REGISTRATION DOCUMENT

Vétoquinol

Our business: animals. Our advantage: people.

Interview with Matthieu Frechin,

Vétoquinol CEO

What were the highlights of 2014?

Our sales reached €315.3m, up 5.2%, in an animal health world market worth $24bn. Revenues increased in all our strategic countries.

Our reference products, the drivers of the Group's strategy, underpinned our buoyant growth by generating revenues of €150.7m, up 13.2%. Reference products now account for 48% of Group sales, compared to 38% in 2012 and 44% in 2013.

On April 15, 2014 we acquired the Bioniche animal health business. This acquisition gave us an entry into the cattle and pig breeding industry. With regard to our international operations, we strengthened our North American business and established a foothold in Australia, the world's 11th largest animal health market.

"We now offer just over 30 reference products."

> *“Acquisitions enable us to enhance our reference product range and boost the Group’s transformation.”*

Could you say a few more words about your reference product-based strategy?

Reference products are designed to meet the daily requirements of vets. They are existing or potential market-leading products that will eventually generate over €5m in sales when they reach maturity.

We now offer just over 30 reference products and we aim to have a range of around 50 reference livestock and pet products by the year 2020.

We primarily focus on building and adapting this range of products. As such, we are working on reference product launches and extensions in our strategic countries. Most of our R&D and product licensing activities target reference products.

What are the main objectives for 2015?

We will maintain investments both in R&D and in production, sales and marketing, in order to build on growth in our reference products and ensure they continue to increase as a proportion of our sales.

In 2014, we spent €21.9m on R&D, accounting for 7% of 2014 revenues, and our production capital expenditure amounted to over €10m. In 2015, we will pursue this trend so as to achieve our growth and development objectives.

We are backed by a robust balance sheet that gives us flexibility to make acquisitions, as shown by our 2014 takeover of the Bioniche animal health business. Acquisitions enable us to enhance our reference product range and boost the Group’s transformation.

We are confident in our capacity to grow Group sales and continue to improve profit margins.

Matthieu Frechin
Vétoquinol CEO

2014 key figures

An animal health pure player

No. 9 global animal health company

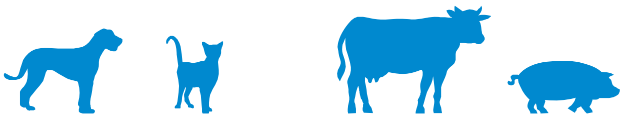
Sales

€315.3m

of which €150.7m
from reference products (up 13.2%)

Breakdown of 2014 sales
per business

Pets | Livestock



€162.5m | €152.8m

Headcount

2,004 employees

An international presence

25 countries

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

including ***17 strategic countries***

Breakdown of 2014 sales
per territory

Europe | Americas | Asia/Pacific

€179.1m | €93.0m | €43.2m

159 R&D technicians

9 production sites

Net income - Group share

€25.8m

EBITDA

€49.2m

3

Social and Environmental Responsibility

3 Social and Environmental Responsibility

Vétoquinol, an animal health company

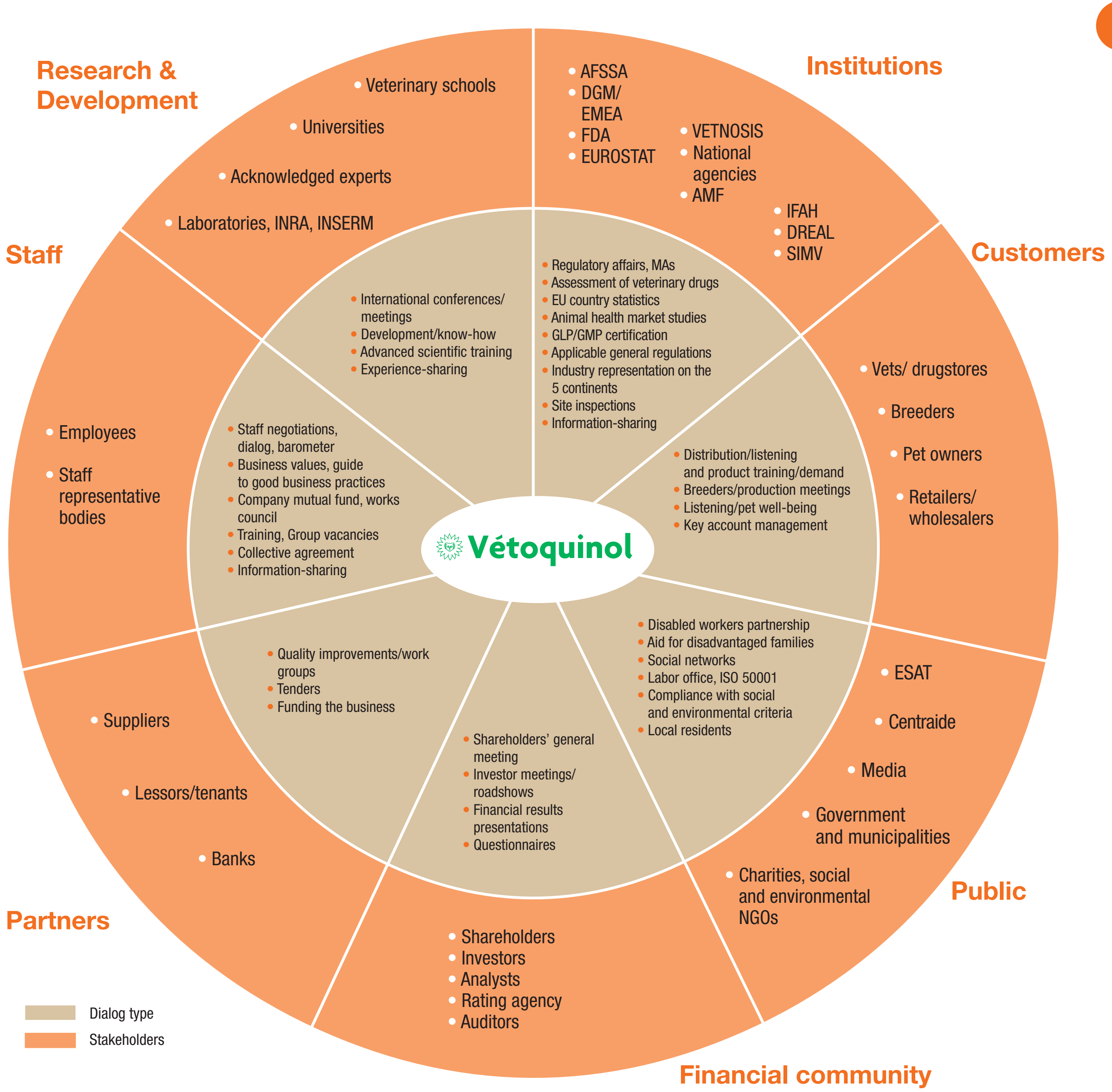
Now the ninth largest animal health company in the world, with operations spanning five continents, Vétoquinol pursues its human adventure under the sign of passion.

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

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 equally visible to both employees and external partners.

Following the sixth GAIA Index campaign, in October 2014 Vétoquinol came top of the mid-caps ranking (classification based on sales) and fourth in the 'Industry' sector (classification based on business). The GAIA Index assesses the degree of a company's transparency and maturity in relation to the following five CSR themes - economy, governance, employees, environment and external stakeholders - and over 110 quantified criteria. These rankings demonstrate Vétoquinol's application of CSR best practices and justly reward the skills and constant commitment of its employees.

For many years Vétoquinol has striven to promote dialog with all its stakeholders in various ways, both informal (via agreements, conferences, in-house committees, etc.) and formal (e.g. SFAF, IFAH and SIMV), and responds promptly to any suggestions or concerns raised. This fruitful dialog results in wide and diversified understanding of changing priorities and thereby advances the Company's CSR strategies. The diagram opposite summarizes the different groups of stakeholders and the dialog pursued with each of them.



The human-animal relationship

The benefits of having a pet for human physical and mental well-being have been known for many years. Nowadays, pets play a vital social role: they are part of the family, share everyday home life and sometimes perform a function that complements that of human beings:

• Animals and children

Animals are children's close companions and patient confidants; and their presence soothes children's fears and anxiety.

• Animals and elderly people living alone

Their presence is reassuring, they give structure to the day (walks) and increase social contact. Nowadays animals are allowed into retirement homes.

• Animals and disabled people

Guide dogs and service dogs make disabled people more independent, giving them constant comfort, warmth and friendship and helping them to find their place in society.

Responsible behavior: Guide to Good Business Practices

Vétoquinol ensures that its development complies with the law, ethical principles, individual rights and the principles of fair competition. For this purpose, employees are given a Guide to Good Business Practices.

The rules in this Guide explain what Vétoquinol expects of each of its employees, regardless of their hierarchical status, so that all employees worldwide act in compliance 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 or corruption.
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.
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 at the same time as preserving 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 trigger a virtuous spiral.
The HSE engineer implements and applies standard indicators to measure progress in combating climate change and in the use of resources. He also analyzes the risks of harming the environment generated by everyday operations and major projects in order to propose and implement suitable preventive and protective measures. He is notified of projects and decisions that impact or that might impact 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 forms part of the Human Resources Department's remit.
The safety and health of workers is a constant concern. The Industrial and Quality Department ensures that the most stringent safety standards are applied in all Group entities.
Vétoquinol takes part 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.
Late 2014, Vétoquinol established a Social Network Charter to make employees aware of responsible behavior to adopt when using modern communication media. This charter will be distributed to all employees in 2015 and will be included in the next version of the Guide to Good Business Practices.

3.1. STAFF INFORMATION

On a daily basis, Vétoquinol seeks to apply the six values that underpin its business 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 work of each employee. These values help to improve coordination between colleagues working in different countries and in different professional areas and to increase consistency between action taken and decisions made. These values are broken down into expected work behaviors that form part of all employees' annual performance evaluations.
Vétoquinol's policies and values contribute towards its smooth operation as a Group. They represent shared 'ground rules' applying both to working practices and general behavior. Everyone has a duty to assimilate and apply them in practice so as to uphold and strengthen the Group's culture and character.
The Group is attentive to and frequently measures employee satisfaction. From 2015 a new staff barometer will be introduced, beginning with the French companies and then rolled out in the other subsidiaries over the following years.

A global adventure

All employee disclosures relate to the Group. 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;
- bring Group products faster to market in our strategic countries, in particular the USA, the world's largest market; expand operations in high-growth markets (e.g. BRIC countries).

One highlight of 2014 was the acquisition of Bioniche Animal Health international pharmaceutical company, which brought Vétoquinol:

- a direct presence in Australia, where Bioniche had a subsidiary. The acquisition boosted Australia to 17th position amongst Vétoquinol's strategic subsidiaries.

In our longer-standing drug production activities, Vétoquinol was the first and is still the only veterinary pharmaceutical company to be 'CQP' (Professional Qualification Certificates) certified in France. CQP certification is recognized across the board by the French pharmaceutical industry.

Australia, 17th largest strategic subsidiary

Acquiring Bioniche, which used to have a sales and production subsidiary in Australia, has given the Group a direct foothold in this important animal health market. We have set challenging targets for the country. Our current target is to considerably expand the workforce for the purposes of marketing our two existing product ranges in the country and registering new products.

India

We aim to expand our operations in this market by considerably boosting the sales force. The staff of Vétoquinol India Animal Health Private are primarily 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.

Headcount at December 31, 2014

2014 changes in headcount

As of December 31, 2014, the Group had 2,004 employees compared to 1,847 at the end of 2013. The headcount increased by 9% compared to 2% in 2013.

