily used in connection with stock option and bonus share programs. Decisions to buy and sell are made by the Chairman and/or the CEO on a case by case basis. The Group has no defined share buyback program. Apart from these occasional practices, the Group has a liquidity contract (see Note 19.1.28).

The Group did not change its capital management policy during the course of the year. Pursuant to external regulations, the Company and its subsidiaries are not subject to any specific external capital requirements.

19.1.6. 19.1.6. Information on judgments and estimates

Management must exercise judgment and make estimates and assumptions that could affect the value of assets, liabilities, income and expenses and disclosures of the Company's contingent assets and liabilities when preparing the financial statements. The estimates made and underlying assumptions adopted are based on past experience and other factors deemed reasonable in light of current circumstances and forecasts. As a result, actual values may differ from estimated values.

The estimates and assumptions made on the basis of information available at the balance sheet date relate in particular to:

- the amount of provisions for trade receivables and provisions for year-end rebates;
- the length of product life cycles;
- the amount of provisions for restructuring and for environmental and litigation risks;
- the valuation of goodwill and intangible assets acquired as well as their estimated useful life;
- pension commitments;

19.1.7. Business combinations

No business combinations were completed in 2013, whereas one was completed in 2012.

19.1.7.1. Business combination completed in 2012 – acquisition of Orsco

19.1.7.1.1.

The purchase price allocation was finalized during the second half of 2013. The details are as follows:

€000	Total
Acquisition of Orsco, September 2012*	15,883
Total Orsco purchase price	**515**
Value of Orsco's identified assets and liabilities	(232)
Goodwill at balance sheet date – December 31, 2012	**15,600**
Value of acquired assets identified in 2013**	5,250
Value of deferred tax identified in 2013	(1,785)
Other adjustments	26
Goodwill at balance sheet date – December 31, 2013	**12,109**

** A €165,000 purchase price supplement was paid in February 2013.*

*** The identified asset corresponds to a supply contract amortized over 10 years.*

19.1.7.2. Business combination completed in 2011 – acquisition of Farmagricola, Brazil

19.1.7.2.1. Overview and description of the transaction

Farmagricola SA, located in the State of São Paulo, posted 2010 sales of around BRL 18 million (c. €7.7 million), up more than 10% on the previous year. Farmagricola primarily sells anti-infectives and parasiticides and earns most of its revenues from livestock (cattle) products.

It has around one hundred employees. The sales network consists of around forty sales agents deployed throughout the main cattle-breeding areas. It has a production center with facilities for manufacturing liquid, semi-liquid and solid injectables.

This acquisition allowed the Vétoquinol Group to establish a presence in Brazil and to acquire a strategic position in the world's second largest animal health market, a market heavily geared towards livestock.

It is a perfect example of our acquisition strategy and will allow us to continue our geographical diversification. It is destined to become the springboard from which we will develop our business on a market that is important for Vétoquinol Group product launches.

The total purchase price was BRL 26.8 million (approximately €11.5 million). The Group financed the acquisition with a new loan taken out in June 2011.

€000	
Acquisition of Farmagricola, June 2011	11 517
Total Farmagricola purchase price	**11 517**
Value of Farmagricola assets and liabilities	3 108
Currency difference	**(488)**
Goodwill at balance sheet date – December 31, 2011	7 921
Value of acquired assets identified in 2012	2 817
Value of deferred tax identified in 2012	(958)
Other adjustments	(326)
Currency difference	(665)
Goodwill at balance sheet date – December 31, 2012	**5 723**
Currency difference	(973)
Goodwill at balance sheet date – December 31, 2013	**4 750**

19.1.7.3. Reconciliation of purchase price with cash outflow per the cash flow statement

€000	2013	2012
Purchase price of Orsco investment (excluding purchase price supplement)		**15,883**
Orsco investment purchase price supplement	**165**	
Total value of acquired securities/assets	**165**	**15,883**
Total	**165**	**15,883**
Cash acquired		**42**
Amount shown in CFS: net cash flow from business combinations	**165**	**15,841**

19.1.8. Operating segments – IFRS 8

All 2012 and 2013 revenues came from sales of veterinary products.

19.1.8.1. 2013 operating segment results

€000 **By asset location**	**Europe**	**Americas**	**Asia Pacific (rest of world)**	**Consolidated total**
Sales	250,549	102,738	16,316	369,603
Inter-segment sales	(55,671)	(14,206)	0	(69,877)
Total external sales	**194,878**	**88,532**	**16,316**	**299,727**
EBIT	25,198	7,443	948	33,589
Non-recurring operating income and expenses	(427)			(427)
Operating income	24,771	7,443	948	33,162
Net financial income/(expense)				(941)
Income before tax				**32,221**
Income tax				(8,636)
NET INCOME				**23,585**

The Group also tracks sales by destination region or end market (per territory).

€000 **Per territory**	**Europe**	**Americas**	**Asia Pacific (rest of world)**	**Consolidated total**
Sales	220,824	107,101	41,678	369,603
Inter-segment sales	(48,307)	(19,984)	(1,586)	(69,877)
TOTAL EXTERNAL SALES	**172,517**	**87,117**	**40,092**	**299,727**

19.1.8.2. 2012 operating segment results

€000 **By asset location**	**Europe**	**Americas**	**Asia Pacific (rest of world)**	**Consolidated total**
Sales	248,266	105,895	16,835	370,995
Inter-segment sales	(57,354)	(15,349)	0	(72,703)
Total external sales	**190,911**	**90,546**	**16,835**	**298,293**
EBIT	22,728	7,738	981	31,446
Non-recurring operating income and expenses				
Operating income	22,728	7,738	981	31,446
Net financial income/(expense)				(853)
Income before tax				**30,592**
Income tax				(8,019)
NET INCOME				**22,574**

The Group also tracks sales by destination region or end market (per territory).

€000 **Per territory**	**Europe**	**Americas**	**Asia Pacific (rest of world)**	**Consolidated total**
Sales	222,432	109,292	39,271	370,995
Inter-segment sales	(50,455)	(20,761)	(1,486)	(72,703)
TOTAL EXTERNAL SALES	**171,977**	**88,531**	**37,785**	**298,293**

19.1.8.3. Other segment non-cash items included in the income statement

€000 **By asset location**	**Europe**	**Americas**	**Asia Pacific (rest of world)**	**Consolidated total**
31 décembre 2013				
Dotations,aux,amortissements	(7,906)	(2,575)	(1,087)	(11,568)
Dotations,et,reprises,aux,provisions,	(463)	298	(62)	(228)
Charges,liées,à,l'attribution,des,stock-options	(11)			(11)
Charges,liées,à,l'attribution,des,actions,gratuites,				0
31 décembre 2012				
Dotations,aux,amortissements	(7,698)	(2,887)	(1,230)	(11,815)
Dotations,et,reprises,aux,provisions,	692	(324)	(28)	339
Charges,liées,à,l'attribution,des,stock-options	(11)			(11)
Charges,liées,à,l'attribution,des,actions,gratuites,	(95)			(95)

No impairment was posted directly to other comprehensive income for 2012 and 2013.

19.1.8.4. Segment assets, liabilities and investments

The segment assets and liabilities presented here include deferred taxes.

€000 **By asset location**	**Europe**	**Americas**	**Asia Pacific (rest of world)**	**Consolidated total**
December 31, 2013				
Assets	247,292	75,742	28,797	351,831
Liabilities	82,762	30,766	2,347	115,875
Acquisition of assets	5,634	1,355	43	7,033
Acquisition of assets through business combinations	0	0	0	0
December 31, 2012				
Assets	232,519	90,580	33,338	356,438
Liabilities	78,923	46,139	3,367	128,429
Acquisition of assets	7,450	2,415	51	9,916
Acquisition of assets through business combinations	326	2,811	0	3,137

19.1.9. R&D costs

R&D costs incurred and expensed in 2013 amounted to €20.0 million, or 6.7% of sales (2012: €20.0 million, or 6.7% of sales).

19.1.10. Other purchases and external expenses

€000	Dec 31, 2013	Dec 31, 2012
General subcontracting	2,026	1,986
Lease and rental payments	6,277	6,351
Maintenance	3,446	3,298
Insurance	1,209	1,223
Analyses and research	1,983	1,715
Third party staff	1,432	1,475
Fees and commissions paid to intermediaries	13,175	12,763
Advertising, publications, public relations	11,114	9,808
Freight and group transportation of staff	6,832	7,355
Business travel and entertainment	9,006	8,678
Postage and telecommunications	1,478	1,478
Royalties on concessions, patents, licenses, trademarks, etc.	3,842	5,058
Other external services	1,992	1,768
Miscellaneous	469	515
TOTAL	**64,280**	**63,471**

19.1.11. Staff costs

€000	Dec 31, 2013	Dec 31, 2012
Wages and salaries	64,047	61,897
Social security charges (*)	22,355	22,178
Severance pay	1,049	901
Employee benefits (Note 19.1.30)	384	753
Employee long-term benefits – actuarial gains and losses recognized in the income statement	0	0
Expenses on grants of stock options	11	11
Expenses on grants of bonus shares	0	95
TOTAL EMPLOYEE BENEFITS	**87,846**	**85,835**

(*) The cost of defined contribution pension plans is included in total social security charges.

19.1.12. Share-based payments – bonus shares and stock options

The Board of Directors has granted stock options to certain employees under price and exercise terms specific to each option. Six stock option plans have been granted to date, two of which are still open.

	Plan 5	Plan 6
Date of grant by Board of Directors	June 4, 2007	May 7, 2010
2010 Vesting period	Sept 15, 2009-Oct 15, 2009 Sept 15, 2010-Oct 15, 2010 June 5, 2011-Dec 5, 2011 Oct 1, 2012-Dec 31, 2012 Oct 1, 2013-June 4, 2014	Sept 1, 2012-Oct 1, 2012 Sept 1, 2013-Oct 1, 2013 May 7, 2014-Nov 7, 2014
Number of options granted	33,800	23,500
Exercise price	25.33	24.25
Expiration date	initially Dec 6, 2011 extended to June 4, 2014	Nov 7, 2014
Unit of trade	1 option for 1 share	1 option for 1 share
Performance conditions	N/A	N/A
OPTIONS OUTSTANDING AT DEC 31, 2013	**19,800**	**19,500**

The number of options in Plan 5 has changed as follows:

PLAN 5	**2013**		**2012**	
	Exercise price	**Number of options**	**Exercise price**	**Number of options**
At January 1	**25.33**	**20,400**	**25.33**	**21,400**
Granted				
Canceled			25.33	1,000
Expired				
Exercised	25.33	600		
AT DECEMBER 31	**25.33**	**19,800**	**25.33**	**20,400**

There was no consolidated expense for Plan 5 in 2013 or 2012.

The number of options in Plan 6 has changed as follows:

PLAN 6	**2013**		**2012**	
	Exercise price	**Nombre d'options**	**Exercise price**	**Nombre d'options**
At January 1	**24.25**	**21,000**	**24.25**	**22,000**
Granted				
Canceled	24.25	1,500	24.25	1,000
Expired				
Exercised				
AT DECEMBER 31	**24.25**	**19,500**	**24.25**	**21,000**

The 2013 consolidated expense amounted to €11,000 (2012: €11,000) for Plan 6.

With regard to bonus share Plan 2 (see Note 19.1.28.2), the application of IFRS 2 had no impact in 2013, whereas in 2012 it resulted in a €95,000 expense. The value of bonus shares is usually determined on the basis of the share price on their date of issue, less the present value of dividends foregone during the vesting period (Black-Scholes valuation model).

