

Issued by Citigate Dewe Rogerson Ltd, Birmingham
Date: Tuesday, 27 February 2007

Embargoed: 7.00am

Dechra Pharmaceuticals PLC
Interim Results
for the six months ended 31 December 2006

	2006	2005	
• Revenue	£125.9m	£116.1m	+8.5%
• Operating profit	£6.5m	£5.8m	+12.0%
• Profit before taxation	£5.9m	£5.2m	+14.2%
• Earnings per share - basic	7.84p	6.99p	+12.2%
• Earnings per share - diluted	7.76p	6.86p	+13.1%
• Interim dividend	2.50p	1.91p	+30.9%
• Net borrowings	£5.4m	£10.2m	
• Strong organic growth in revenue and pre-tax profit			
• EU revenues beginning to materialise			
• Further strategic progress with the product development programme			
• Significant increase in dividend			

Commenting, Ian Page, Chief Executive, said:

“The Group continues to make substantial progress across all its businesses.”

“The strong organic growth during the period has been enhanced by increased sales and new launches of two of our key products, Vetoryl[®] and Felimazole[®], into Europe. Our strategic pharmaceutical development programme continues to gain momentum; new products have been identified and licensing projects for key international markets are progressing to expectations.”

FULL STATEMENT ATTACHED

Enquiries:

Ian Page, Chief Executive
Simon Evans, Group Finance Director
Dechra[®] Pharmaceuticals PLC
Today: +44 (0) 20 7638 9571 (until 12.30pm)
Mobile: +44 (0) 7775 642222 (IP) or
+44 (0) 7775 642220 (SE)
Thereafter: 01782 771100
www.dechra.com

Fiona Tooley, Director
Katie Dale, Senior Account Manager
Citigate Dewe Rogerson
Today: +44 (0) 207 638 9571
Mobile: +44 (0) 7785 703523 (FMT) or
+44 (0) 7770 788 624 (KD)
Thereafter: 0121 455 8370

Dechra Pharmaceuticals PLC
Interim Results for the six months ended 31 December 2006

Introduction

The Group continues to make substantial progress across all its businesses. This is demonstrated by increases in the period of 8.5% in revenue and 14.2% in pre-tax profit compared to the same period in the prior year.

The strong organic growth during the period has been enhanced by increased sales and new launches of two of our key products, Vetoryl[®] and Felimazole[®], into Europe. Our strategic pharmaceutical development programme continues to gain momentum; new products have been identified and licensing projects for key international markets are progressing to expectations. Further details are provided later in this report.

Financials

In the six months ended 31 December 2006, Group revenue increased by 8.5% to £125.9 million (2005: £116.1 million), whilst operating profit was up by 12.0% to £6.5 million (2005: £5.8 million) and profit before taxation rose by 14.2% to £5.9 million (2005: £5.2 million).

Basic earnings per share increased by 12.2% from 6.99 pence to 7.84 pence.

The increase in revenue was driven by above market growth by National Veterinary Services ("NVS") and a strong performance from Dechra Veterinary Products ("DVP").

Group operating margin increased from 5.0% to 5.2% as a result of increased margins at NVS and a higher proportion of Group revenue from our own branded pharmaceuticals through Dechra Veterinary Products.

Research and development expenditure charged to the income statement was similar to last year at £636,000 (2005: £680,000) as were the costs of our USA operation at £170,000 (2005: £157,000). A further £657,000 of development expenditure was capitalised, principally relating to Vetoryl[®] US.

As normal, inventory levels were at a seasonally high level at the end of the period being reported and this caused a swing from a net cash position at 30 June 2006 of £1.1 million to net borrowings of £5.4 million at 31 December 2006. However, this was significantly less than the net borrowings of £10.2 million at the same point last year. The relatively high inventory levels will unwind in the second half of the financial year. This is reflected in operating profit providing strong interest cover at 10.9 times (2005: 9.2 times).

Dividend

In line with the Group's progressive dividend policy and confidence in the business going forward, the Board is pleased to declare an interim dividend of 2.50 pence per share (2005: 1.91 pence), a significant increase of 30.9%. At this level, the interim dividend remains covered 3.1 times by profit after taxation (2005: 3.6 times).