Breakdown of headcount per territory

Headcount	Europe	Americas	Asia	Total
2014 total	1,236	419	349	**2,004**
2013 total	1,219	357	271	**1,847**
2014 CHANGE IN HEADCOUNT	**17**	**62**	**78**	**157**
	1%	***17%***	***29%***	***9%***

The 9% increase in headcount is partly due to the Bioniche Animal Health acquisition in the Americas and Asia Pacific. Excluding Bioniche, Group headcount would be 1,926 people, up 4%.

In December 2014, Vétoquinol hired its 2,000th employee, who is Indian!

The increase in Asia Pacific arose due to:

- taking on 14 Bioniche Australia employees,
- converting our Shanghai representative office into a subsidiary with 8 employees,
- our sales staff recruitment drive in India, which increased the sales force by 20% in 2014.

In America, the increase arose from the addition of Bioniche Canada (primarily production staff) and the United States (production and sales).

Europe headcount was virtually unchanged given that the Bioniche acquisition had no impact in this respect.

The Group policy is generally to hire permanent employees. As a result, the proportion of temporary employees is very low. We also have few part-time employees, most of whom have chosen this arrangement.

Breakdown of headcount per department

	2013	2014	Change
Sales & Marketing	656	**737**	**12%**
Administration	298	**305**	**2%**
Production	343	**375**	**10%**
Quality	180	**199**	**11%**
Supply Chain & Procurement	223	**226**	**1%**
Science	147	**159**	**8%**
TOTAL	**1,847**	**2,004**	**9%**

The increase in Sales & Marketing staff is largely due to India, where sales continued to grow, and the Bioniche Animal Health acquisition.

The increases in production and quality staff are also due to Bioniche Animal Health, which has a production plant in Canada and two smaller facilities in USA and Australia.

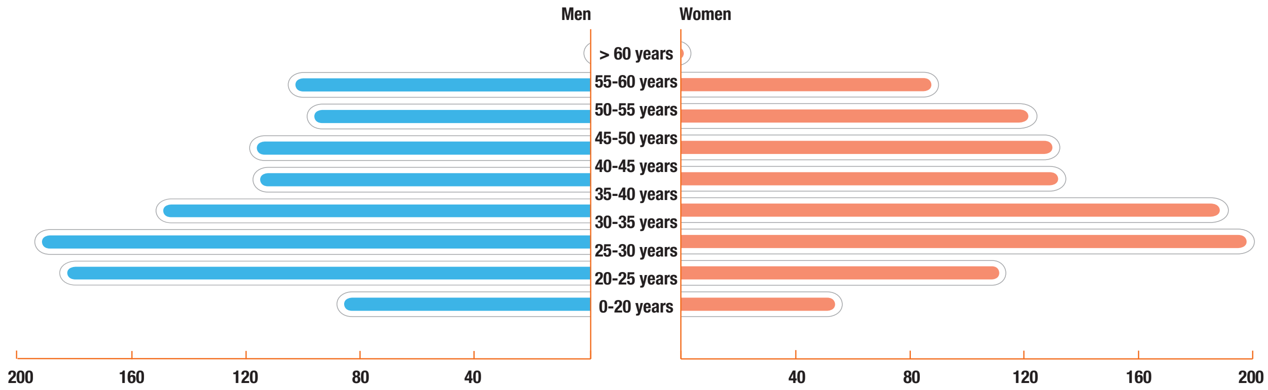
In the Science department, we hired more Regulatory Affairs staff in order to speed up our submissions of marketing authorization (MA) applications.

Breakdown of headcount per gender and territory

Headcount	Europe	Americas	Asia	Consolidated total
Femme	698	223	24	**945**
	56 %	*53 %*	*7 %*	***47,2 %***
Homme	538	196	325	**1 059**
	44 %	*47 %*	*93 %*	***52,8 %***
TOTAL	**1 236**	**419**	**349**	**2 004**
	62 %	***21 %***	***17 %***	***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 India, 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 India, the overall Group gender balance remains acceptable.

Age breakdown per gender



The age breakdown is relatively balanced and has not significantly changed since 2013: 20% of employees are under the age of 30, while 21% are over 50 years old. The average age of Group employees is 40.6. Average length of service is 9.5 years. NB: the length of service of acquired companies' staff is based on their length of service with their respective companies.

Breakdown by professional category

	2013	2014	%
Managers	489	**505**	25.2%
Sales force	403	**496**	24.8%
Technicians, employees	614	**651**	32.5%
Manual workers	341	**352**	17.6%
TOTAL	**1,847**	**2,004**	**100.0%**

Technicians outnumber each of the other categories given that pharmaceutical production and development activities require a large force of laboratory and administrative technicians. As the pharmaceutical industry requires highly skilled staff, there are few «manual workers». Vétoquinol also outsources some production to subcontractors who use technologies that the Company does not necessarily have in-house.

Hiring and dismissals

Vétoquinol reports all staff movements across all companies on a monthly basis, mainly in order to track staff turnover rates. 2014 voluntary staff turnover was 8.6%, virtually flat compared to 2013.

The Group policy is generally to hire permanent employees. As a result, the proportion of temporary employees in total headcount is relatively low.

Recruitment, induction and compensation

Vétoquinol pays particular attention to the induction of newly hired staff. Individual induction programs lasting several weeks are prepared for managers joining the Company. To familiarize themselves with business operations in the field, newly hired senior managers visit some customers with a company vet and spend a few days with the production departments. A welcome day is regularly planned for all new hires to give them an insight into the Company, the animal health sector and the Company's departments, products, main processes and values.

After a few months with the Company, all new managers write a report giving their positive and negative first impressions, which provides a fresh look at the Company's operations and procedures.

The Company reviews its employees' salaries every year, either on its own initiative or in accordance with salary agreements signed with local staff representatives. Employee pay is determined by two key factors: individual performance and comparison with the labor market.

The Company's attraction as an employer lies in its family values, corporate culture, plans for growth, particularly abroad, ambitions and generous assignment of responsibilities.

Profit sharing

In France, the Company applies an exceptional formula (amendment 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.

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. June 18, 2014 a new incentive agreement was signed applying to calendar years 2014, 2015 and 2016. The incentive scheme is based not only on Group financial results but also on safety statistics and strategic progress achieved.

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 plus total incentives for a given year shall not exceed 10% of total gross pay in that year.

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.

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 from profit sharing, incentives and voluntary contributions.

Profit-sharing bonus

In France, pursuant to statutory provisions, the management at its own initiative set up a profit-sharing bonus scheme in respect of fiscal 2013, applicable as from July 25, 2014. A €100 gross bonus was paid to all beneficiaries in August 2014.

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.

Absenteeism

Vétoquinol monitors absenteeism in all Group entities. The Company pays close attention to short and frequent absenteeism indicators, as this is generally symptomatic of low staff morale and considerably disrupts the company's operations.

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

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.

Organization of staff dialog, including disclosure, consultation and negotiation procedures

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

The Group's French employees elected their representatives in 2013. The new staff representative bodies have a term of office expiring at the end of 2017. The Company has two trade unions, CFDT and CFE-CGC.

Polish employees elected new staff representatives following the withdrawal of their former trade union. Due to a lack of candidates, a Works Council could not be set up, and management-staff discussions will continue with the newly elected representatives.

Collective agreements

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

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

"Generation" agreement

The "Generation" agreement, which is an integral part of our measures regarding equality at work, recruitment policy and in-house job transfers, meets the following objectives:

- promote long-term employment of young people via permanent employment contracts,
- promote recruitment and continued employment of elderly employees,
- ensure that skills and know-how are passed on.

19 measures related to recruitment, work/study combination, labor conditions and inter-generational cooperation are being rolled out.

Staff fringe benefits

In France, in accordance with the law, the Works Council manages Vétoquinol SA's staff fringe benefits in compliance with applicable legislation.

A secure website has been set up to provide employees with information on all fringe benefits and cultural activities (e.g. participating in sporting activities, travel, discounts, Christmas trees, miscellaneous events, etc.).

In Poland, companies with more than 20 employees are required to set up a staff fund. The staff 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.

Health and safety

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 at regular intervals.

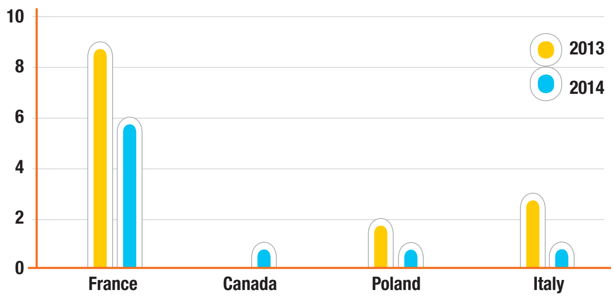
Particular attention is paid to employees exposed to the risks of handling carcinogenic, mutagenic and reprotoxic (CMR) substances. The Group also endeavors to reduce such risks.

Regular safety audits ensure that safety is included in the continuous improvement process in all sectors. Collective safety measures are prioritized over individual protective equipment. Similarly, all outside companies that carry out operations on the Company's premises are required to comply with a safety protocol. 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.

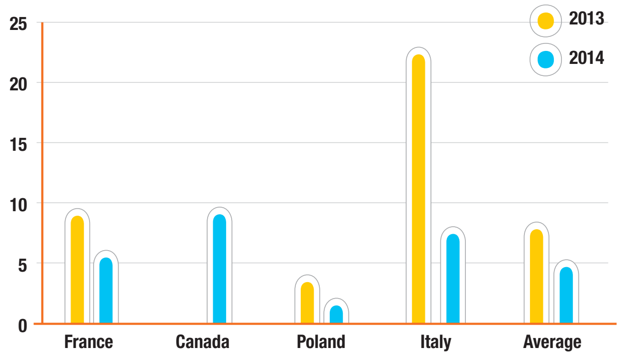
He is also responsible for security, excluding IT security which is managed by the IT department.

The Group's various entities are regularly 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

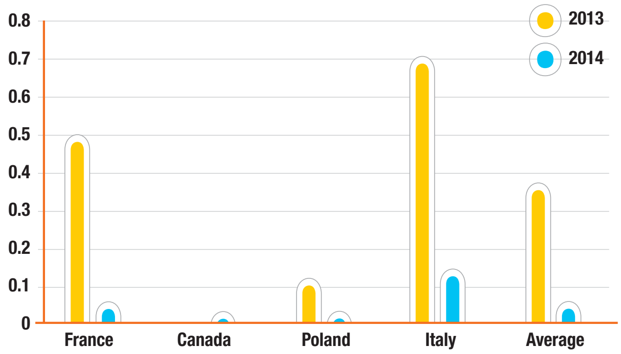


Lost-time industrial accident frequency rate per country



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

Industrial accident severity rate per country



Severity rate: number of days lost x 1,000/number of hours worked

Health and safety agreements signed with trade unions and 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 under the legislation. Nevertheless, in accordance with its Health, Safety and Environment (HSE) policy, the Company takes steps to mitigate risk of staff illness and injury. A statutory Safety Officer is appointed at every Group company and is empowered by Group management to apply the Group safety policy and local regulations.

The Health, Safety and Working Conditions Committee analyzes all employee risks and working conditions. This committee carries out inquiries following industrial accidents or occupational illness and pursues initiatives related to health and safety, working condition improvements, workstation adaptation and staff safety training.

Three types of arduous work have been pinpointed and are being worked on:

- manual work,
- repetitive work,
- night work.

The new company agreement on night work was signed in January 2014.