19.1.13. Other operating income and expenses

€000	Dec 31, 2013	Dec 31, 2012
Operating grants	277	402
Investment grants transferred to income for the year	28	28
Gains on asset sales	137	103
Research tax credit (Crédit d'Impôt Recherche - CIR)	3,694	4,021
Other income	1,324	1,792
OTHER OPERATING INCOME	**5,461**	**6,345**
Book values of assets sold	(177)	(62)
Other expenses	(566)	(1,043)
OTHER OPERATING EXPENSES	**(743)**	**(1,105)**
TOTAL	**4,717**	**5,241**

Other expenses include bad debt losses amounting to €250,000 for 2013 (2012: €422,000).

Other income consists of:

€000	Dec 31, 2013	Dec 31, 2012
Fees and royalties	0	44
Freight costs recharged to customers	384	481
Compensation received	226	167
Social security refunds	0	247
Other	715	853
TOTAL	**1,324**	**1,792**

19.1.14. Non-recurring operating income and expenses

€000	Dec 31, 2013	Dec 31, 2012
Non-recurring operating income		0
Net restructuring costs (Neyron site)	(427)	
Other non-recurring operating expenses		0
TOTAL	**(427)**	**0**

19.1.15. Leases

19.1.15.1. Finance leases entered into as lessee

The Group's only finance leases pertain to leased buildings. The related leases contain an indexation clause whereby the rent is pegged to a cost of construction index.

Assets recorded in property, plant and equipment under finance leases are detailed in Note 19.1.21 and the corresponding financial liability is explained in Note 19.1.29.

Commitments on non-cancelable finance leases

€000	Dec 31, 2013	Dec 31, 2012
Less than 1 year	29	43
1 to 5 years		29
More than 5 years		
Minimum payments	29	72
Future interest expense	(1)	(4)
Present value of payments on finance leases	27	67
Less than 1 year	27	41
1 to 5 years	0	26
More than 5 years		
TOTAL MINIMUM FUTURE PAYMENTS	**27**	**67**

19.1.15.2. Operating leases entered into as lessee

The Group's only operating leases pertain to leased buildings, cars and computer hardware.

Indexation clauses are included notably in building leases, where rent is pegged to a cost of construction index.

Commitments on non-cancelable operating leases

€000	Dec 31, 2013	Dec 31, 2012
Less than 1 year	4,565	4,901
1 to 5 years	7,198	6,923
More than 5 years	1,882	1,529
Total minimum payments	13,645	13,353
TOTAL MINIMUM FUTURE SUBLEASE INCOME RECEIVABLE	**0**	**0**

Operating lease expenses for the year

€000	Dec 31, 2013	Dec 31, 2012
Minimum payments recognized	6,277	6,351
Conditional rents recognized	0	0
Sublease income recognized	0	0

19.1.16. Net financial items

€000	Dec 31, 2013	Dec 31, 2012
Interest income from cash and cash equivalents	1,246	865
Net gains on sale of cash equivalents	0	16
INCOME FROM CASH AND CASH EQUIVALENTS	**1,246**	**880**
Interest on bonds	0	0
Non-conversion premium	0	0
Interest on other borrowings and overdrafts	(576)	(688)
Interest on finance leases	(3)	(4)
GROSS COST OF DEBT	**(579)**	**(693)**
NET COST OF DEBT	**677**	**188**

€000	Dec 31, 2013	Dec 31, 2012
Currency gains	2,008	1,693
Other income	28	63
OTHER FINANCIAL INCOME	**2,036**	**1,756**
Financial expenses related to employee benefits	(91)	(102)
Currency losses	(3,431)	(2,580)
Other expenses	(123)	(116)
OTHER FINANCIAL EXPENSES	**(3,645)**	**(2,798)**
OTHER FINANCIAL INCOME AND EXPENSES	**(1,609)**	**(1,041)**

19.1.17. Income tax

The 2013 tax rate used to calculate deferred taxes for French companies was 34.43% (2012: 34.43%). Income tax expense is broken down as follows:

€000	Dec 31, 2013	Dec 31, 2012
Current tax expense	(8,953)	(7,379)
Deferred tax income/(expense)	317	(640)
TOTAL	**(8,636)**	**(8,019)**

Reconciliation of theoretical tax, at the French statutory tax rate, to effective tax is as follows:

€000	Dec 31, 2013	Dec 31, 2012
Income for the year – Group share	**23,585**	**22,574**
CIR restatement	(3,578)	(3,768)
Apprenticeship tax credit (CIA) restatement	(25)	(98)
CVAE restatement	(977)	(869)
Income tax expense	8,636	8,019
Income before tax, CIR restated	**27,642**	**25,857**
Theoretical tax at 34.43%	**9,517**	**8,902**
Non-deductible expenses and non-taxable income	(130)	122
Losses brought forward applied	846	338
Tax rate differences for foreign companies	(2,146)	(2,218)
Other taxes (under IAS 12)*	1,586	1,383
Impact of reduced rate	(212)	(141)
Tax credit	(94)	122
Miscellaneous	(731)	(489)
Effective tax	**8,636**	**8,019**
Effective tax rate	**31.24%**	**31.01%**

** Impact caused by restatement of taxes akin to CVAE.*

Analysis of movements in deferred tax assets during the year:

€000	Dec 31, 2013	Dec 31, 2012
Opening balance	**7,780**	**9,045**
Recognized in the income statement	255	(46)
Recognized in other comprehensive income	(36)	212
Changes in consolidation scope	0	0
Reclassifications	(1,013)	(1,177)
Exchange differences	(872)	(255)
Closing balance	**6,114**	**7,780**

Analysis of movements in deferred tax liabilities during the year:

€000	Dec 31, 2013	Dec 31, 2012
Opening balance	**3,421**	**2,051**
Recognized in the income statement	(62)	594
Recognized in other comprehensive income	0	0
Reclassifications*	772	985
Exchange differences	(507)	(209)
Closing balance	**3,624**	**3,421**

** Including the fair value of deferred tax liabilities recognized in the purchase price allocation of our subsidiary Orsco.*

Pursuant to IAS 12 and subject to certain conditions, a business may offset its deferred tax assets and liabilities. This was done in the table above on the "reclassification" line.

Analysis of net deferred taxes by type:

€000	Dec 31, 2013	Dec 31, 2012
Intangible assets	(894)	1,915
Component-based approach (net)	102	6
Other temporary differences (net)	906	46
Internal margin on inventories	1,908	2,110
Internal capital gain on sales of fixed assets		
Restatement of finance leases	(101)	(106)
Employee benefits	1,372	1,148
Tax losses carried forward	199	210
Regulated provisions	(839)	(839)
Other (net)*	(163)	(131)
TOTAL	**2,489**	**4,359**
Of which: Deferred tax assets	6,114	7,780
Deferred tax liabilities	(3,624)	(3,421)

* *Including exchange differences.*

Unrecognized deferred tax assets arising from 2013 tax losses amounted to €0.75 million (2012: €0.43 million).

19.1.18. Earnings per share

19.1.18.1. Basic earnings per share

Basic earnings per share is calculated by dividing net income attributable to holders of common shares (net income Group share) by the weighted average number of common shares outstanding during the year.

€000	Dec 31, 2013	Dec 31, 2012
Net income attributable to holders of common shares (€000)	23,580	22,569
Weighted average number of common shares	11,881,902	11,881,902
Treasury shares at end of period (direct holding)	(39,300)	(52,303)
Treasury shares at end of period (liquidity contract)	(1,561)	(3,345)
Adjusted weighted average number of shares outstanding over the period	11,841,041	11,826,254
BASIC EARNINGS PER SHARE (€)	**1.99**	**1.91**

19.1.18.2. Diluted earnings per share

Diluted earnings per share is calculated by adjusting net income attributable to holders of common shares divided by the weighted average number of shares outstanding over the year for the impact of all common shares having a potentially dilutive effect. Potentially dilutive instruments include stock options issued by the Company.

	Dec 31, 2013	Dec 31, 2012
Net income attributable to holders of common shares (€000)	23,580	22,569
Expenses on grants of stock options	11	11
Expenses on grants of bonus shares	0	95
Earnings used to calculate diluted EPS (€000)	**23,591**	**22,675**
Weighted average number of shares outstanding over the year	11,881,902	11,881,902
Treasury shares at end of period (direct holding)	(39,300)	(52,303)
Treasury shares at end of period (liquidity contract)	(1,561)	(3,345)
Adjusted weighted average number of shares outstanding over the period	**11,841,041**	**11,826,254**
Dilutive effect:		
Dilutive effect of stock options	39,300	41,400
Dilutive effect of bonus share grants	0	0
Dilutive effect of financial instruments outstanding	**39,300**	**41,400**
Number of shares including dilutive effect	**11,880,341**	**11,867,654**
Diluted earnings per share (€)	1.99	1.91

19.1.19. Goodwill

€000	Dec 31, 2013	Dec 31, 2012
At January 1		
Gross value	65,933	51,783
Opening book value	65,933	51,783
Acquisitions related to business combinations	0	14,043
Impairment losses recognized in the income statement		
Allocation of goodwill	(3,491)	1,247
Exchange differences, net	(3,694)	(1,140)
At December 31		
Gross value	58,748	65,933
Closing book value	**58,748**	**65,933**

19.1.19.1. Impairment tests

In accordance with IAS 36, all cash-generating units (CGUs) containing goodwill were tested for impairment.

The CGUs defined for the Vétoquinol Group are the following legal entities: USA, Canada, France, UK, Belgium, Switzerland, Czech Republic, Austria, Poland, Ireland, Germany, Italy, Scandinavia, India and Brazil.

Analysis of goodwill allocated to these CGUs:

€000	Dec 31, 2013	Dec 31, 2012
Vétoquinol Biowet Poland		2,339
Chassot GmbH/Germany	1,705	1,705
Vétoquinol UK	422	431
Vétoquinol Ireland	421	421
Vétoquinol Switzerland	918	934
Vétoquinol Austria	772	772
Vétoquinol Czech Republic	876	956
Vétoquinol USA	11,070	11,571
Vétoquinol Belgium	500	500
Vétoquinol Italy	6,465	6,465
Vétoquinol Brazil	4,750	5,723
Vétoquinol Scandinavia	1,244	1,284
Vétoquinol Asia	33	35
Vétoquinol India	8,322	9,791
Vétoquinol SA France*	14,160	2,051
Orsco	0	15,600
Vétoquinol Canada	4,796	5,357
Total	**58,748**	**65,933**

** Orsco was merged into Vétoquinol SA with retroactive effect from January 1, 2013.*

The differences in value between the two years result from the allocation of the Orsco purchase price and exchange differences on goodwill denominated in foreign currencies for previously acquired subsidiaries.

The recoverable value of intangible assets tested is the value in use determined using the discounted future cash flow method. According to this method, the recoverable value of the asset is the present value of the estimated future cash flows expected from the continuous use of the asset and its disposal at the end of its useful life, less working capital and the value of other assets as of the date when the test is carried out. This valuation includes, in particular, a terminal value obtained by discounting to infinity a cash flow deemed to be normal at the end of the forecasting period.

Cash flow forecasts were established over a five-year period, based on budget projections for the following year drawn up by management. By way of exception, the forecasts for Brazil were based on a ten-year period, this being the period required for the strategic positioning of a new subsidiary. The following assumptions were used:

- sales growth rate ranging from 0% to 8%,
- growth to infinity ranging from 1.7% to 6.7%, depending on the country,
- the other values were derived from the cost structure shown on the most recent budget projection as of the date of the test (for example, profit margin from the 2014 budget applied to 2015 and the following years for the December 31, 2013 test), adjusted for non-recurring items,
- the discount rate varies by country, ranging from 7.4% to 10.5%.

Based on these tests, no impairment was found in respect of goodwill, intangible assets or property, plant and equipment.

Likewise, an impairment test was conducted on the Equistro trademark, an intangible asset with an indefinite life, assuming sales growth to infinity of 1.7% and an 7.4% discount rate. On the basis of this test, no impairment was found.