The dividend is payable on 10 April 2007 to shareholders whose names are on the Register of Members at close of business on 9 March 2007.

continued...

Review

Pharmaceuticals Division

Our own branded licensed products have performed well within Europe and have also achieved good growth within the UK. DVP remains the fastest growing UK veterinary pharmaceutical company; the key brands, Vetoryl[®] and Felimazole[®] grew in the UK in excess of 30%, Vetivex[®] increased by 16% and Equipalazone[®], our long-established equine product, grew by 3% despite competing with a new entrant within the sector. Global revenue of Vetoryl[®] increased by 62% to £2.0 million (including £535,000 within the European Union) and Felimazole[®] by 35% to £1.5 million (including £138,000 within the European Union).

The focus at Dales, our manufacturing business, has continued to be on efficiency and implementation of new quality systems. Production for a new £1.0 million contract announced at the end of our last financial year has been validated and initial sales commenced in November. Full-scale production should ensure a strong second half performance.

Services Division

Our wholesaling and distribution business, NVS, has produced a strong first half performance and retained its leading market position. To enhance support for the growth of this business, additional sales personnel have been employed to provide improved regional coverage.

An investment of over £700,000 was made towards the end of the last financial year in additional automation and capacity within the centralised warehouse. This is now fully commissioned and has improved productivity and overall operational efficiency.

The Group's Laboratory businesses are continuing to increase market share. To accelerate this growth the Company has established a new satellite laboratory in Swanscombe. This presence in Southern England has increased opportunities for growth, which has been demonstrated by a number of new account wins secured prior to the period end.

Product Development

The benefits of the Group's product development programme are beginning to be realised with increased penetration of our products within the EU. We have continued to progress this important strategy in the following ways:

- Intellectual Property Acquisition

Prior to the half year end, we announced that we had acquired the intellectual property for Equidone[®], an equine product, which is at an advanced stage of development for the US market.

The use of the active ingredient, Domperidone, has been co-developed by Equi-Tox and Clemson University, based in South Carolina, USA for the prevention of Fescue Toxicity, a disease which is caused by eating a fungus which infects tall fescue grass. The most serious clinical signs are observed in the late stages of pregnancy and the toxicity can result in foal death.

Equidone[®] is already patented and under limited distribution in the US under a special license. The market for equine fescue toxicity is estimated to be approximately US\$2 million per annum. Other patents for Equidone use have also been approved; exploration into these indications, which have substantially larger markets, will be undertaken shortly.

- US Clinical Trials

All the dogs required for efficacy trials for Vetoryl[®] have now been recruited. The manufacturing and safety dossiers have been submitted to the FDA. The Board remains confident that the product will be launched in line with our planned programme.

continued...

Recruitment for the Felimazole[®] trial continues, approximately three quarters of the required cats are now enrolled. The safety section has been submitted and the manufacturing dossier is close to completion. As with Vetoryl[®], we anticipate to complete the submission in 2007 to facilitate launch into the US market, to target, in 2008.

- Generic Products

The Group has secured the UK marketing rights for four new generic products for the equine and small animal market sectors. Following submission and regulatory approval, the Board expects the first of these products to be launched within this financial year, with the others anticipated to be licensed by the end of the calendar year.

- Pipeline

We continue to identify opportunities to bring new products into our portfolio to add to the novel and generic products we currently have under development.

Outlook

All businesses across the Group continue to trade and progress in line with management expectations. Growth is now also being realised from the historical investment in product development; furthermore projects initiated over the last few years will ensure continued growth for many years. We therefore look forward to the future with confidence.

