




Dechra
Pharmaceuticals PLC



An International Veterinary Pharmaceutical Business



Half-Year Review 2008

six months ended 31 December 2007

Overview

- Solid increase in revenue
- Substantial improvement in operating profit
- International product development on track

Post period end:

- Acquisition of VetXX completed
- Placing & Open Offer raising £35.2 million (gross)

Half-Year Results

Six months ended 31 December
2007 2006

Revenue	£141.1m	£125.9m	+ 12.0%
EBITDA	£8.8m	£7.0m	+ 25.0%
Operating profit	£8.0m	£6.5m	+ 23.4%
Profit before taxation	£7.4m	£5.9m	+ 25.2%
Basic earnings per share	9.83p	7.84p	+ 25.4%
Interim dividend	2.75p	2.50p	+ 10.0%
Net borrowings	£3.3m	£5.4m	
Dividend cover	2.9 times	3.1 times	

Financials - Pharmaceuticals Division

	2007	2006	
	£'000	£'000	
Revenue	16,849	11,983	+ 40.6%
Operating profit	3,778	2,600	+ 45.3%

- Key products continue to grow strongly
- USA now profitable
- Excellent performance from Dales – operating profit up 106%

Financials - Services Division

	2007	2006	
	£'000	£'000	
Revenue	127,900	117,436	+ 8.9%
Operating profit	5,245	4,738	+ 10.7%

- Good market growth – market share at NVS held
- Operating margin improvements achieved at NVS® – target of 4% achieved
- Laboratories achieved revenue growth – profit impacted by investment in infrastructure

Financials - Group Balance Sheet

	2007 £'000	2006 £'000
Balance Sheet		
Non-current assets - intangibles	13,557	8,549
- property, plant and equipment	5,547	5,646
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	19,104	14,195
Net working capital	21,297	19,648
Current and deferred tax liabilities	(3,442)	(2,182)
Net borrowings	(3,263)	(5,401)
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Net assets	33,696	26,260
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Inventory days	49	52
Receivable days	40	43
Payable days	56	59

Financials - Group Cash Flow

	2007 £'000	2006 £'000
Cash Flow		
Cash flow from operations	986	(559)
Capital expenditure		
- Intangible assets	658	674
- Property, plant and equipment	373	541
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	1,031	1,215
Depreciation and amortisation	755	526

- Cash flow impacted by seasonal increase in inventory levels
- Investment in USA working capital

Pharmaceuticals - Review

- ***Dechra*[®] Veterinary Products**
 - Strong EU growth of *Vetoryl*[®] and *Felimazole*[®]
 - Good market penetration by new generic launches in UK
 - Pharmaderm range integrated into US operation
- **Dales Manufacturing**
 - Further new third party contracts gained
 - Successful 'go live' on new Oracle integrated IT system
 - Further progress on quality management systems as we pursue FDA approval

Services - Review

- ***NVS***
 - Maintained 44% market share
 - Implemented new discount structure
 - Gained customers in new distribution channels
- **Laboratories**
 - Integrated Leeds Veterinary Laboratories
 - Marketing new services

Product Development

- *Ovuplant*[®] achieved mutual recognition in the EU (7 territories)
- UK and EU generic strategy progressing well
- *Muricin*[™] ointment (PAH product) launched in the US
- US *Vetoryl* and *Felimazole* approval on target
- *Equidone*[®] research; initial indications are positive
- Further new development opportunities identified

The VetXX Opportunity

- **Acquisition completed January 2008**
- **Benefits of the acquisition:**
 - Significantly strengthens *Dechra's* market position in Europe-adding eight countries to the Group's European footprint
 - Opportunities to improve efficiency and cost synergies
 - Enhanced product range increases utilisation of EU sales & marketing infrastructure
 - Provides a broader base for the development and approval of products
 - Allows a greater margin return on *Dechra's* products within Mainland Europe
 - Anticipated to be earnings enhancing for the Group in 2009

VetXX – Integration Update

- Closure of Thame (UK) and Ballerup (Copenhagen, Denmark) progressing ahead of schedule
- New management structure implemented- Ed Torr (Executive Director, Main Board) has assumed responsibility for the operation
- Internal logistics and manufacturing synergies being evaluated
- Full integration plan is on schedule

DVP – New EU Sales & Marketing Structure

- **Regional marketing teams**

- 15 Pharma
- 5 Diets

- **Sales teams**

- France 16
- UK 14
- Spain 8
- Denmark 5
- Sweden 4
- Holland 4
- Norway 4
- Finland 3
- Portugal 1
- Eire 1

- **Marketing partners worldwide**

- Germany, Austria and Benelux - Bayer
- Japan – Kyoritsu Seiyaku (pharma), Schering Plough (diets)
- Switzerland – Veterinaria, Graeub
- Italy – Bayer (pharma), Arovit (diets)
- Canada – Vetoquinol
- Australia – Dermcare
- Eastern Europe – Bayer, Dimela, Cymedica, Valta

Summary

- Strong performance from both Divisions
- International strategy being delivered with significant new EU revenues
- US operation now profitable
- New products being delivered
- Strong development pipeline
- Future growth opportunities identified
- Strategy remains unchanged



Divisional Summary

	2007 £'000	2006 £'000
Revenue		
Pharmaceuticals	16,849	11,983
Services	127,900	117,436
Inter-division	(3,676)	(3,511)
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	141,073	125,908
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Operating profit		
Pharmaceuticals	3,778	2,600
Services	5,245	4,738
Central costs	(995)	(834)
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	8,028	6,504
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Trade Marks

Trade Marks appear throughout this document in italics.

Dechra and the *Dechra* 'D' logo are registered Trade Marks of *Dechra* Pharmaceuticals PLC

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