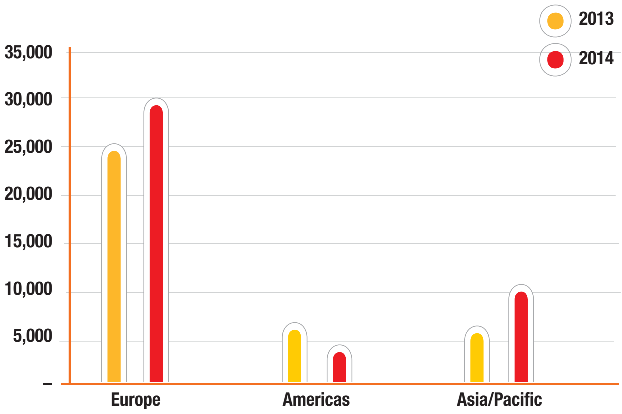
Compliance with the ILO fundamental conventions

All Group locations undertake to comply with the International Labour Organization (ILO) declaration relating to basic labor rights and principles including:

- rejection of slavery and forced labor,
- rejection of child labor,
- ban on mental or physical harassment,
- ban on all work-related discrimination (gender equality agreement),
- compliance with laws and industry standards regarding working hours,
- non-discrimination and equal opportunities.

Training

Number of training hours per territory



Vétoquinol continued its Group-wide training initiatives and the 2014 total volume of training hours increased sharply to 45,233 hours from 38,714 in 2013.

Vétoquinol India Animal Health Private introduced a major training program in 2014 for its sales force, which largely explains this increase.

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.

Non-discrimination and equal opportunities

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, in cooperation between management and employee representatives, an action plan was launched in 2013/2014 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.

Late 2014, negotiations were launched with a view to signing a three-year job equality agreement that was signed early 2015.

Employment of disabled persons

Vétoquinol ensures that it meets its disabled person employment obligations as far as possible by retaining its disabled employees and prioritizing its subcontracting partnership with various ESAT institutions (French centers for promoting the employment of disabled employees). For regulatory reasons, in 2014 we were unable to pursue our program to employ people from an ESAT institution in our premises.

In the Polish subsidiary, which employs three disabled persons, hiring is non-discriminatory with regard to disabled applicants.

Certain degrees of moderate disability may entitle some disabled employees to a number of extra days of leave.

3.2. ENVIRONMENTAL INFORMATION

The environment, our shared responsibility

3.2.1. Overall environmental policy

The Group discloses environmental data concerning the following four main production plants:

- Lure (France),
- Gorzow (Poland),
- Forli (Italy),
- Princeville (Canada).

Disclosures from the Brazilian Mairipori plant are not provided as this plant is not material.

Risk control underpinning our business

All production locations have an environmental officer, who reports once a year 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 which have an emergency plan, managers and technicians responsible for putting the plan into action receive periodic training in emergency measures.

Procedures and operational processes 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 prevention of risks and pollution.

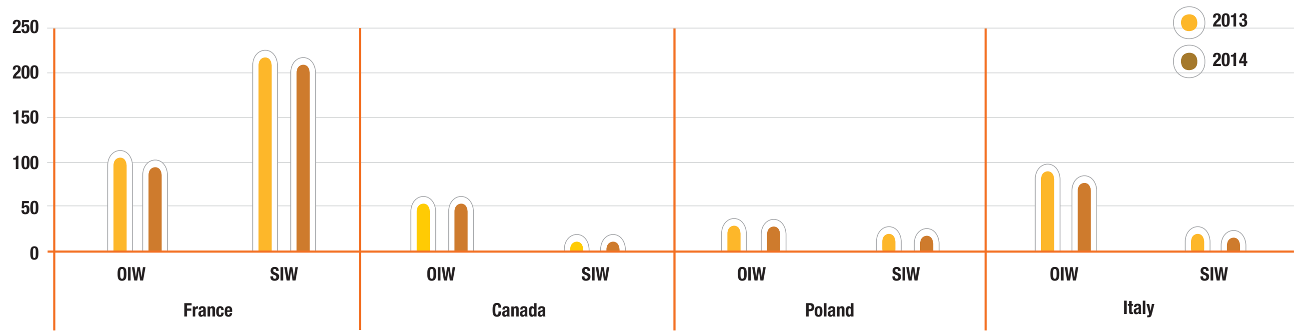
The Group has not recorded any provisions or guarantees related to environmental contingencies.

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

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.
Regarding water pollution, the Canadian and Polish locations 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.

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



The Lure sewer plant has received considerable investment (€600,000) designed to build capacity in chemical oxygen demand (COD) treatment and, above all, to improve treatment of waste drug residues arising from equipment cleaning. This 'perozonation' plant combines the use of oxygenated and ozone water, reducing traces of our least biodegradable antibiotic by 99%. This plant is now operational and the Company can be proud of owning an innovative, simple, efficient and reliable water treatment facility so as to safeguard the river into which our waste flows. This example shows how proactive Vétoquinol is in dealing with public concerns - i.e. drug traces in water - and regulations. 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 mitigate disturbance.
In 2014, Vétoquinol paid no compensation pursuant to a court decision relating to an environmental issue, and no provision has been set aside.

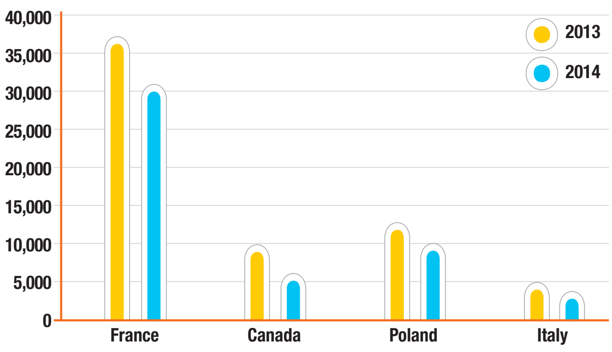
3.2.3. Sustainable use of resources

Limiting impact of our operations on water

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)



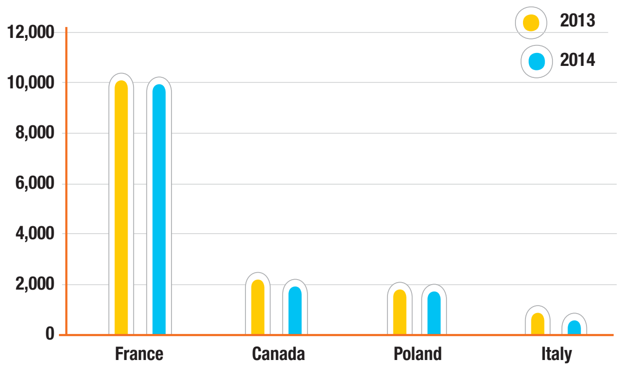
The Magny-Vernois plant has the special feature of using groundwater for the industrial cooling of some facilities (annual consumption of approx. 30,000 m^3). This water, which remains clean and is only slightly heated, is drained into the rainwater system. Vétoquinol plans to eventually reduce the use of groundwater via the gradual installation of closed circuit cooling systems.

In 2014, the Magny-Vernois plant reduced groundwater consumption by 7,000 m^3 compared to 2013. The plant achieved this by replacing water-based with air-based air cooling compressors (resulting in 2,000 m^3 reduction) and by replacing the water-based air conditioning systems on the second floor of the administrative building with a direct expansion, air-condensed reversible air conditioning system (resulting in 5,000 m^3 reduction).

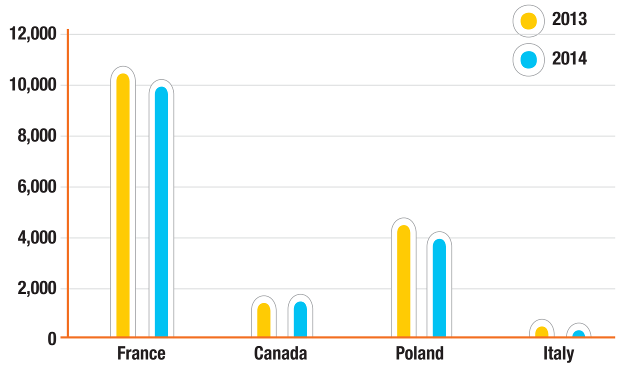
In the pharmaceutical industry, raw materials are expensive and generate waste that is expensive to treat. The degree of material waste during the production process makes it more difficult to judge the quantities required, a problem exacerbated by the fact that these substances have a limited lifespan.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

Power consumption (MWh)



Gas consumption (MWh)



3.2.4. Climate change

Given the nature of its business and energy sources, which consist of natural gas for 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.

Vétoquinol is introducing an ISO 50001-compliant energy management system at the Lure plant so as to continuously improve the energy efficiency of our facilities and equipment by promoting use of low-energy goods/services and cutting energy consumption, which in turn will mitigate the financial impact of rising energy prices. This certified energy management system also satisfies the requirement for companies with over 250 employees to have an energy audit, preserves energy resources and reduces our carbon footprint, ensures compliance with various regulations, and boosts environmental awareness among our staff and business partners so that they are actively engaged in minimizing energy consumption in their daily work. The certification is planned for November 2015.

In order to cut its greenhouse gas emissions by 75% by 2050 in line with the «Factor 4» commitment adopted by the French government, Vétoquinol will have to reduce 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 to protecting its environment in its daily operations.

All new construction projects include a landscaping study geared towards preserving the ecosystem. At Lure the Company decided to retain an existing lake rather than destroying it in order to preserve the diversity of natural living organisms.

3.3. SOCIAL INFORMATION

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

Vétoquinol makes a major contribution to the local community by boosting the local economy and through employment. Group units are generally located outside large cities and contribute to local and regional employment through their presence and growth.

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 initiatives. Vétoquinol sponsors cultural and sports events and clubs.

Group employees are engaged in combating breast cancer. 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. Vétoquinol strives to stay on good terms with the local community and ensures that its locations are properly integrated into their surroundings.

The Group's operations, including its production plants, generate little noise, visual or environmental pollution impacting the local community. The production plants manufacture drugs from liquid or solid materials based on formulations registered and certified by local 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 locations even though some of them are located near 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 jobseekers lacking any qualifications or experience in laboratory techniques. The results of this first experiment are very positive and all participants in the scheme passed their training programs.

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

Vétoquinol, sponsor of the Paris zoo

The Paris zoo and the Company share similar values: they both improve the well-being of animals and people while striving to safeguard the long-term survival of species and biodiversity on a daily basis.

Vétoquinol works closely with veterinary teams and provides equipment and funding for veterinary clinics. The objective is to train students, to serve as a place for meeting, research and discussion of issues related to animal health and the preservation of endangered species, and to inform young visitors about the various animal health professions.

Solidarity without limits

Vétoquinol Canada and Centraide: for over 10 years, the Canadian subsidiary has been striving to raise funds for the Centraide foundation, a charity that helps individuals and families to escape from poverty and social exclusion.

Vétoquinol is actively involved in all local events and is still one of the most generous corporate donors in this region of Canada.

Charter of commitments

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 bound by principles of fairness and honesty in their daily activities.