Michael Redmond
Non-Executive Chairman

Ian Page
Chief Executive

**Consolidated Income Statement
for the six months ended 31 December 2006**

	Note	Six months ended 31.12.06 £'000	31.12.05 £'000	Year ended 30.06.06 £'000
Revenue	2	125,908	116,088	232,471
Cost of sales		(108,279)	(100,015)	(199,205)
Gross profit		17,629	16,073	33,266
Operating expenses		(11,125)	(10,264)	(20,954)
Operating profit	2	6,504	5,809	12,312
Finance income	3	437	378	725
Finance expense	4	(1,032)	(1,012)	(1,993)
Profit before taxation		5,909	5,175	11,044
Income tax expense	5	(1,809)	(1,595)	(3,487)
Profit for the period attributable to equity holders of the parent		4,100	3,580	7,557
Earnings per share (pence)				
Basic	7	7.84p	6.99p	14.71p
Diluted	7	7.76p	6.86p	14.36p
Dividend per share (declared/paid and proposed)	6	2.50p	1.91p	6.24p

**Consolidated Balance Sheet
At 31 December 2006**

	As at 31.12.06 £'000	As at 31.12.05 £'000	As at 30.06.06 £'000
ASSETS			
Non-Current Assets			
Intangible assets			
- goodwill	4,385	4,385	4,385
- software	1,015	226	626
- development costs	1,281	536	645
- other intangibles	1,868	1,880	1,871
Property, plant & equipment	5,646	5,431	5,595
Deferred tax assets	-	540	445
Total non-current assets	14,195	12,998	13,567
Current Assets			
Inventories	27,777	27,616	21,957
Trade and other receivables	33,097	32,656	35,347
Cash and cash equivalents	12,176	7,893	19,738
Total current assets	73,050	68,165	77,042
Total assets	87,245	81,163	90,609
LIABILITIES			
Current Liabilities			
Borrowings	(4,006)	(2,315)	(3,417)
Trade and other payables	(41,226)	(40,367)	(45,530)
Current tax liabilities	(2,096)	(2,535)	(2,505)
Total current liabilities	(47,328)	(45,217)	(51,452)
Non-Current Liabilities			
Borrowings	(13,571)	(15,819)	(15,242)
Deferred tax liabilities	(86)	-	-
Total non-current liabilities	(13,657)	(15,819)	(15,242)
Total liabilities	(60,985)	(61,036)	(66,694)
Net assets	26,260	20,127	23,915
EQUITY			
Issued share capital	526	515	519
Share premium account	27,865	27,417	27,693
Hedging reserve	(71)	(71)	(71)
Merger reserve	1,720	1,720	1,720
Retained earnings	(3,780)	(9,454)	(5,946)
Total equity attributable to equity holders of the parent	26,260	20,127	23,915

**Consolidated Statement of Changes in Shareholders' Equity
for the six months ended 31 December 2006**

	Issued Share Capital £'000	Share Premium Account £'000	Hedging Reserve £'000	Merger Reserve £'000	Retained Earnings £'000	Total £'000
Six months ended 31 December 2005						
At 1 July 2005 as previously stated	511	26,953	-	1,720	(11,582)	17,602
Impact of adoption of IAS32 and IAS39 on 1 July 2005	-	-	(71)	-	-	(71)
At 1 July 2005 – re-stated	511	26,953	(71)	1,720	(11,582)	17,531
Profit for the period being total recognised income and expense for the period	-	-	-	-	3,580	3,580
Dividends paid	-	-	-	-	(1,794)	(1,794)
Share-based payments including current and deferred tax taken directly to equity	-	-	-	-	342	342
Shares issued	4	464	-	-	-	468
At 31 December 2005	515	27,417	(71)	1,720	(9,454)	20,127
Year ended 30 June 2006						
At 1 July 2005 as previously stated	511	26,953	-	1,720	(11,582)	17,602
Impact of adoption of IAS32 and IAS39 on 1 July 2005	-	-	(71)	-	-	(71)
At 1 July 2005 – re-stated	511	26,953	(71)	1,720	(11,582)	17,531
Profit for the period being total recognised income and expense for the period	-	-	-	-	7,557	7,557
Dividends paid	-	-	-	-	(2,777)	(2,777)
Share-based payments including current and deferred tax taken directly to equity	-	-	-	-	856	856
Shares issued	8	740	-	-	-	748
At 30 June 2006	519	27,693	(71)	1,720	(5,946)	23,915
Six months ended 31 December 2006						
At 1 July 2006	519	27,693	(71)	1,720	(5,946)	23,915
Profit for the period being total recognised income and expense for the period	-	-	-	-	4,100	4,100
Dividends paid	-	-	-	-	(2,278)	(2,278)
Share-based payments including current and deferred tax taken directly to equity	-	-	-	-	344	344
Shares issued	7	172	-	-	-	179
At 31 December 2006	526	27,865	(71)	1,720	(3,780)	26,260