Sensitivity analyses based on the minimum value, instead of the central value, and a deviation of +/- 1% in the discount rate provided no evidence of negative adjustments.

19.1.20. Intangible assets

€000	Concessions, licenses and patents	Software	Trademarks	Other	Total
AT DECEMBER 31, 2011					
GROSS BOOK VALUE	**14,701**	**13,020**	**14,207**	**29,614**	**71,542**
ACCUMULATED AMORTIZATION	**(10,063)**	**(11,267)**	**(79)**	**(13,794)**	**(35,203)**
NET BOOK VALUE	**4,638**	**1,752**	**14,128**	**15,821**	**36,339**
Acquisitions	1,547	494		116	2,157
Acquisitions through business combinations				851	851
Change in consolidation method					
Disposals					
Reclassifications		(17)		(41)	(58)
Amortization	(1,126)	(810)		(2,797)	(4,733)
Deconsolidation					
Exchange differences, net	(102)	20	(280)	(438)	(800)
AT DECEMBER 31, 2012					
GROSS BOOK VALUE	**16,270**	**13,486**	**13,933**	**29,681**	**73,370**
ACCUMULATED AMORTIZATION	**(11,313)**	**(12,046)**	**(85)**	**(16,169)**	**(39,613)**
NET BOOK VALUE	**4,957**	**1,440**	**13,848**	**13,512**	**33,756**
Acquisitions	32	593		44	668
Acquisitions through business combinations					
Change in consolidation method					
Disposals		(2)			(2)
Reclassifications		21		5,245	5,265
Amortization	(810)	(699)		(3,136)	(4,645)
Deconsolidation					
Exchange differences, net	(233)	(34)	(750)	(1,145)	(2,162)
AT DECEMBER 31, 2013					
GROSS BOOK VALUE	**15,899**	**13,535**	**13,181**	**32,628**	**75,243**
ACCUMULATED AMORTIZATION	**(11,954)**	**(12,216)**	**(84)**	**(18,109)**	**(42,362)**
NET BOOK VALUE	**3,946**	**1,319**	**13,097**	**14,519**	**32,881**

Intangible assets mainly comprise the Equistro trademark valued at €8,863,000, which has an indefinite life and, as such, is not amortized.

The "Other" column mainly includes the following intangible assets as of December 31, 2013:

- customer list of Vet Solutions (USA) for a total of €2,388,000 (2012: €3,327,000),
- ophthalmic products purchased from Vetcom (Canada) for a total of €1,428,000 (acquisition completed in 2008),
- a 5-year non-compete clause following the acquisition of Wockhardt's Animal Health Division, valued at €299,000 at closing rates (2012: €903,000).
- the lists of products valued as of the acquisition of Ascor Chimici, the Wockhardt Animal Health Division and Farmagricola for the remaining balance.

19.1.21. Immobilisations corporelles

€000	Land	Buildings	Plant and equipment	Other PP&E	PP&E in progress, advances and down payments	Total
AT DECEMBER 31, 2011						
GROSS BOOK VALUE	**2,410**	**62,087**	**44,264**	**13,634**	**2,956**	**125,351**
ACCUMULATED DEPRECIATION	**(734)**	**(38,457)**	**(31,914)**	**(10,183)**	**0**	**(81,287)**
NET BOOK VALUE	**1,676**	**23,630**	**12,350**	**3,451**	**2,956**	**44,064**
Additions	14	2,042	2,458	597	2,648	7,759
Acquisitions through business combinations	2,000	79	115	91	2,286	
Change in consolidation						
Disposals		(1)	(34)	(28)		(62)
Depreciation	(48)	(2,918)	(2,769)	(1,347)		
Exchange differences, net	(191)	(1)	9	22	22	
Deconsolidation						
Reclassifications		858	210	278	(1,368)	(21)
AT DECEMBER 31, 2012						
GROSS BOOK VALUE	**4,233**	**65,326**	**46,825**	**13,872**	**4,259**	**134,516**
ACCUMULATED DEPRECIATION	**(781)**	**(41,636)**	**(34,486)**	**(10,807)**		**(87,711)**
NET BOOK VALUE	**3,452**	**23,690**	**12,339**	**3,065**	**4,259**	**46,805**
Additions	43	879	2,407	582	2,452	6,364
Acquisitions through business combinations						
Change in consolidation						
Disposals		(141)	(17)	(17)		(175)
Depreciation	(48)	(2,784)	(2,749)	(1,343)		(6,923)
Exchange differences, net	(344)	(711)	(463)	(169)	(16)	(1,703)
Deconsolidation						
Reclassifications		1,151	886	446	(2,542)	(59)
AT DECEMBER 31, 2013						
GROSS BOOK VALUE	**3,884**	**65,455**	**48,577**	**12,959**	**4,153**	**135,026**
ACCUMULATED DEPRECIATION	**(780)**	**(43,337)**	**(36,173)**	**(10,426)**		**(90,718)**
NET BOOK VALUE	**3,103**	**22,117**	**12,403**	**2,532**	**4,153**	**44,309**

19.1.21.1. Finance leases

Property, plant and equipment includes the following assets held under finance leases:

€000	Dec 31, 2013	Dec 31, 2012
Land		
Gross value	101	101
Net book value	**101**	**101**
Buildings		
Gross value	10,027	10,027
Accumulated depreciation	(9,697)	(9,612)
Net book value	**330**	**415**
Other PP&E		
Gross value		
Accumulated depreciation		
Net book value		
Total		
Gross value	10,129	10,128
Accumulated depreciation	(9,697)	(9,612)
Net book value	**432**	**516**

The value of commitments to purchase property, plant and equipment is stated in Note 19.1.37.3.

19.1.22. Financial assets available for sale

€000	Total
January 1, 2012	
Acquisitions	
Disposals	
Exchange difference	
December 31, 2012	**0**
Acquisitions	
Disposals	
Exchange difference	
December 31, 2013	**0**

19.1.23. Other financial assets

€000	Loans	Deposits and guarantees	Other	Total
December 31, 2011	**1**	**243**	**341**	**585**
Acquisitions		85	85	
Changes in consolidation scope	18		18	
Disposals		(80)	(80)	
Reclassification				
Exchange difference		(8)	(8)	
December 31, 2012	**1**	**261**	**338**	**600**
Acquisitions	162	46	208	
Changes in consolidation scope				
Disposals		(61)	(61)	
Reclassification		(22)	(22)	
Exchange difference		(30)	(30)	
December 31, 2013	**1**	**424**	**270**	**694**

All items classified under “Other financial assets” are non-current.

19.1.24. Derivatives

19.1.24.1. Derivatives

As stated in Note 19.1.3.15, the Group occasionally makes use of derivatives, solely in order to reduce its exposure to foreign currency risk or interest rate risk.

As of December 31, 2013, the Group had exchange rate hedging instruments outstanding. Their fair value amounted to - €500 and their notional value was €39,000. The Group had no hedging instruments outstanding at December 31, 2012.

As of December 31, 2013, there were three interest rate swaps outstanding. The fair value of these swaps was - €50,000 (2012: - €229,000).

€000	Dec 31, 2013			Dec 31, 2012		
	Par value	Positive fair value	Negative fair value	Par value	Positive fair value	Negative fair value
Forward currency contract	39	0	(1)			
Over-the-counter currency options	0	0	0			
Currency derivatives	**39**	**0**	**(1)**			
Interest rate swaps	21,625	0	(50)	15,625	0	(229)
Interest rate options	0	0	0			
Interest rate derivatives	**21,625**	**0**	**(50)**	**15,625**	**0**	**(229)**

19.1.25. Inventories

19.1.25.1. Analysis of inventories by type

€000	Dec 31, 2013			Dec 31, 2012		
	Gross	Impairment	Carrying value amount	Gross	Impairment	Carrying value amount
Raw materials & consumables	16,163	(201)	15,962	16,520	(190)	16,331
Other supplies	0	0	0			
Work in progress	7,961	(350)	7,611	5,506	(136)	5,370
Semi-finished and finished goods	24,754	(265)	24,489	25,685	(279)	25,406
Goods purchased for resale	8,684	(315)	8,369	8,759	(551)	8,208
TOTAL	**57,562**	**(1,131)**	**56,431**	**56,470**	**(1,155)**	**55,315**

19.1.25.2. Variation des dépréciations

€000	Dec 31, 2011	Additions	Reclassifications	Write-backs	Exchange difference	Dec 31, 2012
Raw materials & consumables	207	210		(236)	9	190
Work in progress	127	145		(136)		136
Semi-finished and finished goods	281	496	(10)	(489)	(0)	279
Goods purchased for resale	454	348	36	(279)	(9)	551
TOTAL	**1,069**	**1,200**	**26**	**(1,140)**	**(0)**	**1,155**

€000	Dec 31, 2012	Additions	Reclassifications	Write-backs	Exchange difference	Dec 31, 2013
Raw materials & consumables	190	176	0	(163)	(2)	201
Work in progress	136	381	0	(166)	0	350
Semi-finished and finished goods	279	322	0	(324)	(12)	265
Goods purchased for resale	551	(109)	0	(112)	(14)	315
TOTAL	**1,155**	**770**	**0**	**(766)**	**(27),**	**1,131,**

19.1.26. Trade and other receivables

€000	Dec 31, 2013	Dec 31, 2012
Trade receivables	58,264	51,766
Impairment of trade receivables	(1,774)	(1,771)
Net trade receivables	**56,490**	**49,995**
Prepayments	1,846	1,345
Receivables from government agencies	6,809	6,649
Other operating receivables	656	432
Miscellaneous receivables	273	920
Provisions	(10)	(10)
Other receivables	9,574	9,335
Total trade and other receivables	**66,064**	**59,330**
Prepaid expenses	1,436	1,450
Loans and guarantees	442	394
Other	0	0
TOTAL OTHER CURRENT ASSETS	**1,878**	**1,844**

All net trade receivables were due in less than one year. Receivables are subject to impairment in accordance with the risk of uncollectibility.

19.1.27. Cash and cash equivalents

€000	Dec 31, 2013	Dec 31, 2012
Marketable securities	39,140	41,357
Cash	44,788	40,235
Cash and cash equivalents in the balance sheet (assets)	**83,928**	**81,592**

Total cash and cash equivalents in the cash flow statement (CFS) include:

€000	Dec 31, 2013	Dec 31, 2012
Total cash and cash equivalents in the balance sheet	83,928	81,592
Bank overdrafts (Note 19.1.29)	(15,026)	(17,628)
Cash and cash equivalents in the CFS	**68,901**	**63,964**

19.1.28. Capital social et primes d'émission

€000	Number of shares	Capital stock	Additional paid in capital	Total
At December 31, 2011	**11,881,902**	**29,705**	**41,126**	**70,831**
At December 31, 2012	**11,881,902**	**29,705**	**41,126**	**70,831**
At December 31, 2013	**11,881,902**	**29,705**	**41,126**	**70,831**

At December 31, 2013, the capital stock amounted to €29,704,755 (2012: €29,704,755) divided into 11,881,902 shares (2012: 11,881,902 shares), each with a par value of €2.5.

19.1.28.1. Treasury stock/share buyback program/ liquidity contract

Subject to the May 13, 2014 General Meeting's approval of the resolution related to the buyback of the Company's shares, the Company will be authorized to buy back its own shares as required in order to:

- issue shares to employees and/or company officers (under the terms and conditions and according to the procedures prescribed by law), particularly in accordance with a stock option, bonus share or corporate savings plan;
- bolster the share's trading and liquidity by means of a liquidity contract entered into with an investment service provider in compliance with the AMAFI Code of Conduct as approved by the AMF;
- purchase shares to hold as treasury shares for subsequent reissue for exchange or payment with regard to any potential acquisition transactions, under market practices accepted by the AMF;
- issue shares to the holders of securities giving access to the Company's capital stock upon exercise of the rights attaching to such securities, in compliance with applicable regulations.