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19.1. CONSOLIDATED FINANCIAL STATEMENTS

2014 STATEMENT OF COMPREHENSIVE INCOME

€000	Notes	2014	2013
Sales	19.1.8	**315,298**	299,727
Purchases consumed		**(107,200)**	(103,068)
Other purchases and external expenses	19.1.10	**(66,256)**	(64,280)
Staff costs	19.1.11	**(93,925)**	(87,846)
Taxes other than on income		**(4,893)**	(3,865)
Depreciation and impairment of fixed assets	19.1.20/19.1.21	**(12,845)**	(11,568)
Provisions and write-backs		**(1,936)**	(228)
Other operating income	19.1.13	**7,983**	5,461
Other operating expenses	19.1.13	**(783)**	(743)
EBIT		**35,442**	**33,589**
Non-recurring operating income and expenses	19.1.14	**(998)**	(427)
OPERATING INCOME		**34,444**	**33,162**
Income from cash and cash equivalents	19.1.16	**1,546**	1,246
Gross cost of debt	19.1.16	**(601)**	(579)
NET COST OF DEBT	**19.1.16**	**944**	**667**
Other financial income	19.1.16	**4,530**	*2,036*
Other financial expenses	19.1.16	**(2,263)**	*(3,645)*
NET FINANCIAL ITEMS	**19.1.16**	**3,212**	**(941)**
INCOME BEFORE TAX		**37,656**	**32,221**
Income tax expense	19.1.17	**(11,884)**	(8,636)
NET INCOME FOR THE YEAR		**25,772**	**23,585**
Attributable to:			
Parent company shareholders		**25,766**	23,580
Non-controlling (minority) interests		**6**	5
Exchange differences on translation of foreign operations not reclassified to P/L		**10,880**	(11,623)
Post-tax actuarial gains (losses) not reclassified to P/L		**(444)**	(48)
Other comprehensive income, net of tax			
Total comprehensive income for the year, net of tax		**36,208**	11,914
Attributable to:			
Parent company shareholders		**36,202**	11,909
Non-controlling (minority) interests		**6**	5
Basic EPS (€)	19.1.18	**2.17**	1.99
Diluted EPS (€)	19.1.18	**2.17**	1.99

STATEMENT OF FINANCIAL POSITION

€000	Notes	Dec 31, 2014	Dec 31, 2013
ASSETS			
Goodwill	19.1.19	**76,299**	58,748
Other intangible assets	19.1.20	**47,384**	32,881
Property, plant and equipment	19.1.21	**50,282**	44,309
Financial assets available for sale	19.1.22	**0**	0
Other financial assets	19.1.23	**695**	694
Deferred tax assets	19.1.17	**7,824**	6,114
Total non-current assets		**182,484**	**142,746**
Inventories	19.1.25	**70,837**	56,431
Trade and other receivables	19.1.26	**71,981**	66,064
Current income tax receivables		**1,371**	784
Other current assets	19.1.26	**1,883**	1,878
Cash and cash equivalents	19.1.27	**90,806**	83,928
Total current assets		**236,878**	**209,084**
TOTAL ASSETS		**419,363**	**351,831**
SHAREHOLDERS' EQUITY			
Capital stock and additional paid-in capital	19.1.28	**70,831**	70,831
Reserves		**171,746**	141,497
Net income for the year		**25,766**	23,580
Equity attributable to parent company shareholders		**268,343**	**235,908**
Non-controlling (minority) interests		**53**	47
Shareholders' equity		**268,396**	**235,956**
LIABILITIES			
Non-current financial liabilities	19.1.29	**38,170**	10,791
Deferred tax liabilities	19.1.17	**5,132**	3,624
Provisions for employee benefits	19.1.30	**7,045**	5,967
Other provisions	19.1.31	**694**	622
Other long-term liabilities		**52**	14
Government loans	19.1.32	**759**	1,031
Total non-current liabilities		**51,852**	**22,050**
Trade and other payables	19.1.33	**75,665**	65,805
Current income tax liabilities		**3,966**	1,020
Current financial liabilities	19.1.29	**18,939**	26,198
Other provisions	19.1.31	**339**	439
Other current liabilities	19.1.33	**85**	243
Government loans (portion due in less than 1 yr)	19.1.32	**120**	120
Total current liabilities		**99,115**	**93,826**
Total liabilities		**150,967**	**115,875**
TOTAL EQUITY AND LIABILITIES		**419,363**	**351,831**

CONSOLIDATED STATEMENT OF CASH FLOWS

€000	Notes	2014	2013
Consolidated net income		**25,772**	**23,585**
Elimination of non-cash items			
Depreciation, amortization and provisions		**13,025**	12,352
Income tax expense	19.1.17	**11,884**	8,752
Interest expense		**(895)**	(675)
Provisions for employee benefits		**236**	91
Impairment of available-for-sale financial assets			
Capital gains (losses) on asset sales, net of tax		**(122)**	40
Other non-cash items		**0**	0
Income and expenses from share-based payments		**3**	11
Cash flows from operating activities		**49,902**	**44,155**
Tax paid		**(11,022)**	(9,673)
Change in working capital		**2,417**	(6,376)
Net cash flow from operating activities		**41,298**	**28,106**
Purchase of intangible assets		**(963)**	(1,068)
Purchase of PP&E		**(10,237)**	(6,472)
Purchase of available-for-sale assets		**0**	0
Purchase of other financial assets			
Proceeds from sale of assets		**351**	137
Loan repayments - other financial assets		**24**	(121)
Net cash flow from (used by) business combinations	19.1.7.3	**(41,419)**	(165)
Net cash flow from (used by) investing activities		**(52,244)**	**(7,689)**
Capital increase		**0**	(0)
Net (purchase) / sale of treasury stock		**938**	15
Issuance of debt and other financial liabilities		**41,148**	0
Repayment of financial liabilities		**(11,447)**	(10,568)
Interest received (paid)		**975**	672
Dividends paid to parent company shareholders	19.1.28.3	**(4,383)**	(4,139)
Dividends paid to non-controlling (minority) interests		**(15)**	(1)
Investment subsidies and government loans			
Other cash flows from financing activities			
Net cash flow from financing activities		**27,216**	**(14,021)**
Exchange gains (losses)		**993**	(1,459)
Net change in cash		**17,262**	**4,938**
Opening net cash and cash equivalents		**68,901**	**63,964**
Change in cash and cash equivalents		**17,262**	4,938
Closing net cash and cash equivalents	**19.1.27**	**86,164**	68,901

STATEMENT OF CHANGE IN CONSOLIDATED EQUITY

€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, 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**
Net income for the year						25,766	25,766	6	25,772
Other comprehensive income, net of tax		10,880	(444)		10,435		10,435		10,435
2014 comprehensive income		**10,880**	**(444)**		**10,435**	**25,766**	**36,201**	**6**	**36,207**
Appropriation of earnings				23,580	23,580	(23,580)	0		0
Stock options exercised				3	3		3		3
Bond conversions									
Treasury shares				835	835		835		835
Dividends paid by the parent company				(4,383)	(4,383)		(4,383)	(1)	(4,384)
Other				(221)	(221)		(221)		(221)
December 31, 2014	**70,831**	**(189)**	**(595)**	**172,530**	**171,746**	**25,766**	**268,343**	**53**	**268,396**

NOTES TO THE 2014 CONSOLIDATED FINANCIAL STATEMENTS

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. As 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 2,004 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 head office in Magny-Vernois, 34 rue du Chêne-Sainte-Anne, 70204 Lure Cedex.

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

The Vétoquinol Group consolidated financial statements were approved by the Board of Directors on March 17, 2015. They will be submitted for shareholder approval at the next Ordinary General Meeting, due to be held on May 20, 2015.

19.1.2. Key events

April 15, 2014 the Company acquired the animal health division of Bioniche, a leader in the North American reproduction sector. This acquisition represents a new phase in the roll-out of the Excellence 2016 program. The acquired business included some 60 products generating revenues of CAD$31.5m (€21m) for the year ended June 30, 2013. Livestock products accounted for 65% of these revenues. 85 employees were transfered. Bioniche has four manufacturing plants, the main plant being located in Belleville, Canada. The Athens (Georgia) plant has since been resold. The acquisition was completed by purchasing the following four legal entities:

- BAC: Bioniche Animal Health Canada
- BAU: Bioniche Animal Health USA
- BAA: Bioniche Animal Health Asia and Australia
- BAE: Bioniche Animal Health Europe

On December 1, 2014, BAC and BAU were merged with Vétoquinol NA Inc and Vétoquinol USA respectively, backdated to July 1, 2014.

The acquisition was funded by a 5-year €41m loan.

On April 1, 2014 the three legal entities - VNA , Prolab and Canada - were merged into Vétoquinol NA Inc and migrated to the Group ERP system.

19.1.3. Accounting principles

19.1.3.1. General accounting principles and standards

The 2014 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, 2014. 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, 2014 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 methods and policies applied in the preparation of the consolidated financial statements are presented below.

These policies are identical to those used by the Group as of December 31, 2013, with the exception of standards, interpretations and amendments adopted by the European Union and applicable for accounting periods beginning on or after January 1, 2014:

- new consolidation standards:
- IFRS 10 – Consolidated financial statements; IFRS 11 – Joint arrangements; IFRS 12 – Disclosure of interests in other entities;
- 2011 amendments to IAS 27 – Separate financial statements;
- 2011 amendments to IAS 28 – Investments in associates and joint ventures;
- amendments to IAS 32 – Offsetting financial assets and financial liabilities;
- amendments to IAS 36 – Recoverable amount disclosures for non-financial assets;
- amendments to IAS 39 – Novation of derivatives and continuation of hedge accounting.

These standards, interpretations and amendments do not have a material impact on the Group consolidated financial statements.

The Group has elected not to apply in advance standards, interpretations and amendments adopted by the European Union, which were not mandatory as of January 1, 2014: IFRIC 21. The effect of this interpretation is that the Group will recognize a €0.3m tax charge in the first half 2015 financial statements that it would not have recognized in the first half 2014 financial statements; there is no impact on the full-year financial statements.

19.1.3.2. Consolidation and business combinations

19.1.3.2.1. Consolidation scope

The consolidated financial statements cover Vétoquinol SA and its subsidiaries, in which the Company directly or indirectly holds a majority of the voting rights.

Together, they comprise Vétoquinol Group.

The subsidiaries comprise all entities over which the Groupexercises exclusive control. 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 buyer 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 under Note 19.1.43 "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. The Group has applied IFRS 3 revised since January 1, 2010.

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 facts 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 combination is recognized in income.

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 reporting 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 reporting 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 reporting currency are translated into the reporting 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 disclosed as a separate item in other comprehensive income.

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 rewards from ownership of the goods;
- the company retains neither continuing managerial involvement as usually associated with ownership, nor effective control over the goods sold;
- income from economic activities associated with the transaction will flow to the Company;
- costs incurred or to be incurred in respect of the transaction may be reliably measured.

19.1.3.6. Segment reporting – IFRS 8

Pursuant to IFRS 8, segment information is reported on the basis of internal management data communicated to the Group's Executive Committee, the Group's chief operational decision-maker. 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 (territories) 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 (pet) and livestock segments, they cannot be deemed to form a separate reportable operating segment, for the following reasons:

- product type: most therapeutic segments are common to pets and livestock (i.e. antibiotics, parasiticides, etc.);
- production processes: production lines are common to both segments and there is no significant difference in terms of sources of supply;
- type or category of customers: distinction is made between professional customers (i.e. vets) and the OTC mass market;
- distribution: 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 regulatory environment: the regulatory bodies responsible for marketing authorization 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 contribution plans or defined 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 is the present value of the defined benefit plan obligation at the balance sheet date.

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 long-term blue chip corporate bonds.

Actuarial gains and losses on pensions and post-employment benefits arising from adjustments due to revised actuarial assumptions and 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

None.

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 material finance leases entered into by the Group as a lessee, an asset and a liability are recognized at the leased asset's fair value or, if lower, at the present value of the minimum lease payments (at the interest rate implicit in the lease). 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 impairment testing 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 authorization for the 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 as intangible assets. These amounts are generally paid in the start-up phase and in the course of a research project, until marketing authorization has been granted.

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

19.1.3.10.3. Other intangible assets

Intangible assets are stated at 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
Products and/or MAs	Straight line	10 to 15 years
Other inc. customer relations	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

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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 Vétoquinol Group are the following entities: USA, Canada, France, UK, Belgium, Switzerland, Czech Republic, Austria, Poland, Ireland, Germany, Italy, India, Scandinavia, Brazil and the Bioniche business.

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 for sale

None.

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 cost less repayments and impairment. Other financial assets are not material in relation to the Group.

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 hedges used are purchase of forward contracts on GBP expiring in less than one year. To hedge interest rates, the Group primarily uses swaps.