**Consolidated Statement of Cash Flows
for the six months ended 31 December 2006**

	Note	Six months ended 31.12.06 £'000	31.12.05 £'000	Year ended 30.06.06 £'000
<u>Cash flows from operating activities</u>				
Profit for the period		4,100	3,580	7,557
<i>Adjustments for:</i>				
Depreciation		477	431	886
Amortisation		49	68	136
Gain on sale of property, plant and equipment		(6)	(10)	(23)
Finance income		(437)	(378)	(725)
Finance expense		1,032	1,012	1,993
Equity-settled share-based payment expenses		225	199	427
Income tax expense		1,809	1,595	3,487
		7,249	6,497	13,738
Increase in inventories		(5,820)	(7,226)	(1,567)
Decrease/(increase) in trade and other receivables		2,522	970	(1,736)
(Decrease)/increase in trade and other payables		(4,510)	(1,711)	3,562
Cash flow from operating activities before interest and taxation		(559)	(1,470)	13,997
Interest paid		(1,037)	(967)	(1,890)
Income taxes paid		(1,568)	(1,078)	(2,618)
Net cash from operating activities		(3,164)	(3,515)	9,489
<u>Cash flows from investing activities</u>				
Proceeds from sale of property, plant and equipment		6	10	23
Interest received		444	334	672
Purchase of property, plant and equipment		(293)	(821)	(1,320)
Capitalised development expenditure		(492)	(56)	(195)
Purchase of other intangible non-current assets		(258)	-	-
Net cash from investing activities		(593)	(533)	(820)
<u>Cash flows from financing activities</u>				
Proceeds from the issue of share capital		179	500	780
New borrowings		13	66	705
Repayment of borrowings		(1,700)	(755)	(1,582)
Dividends paid		(2,278)	(1,794)	(2,777)
Net cash from financing activities		(3,786)	(1,983)	(2,874)
Net (decrease)/increase in cash and cash equivalents		(7,543)	(6,031)	5,795
Cash and cash equivalents at start of period		19,719	13,924	13,924
Cash and cash equivalents at end of period		12,176	7,893	19,719
Shown as:				
Cash and cash equivalents		12,176	7,893	19,738
Bank overdraft		-	-	(19)
		12,176	7,893	19,719
<u>Reconciliation of net cash to movement in net cash/(borrowings)</u>				
Net (decrease)/increase in cash and cash equivalents		(7,543)	(6,031)	5,795
Repayment of borrowings		1,700	755	1,582
New borrowings		(13)	(66)	(705)
New finance leases		(631)	-	(649)
Other non-cash changes		7	(40)	(85)
Movement in net cash/(borrowings) in the period		(6,480)	(5,382)	5,938
Net cash/(borrowings) at start of period		1,079	(4,859)	(4,859)
Net (borrowings)/cash at end of period	8	(5,401)	(10,241)	1,079

**Notes to the Financial Statements
For the six months ended 31 December 2006**

1. Basis of Preparation

This interim financial information has been prepared applying the accounting policies and presentation that were applied in the preparation of the Company's published consolidated financial statements for the year ended 30 June 2006. The prior-year comparatives are derived from audited financial information for Dechra Pharmaceuticals PLC as set out in the Annual Report for the year ended 30 June 2006 and the unaudited financial information in the interim financial statements for the six months ended 31 December 2005. These consolidated interim financial statements have been prepared under the historical cost convention, except in respect to certain financial instruments.

The consolidated accounts incorporate the accounts of the Company and of each of its subsidiaries for the period to 31 December 2006.

The consolidated interim financial statements for the six months ended 31 December 2006 are unaudited but have been reviewed by the auditors. The independent review report is set out on page 12. The consolidated interim financial statements for the six months ended 31 December 2006 were approved by the Directors on 27 February 2007.

