



An International Veterinary
Pharmaceutical Business

Introduction

- Strong organic growth delivered
- Significant international pharmaceutical revenue generated
- Three acquisitions made
- Three generic products launched
- Good progress made on international product development

Preliminary Results

	Year ended 30 June		
	2007	2006	
Revenue	£253.8m	£232.5m	+9%
Operating profit	£13.8m	£12.3m	+12%
Pre-tax profit	£12.6m	£11.0m	+14%
Earnings per share	16.86p	14.71p	+15%
Full year dividend	7.50p	6.24p	+20%
Dividend cover	2.2 times	2.3 times	

Financials

Pharmaceuticals Division

	2007	2006	
	£000	£000	
Revenue - pharmaceuticals	16,599	13,565	+22%
- instruments	3,817	3,878	-2%
- contract manufacturing	6,232	5,809	+7%
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	26,648	23,252	+15%
Operating profit	6,081	4,868	+25%
Operating margin	22.8%	20.9%	

- Global revenue from *Vetoryl*[®] Capsules £4.5 million – up 56.8%
- Global revenue from *Felimazole*[®] Tablets £3.4 million – up 39.0%
- Efficiency improvements in manufacturing – operating profit up 33%

Financials

Services Division

	2007	2006	
	£000	£000	
Revenue - veterinary wholesaling	229,840	211,759	+9%
- laboratories	4,367	3,797	+15%
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	234,207	215,556	+9%
Operating profit	9,519	8,681	+10%
Operating margin	4.1%	4.0%	

- Revenue growth from veterinary wholesaling ahead of market growth of 7.8%
(Source: GFK)
- Improvement in operating margin achieved
- Strong growth in laboratories revenue. Profit growth impacted by set-up of Swanscombe Laboratory

Financials

Other Items

- **Central costs increased by £0.5 million**
 - salary increases
 - increase in share-based payments charge
 - one-off tax advisory fee
- **Product development expenditure**
 - cash spend more than doubled to £3.3 million (2006: £1.6 million)
 - £1.6 million charged to income statement (2006: £1.4 million)
- **Net finance cost showed small reduction**
 - reductions in average debt levels offset by increasing interest rates
 - interest cover 11.3 times (2006: 9.7 times)
- **Effective tax rate 29.9% vs 31.6% last year**
 - R&D tax credits
 - impact of reduction in corporation tax rate to 28% in deferred tax calculation

Financials

Balance Sheet

	2007	2006
	£000	£000
<u>Balance Sheet</u>		
Non-current assets - intangibles	13,089	7,527
- property, plant and equipment	5,739	5,595
- deferred tax assets	-	445
	-----	-----
	18,828	13,567
Net working capital	13,264	11,774
Current tax liability	(2,464)	(2,505)
Deferred tax liabilities	(147)	-
Net cash	1,027	1,079
	-----	-----
Net assets	30,508	23,915
	-----	-----
Inventory days	42	37
Trade receivable days	40	41

Financials

Cash Flow

	2007	2006
	£000	£000
<u>Cash Flow</u>		
Inflow from operations	14,328	13,997
% of operating profit	103%	114%
Capital expenditure		
- intangible assets	5,959	624
- property, plant and equipment	1,144	1,535
	-----	-----
	7,103	2,159
Depreciation and amortisation	1,121	1,022

- Major additions to intangible assets comprise Pharmaderm (£2.6 million), development costs (£1.7 million), Leeds Veterinary Laboratories (£0.8 million) and *Equidone*[®] Gel (£0.3 million)

Acquisitions

- **Pharmaderm Animal Health**
 - seven licensed veterinary POM's
 - establishment of US team
 - platform for future product launches
- **Leeds Veterinary Laboratories**
 - established veterinary laboratory
 - increases market share and geographical coverage
 - introduces competencies in large animal sector
- ***Equidone Gel***
 - intellectual property for equine product
 - under development for fescue toxicity
 - research being conducted into other indications

Product Development

- ***Vetoryl Capsules***
 - CMC and safety submitted to US FDA
 - efficacy submission imminent in US
 - Japanese trials continue to schedule
 - Australian application under review
- ***Felimazole Tablets***
 - enrolment on efficacy trial is complete
 - full dossier submission for US expected by year end
- ***Equidone Gel***
 - safety trial on-going
 - supportive efficacy trials commence Spring 2008
 - research progressing at US universities
- Three EU generics at an advanced stage of development
- Further novel products under review

New Licences

- 10mg small dog *Vetoryl* Capsule approved in EU
- *Intra-Epicaine*[®] and *Somulose*[®] licensed in Ireland
- Two *Vetivex* range extensions approved
 - 100ml Sodium Chloride
 - 250ml Hartmann's Solution
- Three UK generics approved
 - *Domidine*[®]
 - *Sedator*[®]
 - Thyroxyl

Worldwide Pharmaceuticals

- **Current licensed products**

- UK 44
- EU 4
- US 7

- **Products pending regulatory approval**

- UK 5
- EU 3
- US 3
- Rest of world 2

Pharma Division Review

- **DVP EU**
 - strong UK sales of existing portfolio
 - significant revenues from EU
 - *Vetoryl* Capsules £1.5m
 - *Felimazole* Tablets £0.4m
 - *Vetivex* consolidated into pharmaceutical team
 - three veterinary surgeons appointed
- **DVP US**
 - good initial sales from Pharmaderm range
 - *Dechra* brand and infrastructure being developed
 - technical advisor, administration manager and three account managers appointed
- **Dales**
 - strong revenue performance
 - continued focus on efficiency
 - further quality improvements to facilitate FDA approval

Services Division Review

- **NVS[®]**
 - revenue growth exceeded market performance
 - discount changes implemented
 - market share maintained at 44%
 - IT innovations; Vpod and VetKiosk
- **Laboratories**
 - revenue growth accelerated
 - LVL acquisition
 - Swanscombe depot opened
 - *Allervet[®]* exceeds expectations

Prospects

- Current trading meeting expectations
- Strong UK growth of core businesses
- Further growth from EU products
- Enhancement from acquisitions
- Solid development pipeline

WE REMAIN CONFIDENT IN OUR FUTURE

Appendices



Divisional Summary

	2007 £000	2006 £000
Revenue		
Pharmaceuticals	26,648	23,252
Services	234,207	215,556
Inter division	(7,052)	(6,337)
	-----	-----
	253,803	232,471
	-----	-----
Operating profit		
Pharmaceuticals	6,081	4,868
Services	9,519	8,681
Central costs	(1,751)	(1,237)
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	13,849	12,312
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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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