For material 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:

- cash flow hedges: any change in fair value 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);
- fair value hedges: 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 finished goods held in inventories includes raw materials, direct labor and an appropriate portion of variable and fixed production costs, 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 par value of the receivables. Trade receivables are subsequently stated less impairment recorded after an itemized analysis of the risk of bad debts.

The Group's bad debt provision policy is as follows:
receivables aged over 180 days and less then 360 days are 50% written down; over 360 days they are fully provided for.

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 cost less repayments, 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 corresponding to finance lease restatements, 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 values of assets and liabilities and their book values in the consolidated financial statements. 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 constructive 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.

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

None.

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. 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 focuses foreign exchange risk on the subsidiaries with production facilities and, as far as possible, on the parent company, Vétoquinol SA, by having its sales subsidiaries send and receive invoices that are denominated in their respective functioning 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, IAS 39 rules pertaining to such instruments were not found to apply to 2014 or the prior year. If Vétoquinol earns gains or incurs 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 involves only a presentation risk in the consolidated income statement.

On the basis of the 2014 financial statements, solely with regard to the foreign subsidiaries, a 10% increase in the value of the euro compared to all other foreign currencies would have resulted in a €15.2 million decrease in consolidated sales (2013: €14.1 million) and a €1.3 million decrease in consolidated operating income (2013: €1.5 million).

Conversely, a 10% reduction in the value of the euro compared to other currencies would have resulted in a €18.6 million increase in sales (2013: €17.2 million) and a €1.6 million increase in consolidated operating income (2013: €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 payment is received.

Based on the corporate rates set 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 instruments.

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	EUR	CAD	CHF	USD	GBP	ZPN	Other	Total currencies
Dec 31, 2014								
Trade receivables	32,358	6,262	374	10,880	5,911	1,628	7,957	**65,370**
Impairment of trade receivables	**(1,654)**	**(91)**	**(24)**	**(124)**	**0**	**(265)**	**(275)**	**(2,433)**
Net trade receivables	**30,704**	**6,171**	**350**	**10,756**	**5,911**	**1,363**	**7,682**	**62,937**
Prepayments	559	156	0	414	0	118	76	**1,323**
Prepaid expenses	278	764	2	24	212	56	219	**1,554**
Receivables from government agencies	5,196	309	0	0	0	114	1,069	**6,688**
Other operating receivables	**163**	**2**	**0**	**268**	**0**	**267**	**85**	**785**
Miscellaneous receivables	271	21	10	19	0	205	63	**588**
Provisions	0	0	0	0	0	0	(11)	**(11)**
Total other receivables	**6,467**	**1,252**	**12**	**725**	**212**	**760**	**1,500**	**10,927**
Trade and other payables	49,053	9,576	795	4,770	4,560	2,530	4,466	**75,750**
Net trade and other payables	**49,053**	**9,576**	**795**	**4,770**	**4,560**	**2,530**	**4,466**	**75,750**
Total gross balance sheet exposure	**(11,881)**	**(2,154)**	**(434)**	**6,711**	**1,563**	**(407)**	**4,716**	**(1,886)**

€000	EUR	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**

19.1.4.2. Interest rate risk management

The Group's general policy on interest rate risk is to globally manage its exposure through swaps. 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 not material and primarily concerns two balance sheet accounts: financial liabilities and cash.

As of December 31, 2014, 91% of the Group's financial liabilities (including bank overdrafts) bore interest at a fixed rate (2013: 59%). Floating rate commitments amounted to €5.0 million as of December 31, 2014 (2013: €15.1 million). The latest €41 million loan taken out by the Group to financethe Bioniche acquisition was swapped in 2014, as was the 2013 €16 million loan for the Orsco acquisition.

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 interest costs during 2014.

On the basis of the 2014 financial statements, a 100 basis point increase in interest rates would have increased earnings by €411,000 (2013: €328,000 increase in earnings).

19.1.4.3. Liquidity risk management

The Group's cash and cash equivalents – excluding bank overdrafts – stood at €90.8 million as of December 31, 2014 (2013: €83.9 million). Cash equivalents comprise fixed-rate term deposits with major retail banks amounting to €45.1 million (2013: €39.1 million).

2014 Group free cash flow before net cost of debt and tax amounted to €49.9 million, compared to €44.2 million in the previous year.

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, which is binding on Vétoquinol. During 2014, the Group met the financial covenant requirement in respect of this loan: consolidated net debt/consolidated equity (gearing) less than 1.

In April 2014, Vétoquinol contracted two €20.5 million medium-term loans with two banks to finance the Bioniche acquisition.

One loan is subject to a financial covenant, which is binding on Vétoquinol. During 2014, the Group met the financial covenant requirement in respect of this loan: consolidated net debt/consolidated equity (gearing) less than 1.

The other loan is subject to a number of financial covenants binding on Vétoquinol. During 2014, the Group met these financial covenant obligations, whichare as follows: consolidated net debt/consolidated equity less than 1 and maintenance of Soparfin's majority of voting rights at Vétoquinol's shareholders' general meetings.

In light of its financial position at December 31, 2014, the Group considers that it is not exposed to liquidity risk. As of December 31, 2014, the Group's cash was largely sufficient to meet its financial liabilities due in less than one year. Net debt amounted to €32.8 million as of December 31, 2014, compared to €45.8 million as of December 31, 2013.

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 currently sells its products in more than one hundred countries throughout the world via subsidiaries in 25 countries and a 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 Group's 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 pressure. By way of illustration, the Group's largest wholesale distributor accounted for 6.2% of consolidated revenues in 2014 (2013: 6.8%).

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 some security in the event of default. The Group does not require any specific security with regard to trade and other receivables.

The carrying value of the Group's financial assets represents its maximum exposure to credit risk; as of December 31, 2014 this amounted to €68.7 million (2013: €61.5 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 amount 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. 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. 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.

Estimates and assumptions made on the basis of information available at the balance sheet date primarily relate to:

- trade receivable bad debt and year-end rebate provisions;
- duration of product life cycles;
- Provisions for restructuring and environmental and litigation risks;
- valuation of goodwill, intangible assets and property, plant and equipment acquired as well as their estimated useful life;
- pension commitments.

19.1.7. Business combinations

19.1.7.1. 2014 business combination - acquisition of Bioniche animal health business

April 15, 2014 the Group acquired the Bioniche animal health division by buying four companies for CAD 61 million, including CAD 3 million held in an escrow account. The acquisition came free of cash and debt and, pursuant to the purchase contract, a provisional CAD 3.2 million price supplement was recognized in the 2014 financial statements in respect of the balance of working capital payable. This price supplement will be paid out during 2015.

The purchase price allocation was completed as of December 31, 2014; the entire premium on acquisition was posted to goodwill.

€000	Total
Bioniche animal health division acquisition cost	**40,446**
Working capital adjustment - purchase price supplement	**2,099**
Total value of Bioniche shares /assets	**42,545**
Value of identified Bioniche assets and liabilities as of acquisition date	**15,303**
Goodwill at April 15, 2014	**27,242**
Value of acquired assets identified in 2014	**15,300**
Value of deferred tax identified in 2014	**(1,762)**
Currency difference	**1,234**
Goodwill at balance sheet date - December 31, 2014	**14,938**

19.1.7.2. Business combination completed in 2013 – acquisition of Orsco

19.1.7.2.1.

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

€000	Total
Goodwill at balance sheet date - January 1, 2013	**15,600**
Value of acquired assets*	**5,250**
Value of deferred tax	**(1,785)**
Other adjustments	**26**
Goodwill at balance sheet date - December 31, 2013	**12,109**
Goodwill at balance sheet date - December 31, 2014	**12,109**

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

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

€000	2014	2013
Bioniche animal health division acquisition cost	**40,446**	
Orsco investment purchase price supplement		**165**
Working capital adjustment - Bioniche price supplement payable at 12/31/2014	**2,099**	
Total value of acquired shares/assets		**165**
Total value of acquired Bioniche shares/assets	**42,545**	
Working capital adjustment - Bioniche price supplement payable at 12/31/2014	**(2,099)**	
Bioniche cash acquired	**(266)**	
Currency difference between exchange rate at acquisition date and average rate	**1,240**	
Amount shown in CFS: net cash flow from business combinations	**41,419**	**165**

19.1.8. Operating segments – IFRS 8

All 2014 and 2013 revenues came from sales of veterinary products.

19.1.8.1. 2014 operating segment results

€000 By asset location	Europe	Americas	Asia/Pacific (rest of world)	Consolidated total
Sales	262,691	105,011	20,466	**388,169**
Inter-segment sales	(61,885)	(10,815)	(171)	**(72,871)**
Total external sales	**200,807**	**94,196**	**20,295**	**315,298**
EBIT	30,170	4,498	774	**35,442**
Non-recurring operating income and expenses	(998)			**(998)**
Operating income	29,172	4,498	774	**34,444**
Net financial income/(expense)				**3,212**
Income before tax				**37,656**
Income tax				**(11,884)**
NET INCOME				**25,772**

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

€000 By asset location	Europe	Americas	Asia/Pacific (rest of world)	Consolidated total
Sales	231,801	109,855	46,513	**388,169**
Inter-segment sales	(52,691)	(16,883)	(3,297)	**(72,871)**
TOTAL EXTERNAL SALES	**179,110**	**92,972**	**43,216**	**315,298**

19.1.8.2. 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 region).

€000 By asset location	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**

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

€000	Europe	Americas	Asia/Pacific (rest of world)	Consolidated total
December 31, 2014				
Depreciation and amortization	(7,861)	(4,066)	(918)	**(12,845)**
Provisions and write-backs	(1,004)	(921)	(12)	**(1,936)**
Expenses on grants of stock options				
Expenses on grants of bonus shares				**0**
December 31, 2013				
Depreciation and amortization	(7,906)	(2,575)	(1,087)	**(11,568)**
Provisions and write-backs	(463)	298	(62)	**(228)**
Expenses on grants of stock options	(11)			**(11)**
Expenses on grants of bonus shares				**0**

No impairment was posted directly to other comprehensive income in 2014 or 2013.

19.1.8.4. Segment assets, liabilities and investments

The segment assets and liabilities presented here include deferred taxes.

€000	Europe	Americas	Asia/Pacific rest of world)	Consolidated total
December 31, 2014				
Assets	253,266	127,790	38,307	**419,363**
Liabilities	70,897	78,151	1,919	**150,967**
Acquisition of assets	9,996	1,532	135	**11,663**
Acquisition of assets from business combinations	0	19,105	1,173	**20,278**
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 from business combinations	0	0	0	**0**

19.1.9. R&D costs

R&D costs incurred and expensed in 2014 amounted to €21.9 million, or 6.9% of sales (2013: €20.0 million, or 6.7% of sales).

19.1.10. Other purchases and external expenses

€000	2014	2013
General subcontracting	**3,079**	2,026
Lease and rental payments	**6,616**	6,277
Maintenance	**3,714**	3,446
Insurance	**1,286**	1,209
Analyses and research	**1,718**	1,983
Third-party staff	**1,166**	1,432
Fees and commissions paid to intermediaries	**12,153**	13,175
Advertising, publications, public relations	**11,999**	11,114
Freight and collective transportation of staff	**7,851**	6,832
Business travel and entertainment	**9,800**	9,006
Postage and telecommunications	**1,630**	1,478
Royalties on concessions, patents, licenses, trademarks, etc.	**2,790**	3,842
Other external services	**1,728**	1,992
Miscellaneous	**724**	469
TOTAL	**66,256**	**64,280**

19.1.11. Staff costs

€000	2014	2013
Wages and salaries	**69,518**	64,047
Social security charges (*)	**23,059**	22,355
Severance pay	**825**	1,049
Employee benefits (Note 19.1.30)	**521**	384
Employee long-term benefits – actuarial gains and losses recognized in the income statement	**0**	0
Expenses on grants of stock options	**3**	11
Expenses on grants of bonus shares	**0**	0
TOTAL EMPLOYEE BENEFITS	**93,925**	**87,846**

(*) 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

No new bonus share or stock option plans were introduced in 2014.