The comparative figures for the financial year ended 30 June 2006 are not the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditors and delivered to the Registrar of Companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under Section 237(2) or (3) of the Companies Act 1985.

continued...

The Group's primary reporting segment is business divisions which correspond with the way the operating businesses are organised and managed within the Group.

The following table analyses revenue and operating profit accordingly:

	Six months ended		Year ended
	31.12.06 £'000	31.12.05 £'000	30.06.06 £'000
Business Segment			
Revenue			
Pharmaceuticals	11,983	11,179	23,252
Services	117,436	108,101	215,556
Inter division	(3,511)	(3,192)	(6,337)
	125,908	116,088	232,471
Operating Profit			
Pharmaceuticals	2,600	2,047	4,868
Services	4,738	4,275	8,681
Central costs	(834)	(513)	(1,237)
	6,504	5,809	12,312

3. Finance Income

	Six months ended		Year ended
	31.12.06 £'000	31.12.05 £'000	30.06.06 £'000
Bank interest receivable	432	318	627
Other interest receivable	5	36	52
Fair value gains on derivative financial instruments	-	24	46
	437	378	725

4. Finance Expense

	Six months ended		Year ended
	31.12.06 £'000	31.12.05 £'000	30.06.06 £'000
Bank loans and overdrafts	909	981	1,913
Finance charges payable on finance leases and hire purchase contracts	92	19	64
Fair value losses on derivative financial instruments	31	12	16
	1,032	1,012	1,993

5. Income Tax Expense

The tax charge for the six months ended 31 December 2006 has been based on the estimated effective rate for the year ending 30 June 2007 of 30.6% (six months ended 31 December 2005: 30.8%). All taxation is in the United Kingdom.

6. Dividends

The Directors have declared an interim dividend of 2.50p per share (2005: 1.91p) costing £1,316,000 (2005: £983,000). It is payable on 10 April 2007 to shareholders whose names are on the Register of Members at close of business on 9 March 2007. The ordinary shares will become ex-dividend on 7 March 2007.

continued...

As the dividend was declared after the end of the period being reported and in accordance with IAS10 'Events After the Balance Sheet Date', the interim dividend has not been accrued for in these financial statements. It will be shown as a deduction from equity in the financial statements for the year ending 30 June 2007.

7. Earnings per Share

Earnings per ordinary share have been calculated by dividing the profit attributable to equity holders of the parent after taxation for each financial period by the weighted average number of ordinary shares in issue during the period.

	Six months ended 31.12.06 Pence	31.12.05 Pence	Year ended 30.06.05 Pence
Basic earnings per share	7.84	6.99	14.71
Diluted earnings per share	7.76	6.86	14.36
The calculation of basic and diluted earnings per share is based upon:			
	£'000	£'000	£'000
Earnings for basic and diluted earnings per share calculations	4,100	3,580	7,557
	No.	No.	No.
Weighted average number of ordinary shares for basic earnings per share	52,275,152	51,229,294	51,385,648
Impact of share options	579,890	938,907	1,227,342
Weighted average number of ordinary shares for diluted earnings per share	52,855,042	52,168,201	52,612,990

8. Analysis of Net (Borrowings)/Cash

	As at 31.12.06 £'000	As at 31.12.05 £'000	As at 30.06.06 £'000
Bank loans and overdraft	(15,601)	(17,750)	(17,114)
Finance leases and hire purchase contracts	(1,976)	(384)	(1,545)
Cash and cash equivalents	12,176	7,893	19,738
	(5,401)	(10,241)	1,079

Independent review report to Dechra Pharmaceuticals PLC

Introduction

We have been instructed by the Company to review the financial information for the six months ended 31 December 2006, which comprises the Consolidated Income Statement, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Shareholders' Equity, the Consolidated Statement of Cash Flows and the related notes. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Listing Rules of the Financial Services Authority. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4: *Review of Interim Financial Information* issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of Group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 31 December 2006.

KPMG Audit Plc
Chartered Accountants
Birmingham
27 February 2007