The purchase, sale or transfer transactions described above may be executed in any way permitted by law and by the applicable regulations, including by means of derivatives and block trades.

These transactions may be executed at any time, including during the period of a public tender offer for the Company's shares, provided that this offer is fully paid up in cash and that the abstention periods prescribed by the applicable statutory and regulatory provisions are respected.

The general meeting has set the maximum number of shares that may be purchased under the applicable resolution at 7% of the Company's capital stock as of the date of the relevant general meeting, i.e. 831,733 shares with a par value of €2.50 each, subject to the following conditions: (i) when this authorization is exercised, the number of treasury shares currently held by the Company will be taken into account, so that the total number of treasury shares held by the Company does not exceed 10% of the capital stock; (ii) the number of treasury shares held for the purposes of payment or exchange in the event of a merger, demerger or asset transfer does not exceed 5% of the capital stock.

The general meeting has decided that the total amount allocated to these acquisitions may not exceed €40,000,000 and that the maximum purchase price per share may not exceed €50.

In the event of a capital increase by capitalization of additional paid-in capital, reserves, profits or other amounts in the form of a bonus share grants during the term of this authorization, or in the event of a stock split or reverse stock split, the aforementioned maximum price per share will be multiplied by a coefficient equal to the ratio between the number of shares comprising the capital stock before the transaction and the number of shares existing after the transaction.

The general meeting has granted to the Board of Directors, with the option of further delegation subject to the conditions provided for by law, all powers required in order to:

- decide upon the exercise of this authorization;
- place all trading orders and enter into all agreements as required, in particular, for the purpose of keeping registers of share purchases and sales, pursuant to the applicable regulations;
- make all representations, complete all other formalities and, in general, do whatever is necessary. The Board of Directors shall inform the shareholders at the Annual General Meeting of all transactions executed pursuant to this authorization.

This authorization is granted for a term of eighteen (18) months as from the date of the May 13, 2014 General Meeting.

19.1.28.3. Stock options

19.1.28.3.1. Plan 5

The Combined Ordinary and Extraordinary General Meeting of October 9, 2006 authorized the Board of Directors to grant the Company's stock options to all or some of the company officers referred to in Article L.225-185 paragraph 4 of the French Commercial Code or to employees of the Company and any related companies or groups within the meaning of Article L.225-180 of the said Code.

On June 4, 2007, the Board of Directors voted unanimously to grant 33,800 options to purchase Vétoquinol shares. The details of the plan are as follows:

The purchase price was set at €25.33. This price corresponds to the average share price over the 20 trading days preceding this Board of Directors meeting, to which a 5% discount was applied. The purchase price of the shares must be fully paid up by the beneficiary as of the day on which the option is exercised.

The options may be exercised during a period of four (4) years and six (6) months. The options granted may be exercised after a two-year period starting on the date on which the Board of Directors authorized the plan, i.e. June 4, 2007, subject to the following caps and solely during the periods stated below:

- 50% from September 15, 2009 to October 15, 2009,
- 100% from September 15, 2010 to October 15, 2010,
- 100% from June 5, 2011 to December 5, 2011.

However, on August 29, 2011 the Board of Directors decided to extend the plan for a period of thirty (30) months, subject to new exercise periods:

- from October 1, 2012 to December 31, 2012,
- from October 1, 2013 to June 4, 2014.

The plan will be definitively closed on June 4, 2014.

The shares issued will provide their holders with full shareholder rights as from the first day of the fiscal year in which they were subscribed, provided that the options were exercised by December 31 of that year at the latest. They will entitle the holder to receive dividends starting with the dividend attributable to the year in which the option was exercised. Subject to this provision, they will be fully fungible with existing shares as of their issue.

19.1.28.3.2. Plan 6

The Combined Ordinary and Extraordinary General Meeting of May 12, 2009 authorized the Board of Directors to grant the Company's stock options to all or some of the company officers referred to in Article L.225-185 paragraph 4 of the French Commercial Code or to employees of the Company and any related companies or groups within the meaning of Article L.225-180 of the said Code.

On May 7, 2010, the Board of Directors voted unanimously to grant 23,500 options to purchase Vétoquinol shares. The details of the plan are as follows:

The purchase price was set at €24.25. This price corresponds to the average share price over the 20 trading days preceding this Board of Directors meeting, to which a 5% discount was applied. The purchase price of the shares must be fully paid up by the beneficiary as of the day on which the option is exercised.

The options may be exercised during a period of four (4) years and six (6) months. The options granted may be exercised after a two-year period starting on the date on which the Board of Directors authorized the plan, i.e. May 7, 2010, subject to the following caps and solely during the periods stated below:

- 50% from September 1, 2012 to October 1, 2012,
- 100% from September 1, 2013 to October 1, 2013,
- 100% from May 7, 2014 to November 7, 2014.

The shares issued will provide their holders with full shareholder rights as from the first day of the fiscal year in which they were subscribed, provided that the options were exercised by December 31 of that year at the latest. They will entitle the holder to receive dividends starting with the dividend attributable to the year in which the option was exercised. Subject to this provision, they will be fully fungible with existing shares as of their issue.

19.1.28.3.3. Outstanding options:

Details of plan	Plan 5	Plan 6
Date of grant	June 4, 2007	May 7, 2010
Exercise price	€25.33	€24.25
Expiration date	June 4, 2014	November 7, 2014
OPTIONS OUTSTANDING AT DEC 31, 2013	**19,800**	**19,500**

19.1.28.4. Treasury stock excluding liquidity contract

As of December 31, 2013, Vétoquinol held 51,703 treasury shares (2012: 52,303).

19.1.28.5. Dividend distribution

The shareholders' general meeting of May 22, 2013 approved the distribution of dividends attributable to FY 2012 amounting to €4,158,665.70, i.e. €0.35 per share (2012: €3,921,027.66 attributable to FY 2011, i.e. €0.33 per share). At the time the dividend was paid, Vétoquinol held a number of its own shares. The dividends attributable to these shares were not paid but were allocated to retained earnings. The total dividends paid out in 2013 amounted to €4,138,854.65 (2012: €3,905,547.69).
The Group dividend distribution policy complies with a minimum payout of 15%.

19.1.29. Financial liabilities

Le détail des dettes financières courantes et non courantes est le suivant :

€000	Dec 31, 2013	Dec 31, 2012
Borrowings and other financial liabilities	10,789	21,849
Finance lease liabilities (Note 19.1.15.1)	2	60
Total non-current financial liabilities	**10,791**	**21,909**
Convertible bond	0	0
Borrowings and other financial liabilities	11,114	10,692
Finance lease liabilities (Note 19.1.15.1)	57	159
Bank overdrafts	15,026	17,628
Total current financial liabilities	**26,198**	**28,479**
TOTAL FINANCIAL LIABILITIES	**36,989**	**50,388**

The breakdown by maturity of financial liabilities is as follows:

€000	Total	< 1 year	1-5 years	> 5 years
At December 31, 2012				
Convertible bond				
Borrowings and other financial liabilities	32,541	10,692	21,849	
Finance lease liabilities	219	159	60	
Bank overdrafts	17,628	17,628		
TOTAL FINANCIAL LIABILITIES	**50,388**	**28,479**	**21,909**	
At December 31, 2013				
Convertible bond				
Borrowings and other financial liabilities	21,903	11,114	10,789	
Finance lease liabilities	59	57	2	
Bank overdrafts	15,026	15,026		
TOTAL FINANCIAL LIABILITIES	**36,989**	**26,198**	**10,791**	

19.1.29.1. Breakdown by currency and rate type

€000	Dec 31, 2013	Dec 31, 2012
Fixed rate	82	97
Total INR	82	97
Fixed rate	87	116
Total BRL	87	116
Fixed rate	0	44
Total CAD	0	44
Fixed rate	32	107
Total PLN	32	107
Fixed rate on bonds		
Fixed rate and floating swapped to fixed	21,712	15,780
Floating rate	50	16,616
Total EUR	21,762	32,397
Fixed rate	21,913	16,144
Floating rate	50	16,616
Total (all currencies combined)	21,962	32,760
Bank overdrafts	15,026	17,628
TOTAL	**36,989**	**50,388**

19.1.29.2. Collateral given as guarantee

With regard to real estate leasing, a pledge of mortgage assets was given to the lessor on the real estate lease.

19.1.29.3. Credit lines

As of December 31, 2013, the Group had open lines of bank credit in various currencies amounting to the equivalent of €28,916,000 (2012: €30,725,000). €14,415,000 of these credit lines had been used (2012: €13,807,000).

19.1.29.4. Liquidity risk

In view of its available cash and cash equivalents as of December 31, 2013, the Group is not exposed to liquidity risk.

Contractual cash flows include the notional amounts of the Group's financial liabilities and the non-discounted value of its contractual interest payments.

€000	Carrying amount	Contractual cash flows	Breakdown of contractual cash flows		
			< 1 year	1-5 years	> 5 years
At December 31, 2012					
Borrowings and other financial liabilities	32,541	33,168	11,087	22,081	
Finance lease liabilities	219	224	163	61	
Bank overdrafts	17,628	17,628	17,628		
Trade payables	26,344	26,344	26,344		
Payables to fixed asset suppliers	1,166	1,166	1,166		
Other operating liabilities	16,281	16,281	16,281		
TOTAL FINANCIAL LIABILITIES	**94,180**	**94,811**	**72,669**	**22,142**	

€000	Carrying amount	Contractual cash flows	Breakdown of contractual cash flows		
			< 1 year	1-5 years	> 5 years
At December 31, 2013					
Borrowings and other financial liabilities	21,903	22,135	11,266	10,869	0
Finance lease liabilities	59	60	59	2	0
Bank overdrafts	15,026	15,026	15,026	0	0
Trade payables	25,693	25,693	25,693		
Payables to fixed asset suppliers	605	605	605		
Other operating liabilities	16,477	16,477	16,477		
TOTAL FINANCIAL LIABILITIES	**79,763**	**79,997**	**69,126**	**10,871**	**0**

19.1.30. Provisions for employee benefits

€000	Dec 31, 2013	Dec 31, 2012
Provision for retirement bonus	4,808	4,546
Other employee benefits (CET time savings account, long-service awards, etc.)	1,159	1,104
PROVISIONS FOR EMPLOYEE BENEFITS	**5,967**	**5,650**

19.1.30.1. Retirement bonuses

A retirement bonus system has been established for the Vétoquinol sites in France, Poland, Austria, Italy and India. In France, employees qualify for a retirement bonus ("indemnités de fin de carrière") under the national collective bargaining agreement for production and sale of pharmaceutical, parapharmaceutical and veterinary products.

- ***Changes in the corresponding liability are as follows:***

€000	Dec 31, 2013	Dec 31, 2012
Carrying amount at January 1	**4,546**	**3,894**
Expenses posted to the income statement	288	416
Actuarial gains and losses recorded in other comprehensive income	74	593
Contributions paid	(98)	(36)
Reclassifications	0	(328)
Exchange differences	(2)	8
New liabilities arising from acquisitions	0	0
Carrying amount at December 31	**4,808**	**4,546**

• ***The following amounts were posted to the income statement for the year:***

€000	Dec 31, 2013	Dec 31, 2012
Cost of services rendered during the year	198	314
Financial cost	91	102
Cost of past services		
TOTAL	**288**	**416**

• ***The main actuarial assumptions applied in France are as follows:***

	Dec 31, 2013	Dec 31, 2012
Discount rate	3.17%	2.75%
Salary increase rate	2.50%	
Social security contribution rate	45%	
Mortality table	TF-TH 2000-2002	
Staff turnover	Based on age range	

19.1.30.2. Other employee benefits

In France, employees qualify for long-service awards as defined by Decree no. 2000-1015 published in the official gazette (Journal Officiel) on October 19, 2000, as set forth in a company agreement or as standard practice. Vétoquinol also has its own system of long-service awards which entitles employees to receive bonuses based on years of service.

