





Preliminary Results
for the year ended 30 June 2006

Overview

- Solid progress across the Group
- Strong revenue growth
- Good cash flow at 114% of operating profit
- Improvements in profitability in both the Pharmaceuticals and Services Divisions
- Significant increase in product development expenditure and USA establishment costs during the year – key drivers of long-term value
- Progressing well with clinical trial work to gain regulatory approval for Vetoryl® Capsules and Felimazole® Tablets in the USA

Preliminary Results

	Year ended 30 June		
	2006	2005	
Revenue	£232.5m	£210.3m	+11%
Operating profit	£12.3m	£11.3m	+9%
Pre-tax profit	£11.0m	£9.7m	+14%
Earnings per Share	14.71p	13.77p	+7%
Full year dividend	6.24p	5.20p	+20%
Dividend cover	2.3 times	2.6 times	

Financials - Pharmaceuticals

	2006	2005	
	£000	£000	
Revenue - pharmaceuticals	12,316	10,915	+13%
- instruments	5,127	4,436	+16%
- contract manufacturing	5,809	6,030	-4%
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	23,252	21,381	+9%
 Operating profit	 4,868	 4,292	 +13%

- Strong performance from own brand pharmaceuticals
- Instruments business benefited from Vetivex acquisition
- Efficiency improvements in manufacturing – operating profit up 14.6%

Financials - Services

	2006	2005	
	£000	£000	
Revenue - veterinary wholesaling	210,940	190,634	+11%
- vetcom	819	785	+4%
- laboratories	3,797	3,192	+19%
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	215,556	194,611	+11%
 Operating profit	 8,681	 7,973	 +9%

- Strong revenue growth from veterinary wholesaling compared to 5.3% M.A.T. market growth (Source: GFK)
- Market continues to be competitive
- Excellent performance from laboratories

Financials - Balance Sheet

	2006	2005
	£000	£000
<u>Balance Sheet</u>		
Non-current assets - intangibles	7,527	7,039
- property, plant and equipment	5,595	4,946
- deferred tax assets	445	406
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	13,567	12,391
Net working capital	11,774	12,127
Current tax liability	(2,505)	(2,057)
Net cash/(borrowings)	1,079	(4,859)
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Net assets	23,915	17,602
	-----	-----
Inventory days	38	38
Trade receivable days	42	43
Trade payable days	62	61

Financials - Cash Flow

	2006	2005
	£000	£000
<u>Cash Flow</u>		
Inflow from operations	13,997	13,549
% of operating profit	114%	120%
Capital expenditure		
- intangible assets	624	1,709
- tangible assets	1,535	722
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	2,159	2,431
Depreciation and amortisation	1,022	976

Pharmaceutical Division

- **Felimazole® revenue up 34% to £2.4 million**
 - 2.5mg launched
 - Being prescribed by over 2,500 UK veterinary practices
 - Estimated 50,000 cats being treated daily in UK
 - EU sales relatively slow at £200,000
- **Vetoryl® revenue up 36% to £2.9 million**
 - Being prescribed by over 2,100 UK veterinary practices
 - Estimated 7000 dogs being treated daily in UK
 - USA sales on FDA waiver scheme over £600,000
 - EU launch commenced in key territories
 - Other territories roll out is on-going
- **Solid growth from other portfolio products**
 - Somulose, Hypercard, Intubeaze, Urilin and Ovuplant

Pharmaceutical Division

- **Arnolds brand emphasis on critical care**
 - Surgery equipment and instruments market remains competitive
 - Utilising brand strengths (Vetivex and Portex) to leverage sale of disposable products
- **Vetivex continues to drive growth**
 - £1.2 million sales
 - 4% increase in market share to 37.5%
- **Continuous improvement in Dales manufacturing**
 - New quality management system
 - New integrated IT system at advanced stage
 - Significant new contract written

Services Division

- **NVS continues to outperform the market**
 - Market share increased to 44%
 - Further investment made into capacity and automation
 - New hand held ordering system launched (Vpod)

- **Strong performance in Laboratory Services**
 - New account gains
 - New services introduced

- **NVS management strengthened**
 - Martin Riley, Managing Director
 - Caitrina Harrison, Sales & Marketing Director
- **Product development team increased**
 - US clinical trials manager appointed
- **DVP marketing team reorganised**
 - Product managers taking global responsibilities
 - New appointments made
- **European development manager appointed**

Product Development

➤ **Vetoryl**

- USA field trials expected to be completed by 2007
- Marketing approval achieved across 19 major European territories
- Marketing agreement signed with Kyoritsu Seiyaku in Japan
- Dossiers submitted to Canadian and Australian authorities
- New 10mg capsule at an advanced stage

➤ **Felimazole**

- USA field trials expected to be completed by 2007
- Dossiers submitted to the Canadian authorities

➤ **Focus continues on new developments**

- Other products under development (not disclosed due to commercial sensitivity)
- Partnership negotiations at an advanced stage
- New delivery systems being explored
- Laminitis study close to go/no go decision

Prospects

- **Clinical trial work progressing to expectations**
- **Global product opportunities being advanced**
- **All core businesses continue to perform well**
- **Current trading in line with management expectations**
- **Confident for the future**

Divisional Summary

	2006	2005
	£000	£000
Revenue		
Pharmaceuticals	23,252	21,381
Services	215,556	194,611
Inter division	(6,337)	(5,725)
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	232,471	210,267
	-----	-----
Operating profit		
Pharmaceuticals	4,868	4,292
Services	8,681	7,973
Central costs	(1,237)	(1,010)
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	12,312	11,255
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