19.1.13. Other operating income and expenses

€000	2014	2013
Operating grants	**145**	277
Investment grants transferred to income for the year	**28**	28
Gains on asset sales	**351**	137
Research tax credit (Crédit d'Impôt Recherche - CIR)	**4,331**	3,694
Other income	**3,127**	1,324
OTHER OPERATING INCOME	**7,983**	**5,461**
Book values of assets sold	**(193)**	(177)
Other expenses	**(589)**	(566)
OTHER OPERATING EXPENSES	**(783)**	**(743)**
TOTAL	**7,200**	**4,717**

Other expenses include bad debt losses amounting to €159,000 for 2014 (2013: €250,000).

Other income consists of:

€000	2014	2013
Fees and royalties	**496**	0
Freight costs recharged to customers	**549**	384
Compensation received	**1,234**	226
Social security refunds	**0**	0
Other	**848**	715
TOTAL	**3,127**	**1,324**

19.1.14. Non-recurring operating income and expenses

€000	2014	2013
Non-recurring operating income	**331**	
Net restructuring costs (Neyron site)		(427)
Other non-recurring operating expenses	**(226)**	
Bioniche acquisition and integration costs	**(1,103)**	
TOTAL	**(998)**	**(427)**

19.1.15. Leases

19.1.15.1. Finance leases entered into as lessee

The Group's finance leases exclusively related to real estate leases, for which all purchase options were exercised as of December 31, 2014. Finance lease liabilities as of December 31, 2014 were zero (2013: €29,000).

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, 2014	Dec 31, 2013
Less than 1 year	**5,216**	4,565
1 to 5 years	**8,697**	7,198
More than 5 years	**1,192**	1,882
Total minimum payments	**15,104**	13,645
TOTAL MINIMUM FUTURE SUBLEASE INCOME RECEIVABLE	**0**	**0**

Operating lease expenses for the year

€000	Dec 31, 2014	Dec 31, 2013
Minimum payments recognized	**6,616**	6,277
Conditional rents recognized	**0**	0
Sublease income recognized	**0**	0

19.1.16. Financial income (expense)

€000	Dec 31, 2014	Dec 31, 2013
Interest income from cash and cash equivalents	**1,544**	1,246
Net gains on sale of cash equivalents	**2**	0
INCOME FROM CASH AND CASH EQUIVALENTS	**1,546**	**1,246**
Interest on borrowings and overdrafts	**(600)**	(576)
Interest on finance leases	**(1)**	(3)
GROSS COST OF DEBT	**(601)**	**(579)**
NET COST OF DEBT	**944**	**667**

€000	Dec 31, 2014	Dec 31, 2013
Currency gains	**4,468**	2,008
Other income	**62**	28
OTHER FINANCIAL INCOME	**4,530**	**2,036**
Financial expenses related to employee benefits	**(236)**	(91)
Currency losses	**(1,908)**	(3,431)
Other expenses	**(119)**	(123)
OTHER FINANCIAL EXPENSES	**(2,263)**	**(3,645)**
OTHER FINANCIAL INCOME AND EXPENSES	**2,267**	**(1,609)**

19.1.17. Income tax

The 2014 tax rate used to calculate deferred taxes for French companies was 34.43% (2013: 34.43%).

Income tax expense is broken down as follows:

€000	2014	2013
Current income tax expense	**(13,378)**	(8,953)
Deferred tax income/(expense)	**1,494**	317
TOTAL	**(11,884)**	**(8,636)**

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

€000	2014	2013
Income for the year – Group share	**25,772**	**23,585**
CIR restatement	**(4,221)**	(3,578)
Apprenticeship tax credit (CIA) restatement	**(5)**	(25)
CVAE restatement	**(1,060)**	(977)
Income tax expense	**11,884**	8,636
Pre-tax earnings adjusted for tax credits	**32,370**	**27,642**
Theoretical tax at 34.43%	**11,145**	**9,517**
Non-deductible expenses and non-taxable income	**324**	(130)
Change in tax losses b/fwd and c/fwd	**(9)**	846
Tax rate differences for foreign companies	**(2,403)**	(2,146)
Other taxes (under IAS 12)*	**1,766**	1,586
Impact of reduced rate	**(337)**	(212)
Tax credit	**(144)**	(94)
Miscellaneous	**1,543**	(731)
Effective tax	**11,884**	**8,636**
Effective tax rate	**36.71%**	**31.24%**

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

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Analysis of movements in deferred tax assets during the year:

€000	2014	2013
Opening balance	**6,114**	**7,780**
Recognized in the income statement	**1,088**	255
Recognized in other comprehensive income	**539**	(36)
Changes in consolidation scope	**0**	0
Reclassifications	**(515)**	(1,013)
Exchange differences	**598**	(872)
Closing balance	**7,824**	**6,114**

Analysis of movements in deferred tax liabilities during the year:

€000	2014	2013
Opening balance	**3,624**	**3,421**
Recognized in the income statement	**(406)**	(62)
Recognized in other comprehensive income	**214**	0
Changes in consolidation scope	**1,831**	
Reclassifications	**(638)**	772*
Exchange differences	**508**	(507)
Closing balance	**5,132**	**3,624**

** Including fair value of deferred tax liabilities recognized in the purchase price allocation of 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 “Reclassifications” line.

Analysis of net deferred taxes by type:

€000	**Dec 31, 2014**	**Dec 31, 2013**
Intangible assets	**(2,106)**	(894)
Component-based approach (net)	**198**	102
Other temporary differences (net)	**1,808**	906
Internal margin on inventories	**2,285**	1,908
Internal capital gain on sales of fixed assets		
Restatement of finance leases	**(90)**	(101)
Employee benefits	**1,680**	1,372
Tax losses carried forward	**225**	199
Regulated provisions	**(980)**	(839)
Other (net)*	**(327)**	(163)
TOTAL	**2,692**	**2,489**
Of which: Deferred tax assets	**7,824**	6,114
Deferred tax liabilities	**(5,132)**	(3,624)

* *Including exchange differences.*

Unrecognized deferred tax assets arising from 2014 tax losses amounted to €0.83 million (2013: €0.75 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, 2014**	**Dec 31, 2013**
Net income attributable to holders of common shares (€000)	**25,766**	23,580
Weighted average number of common shares	**11,881,902**	11,881,902
Treasury shares at end of period (direct holding)	**(13,903)**	(39,300)
Treasury shares at end of period (liquidity contract)	**(4,401)**	(1,561)
Adjusted weighted average number of shares outstanding over the period	**11,863,598**	11,841,041
BASIC EARNINGS PER SHARE (€)	**2.17**	**1.99**

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.

	2014	**2013**
Net income attributable to holders of common shares (€000)	**25,766**	23,580
Expenses on grants of stock options	**0**	11
Expenses on grants of bonus shares	**0**	0
Earnings used to calculate diluted earnings (€000)	**25,766**	**23,591**
Weighted average number of shares outstanding over the year	**11,881,902**	11,881,902
Treasury shares at end of period (direct holding)	**(13,903)**	(39,300)
Treasury shares at year-end (liquidity contract)	**(4,401)**	(1,561)
Adjusted weighted average number of shares outstanding over the period	**11,863,598**	**11,841,041**
Dilutive effect:		
Dilutive effect of stock options	**0**	39,300
Dilutive effect of bonus share grants	**0**	0
Dilutive effect of financial instruments outstanding	**0**	**39,300**
Number of shares including dilutive effect	**11,863,598**	**11,880,341**
Diluted earnings per share (€)	**2.17**	1.99

19.1.19. Goodwill

€000	2014	2013
At January 1		
Gross value	**58,748**	65,933
Opening book value	**58,748**	65,933
Acquisitions related to business combinations	**27,242**	0
Impairment losses recognized in the income statement	**0**	
Allocation of goodwill	**(13,538)**	(3,491)
Exchange differences, net	**3,847**	(3,694)
At December 31		
Gross value	**76,299**	58,748
Closing book value	**76,299**	**58,748**

19.1.19.1. Impairment tests - measurement of PP&E and intangible assets

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

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

Analysis of goodwill allocated to these CGUs

€000	Dec 31, 2014	Dec 31, 2013
Vétoquinol Biowet Poland	**2,230**	2,294
Chassot GmbH/Germany	**1,705**	1,705
Vétoquinol UK	**451**	422
Vétoquinol Ireland	**421**	421
Vétoquinol Switzerland	**937**	918
Vétoquinol Austria	**772**	772
Vétoquinol Czech Republic	**867**	876
Vétoquinol USA	**12,574**	11,070
Vétoquinol Belgium	**500**	500
Vétoquinol Italy	**6,465**	6,465
Vétoquinol Brazil	**4,804**	4,750
Vétoquinol Scandinavia	**1,173**	1,244
Vétoquinol Asia	**38**	33
Vétoquinol India	**9,260**	8,322
Vétoquinol SA France*	**14,160**	14,160
Bioniche	**14,938**	0
Vétoquinol Canada	**5,004**	4,796
Total	**76,299**	**58,748**

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

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The differences in value between the two years result from the allocation of the Orsco and Bioniche purchase prices 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. Under this method, the recoverable amount 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 forecasts for the following year drawn up by management. By way of exception, the forecasts for Brazil were based on a nine-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 of 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 2015 budget applied to 2016 and the following years for the December 31, 2014 test), adjusted for non-recurring items,
- the discount rate varies by country, ranging from 7.2% to 9.7%.

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 a 7.3% discount rate. On the basis of this test, no impairment was found.

Sensitivity analysis based on a deviation of +/- 1% in the discount rate resulted in no material negative adjustments (Brazil: - €1.2m, Italy: - €0.3m, Scandinavia: - €0.2m).

19.1.20. Intangible assets

€000	Concessions, licenses and patents	Software	Trademarks	Other	Total
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
Acquisitions	24	978	0	107	**1,109**
Acquisitions through business combinations	0	4	(0)	15,897	**15,900**
Change in consolidation method	0	(38)	0	0	**(38)**
Disposals	0	(71)	0	0	**(71)**
Reclassifications	(41)	113	41	28	**141**
Amortization	(740)	(611)	(6)	(3,935)	**(5,292)**
Deconsolidation	0	0	0	0	**0**
Exchange differences, net	28	17	481	2,228	**2,754**
AT DECEMBER 31, 2014					
GROSS BOOK VALUE	15,952	14,662	13,872	52,913	97,399
ACCUMULATED AMORTIZATION	(12,734)	(12,952)	(260)	(24,069)	(50,015)
NET BOOK VALUE	3,217	1,710	13,613	28,844	47,384

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, 2014:
- customer list of Vet Solutions (USA) valued at €1,826,000 (2013: €2,388,000),
- ophthalmic products purchased from Vetcom (Canada) valued at €1,413,000 (acquisition completed in 2008),
- an exclusive distribution contract for Zylkène products valued at €4,060,000,
- product lists arising from the Ascor Chimici acquisition valued at €1,112,000 at the time of the acquisition,
- product lists arising from the Wockhardt animal health division acquisition valued at €3,418,000 at the time of the acquisition,
- product lists arising from the Farmagricola acquisition valued at €390,000 at the time of the acquisition,
- product lists arising from the Bioniche animal health division acquisition valued at €16,631,000 at the time of the acquisition.