• ***Changes in the corresponding liability are as follows:***

€000	Dec 31, 2013	Dec 31, 2012
Carrying amount at January 1	1,104	747
Expenses posted to the income statement	95	337
Actuarial gains and losses recorded in other comprehensive income		
Contributions paid	(18)	(34)
Reclassifications		26
Exchange differences	(22)	28
New liabilities arising from acquisitions		0
Carrying amount at December 31	**1,159**	**1,104**

• ***The following amounts were posted to the income statement for the year:***

€000	Dec 31, 2013	Dec 31, 2012
Cost of services rendered during the year	95	337
Financial cost		
Cost of past services		
TOTAL	**95**	**337**

• ***The main actuarial assumptions used for long-service awards are as follows:***

	Dec 31, 2013	Dec 31, 2012
Discount rate	2.50%	2.08%
Award appreciation rate	0.60%	
Social security contribution rate	45%	
Mortality table	TF-TH 2000-2002	
Staff turnover	Based on age range	

19.1.30.3. Pension commitments

- Defined benefit plans: the Group has no defined benefit pension plan.
- Defined contribution plans: the expenses related to defined contribution pension plans are detailed in Note 19.1.30.1.

19.1.31.Other provisions

€000	Provision for litigation	Other provisions	Total
At December 31, 2011	**246**	**43**	**289**
Additional provisions and increases	128		128
Amounts used	(181)		(181)
Reclassifications		(11)	(11)
Write-backs of amounts not used			
Provisions arising from acquisitions		326	326
Exchange differences		(21)	(21)
At December 31, 2012	**193**	**337**	**530**
Additional provisions and increases	238	394	632
Amounts used	(47)		(47)
Reclassifications		2	2
Write-backs of amounts not used			
Provisions arising from acquisitions			
Exchange differences		(56)	(56)
At December 31, 2013	**384**	**677**	**1061**

€000	Dec 31, 2013	Dec 31, 2012
Current	439	47
Non-current	622	483
TOTAL	**1,061**	**530**

Provisions for litigation concern sales and labor-related disputes and claims.

19.1.32. Government grants

The Group has received conditional loans from the government. As of December 31, 2013, loans received from OSEO amounted to €1,152,000 (2012: €1,152,000).

In addition, the Group has received investment subsidies. These are recognized as deferred income and transferred to the income statement every year (see Note 19.1.13).

19.1.33. Fournisseurs et autres créditeurs

€000	Dec 31, 2013	Dec 31, 2012
Trade payables	25,693	26,344
Payables to fixed asset suppliers	605	1,166
Tax and social security liabilities	23,015	22,380
Other operating liabilities	16,477	16,281
Other miscellaneous liabilities	15	124
Total trade and other payables	**65,805**	**66,296**
Deferred income	243	253
Total other current liabilities	**243**	**253**

All trade and other payables are due in less than one year.

19.1.34. Assets and liabilities by accounting category – IAS 39

The fair value of derivatives is measured using the valuations provided by bank counterparties.

The fair value of non-derivative financial liabilities, as shown in the table below («Fair value» column), corresponds to the present value of future cash flows generated by principal and interest payments, discounted at the market interest rate applicable at the balance sheet date.

It is recalled that non material financial instruments (e.g. foreign currency hedges) are not recognized.

Cash and cash equivalents are stated at amortized cost, given that income and interest expenses are periodically recognized in the income statement. At December 31, 2013, as at December 31, 2012, there were no derivatives with positive fair values.

€000 – 2013	Assets/liabilities at fair value through profit/loss	Assets/liabilities at amortized cost	Non-financial instruments*	Total carrying amount	Fair value
Other equity investments					
Other non-current assets (loans and advances)		694		694	694
Trade and other receivables		67,942		67,942	67,942
Cash and cash equivalents		83,928		83,928	83,928
Derivatives					
Financial assets at Dec 31, 2013		**152,564**		**152,564**	**152,564**
Bonds					
Short/long-term borrowings and other financial liabilities		36,800	59	36,860	36,809
Derivatives		50		50	50
Trade payables		25,364		25,364	25,364
Payables to fixed asset suppliers		605		605	605
Other operating liabilities		16,477		16,477	16,477
Financial liabilities at Dec 31, 2013		**79,297**	**59**	**79,356**	**79,306**

€000 – 2012	Assets/liabilities at fair value through profit/loss	Assets/liabilities at amortized cost	Non-financial instruments*	Total carrying amount	Fair value
Other equity investments					
Other non-current assets (loans and advances)		600		600	600
Trade and other receivables		60,648		60,648	60,648
Cash and cash equivalents		81,592		81,592	81,592
Derivatives					
Financial assets at Dec 31, 2012		**142,841**		**142,841**	**142,841**
Bonds					
Short/long-term borrowings and other financial liabilities		50,075	219	50,294	50,217
Derivatives		229		229	229
Trade payables		26,010		26,010	26,010
Payables to fixed asset suppliers		1,166		1,166	1,166
Other operating liabilities		16,281		16,281	16,281
Financial liabilities at Dec 31, 2012		**93,761**	**219**	**93,981**	**93,903**

** Non-financial instruments consist solely of finance leases.*

19.1.35. Dividends per share

Dividends paid in 2013 amounted to €4,158,666 (2012: €3,905,548); i.e. €0.35 per share.
At the next General Meeting on May 13, 2014, the shareholders will be asked to approve a dividend payout of €0.37 per share.

19.1.36. Effectifs

2013 headcount by functional dept. and geographical region	France	Western Europe (excl. France)	Eastern Europe	Americas	Asia	Consolidated total
Commercial & Marketing	92	136	48	129	251	656
Administration & Management	140	34	53	60	11	298
Production	146	25	101	71		343
Quality	78	11	55	34	2	180
Procurement & Logistics	75	46	49	47	6	223
R & D	100	12	18	16	1	147
Total 2013 headcount	**631**	**264**	**324**	**357**	**271**	**1,847**
Total 2012 headcount	**600**	**262**	**325**	**363**	**262**	**1,812**

19.1.37. Off-balance sheet commitments

19.1.37.1. Guarantees given

€000	Dec 31, 2013	Dec 31, 2012
Guarantees and deposits	28	32
Mortgages and collateral	21,471	23,978
TOTAL	**21,498**	**24,010**

In Canada, the advances (described in Note 19.1.37.2) are secured by a lien amounting to CAD 31.5 million or €21,471,000 as of December 31, 2013 (2012: CAD 31.5 million or €23,978,000 at the 2012 closing rate), on all the receivables, inventories and intellectual property of Vétoquinol Canada and its parent, Vétoquinol SA.

19.1.37.2. Guarantees received

€000	Dec 31, 2013	Dec 31, 2012
Guarantees and deposits	6,859	4,866
Liability guarantees	1,181	1,636
TOTAL	**8,040**	**6,503**

Société Générale provided a guarantee on remaining finance lease payments of €43,000 at 2013 year-end (2012: €43,000).

In Canada, the Group obtained authorized bank advances for a maximum of CAD 10 million on a consolidated basis, or €6,816,000 at the 2013 closing rate (2012: CAD 10 million, or €7,612,000 at the 2012 closing rate), which may be used in the form of bank loans with interest set at the lending institution's preferential rate plus 0.375%. No amounts had been drawn on this line of credit as of December 31, 2013 (2012: CAD 3,663,000, or €2,789,000).

In connection with the Farmagricola acquisition, the former shareholders of this company granted Vétoquinol a liability guarantee for a five-year term starting on the acquisition date, i.e. until June 1, 2016. The guarantee may only be called upon if the amount to be claimed under the guarantee exceeds BRL 15,000 (€6,000 at the 2012 closing rate). As of 2013 year-end, the total amount of compensation awarded under this guarantee may not exceed BRL 3.8 million (€1,181,000 at the 2013 closing rate).

In connection with the Orsco acquisition, the former shareholders of this company granted Vétoquinol a liability guarantee. This guarantee may only be called upon if the amount to be claimed under the guarantee exceeds €100,000. The maximum amount that may be claimed under the guarantee is €4 million.

19.1.37.3. Capital expenditure commitments

At the balance sheet date, Vétoquinol had contracted the following capital expenditure not recorded in the financial statements:

€000	Dec 31, 2013	Dec 31, 2012
Guarantees and deposits		
Mortgages and collateral	2,787	1,045
TOTAL	**2,787**	**1,045**

19.1.37.4. Operating lease commitments

Group commitments related to operating leases are explained in Note 19.1.15.

19.1.38. Contingent assets and liabilities

With a view to defending Group interests, Vétoquinol is involved (as plaintiff) in a commercial dispute. On June 30, 2011, the appeals court ordered the defendant to pay the Vétoquinol Group the sum of 5 (five) million euros as a retainer for the amount of indemnification claimed by Vétoquinol.

This accrued income was posted in the 2011 first half Group financial statements, having been received during the second half of 2011.

As of the balance sheet date, the court expert investigation had been completed, but the appeals court had not yet issued a ruling setting the definitive amount of the loss incurred by Vétoquinol. No contingent asset has been recorded other than this compensation of €5 (five) million.

Information relative aux parties liées

19.1.38.1. Rémunération du personnel dirigeant clé

€000	Dec 31, 2013	Dec 31, 2012
Short-term benefits	769	1,043
Post-employment benefits		
TOTAL	**769**	**1,043**

The key executives of the Vétoquinol Group are:

- Matthieu Frechin, Chief Executive Officer;
- Étienne Frechin, Chairman;
- Jean-Yves Ravinet, Group Chief Operating Officer from September 2, 2013;
- Alain Masson, Chief Operating Officer and Chief Pharmacist.

19.1.38.2. Related party transactions

Néant.

19.1.39. Post-balance sheet events

On Thursday February 27, 2014 the Vétoquinol Group announced the signing of an agreement to acquire the animal health business of Bioniche Life Sciences Inc. for a purchase price of CAD 61 million; this acquisition will be submitted for approval to Bioniche's shareholders in April 2014.

19.1.40. Litigation and arbitration

There are no other administrative, judicial or arbitration proceedings, including any proceedings of which the Company is aware, either pending or imminent, that could have or that have over the past 12 months had a material impact on the financial position or profitability of the Company and/or the Group.

19.1.41. Financial/commercial position

No material change in the Group's financial or commercial position has occurred since December 31, 2013.

