



An International Veterinary Pharmaceutical Business





Half-Yearly Review 2009

Six months ended 31 December 2008

Overview

- Good progress made by both divisions
- International expansion progressing well
- Product development programme delivering excellent results
- Strong balance sheet and committed facilities
- Group's current trading remains in line with the Board's expectations
- Strong optimism for the Group's future growth prospects

Half-Yearly Results

Six months ended 31 December
2008 2007

Revenue	£173.2m	£141.1m	+ 23%
Adjusted operating profit*	£12.6m	£8.1m	+ 55%
Operating profit	£9.4m	£8.0m	
Adjusted profit before taxation*	£10.5m	£7.5m	+ 40%
Profit before taxation	£7.3m	£7.4m	
Adjusted earnings per share*	11.68p	9.97p	+ 17%
Earnings per share	7.93p	9.83p	
Interim dividend	3.00p	2.75p	+ 9%
Net borrowings	£31.9m	£3.3m	
Dividend cover*	3.9 times	3.0 times	

* before *VetXX*[®] rationalisation costs and amortisation of acquired intangibles

Financials - Pharmaceuticals Division

	2008	2007	
	£'000	£'000	
Revenue	41,466	16,849	+ 146%
Adjusted operating profit	8,215	3,862	+ 113%

- DVP EU (*VetXX*) made a revenue contribution of £21.1 million (including inter-divisional revenue) and an operating profit contribution of £3.4 million
- Like-for-like revenue from own branded pharmaceuticals grew by 21% to £13.4 million
- Dales external revenue grew by 39% to £5.4 million

Financials - Services Division

	2008	2007	
	£'000	£'000	
Revenue	137,809	127,900	+ 8%
Adjusted operating profit	5,701	5,263	+ 8%

- *MVS*[®] revenue grew in line with market
- Operating profit increased by 10%
- Laboratories experienced a small decline in operating profit on flat revenue

Financials - Group Balance Sheet

	2008 £'000	2007 £'000
Balance Sheet		
Non-current assets		
- intangibles	104,186	13,557
- property, plant and equipment	8,646	5,547
- deferred tax assets	346	-
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	113,178	19,104
Net working capital	24,999	21,297
Current and deferred tax liabilities	(21,553)	(3,442)
Net borrowings	(31,894)	(3,263)
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Net assets	84,730	33,696
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Inventory days	48	49
Receivable days	42	40
Payable days	50	56

- Increase in net borrowings compared to 30 June 2008 due to retranslation of foreign currency borrowings
- Net borrowings on a consistent currency basis, as at 31 December 2008, were at £27.0 million

Financials - Group Cash Flow

	2008 £'000	2007 £'000
Cash Flow		
Cash flow from operations	5,984	986
Capital expenditure		
- Intangible assets	557	658
- Property, plant and equipment	501	373
	----- 1,058	----- 1,031

- Strong operating cash flow in 2008
- Seasonal working capital swing less marked than in previous year

Product Development - Achievements

- *Vetoryl*[®] fully approved in the US and Canada
- *Vetoryl* approval in Australia at advanced stage
- *Felimazole*[®] dossier compliant for US, awaiting final packaging approval
- *Malaseb*[®] approved in Northern Europe
- 2.5mg *Felimazole* approved across the EU
- Two new generics approved in the EU
- *Equidone*[®] dossier being finalised for submission to US FDA

Product Development - Pipeline

- Numerous new opportunities identified
- Two international novel projects commenced
- Four international novel projects at an advanced stage of internal approval, which would require additional development expenditure
- Generic products for the EU under development
- Additional generic product marketing rights secured for EU with new partner
- *Equidone* research projects continue

Pharmaceuticals - Review

- **Dechra Veterinary Products EU**
 - *VetXX* integrated successfully within the Group
 - All *VetXX* subsidiaries rebranded to DVP
 - *Specific* diets business gaining forward momentum
 - Core products continuing to grow
 - New product launches imminent

Pharmaceuticals - Review

- **Dechra Veterinary Products US**
 - Initial recruitment completed
 - Experienced professionals appointed strengthening sales & marketing and technical support
 - *Vetoryl* launched in January 2009, initial sales meeting expectations
- **Dales Pharmaceuticals**
 - Further improvements in efficiency and productivity
 - Continued investments in infrastructure, systems and people to achieve FDA compliance

Services - Review

- ***NVS***

- Increased revenue in line with market growth
- Market share maintained
- 99% service level achieved throughout the period
- Investment in new efficient tractor units for haulage

- **Laboratories**

- Restructured sales function
- New Sales Director and representatives appointed

Outlook

- The world's major companion animal markets continue to demonstrate growth
- Sick animals continue to be treated
- *Vetoryl* launched in the US
- New product launches imminent
- Group's strategy and pipeline have positioned the business to respond resolutely to challenging times
- New markets and opportunities strengthen our optimism for the future



Divisional Summary

	2008 £'000	2007 £'000
Revenue		
Pharmaceuticals	41,466	16,849
Services	137,809	127,900
Inter-division	(6,067)	(3,676)
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	173,208	141,073
	-----	-----
 Adjusted operating profit		
Pharmaceuticals	8,215	3,862
Services	5,701	5,263
Central costs	(1,283)	(995)
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	12,633	8,130
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