19.1.21. Property, plant and equipment

€000	Land	Buildings	Plant and equipment	Other	PP&E in progress, advances and down payments	Total
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 method						
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**
Additions	13	3,623	2,595	1,179	3,144	**10,554**
Acquisitions through business combinations	322	713	1,618	227	0	**2,879**
Change in consolidation method	0	0	0	(19)	0	**(19)**
Disposals	0	36	(29)	(129)	(36)	**(158)**
Depreciation	(50)	(3,066)	(3,273)	(1,165)	0	**(7,554)**
Exchange differences, net	30	140	168	69	4	**411**
Deconsolidation	0	0	0	0	0	**0**
Reclassifications	14	1,056	2,926	377	(4,515)	**(141)**
AT DECEMBER 31, 2014						
GROSS BOOK VALUE	**4,263**	**71,189**	**56,196**	**14,559**	**2,750**	**148,956**
ACCUMULATED DEPRECIATION	**(830)**	**(46,570)**	**(39,787)**	**(11,487)**	**0**	**(98,674)**
NET BOOK VALUE	**3,432**	**24,619**	**16,409**	**3,072**	**2,750**	**50,282**

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19.1.21.1. Finance leases

Property, plant and equipment includes the following assets held under finance leases (terminated in July 2014):

€000	Dec 31, 2014	Dec 31, 2013
Land		
Gross value	**101**	101
Net book value	**101**	**101**
Buildings		
Gross value	**10,027**	10,027
Accumulated depreciation	**(9,782)**	(9,697)
Net book value	**245**	**330**
Other PP&E		
Gross value		
Accumulated depreciation		
Net book value		
Total		
Gross value	**10,129**	10,129
Accumulated depreciation	**(9,782)**	(9,697)
Net book value	**346**	**432**

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

None.

19.1.23. Other financial assets

Not material.

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, 2014, the Group had no hedges outstanding. As of December 31, 2013, the Group had exchange rate hedges outstanding with €500 negative fair value and €39,000 face value.

As of December 31, 2014, there were three interest rate swaps outstanding with €317,000 negative fair value (2013: negative €50,000).

€000	Dec 31, 2014			Dec 31, 2013		
	Par value	Positive fair value	Negative fair value	Par value	Positive fair value	Negative fair value
Forward currency contract	**0**	**0**	**0**	39	0	(1)
Over-the-counter currency options	**0**	**0**	**0**	0	0	0
Currency derivatives	**0**	**0**	**0**	**39**	**0**	**(1)**
Interest rate swaps	**51,667**	**0**	**(317)**	21,625	0	(50)
Interest rate options	**0**	**0**	**0**	0	0	0
Interest rate derivatives	**51,667**	**0**	**(317)**	**21,625**	**0**	**(50)**

19.1.25. Inventories

19.1.25.1. Analysis of inventories by type

€000	Dec 31, 2014			Dec 31, 2013		
	Gross value	Impairment	Carrying amount	Gross value	Impairment	Carrying amount
Raw materials & consumables	**17,082**	**(280)**	**16,802**	16,163	(201)	15,962
Other supplies	**0**	**0**	**0**	0	0	0
Work in progress	**12,703**	**(528)**	**12,175**	7,961	(350)	7,611
Semi-finished and finished goods	**27,743**	**(1,739)**	**26,003**	24,754	(265)	24,489
Goods purchased for resale	**16,166**	**(308)**	**15,857**	8,684	(315)	8,369
TOTAL	**73,693**	**(2,856)**	**70,837**	**57,562**	**(1,131)**	**56,431**

The increase in inventories was primarily due to €12 million of inventories from the Bioniche animal health division acquisition and also to €3 million of additional inventories following the French “Loi d’Avenir” Act.

19.1.25.2. Analysis of inventory impairment

€000	Dec 31, 2012	Additions	Reclassifications	Write-backs	Currency differences	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**

€000	Dec 31, 2013	Additions	Reclassifications	Write-backs	Currency differences	Dec 31, 2014
Raw materials & consumables	201	341	0	(258)	(3)	280
Work in progress	350	610	0	(431)	(1)	528
Semi-finished and finished goods	265	1,744	483	(819)	66	1,739
Goods purchased for resale	315	216	(1)	(244)	22	308
TOTAL	**1,131**	**2,912**	**482**	**(1,752)**	**83**	**2,856**

19.1.26. Trade and other receivables

€000	Dec 31, 2014	Dec 31, 2013
Trade receivables	**65,370**	58,264
Impairment of trade receivables	**(2,433)**	(1,774)
Net trade receivables	**62,937**	**56,490**
Prepayments	**1,323**	1,846
Receivables from government agencies	**6,688**	6,809
Other operating receivables	**785**	656
Miscellaneous receivables	**259**	273
Provisions	**(11)**	(10)
Other receivables	**9,044**	9,574
Total trade and other receivables	**71,981**	**66,064**
Prepaid expenses	**1,554**	1,436
Loans and guarantees	**329**	442
Other	**0**	0
TOTAL OTHER CURRENT ASSETS	**1,883**	**1,878**

All net trade receivables were due in less than one year. Receivables are subject to impairment depending on the risk of bad debts. The Group applies the following impairment method: receivables aged over 180 days and less then 360 days are 50% written down; over 360 days they are fully provided for.

19.1.27. Cash and cash equivalents

€000	Dec 31, 2014	Dec 31, 2013
Marketable securities	**45,088**	39,140
Cash	**45,718**	44,788
Cash and cash equivalents in the balance sheet (assets)	**90,806**	**83,928**

Total cash and cash equivalents in the cash flow statement include:

€000	Dec 31, 2014	Dec 31, 2013
Total cash and cash equivalents in the balance sheet	**90,806**	83,928
Bank overdrafts (Note 19.1.29)	**(4,642)**	(15,026)
Cash and cash equivalents in the CFS	**86,164**	**68,901**

19.1.28. Capital stock and additional paid-in capital

€000	Number of shares	Capital stock	Additional paid-in capital	Total
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, 2014	**11,881,902**	**29,705**	**41,126**	**70,831**

At December 31, 2014, the capital stock amounted to €29,704,755 (2013: €29,704,755) divided into 11,881,902 shares (2013: 11,881,902 shares), each with a par value of €2.5.

19.1.28.1. Stock options

At December 31, 2014, there were no outstanding stock options.

19.1.28.2. Treasury stock excluding liquidity contract

As of December 31, 2014, Vétoquinol held 13,903 treasury shares (2013: 51,703).

19.1.28.3. Dividend distribution

The May 13, 2014 shareholders' general meeting approved the distribution of dividends in respect of FY 2013 amounting to €4,396,303.74, i.e. €0.37 per share (2013: €4,158,665.70 in respect of FY 2012, i.e. €0.35 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 2014 amounted to €4,383,161.34 (2013: €4,138,854.65).

The Group dividend distribution policy complies with a minimum payout of 15%.

The Board has proposed a 2014 dividend payout of €0.39 per share payable on June 4, 2015.

19.1.29. Financial liabilities

Current and non-current financial liabilities break down as follows:

€000	Dec 31, 2014	Dec 31, 2013
Borrowings and other financial liabilities	38,170	10,789
Finance lease liabilities (Note 19.1.15.1)	0	2
Total non-current financial liabilities	**38,170**	**10,791**
Borrowings and other financial liabilities	14,285	11,114
Finance lease liabilities (Note 19.1.15.1)	12	57
Bank overdrafts	4,642	15,026
Total current financial liabilities	**18,939**	**26,198**
TOTAL FINANCIAL LIABILITIES	**57,109**	**36,989**

The breakdown by maturity of financial liabilities is as follows:

€000	Total	< 1 year	1-5 years	> 5 years
At December 31, 2013				
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**	
At December 31, 2014				
Borrowings and other financial liabilities	52,455	14,285	38,170	
Finance lease liabilities	12	12		
Bank overdrafts	4,642	4,642		
TOTAL FINANCIAL LIABILITIES	**57,109**	**18,939**	**38,170**	

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19.1.29.1. Breakdown by currency and rate type

€000	Dec 31, 2014	Dec 31, 2013
Fixed rate	181	82
Total INR	**181**	**82**
Fixed rate	0	87
Total BRL	0	87
Fixed rate	104	0
Total AUD	**104**	**0**
Fixed rate	48	0
Total USD	**48**	**0**
Fixed rate	10	0
Total CAD	**10**	**0**
Fixed rate	2	32
Total PLN	**2**	**32**
Fixed rate on bonds		
Fixed rate and floating swapped to fixed	51,805	21,712
Floating rate	317	50
Total EUR	**52,122**	**21,762**
Fixed rate	52,150	21,913
Floating rate	317	50
Total (all currencies combined)	**52,467**	**21,962**
Bank overdrafts	4,642	15,026
TOTAL	**57,109**	**36,989**

19.1.29.2. Collateral given as guarantee

None.

19.1.29.3. Credit lines

As of December 31, 2014, the Group had open lines of bank credit in various currencies amounting to the equivalent of €30,753,000 (2013: €28,916,000). €4,575,000 of these credit lines had been used (2013: €14,415,000).

19.1.29.4. Liquidity risk

In view of its available cash and cash equivalents as of December 31, 2014, 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, 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**

€000	Carrying amount	Contractual cash flows	Breakdown of contractual cash flows		
			< 1 year	1-5 years	> 5 years
At December 31, 2014					
Borrowings and other financial liabilities	52,455	53,791	14,821	38,970	0
Finance lease liabilities	12	12	12	0	0
Bank overdrafts	4,642	4,642	4,642	0	0
Trade payables	30,629	30,629	30,629	0	0
Payables to fixed asset suppliers	1,068	1,068	1,068	0	0
Other operating liabilities	18,793	18,793	18,793	0	0
TOTAL FINANCIAL LIABILITIES	**107,599**	**108,935**	**69,964**	**38,970**	**0**

19.1.30. Provisions for employee benefits

€000	Dec 31, 2014	Dec 31, 2013
Provision for retirement bonus	**5,663**	4,808
Other employee benefits (CET time savings account, long-service awards, etc.)	**1,382**	1,159
PROVISIONS FOR EMPLOYEE BENEFITS	**7,045**	**5,967**

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. Sensitivity analysis based on a deviation of +/- 0.25% in the discount rate did not result in any material (+/- €150,000) negative adjustments to the commitment.

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

€000	2014	2013
Carrying amount at January 1	**4,808**	**4,546**
Expenses posted to the income statement	262	288
Actuarial gains and losses recorded in other comprehensive income	678	74
Contributions paid	(150)	(98)
Reclassifications	68	0
Exchange differences	(3)	(2)
New liabilities arising from acquisitions	0	0
Carrying amount at December 31	**5,663**	**4,808**

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

€000	2014	2013
Cost of services rendered during the year	**150**	198
Financial cost	**111**	91
Cost of past services		
TOTAL	**262**	**288**

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

	Dec 31, 2014	Dec 31, 2013
Discount rate	1.49%	3.17%
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	2014	2013
Carrying amount at January 1	**1,159**	1,104
Expenses posted to the income statement	**259**	95
Contributions paid	**(28)**	(18)
Reclassifications		
Exchange differences	**(8)**	(22)
New liabilities arising from acquisitions		
Carrying amount at December 31	**1,382**	**1,159**

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

En milliers d'euros	31 déc 2014	31 déc 2013
Coût des services ren Cost of services rendered during the year	**135**	95
Financial cost	**124**	
Cost of past services		
TOTAL	**259**	**95**

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

	Dec 31, 2014	Dec 31, 2013
Discount rate	0.91%	2.50%
Salary increase 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 plans.
- 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, 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**	**1,061**
Additional provisions and increases	141	172	**313**
Amounts used	(69)	(266)	**(335)**
Reclassifications	(3)	(8)	**(11)**
Write-backs of amounts not used			**0**
Provisions arising from acquisitions	0	0	**0**
Exchange differences	0	4	**4**
At December 31, 2014	**453**	**579**	**1,034**

€000	Dec 31, 2014	Dec 31, 2013
Current	**339**	439
Non-current	**694**	622
TOTAL	**1,034**	**1,061**

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

19.1.32. Government grants

In 2014, the Group did not receive any conditional grants. The cumulative conditional grants as of December 31, 2014 amounted to €879,000 (2013: €1,152,000).