19.1.42. Group companies

Company	Head office	% held at Dec 31, 2013	% held at Dec 31, 2012
Vétoquinol SA	Magny-Vernois – 70204 Lure Cedex – France	100%	100%
Vétoquinol N.-A. Inc.	2000 Chemin Georges – Lavaltrie – Québec J5T 3S5 Canada	100%	100%
Vétoquinol Prolab Inc.	2000 Chemin Georges – Lavaltrie – Québec J5T 3S5 Canada	100%	100%
Vétoquinol Canada Inc.	2000 Chemin Georges – Lavaltrie – Québec J5T 3S5 Canada	100%	100%
Vétoquinol USA Inc.	Corporation Trust Center – 1209 Orange Street – Wilmington – Delaware 19801 – USA	100%	100%
Vétoquinol de Mexico SA de C.V	Mariano Escobedo n° 748, 5 Piso Int. – Col. Nueva Anzures – Delegation Miguel Hidalgo – Mexico	100%	100%
Farmagricola SA Importacao e Exportacao	Rodovia Fernao Dias s/n km 56, Terra Preta – Cidade de Mairipora – Estado de São Paulo CEP 07600-000 – Brazil	100%	100%
Vétoquinol Do Brasil Participacoes LTDA	Rodovia Fernao Dias s/n km 56, Terra Preta – Cidade de Mairipora – Estado de São Paulo CEP 07600-000 – Brazil	100%	100%
Vétoquinol Especialidades Veterinarias SA	Carretera de Fuencarral, km 15,700 – Edificio Europa I, Portal 3, piso 2, puerta 5, – 28108 Alcobendas (Madrid) – Spain	100%	100%
Vétoquinol Unipessoal LDA	Rua Consiglieri Pedroso – n° 123 – Edificio H – Queluz de Baixo – 2730-056 Barcarena – Portugal	100%	100%
Vétoquinol UK Ltd.	Great Slade – Buckingham Industrial Park – Buckingham MK18 1PA – UK	100%	100%
Vétoquinol Ireland Ltd.	First Floor – Segrave House – 19-20 Earlsfort Terrace – Dublin 2 – Ireland	100%	100%
Vétoquinol NV	Kontichsesteenweg 42 – 263 Aartselaar – Belgium	99%	99%
Vétoquinol BV	Postbus 3191 – 5203 DD'S-Hertogenbosch –Netherlands	100%	100%
Vétoquinol International	Magny-Vernois – 70204 Lure Cedex – France	100%	100%
Frefin GmbH	Parkstrasse 10 – 88212 Ravensburg – Germany	100%	100%
Vétoquinol GmbH (formerly Chassot GmbH)	Parkstrasse 10 – 88212 Ravensburg – Germany	100%	100%
Vétoquinol Biowet Poland Sp. z.o.o.	ul. Kosynierow Gdynskich 13/14 St. – 66-400 Gorzów WKLP – Poland	100%	100%
Vétoquinol AG	Business Building – Worblentalstrasse 32 – 3063 Ittigen – Switzerland	100%	100%
Vétoquinol s.r.o.	Zamenicka 411 – 28802 Nymburk – Czech Republic	100%	100%
Vétoquinol Österreich GmbH	Zehetnergasse 24 – A 1140 Wien – Austria	100%	100%
Vétoquinol Italia s.r.l.	Via Piana 265 – Capocolle di Bertinoro – Italy	100%	100%
Vétoquinol Scandinavia AB	Box 9 – 265 21 Astorp – Sweden	100%	100%
Frefin Mauritius Ltd.	London Centre – 34 Remy Ollier Street – Port Louis – Republic of Mauritius	100%	100%
Vétoquinol India Animal Health Private Ltd.	801, Sigma, 8th floor – Hirandani Business Park – Technology Street – Powai – Mumbai 400 076 – India	100%	100%
Frefin Asia Ltd.	Bonham Centre – 79-85 Bonham Strand – Sheung Wan – Hong Kong	100%	100%
Vétoquinol Korea Co. Ltd.	909-3, Hwajeong-dong Deokyang-gu – Goyang City Kyunggi-do – South Korea	100%	100%
Orsco (merged January 1, 2013)	14 Porte du Grand Lyon – 01700 Neyron – France	-	100%
Vétoquinol Trading (Shanghai) Co., Ltd.	Suite 1607, Block C, 85 Loushanguan, Changing District, Shanghai, PRC	100%	-

19.2. VÉTOQUINOL SA PARENT COMPANY FINANCIAL STATEMENTS

BALANCE SHEET – ASSETS

€000	2013 gross	2013 depreciation, amortization & provisions	2013 net	2012 net
Uncalled subscribed capital				
Start-up costs				
R&D expenses				
Concessions, patents and similar rights	17,615	14,212	3,404	4,012
Business goodwill	16,891	1,590	15,301	16
Other intangible assets				
Advances and down payments on intangible assets	179		179	218
Land and improvements	1,578	643	935	940
Buildings	40,918	25,814	15,105	15,441
Plant, equipment and machinery	31,995	24,660	7,334	6,921
Other PP&E	3,901	3,477	424	524
Non-current assets in progress	734		734	1,243
Advances and down payments	3,088		3,088	2,673
Other equity investments	105,161	31	105,130	121,013
Loans and advances to subsidiaries and affiliates			0	4,643
Other long term investment securities				
Loans				
Other financial assets	583		583	387
TOTAL NON-CURRENT ASSETS	**222,644**	**70,427**	**152,216**	**158,029**
Raw materials	8,381	138	8244	9,308
Work in progress - goods	7,502	350	7,152	4,809
Semi-finished and finished goods	8,017	184	7,833	7,519
Goods purchased for resale	1,220	24	1,195	1,243
Advances and down payments paid	432		432	250
Trade receivables and related accounts	25,943	266	25,678	21,932
Other receivables	11,938		11,938	13,037
Marketable securities	36,099		36,099	35,530
Cash	32,322		32,322	19,240
Prepaid expenses	422		422	521
TOTAL CURRENT ASSETS	**132,276**	**962**	**131,314**	**113 389**
Deferred charges				
Bond redemption premiums				
Unrealized foreign currency losses	140		140	81
TOTAL ASSETS	**355,059**	**71,389**	**283,670**	**271,500**

BALANCE SHEET – EQUITY AND LIABILITIES

€000	Dec 31, 2013	Dec 31, 2012
Capital stock or individual capital	29,705	29,705
Additional paid-in capital	41,126	41,126
Asset revaluation reserve		
Legal reserve	2,970	2,970
Statutory or contractual reserves		
Regulated reserves		
Other reserves	80,900	72,500
Retained earnings	19,193	14,818
Net income for the year (profit or loss)	19,387	16,914
Investment grants		
Regulated provisions	2,908	3,088
SHAREHOLDERS' EQUITY	**196,188**	**181,121**
Proceeds from issue of profit participation certificates		
Government loans	1,151	1,151
OTHER EQUITY	**1,151**	**1,151**
Provisions for risks	872	259
Provisions for charges	600	603
Provisions	**1,472**	**862**
Convertible bonds		
Other bonds		
Bank borrowings and financial liabilities	35,997	40,573
Other borrowings and financial liabilities	8,826	10,292
Advances and prepayments received on outstanding orders		
Trade payables and related accounts	11,823	11,098
Tax and social security liabilities	12,923	11,479
Payables to fixed asset suppliers and related accounts	361	371
Other payables	14,923	14,254
Deferred income		
LIABILITIES	**84,852**	**88,067**
Unrealized foreign currency gains	6	298
TOTAL EQUITY AND LIABILITIES	**283,670**	**271,500**

INCOME STATEMENT

€000	Dec 31, 2013	Dec 31, 2012
Sale of goods purchased for resale	13,506	12,542
Production sold – goods	99,587	93,354
Net sales	113,093	105,896
Change in inventories (production)	2,954	1,369
Operating grants	275	400
Write-backs of depreciation, amortization and impairment	521	816
Other income	5,877	6,317
Total operating income	122,721	114,799
Purchase of goods for resale	5,509	5,617
Change in inventories (goods purchased for resale)	31	168
Purchases of raw materials and other supplies	23,372	24,996
Change in inventories (raw materials and other supplies)	1,010	(1,865)
Other purchases and external expenses	31,953	29,666
Taxes other than on income	3,514	3,530
Wages and salaries	27,229	26,739
Social security charges	13,613	12,904
Depreciation, amortization and impairment of non-current assets	5,188	5,391
Impairment of current assets	767	441
Provisions for risks and charges	263	342
Other expenses	1,943	2,268
Total operating expenses	114,392	110,197
Net operating income	**8,329**	**4,602**
Financial income from equity investments	11,306	9,500
Other interest and similar income	1,173	874
Write-backs of provisions and expense reclassifications		37
Foreign exchange gains	768	1,739
Net gains on disposals of marketable securities		12
Total financial income	13,246	12,161
Amortization and provisions for financial assets	59	43
Interest and similar expenses	512	579
Foreign exchange losses	2,116	1,271
Total financial expenses	2,687	1,893
Net financial income	**10,560**	**10,269**
Profit before tax and non-recurring items	**18,889**	**14,871**
Non-recurring income from operations	41	22
Non-recurring income from capital transactions	11	16
Write-backs of provisions and expense reclassifications	907	1,487
Total non-recurring income	959	1,525
Non-recurring expenses related to operations	150	781
Non-recurring expenses related to capital transactions	39	32
Non-recurring depreciation, amortization and provisions	1,092	453
Total non-recurring expenses	**1,281**	**1,266**
Net non-recurring income/(expense)	**(322)**	**260**
Employee profit sharing	421	232
Corporate income tax	(1,240)	(2,015)
NET INCOME	**19,387**	**16,914**

STATEMENT OF CASH FLOWS

€000	Dec 31, 2013	Dec 31, 2012
Total net income	**19,387**	**16,914**
Elimination of depreciation, amortization, impairment and provisions	5,618	4,540
Elimination of change in deferred tax		
Elimination of capital gains and losses on asset sales	77	16
Cash flow	**25,081**	**21,470**
Dividends received from associates		
Impact of change in working capital	(1,391)	(1,726)
Net cash flow from (used by) operating activities	**23,690**	**19,744**
Total investments	(4,745)	(21,981)
Total proceeds from asset disposals	5,097	5,096
Impact of changes in consolidation scope	152	
Net change in short-term investments	13	454
Net cash flow from (used by) investing activities	**516**	**(16,430)**
Dividends paid	(4,139)	(3,906)
Increases (decreases) in capital		
Issuance of borrowings (including accrued interest)	59	16,264
Repayments of borrowings	(10,428)	(10,666)
Sale (purchase) of treasury stock	2	
Net cash flow from (used by) financing activities	**(14,505)**	**2,292**
Impact of changes in exchange rates		
Impact of changes in accounting principles		
Change in cash and cash equivalents	**9,701**	**5,606**
Opening cash and cash equivalents	34,420	28,814
Closing cash and cash equivalents	44,121	34,420
Change in cash and cash equivalents (at end of period)	**9,701**	**5,606**

STATEMENT OF CHANGE IN EQUITY

€000 or euros per share		Dec 31, 2013	Dec 31, 2012
Accounting profit	€000	19,387	16,914
Earnings per share	€	1.63	1.42
Change in shareholders' equity	€000	(181)	(398)
Proposed dividend	€000	4,396	4,159
Proposed dividend per share	€	**0.37**	**0.35**

€000		Dec 31, 2013	Dec 31, 2012
A			
	1. Equity at end of previous year before appropriation	164,207	147,733
	2. Share of earnings appropriated to equity by the AGM	16,914	20,778
A	**3. Equity at January 1**	**181,121**	**168,511**
B	Contributions received with retroactive effect as of Jan 1		
	1. Changes in capital stock		
	2. Changes in other items		
C	**(= A3 + B) Equity at Jan 1 after retroactive contributions**	**181,121**	**168,511**
D	Changes during the year:		
	1. Changes in capital stock		
	2. Changes in additional paid-in capital, reserves and retained earnings		
	3. Distribution of dividends out of net income for the year	(4,139)	(3,906)
	4. Distribution of exceptional dividends		
	5. Net income for the year	19,387	16,914
	6. Changes in equity-related "provisions"		
	7. Revaluation offset account		
	8. Changes in regulated provisions and equipment grants	(181)	(398)
	9. Changes in regulated provisions due to changes in methods		
	10. Other changes		
E	**Equity at Dec 31 before AGM (= C ± D)**	**196,188**	**181,121**
F	**TOTAL CHANGES IN EQUITY DURING THE YEAR (= E - C)**	**15,067**	**12,610**
G	**of which: due to changes in structure during the year**		
H	**CHANGES IN EQUITY DURING THE YEAR BEFORE CHANGES IN STRUCTURE (F - G)**	**15,067**	**12,610**

NET INCOME FOR THE YEAR

€000	Dec 31, 2013	Dec 31, 2012
Total assets	283,670	271,500
Total revenues	136,926	128,486
Total expenses	117,540	111,572
Net income for the year	19,387	16,914

Additional information 20

20 – Additional information

20.1. CAPITAL STOCK

At the registration date of this registration document, the Company's capital stock stood at €29,704,755, divided into 11,881,902 shares, each with a par value of €2.50. The shares comprising the Company's capital stock are fully subscribed and paid up.

20.1.1. Shares not representing capital

There are no shares not representing capital.

20.1.2. Shares held by the issuer

At December 31, 2013, Vétoquinol SA held 53,264 of its own shares having a par value of €2.50 each and a total book value of €1,205,587.08, including 1,561 shares with a total value of €44,602.36 held under the liquidity contract managed by Oddo Corporate Finance.

20.1.3. Convertible securities

20.1.3.2. Stock options (see section 19.1.28.3)

20.1.3.3. Bonus shares (see section 19.1.28.2.)

20.1.4. Terms and conditions governing any right of acquisition or obligation attached to capital subscribed, but not paid up, aimed at increasing the capital

None.

20.1.5. Equity of any Group member covered by an option or by an agreement that provides for placing it under option

None.

20.1.6. Capital stock history

Transaction date	Transaction issued	Number of shares increase	Par value of capital transaction	Total capital after of shares	Total number	Par value per share
Jul 12, 2007	Opening balance				11,290,332	2.50
Dec 5, 2009	Exercise of options	2,300	5,750	28,231,580	11,292,632	2.50
Dec 31, 2010	No transaction during this year			11,292,632		2.50
Feb 27, 2011	Bond conversion	589,270	1,473,175	29,704,755	11,881,902	2.500

No transactions were carried out in 2012 or 2013.

20.1.7. Shareholders' agreement and special agreements

At the date of registration of this registration document, the following agreement relating to the Company's shares is in force:

Shareholders' agreement of December 13, 2013 on commitment to retain shares – Article 885 I bis of the French General Tax Code

This agreement was entered into between (i) the Étienne Frechin family group and (ii) certain individual shareholders, for an initial term of two years, to allow signatories of the agreement who are not Company directors to receive a partial exemption from French solidarity tax on wealth (ISF) and to establish a pre-emptive right in favor of Soparfin in the event of the sale or transfer of Company shares held by signatories of the agreement other than those belonging to the Étienne Frechin family group.

20.2. ARTICLES OF INCORPORATION AND BYLAWS

20.2.1. Corporate purpose (Article 2 of the bylaws)

The Company's purpose, both in and outside of France, directly or indirectly, is as follows:

- the preparation, manufacture, packaging, importation and exportation, purchase, wholesaling and distribution of:
  - all pharmaceutical specialties designed for veterinary and human use,
  - all chemical, homeopathic, biological, organo- and phyto-therapeutic products,
  - all surgical instruments, restraint devices and protective equipment,
  - all products designed to protect, treat or clean mineral or vegetal substances,
  - all perfume, cosmetic, dermatology, hygiene and nutritional products,
  - all parasiticides, insecticides and pest control products,
  - all care products for animal, vegetal or human use.
- analysis and research in the medical, pharmaceutical, clinical, biological and industrial fields;
- the development, procurement by acquisition or otherwise, licensing, use and improvement of all patents, brand names and trademarks, processes, inventions etc. related in any way whatsoever to the aforementioned products or to the manufacture and distribution thereof.

All of the aforementioned activities may be performed directly or indirectly, on the Company's own behalf or on behalf of a third party, alone or in association or collaboration with third parties, by any and all means.

In order to promote and develop the Company's brand image, the implementation, within the limit of their tax deductibility, of all philanthropic activities and/or sponsorship, by any and all means including, but not limited to: cash and in-kind donations, grants, equipment loans and technical assistance.

And, generally, all financial, commercial, industrial, movable property or real estate transactions that could be directly or indirectly linked to the aforementioned activities or that could foster the development thereof.

20.2.2. Principal bylaw provisions relating to governing and management bodies

The Board of Directors

The Board of Directors consists of at least three and no more than twelve members.

Each director must hold at least two shares during their entire term of office.

Pursuant to the Company bylaws, the term of office for directors is set at four years. To comply with the recommendations of the AFEP-MEDEF Code of Corporate Governance, the term of office for directors was reduced from six to four years by a resolution of the May 22, 2013 General Meeting.

A director appointed to replace another director shall remain in office solely for the remaining period of their predecessor's term of office.

Upon completion of their term, all retiring Board members are eligible for reappointment. Notwithstanding the foregoing, the number of individual members and permanent corporate representatives aged over 80 years shall not, at the end of each Ordinary General Meeting called to approve the company financial statements, exceed one third (rounded up to the nearest whole number, where applicable) of the number of members in office.

Chairman of the Board of Directors

The Board of Directors elects from amongst its members a Chairman, who must be an individual person, and determines the Chairman's remuneration.

The Chairman is appointed for a term not exceeding his/her term as director. He/she may be re-elected.

With regard to the performance of the duties of Chairman, the age limit is set at 90 years of age. The incumbent's term of office shall expire at the end of the first Ordinary Annual General Meeting following his/her 90th birthday.

The appointment of the Chairman may be revoked by the Board of Directors at any time. Any provision to the contrary shall be deemed inapplicable.

Senior management

The Board of Directors shall appoint an individual to assume the role of senior manager, under his/her own responsibility, bearing the title of Chief Executive Officer. The Chief Executive Officer may or may not also be the Chairman of the Board of Directors.

Upon termination of the Chief Executive Officer's term of office, for any reason whatsoever, the Board shall choose between the two options for the exercise of senior management referred to in the preceding paragraph. At any time, if it deems appropriate, the Board of Directors may change the option regarding the exercise of senior management. Shareholders and other interested parties shall be notified of the Board's choice or of the modification of this choice under the conditions defined by the applicable regulations.

When the Chairman of the Board of Directors is also the Chief Executive Officer, the provisions of this article relating to the Chief Executive Officer shall apply to him/her.

The appointment of the Chief Executive Officer may be revoked by the Board of Directors at any time. If the dismissal is decided without just cause, it may give rise to damages, except when the Chief Executive Officer also assumes the position of Chairman of the Board of Directors.

With regard to the performance of the duties of Chief Executive Officer, the age limit is set at 80 years of age. The incumbent's term of office shall expire at the end of the first Ordinary Annual General Meeting following his/her 80th birthday.

Chief Operating Officers

The Board of Directors may appoint up to four Chief Operating Officers, on the recommendation of the Chief Executive Officer. They shall be responsible for assisting the Chief Executive Officer.

With regard to the performance of the duties of Chief Operating Officer, the age limit is set at 80 years of age. The incumbent's term of office shall expire at the end of the first Ordinary Annual General Meeting following his/her 80th birthday.

Chief Pharmacist

Pursuant to the provisions of Article L.5142-1 of the French Public Health Code, any company involved in the manufacture, importation, exportation and wholesale distribution of veterinary drugs must be owned by a pharmacist, veterinarian or a company in which a pharmacist or veterinarian participates in the governance or senior management. The aforementioned pharmacists and veterinarians are referred to as "Chief Pharmacist" or "Chief Veterinarian". They are personally responsible for the application of the relevant statutory and regulatory provisions, without prejudice, where applicable, to the joint liability of the Company.

Pursuant to the provisions of Article R 5142-33 of the aforementioned Code, in public limited companies ("société anonyme") the Chief Pharmacist or Chief Veterinarian must hold the position of Chairman of the Board, Chief Executive Officer or Chief Operating Officer.

In addition, pursuant to the French Public Health Code, the Board of Directors shall appoint an acting chief pharmacist or veterinarian, who shall assume the same powers and duties as those conferred upon the Chief Pharmacist or Veterinarian during periods of replacement.

20.2.3. Other provisions of the bylaws – rights, privileges and restrictions attached to each class of shares (Article 19-4 of the bylaws)

A double voting right was established by the Extraordinary General Meeting of July 7, 2006. It is attached to all shares that are fully paid up and that are proved to have been registered for at least two years in the name of the same shareholder.

In the event of a capital increase by capitalization of profits, reserves or additional paid-in capital, the double voting right is conferred on all new registered shares granted freely to a shareholder by virtue of that shareholder's existing shares carrying a double voting right, immediately upon the issuance of such new shares, provided that they remain in registered form.

The double voting right attached to a share shall be forfeited in the case of conversion to bearer form or transfer of ownership.

However, the double voting right shall be preserved and the aforementioned two-year period shall not be interrupted in the event of the transfer of shares through inheritance, liquidation of joint matrimonial estate or inter vivos donations in favor of a spouse or relative who is a statutory heir.

20.2.4. 20.2.4.Actions required to modify shareholder rights and when the conditions are more stringent than those provided for by law

Apart from the provisions of Article 10 bis of the bylaws relating to threshold crossing disclosures, as cited in section 20.2.7 below, there is no other provision of the bylaws or internal regulations that could, to the Company's knowledge, result in the modification of shareholders' rights (see section 20.2.6 below).

20.2.5. Conditions for convening Ordinary and Extraordinary Annual General Meetings and procedures for admission (Article 19 of the bylaws)

General Meetings are convened and deliberate under the conditions provided for by law. They are held at the head office or at any other location specified in the meeting notice.

The General Meeting includes all shareholders, irrespective of the number of shares they hold, provided that these shares are fully paid up.

Any shareholder may participate in the meetings in person, by proxy or by remote voting, upon proof of identity and of the fact that the shares have been recorded for accounting purposes in their name (or in the name of the authorized intermediary registered under their name if their place of residence is outside France) by midnight, Paris time, on the third business day prior to the meeting, either in registered share accounts or in bearer share accounts kept by the authorized intermediary, in one of the locations specified in the meeting notice. In the case of bearer shares, the authorized intermediary must issue a shareholding certificate (*"attestation de participation"*).

Shareholders who have chosen their manner of participation in the meeting (in person, by remote voting or by proxy) and have notified the Company thereof may not alter their choice. However, it is specified that shareholders' physical attendance at a meeting shall have the effect of canceling any absentee votes submitted remotely or by proxy.

Remote or proxy votes shall only be taken into account if the voting forms are delivered to the Company no less than three days prior to the date of the meeting.

In case of conflict between a proxy vote and a remote vote, the remote vote shall prevail over the proxy vote.

Holders of shares in respect of which the payment of any amounts due has not been made within 30 days of formal notice being sent by the Company shall not be admitted to meetings. These shares shall be disregarded in the calculation of the quorum.

Any shareholder may also, if the Board of Directors or its Chairman so permits at the time when the General Meeting is convened, participate in this meeting by videoconference or other electronic means of remote communication or transmission, subject to the conditions and limitations provided for by the applicable statutory and regulatory provisions. Such shareholder shall be deemed present at the meeting for the purposes of calculating the quorum and majority.

20.2.6. Provisions enabling the delay, deferral or prevention of a change of control

Apart from the provisions of Article 10 bis of the bylaws (below) relating to threshold crossing disclosures, as cited in section 20.2.7 below, there is no other provision of the bylaws or internal regulations that could, to the Company's knowledge, have the effect of deferring or preventing a change of control over the Company.

20.2.7. Crossing of thresholds (Article 10 bis of the bylaws)

In addition to the legal obligation to report crossing of thresholds as provided for in Article L.233-7 of the French Commercial Code, any individual or legal entity, acting alone or in concert, that acquires a percentage of the Company's capital stock or voting rights (if the number and distribution of voting rights do not match the number and distribution of the shares) at least equal to 2.5% and to any multiple of such percentage without limit, must notify the Company, by registered letter with recorded delivery sent to the Company head office, of the total number of shares and voting rights that they hold.