19.1.33. Trade and other payables

€000	Dec 31, 2014	Dec 31, 2013
Trade payables	**30,629**	25,693
Payables to fixed asset suppliers	**1,068**	605
Tax and social security liabilities	**25,165**	23,015
Other operating liabilities	**18,793**	16,477
Other miscellaneous liabilities	**10**	15
Total trade and other payables	**75,665**	**65,805**
Deferred income	**85**	243
Total other current liabilities	**85**	**243**

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 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 face value given that income and interest are periodically recognized in the income statement. At December 31, 2014 and December 31, 2013, there were no derivatives with positive fair values.

€000 – 2014	Assets/liabilities at fair value through profit/loss	Assets/ liabilities at amortized cost	Non-financial instruments*	Total carrying amount	Fair value
Other equity investments		1		1	1
Other non-current assets (loans and advances)		694		694	694
Trade receivables and related accounts		73,864		73,864	73,864
Cash and cash equivalents		90,806		90,806	90,806
Derivatives				0	0
Financial assets at Dec 31, 2014		**165,364**	**0**	**165,364**	**165,364**
Bonds		0		0	0
Short/long-term borrowings and other financial liabilities		56,603	12	56,615	56,436
Derivatives		317		317	317
Trade payables		30,236		30,236	30,236
Payables to fixed asset suppliers		1,068		1,068	1,068
Other operating liabilities		18,793		18,793	18,793
Financial liabilities at Dec 31, 2014		**107,016**	**12**	**107,028**	**106,849**

€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 receivables and related accounts		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**

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

19.1.35. Dividends per share

Dividends paid in 2014 amounted to €4,383,161.34 (2013: €4,158,854.65), i.e. €0.37 per share (2013: €0.35 per share).
At the upcoming shareholders' general meeting on May 20, 2015, shareholders will be asked to approve a dividend payout of €0.39 per share.

19.1.36. Headcount

2014 headcount by functional dept. and geographical region	France	Western Europe (excl. France)	Eastern Europe	Americas	Asia	Consolidated total
Sales & Marketing	88	139	53	147	310	**737**
Administration & Management	141	34	48	66	15	**305**
Production	154	23	106	89	6	**378**
Quality	81	10	55	50	3	**200**
Procurement & Logistics	76	46	47	46	11	**228**
R&D	105	14	16	21	3	**159**
Total headcount at Dec 31, 2014	**645**	**266**	**325**	**419**	**349**	**2,004**
Total headcount at Dec 31, 2013	**631**	**264**	**324**	**357**	**271**	**1,847**

19.1.37. Off-balance sheet commitments

19.1.37.1. Guarantees given

€000	Dec 31, 2014	Dec 31, 2013
Guarantees and deposits	**25**	28
Mortgages and collateral	**22,399**	21,471
TOTAL	**22,424**	**21,498**

In Canada, the advances (described in Note 19.1.37.2) are secured by a lien amounting to CAD 31.5 million or €22.4 million as of December 31, 2014 (2013: CAD 31.5 million or €21.5 million at the 2013 closing rate), on all receivables, inventories and intellectual property of Vétoquinol NA Inc and its parent, Vétoquinol SA.

19.1.37.2. Guarantees received

€000	Dec 31, 2014	Dec 31, 2013
Guarantees and deposits	**7,111**	6,859
Liability guarantees	**753**	1,181
TOTAL	**7,863**	**8,040**

Société Générale provided a guarantee on remaining finance lease payments of €43,000 at December 31, 2013. There was no outstanding guarantee for this lease as of December 31, 2014.

In Canada, the Group obtained authorized bank lines of credit for a maximum of CAD 10 million on a consolidated basis, or €7,111,000 at the 2014 closing rate (2013: CAD 10 million, or €6,816,000 at the 2013 closing rate), which may be used in the form of bank loans with interest set at the bank's preferential rate plus 0.375%. No amounts had been drawn on this line of credit as of December 31, 2013 or December 31, 2014.

In connection with the Farmagricola acquisition, the former shareholders of this company granted Vétoquinol a liability guarantee, which has a five-year term from the acquisition date, i.e. until June 1, 2016. The guarantee may only be called upon if the amount claimed under the guarantee exceeds BRL 15,000 (€4,700 at the 2014 closing rate). As of 2014 year-end, the total amount of compensation awarded under this guarantee cannot exceed BRL 1.6 million (€489,000 at the 2014 closing rate).

In conjunction with the Bioniche Animal Health acquisition, Bioniche Life Sciences Inc granted Vétoquinol a guarantee for future liabilities with a 36-month term from the acquisition date, i.e. until April 15, 2017. The guarantee may only be called upon if the amount to be claimed under the guarantee exceeds CAD 100,000. Compensation paid out under the guarantee may not exceed the amount of the acquisition's purchase price.

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, 2014	Dec 31, 2013
Intangible assets		
Property, plant and equipment	**1,980**	2,787
TOTAL	**1,980**	**2,787**

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

None.

19.1.39. Related party disclosures

19.1.39.1. Compensation paid to key executives

€000	2014	2013
Short-term benefits	**1,056**	769
Post-employment benefits		
TOTAL	**1,056**	**769**

Vétoquinol Group top management are as follows:
- 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.

19.1.39.2. Related party transactions

None.

19.1.40. Post-balance sheet events

None.

19.1.41. 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.

19.1.42. Financial/commercial position

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

19.1.43. Group companies

Company	Head office	% held at Dec 31, 2014	% held at Dec 31, 2013
Vétoquinol SA	Magny-Vernois – 70204 Lure Cedex – France	100%	100%
Vétoquinol NA Inc.*	2000 Chemin Georges – Lavaltrie – Quebec 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 CV	Mariano Escobedo n° 748, 5 Piso Int. – Col. Nueva Anzures – Delegation Miguel Hidalgo – Mexico	100%	100%
VÉTOQUINOL SAUDE ANIMAL LTDA	Rodovia Fernao Dias s/n km 56, Terra Preta - Cidade de Mairi-pora - Estado de São Paulo CEP 07600-000 - Brazil	100%	100%
Vétoquinol Do Brasil Partici-pacoes Ltda	Rodovia Fernao Dias s/n km 56, Terra Preta - Cidade de Mairi-pora - 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%
Vétoquinol Trading (Shan-ghai) Co. Ltd.	Suite 1607, Block C, 85 Loushanguan, Changning District, Shanghai, PRC	100%	100%
Bioniche Canada merged into Vétoquinol NA Inc. as of 12/1/14	231 Dundas Street East - Belleville- Ontario K8N 1E2 Canada	-	-
Bioniche Canada merged into Vétoquinol NA Inc. as of 12/1/14	PO 1570 - Belleville - ON K8N J2 – Canada	-	-
Bioniche Animal Health A/ Asia Pty Ltd Inc.	54 Beecroft Road – Epping NSW 2121 – Australia	100%	-
Bioniche Animal Health Europe Ltd	Bracetown Business Park – Clonee – Dublin 15 – Ireland	100%	

** On January 1, 2014 Prolab, Vétoquinol Canada and Vétoquinol NA merged into this new entity.*

20

Additional information

20 Additional information

20.1. CAPITAL STOCK

At the registration date of this Registration Document, the Company's capital stock stands 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. Non-equity shares

There are no non-equity shares.

20.1.2. Treasury shares

At December 31, 2014, Vétoquinol SA held 18,304 of its own shares having a par value of €2.50 each and a total book value of €468,204.20, including 4,401 shares with a total value of €157,996 held under the liquidity contract managed by Oddo Corporate Finance.

20.1.3. Convertible securities

Stock options (see section 19.1.28.1.) 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. Information concerning the 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	Number of shares issued	Par value of capital increase	Total capital stock	Total number of shares	Par value per share
Dec 7, 2007	Opening balance				11,290,332	2.50
May 12, 2009	Exercise of options	2,300	5,750	28,231,580	11,292,632	2.50
Dec 31, 2010	No transaction during the year				11,292,632	2.50
Feb 27, 2011	Bond conversion	589,270	1,473,175	29,704,755	11,881,902	2.50

No transactions were carried out during the last three years.

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(2) 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 wealth tax («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.

20.1.8. Treasury stock/share buyback program/liquidity contract

Subject to the May 20, 2015 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 in accordance with legislation and 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 €50,000,000 and that the maximum purchase price per share may not exceed €60.

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 Ordinary 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 May 20, 2015 shareholders' general meeting.

20.2. ARTICLES OF INCORPORATION AND BYLAWS

20.2.1. Corporate purpose (see Article 2 of the bylaws)

The Company's purpose, both in France and abroad, directlyor 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, as well as all medical, pharmaceutical, clinical, biological and industrial research.

20.2.2. Principal bylaw provisions relating to governing and management bodies (see Article 11 et seq of the bylaws)

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. Upon completion of their term, all retiring Board members are eligible for reappointment.

Chairman of the Board of Directors

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.

Senior management

Senior management is exercised by an individual appointed by the Board of Directors, who shall bear 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. 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.

With regard to the performance of the duties of Chief Executive Officer, the age limit is set at 80 years of age.

Senior Vice Presidents

The Board of Directors may appoint up to four Chief Operating Officers. With regard to the performance of the duties of Chief Operating Officer, the age limit is set at 80 years of age.

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 Company's joint and several liability.
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.

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(2) of the bylaws relating to declarations of the crossing of thresholds, 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

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.

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 his name (or in the name of the authorized intermediary registered under his name if his place of residence is outside France) by midnight, Paris time, on the second 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 two 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.

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(2) 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(2) of the bylaws)

In addition to the statutory requirement 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 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.

In the event of breach of the obligation provided for in the bylaws to declare 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 declared shall be stripped of voting rights until the end of a two-year period following the rectification of such breach.

20.2.8. Conditions governing changes to the capital stock where such conditions 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 2014

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
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 or 2014.

POWERS GRANTED BY THE MAY 13, 2014 COMBINED ORDINARY AND EXTRAORDINARY GENERAL MEETING

Authorization type	Subject of authorization	Term of delegation	Cap	Use
Share buyback (8th resolution)	Purchase of Company shares, in order to: • issue shares to employees and/or corporate officers, • bolster the share's trading and liquidity via an investment service provider, • purchase shares to hold as treasury shares for subsequent reissue, • issue shares to holders of equity-based securities.	For a period of 18 months	Treasury shares limited to a maximum of 7% of capital stock, i.e. 831,733 shares each with €2.50 par value Maximum authorized amount: €40 million Maximum share purchase price: €50	In 2014 under this authorization: • 61,617 shares were purchased and • 58,777 shares were sold.
Capital increase (9th resolution)	Issue of shares with pre-emptive subscription rightS	For a period of 26 months	Maximum authorized amount • equity issues €20,000,000, • debt issues €10,000,000	This authorization was not used in 2014.
Capital increase (10th resolution)	Issue of shares to the public without pre-emptive subscription rightS	For a period of 26 months	Maximum authorized amount • equity issues €20,000,000, • debt issues €10,000,000	This authorization was not used in 2014.
Capital increase (11th resolution)	Issue of shares without pre-emptive subscription rights under a private placement.	For a period of 26 months	Maximum authorized amount • equity issues €10,000,000, • debt issues €5,000,000	This authorization was not used in 2014.
Capital increase (12th 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 2014.

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