Notification should also be made when the percentage of capital stock or voting rights held falls below one of the aforementioned thresholds.

The time limits to which such disclosures are subject are defined in accordance with the provisions of the French Commercial Code.

In the event of breach of the obligation provided for in the bylaws to disclose crossing of thresholds under the aforementioned conditions, and at the request, as recorded in the minutes of the General Meeting, of one or more shareholders holding together at least 2.5% of the capital stock or voting rights, the shares exceeding the fraction that should have been disclosed are stripped of voting rights until the situation has been rectified and thereafter until the end of a two-year period following such rectification.

20.2.8. Conditions governing changes to the capital stock that are more stringent than those provided for by law

There is no other provision in the bylaws or internal regulations governing changes to the capital stock that is more stringent than those provided for by law.

20.2.9. Delegation of powers effective in 2013

DELEGATION OF POWERS GRANTED BY THE COMBINED ORDINARY AND EXTRAORDINARY GENERAL MEETING OF MAY 22, 2013				
Authorization type	**Subject of authorization**	**Term of delegation**	**Cap**	**Use in 2013**
Capital increase (2nd resolution)	Capital increase by capitalization of reserves or additional paid-in capital	For a period of 26 months	Maximum authorized amount: €50 million	This authorization was not used in 2013
Capital increase (3rd resolution)	Issue of common stock and/or other securities giving access to the capital stock of the Company and/or one of its subsidiaries or to the grant of a debt security, with pre-emptive subscription rights	For a period of 26 months	Maximum par value of potential capital increases resulting from the issue of shares or other securities: €20 million Maximum aggregate par value of issues of securities representing the Company's debt providing access to the capital stock or to a debt instrument: €10 million	This authorization was not used in 2013
Capital increase (4th resolution)	Issue of common stock and/or securities giving access to the capital stock of the Company and/or one of its subsidiaries or to the grant of a debt security, without pre-emptive subscription rights as part of a public offering	For a period of 26 months	As for the 11th resolution	This authorization was not used in 2013
Capital increase (5th resolution)	Capital increase involving the issue of common stock and/or any other securities giving access to the capital stock of the Company and/or one of its subsidiaries or to the grant of a debt security, without pre-emptive subscription rights as part of a private placement	For a period of 26 months	Maximum par value of capital increase resulting from the issue of shares or other securities: €10 million. Maximum aggregate par value of issues of securities representing Company debt giving access to the capital: €5 million	This authorization was not used in 2013
Capital increase (6th resolution)	Grant stock options to Group employees	For a period of 38 months	Maximum number of shares to be issued: 150,000	This authorization was not used in 2013
Capital increase (7th resolution)	Grant stock options to employees and corporate officers	For a period of 38 months	Maximum number of shares to be issued: 150,000	This authorization was not used in 2013

DELEGATION OF POWERS GRANTED BY THE COMBINED ORDINARY AND EXTRAORDINARY GENERAL MEETING OF MAY 22, 2013				
Authorization type	**Subject of authorization**	**Term of delegation**	**Cap**	**Use in 2013**
Setting of overall caps (8th resolution)	Setting of overall caps applicable to the delegation of powers to carry out capital increases through the issue of shares or securities giving access to the capital stock and in respect of securities giving access to the capital stock or to a debt security		Maximum par value of capital increase resulting from the issue of shares or other securities: €40 million Maximum aggregate par value of issues of securities representing Company debt giving access to the capital: €20 million	This authorization was not used in 2013
Share buyback (16th resolution)	Purchase of Company shares, in order to: • issue shares to employees and/or corporate officers (under the terms and conditions and according to the procedures prescribed by law), particularly in accordance with a stock option, bonus share or corporate savings plan, • bolster the share's trading and liquidity by means of a liquidity contract entered into with an investment service provider in compliance with the AMAFI Code of Conduct as approved by the AMF, • purchase shares to hold as treasury shares for subsequent reissue for exchange or payment with regard to any potential acquisition transactions, under market practices accepted by the AMF, • issue shares to the holders of securities giving access to the Company's capital stock upon exercise of the rights attaching to such securities, pursuant to applicable regulations	For a period of 18 months – This delegation cancels and supersedes the delegation granted by the May 24, 2012 General Meeting	Treasury shares limited to a maximum of 7% of the capital stock, i.e. 831,733 shares with a par value of €2.50 each Maximum authorized amount: €29 million Maximum share purchase price: €35	In 2013 under this authorization: • 97,670 shares were redeemed • 99,454 shares were resold

VÉTOQUINOL **WORLDWIDE**

AUSTRIA
Vétoquinol Österreich GmbH
Zehetnergasse 24 – 1140 Wien
Tel. +43 14 16 39 10
Fax +43 14 16 39 10-15
Email: office@vetoquinol.at
www.vetoquinol.at

BELGIUM
Vétoquinol N.V.
Kontichsesteenweg 42
2630 Aartselaar
Tel. +32 3 877 44 34
Fax +32 3 877 44 38
Email: info@vetoquinol-benelux.be
www.vetoquinol.be

BRAZIL
Farmagricola SA
Rua Alcântara, 195
Vila Maria Baixa – São Paulo SP
02110-010
Tel. +55 11 3568-1111
Fax +55 11 3568-1101
Email: info@vetoquinol.com.br
www.vetoquinol.com.br

CANADA
• Vétoquinol Canada
2000 chemin Georges - Lavaltrie,
Québec, J5T 3S5
Tel. +1 450 586 48 22
Fax +1 450 586 46 49
Toll free number 1 800 565 0497
Email: info@vetoquinol.ca www.
vetoquinol.ca
• Vétoquinol Prolab Inc.
700 rue St-Henri
Princeville, Québec, G6L4X1
Tel. +1 819 364 3073
Fax +1 819 364 7895
www.vetoquinol.ca

CZECH REPUBLIC
Vétoquinol s.r.o.
Zámenická 411 – 288 02 Nymburk
Tel. +420 325 51 38 22
Fax +420 325 51 33 65
Email: vetoquinol@vetoquinol.cz
www.vetoquinol.cz

FRANCE
• Vétoquinol S.A.
Magny-Vernois BP 189
70204 Lure cedex
Tel. +33 3 84 62 55 55
Fax +33 3 84 62 55 56
Email:vetoquinol@vetoquinol.com
www.vetoquinol.com
• Direction France
37 rue de la Victoire 75009 Paris
Tel. +33 1 55 33 50 25
Fax +33 1 47 70 42 05
Email: comm.france@vetoquinol.com
www.vetoquinol.fr
• Vétoquinol
Z.I. du Cantubas Avenue J. Kessel
69170 Tarare cedex
Tel. +33 4 74 05 37 50
Fax +33 4 74 05 37 59

GERMANY
Vétoquinol GmbH
Parkstrasse 10
88212 Ravensburg
Tel. +49 751 35 953 0
Fax +49 751 35 953 99
Email:
info@vetoquinol.de www.vetoquinol.de

INDIA
Vétoquinol India
Animal Health P. Ltd 801,
SIGMA – 8th Floor
Hiranandani Business Park Powai -
Mumbai – 400076
Tel. +91 22 6132 2609
Fax +91 22 6132 2641
Email:
headoffice-mumbai@vetoquinol.in
www.vetoquinol.in

IRELAND
Vétoquinol Ireland Ltd.
First Floor, Dublin 2.
Segrave House,
19-20 Earlsfort Terrace
Dublin 2
Tel. +44 1280 814 500
Fax +44 1280 825 460
Email: office@vetoquinol.ie www
vetoquinol.co.uk www.vetoquinol.com

ITALY
Vétoquinol Italia s.r.l.
Via Piana, 265
47032 Bertinoro (FC)
Tel. +39 05 43 46 2411
Fax +39 05 43 44 8644
Email: info@vetoquinol.it www.
vetoquinol.it

MEXICO
Vétoquinol de México S.A. de C.V.
Mariano Escobedo # 748 5º Piso Int.
2 – Col. Nueva Anzures Delegación
Miguel Hidalgo
México, D.F. C.P. 11590
Tel. +52 55 55 36 80 90
Fax + 52 55 56 69 25 24
Toll free number 01 800 90 90 400
Email: sclientes@vetoquinol.mx
www.vetoquinol.mx

NETHERLANDS
Vétoquinol B.V.
Postbus 3191
5203 DD's-Hertogenbosch
Tel. +31 10 498 00 79
Fax +31 800 024 96 94
Email: info@vetoquinol-benelux.be
www.vetoquinol.nl

PEOPLE'S REPUBLIC OF CHINA
Vétoquinol Trading
(Shanghai) Co., Ltd.
Suite 1607, Block C, 85 Loushanguan,
Changing District, Shanghai,
Tel. +86 21 52570660
Fax +86 21 62703001
www.vetoquinol.cn

POLAND
Vétoquinol Biowet Sp. z o.o.
ul. Kosynierów - Gdynskich 13-14
66-400 Gorzów Wlkp.
Tel. +48 95 728 55 00
Fax +48 95 735 90 43
Email: info@vetoquinol.pl
www.vetoquinol.pl

PORTUGAL
Vétoquinol Unipessoal LDA
Rua Consiglieri Pedroso, nº 123
Edifício H – Queluz de Baixo 2730 –
056 Barcarena
Tel. +351 21 434 0300
Fax +351 21 434 0309
Email: vetoquinol@vetoquinol.pt
www.vetoquinol.pt

REPUBLIC OF KOREA
Vétoquinol Korea Co. Ltd.
909-3, Whajung-dong Dukyang-ku
Koyang-city Kyungki-do – 412 270
Tel. +82 31 967 8853
Fax +82 31 968 4943
Email:
webmaster@vetoquinolkorea.com
www.vetoquinolkorea.com

RUSSIA
Moscow representative office of
Vétoquinol SA.
2, Gorbunova street, bld 3,
Moscow 121596 Russian Federation

SCANDINAVIA
Vétoquinol Scandinavia
Box 9 – SE-265 21 Astorp
Tel. +46 426 7603
Fax +46 426 7604
Email: info@vetoquinol-scandinavia.
com www.vetoquinol-scandinavia.com

SPAIN
Vétoquinol Especialidades
Veterinarias, S.A.
Carretera de Fuencarral km 15 700
Edificio Europa I – Portal 3
piso 2º, puerta 5
28108 – Alcobendas – Madrid
Tel. +34 91 490 37 92
Fax +34 91 490 08 02
Email: vev.sa@vetoquinol.es
www.vetoquinol.es

SWITZERLAND
Vétoquinol AG
Business Building Worblentalstrasse 32
3063 Ittigen
Tel. +41 31 818 56 56
Fax +41 31 818 56 50
Email: info@vetoquinol.ch
www.vetoquinol.ch

UNITED KINGDOM
Vétoquinol UK Ltd.
Vétoquinol House – Great Slade
Buckingham Industrial Park
Buckingham – MK18 1PA
Tel. +44 1280 814 500
Fax +44 1280 825 460
Email: office@vetoquinol.co.uk
www.vetoquinol.co.uk

UNITED STATES
Vétoquinol USA Inc.
4250 N. Sylvania, Fort Worth,
TX 76137
Tel. +1 817 529 7500
Fax +1 817 529 7506
Toll free number 1 800 267 5707
Email: info@vetoquinolusa.com
www.vetoquinolusa.com

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Vétoquinol SA
French public limited company with capital of €29,704,755
676 250 111 RCS Vesoul

www.vetoquinol.com

Vétoquinol Head Office – Magny-Vernois – BP 189
70204 Lure cedex – Tel. +33 (0)3 84 62 55 55
E-mail: relations.investisseurs@vetoquinol.com

Design and production: **Keima** – www.keima.fr – Photos: Fotolia, Shutterstock, Thinkstock/Gettyimages, H. Thouroude – Document printed on paper from sustainably managed forests