



Interim Results
for the six months ended 31 December 2005

Overview

- Solid progress across all businesses reflecting strong market conditions and further penetration of our products and services within the veterinary market
- Significant increase in product development expenditure and US establishment costs in the period – key drivers of long term value
- Development milestones achieved:
 - Approval gained in the EU for one of our lead products – Vetoryl® capsules
 - Clarity on safety and efficacy requirements for licensing Vetoryl® capsules and Felimazole® tablets in the USA
- New senior personnel appointed at NVS

Interim Results

| | Six months ended 31 December | | |
|------------------------------------------------------------------|------------------------------|-----------|-------|
| | 2005 | 2004 | |
| Revenue | £116.1m | £104.3m | + 11% |
| Operating profit | £5.8m | £5.5m | + 5% |
| Operating profit (pre-product and USA development cost) | £6.6m | £5.9m | + 13% |
| Profit before taxation | £5.2m | £4.8m | + 9% |
| Profit before taxation (pre-product and USA development cost) | £6.0m | £5.1m | + 18% |
| Basic earnings per share | 6.99p | 6.49p | + 8% |
| Interim dividend | 1.91p | 1.70p | +12% |
| Net borrowings | £10.2m | £13.2m | |
| Dividend cover | 3.6 times | 3.8 times | |

All figures now reported under IFRS as adopted by the European Union

Financials

Pharmaceuticals Division

| | 2005 | 2004 | |
|---------------------------------------|---------------|-------|-------|
| | £'000 | £'000 | |
| Revenue | 11,179 | 9,949 | + 12% |
| Operating profit | | | |
| UK | | | |
| - pre-product development expenditure | 2,884 | 2,419 | + 19% |
| - product development expenditure | (680) | (310) | |
| USA | (157) | (28) | |
| | ----- | ----- | |
| | 2,047 | 2,081 | |
| | ===== | ===== | |

- Own pharmaceutical revenue showed further progress – up 12% to £5.8 million
- On-going efficiency improvements at Dales

Financials

Services Division

| | 2005 | 2004 | |
|-------------------------|----------------|--------|-------|
| | £'000 | £'000 | |
| Revenue | 108,101 | 97,230 | + 11% |
| Operating profit | 4,275 | 3,910 | + 9% |

- Revenue increased above market MAT growth of 7.6% (source: GFK data)
- Discounting remains competitive
- Laboratories continued momentum seen in H2 2005

Financials

Group Balance Sheet

| | 2005 £'000 | 2004 £'000 |
|----------------------------------|---------------|---------------|
| Balance Sheet | | |
| Non-current assets - intangibles | 7,027 | 5,737 |
| - property, plant and equipment | 5,431 | 5,073 |
| - deferred taxes | 540 | 155 |
| | ----- | ----- |
| | 12,998 | 10,965 |
| Net working capital | 17,370 | 16,198 |
| Net borrowings | (10,241) | (13,185) |
| | ----- | ----- |
| Net assets | 20,127 | 13,978 |
| | ----- | ----- |
| Stock turn | 6.4 times | 6.7 times |
| Debtor days | 45 | 48 |
| Creditor days | 65 | 64 |

Financials

Group Cash Flow

| | 2005 £'000 | 2004 £'000 |
|---------------------------------|---------------|---------------|
| Cash Flow | | |
| Cash flow from operations | (1,470) | 872 |
| Capital expenditure | | |
| - intangible assets | 56 | 148 |
| - property, plant and equipment | 916 | 639 |
| | ----- | ----- |
| | 972 | 787 |
| Depreciation and amortisation | 499 | 507 |

- Cash flow impacted by seasonal increase in inventory levels

Pharmaceutical Division

Sales & Marketing

- Pharmaceuticals re-branded - global marketing under DVP brand
- Pharmaceutical sales accelerated through lead products in UK and EU
- Instruments and Consumables achieve a satisfactory performance
- Strong growth in critical care driven by Vetivex® sales
- US launch of Thyroxyl - establishing DVP in US ahead of Vetoryl® launch
- Terms agreed with all major US national and regional distributors

Pharmaceutical Division

Pharmaceutical Manufacturing

- Positive H1 as a result of productivity and investment
- Service levels at record highs
- New Quality Management Systems introduced
- IT system commissioned

Services Division

Distribution

- Market rationalisation – Dunlops acquire Genusxpress
- Strong sales growth and market share strengthened
- Substantial investment in central warehousing facility underway

Vetcom®

- Vpod launched

Laboratories

- Added value, account gains and organic growth drives strong results
- Allervet performing well

Product Development

Vetoryl®

- Marketing approval across 19 EU territories
- Guidance received from US regulators, protocols submitted for further clinical trials
- Veterinary sites identified for US trials, expect to be completed end 2007
- 10 mg capsule being developed to improve maintenance dosage
- Dossiers submitted to Canadian and Australian authorities

Felimazole®

- Protocol approved for efficacy trial
- Clinical trials in the USA commenced
- Dossiers submitted to Canadian authorities
- Partnerships in other territories being sought

Product Development

Generic

- Urilin® – first own branded licensed generic product launched
- Marketing authorisation received for second product – to be launched Q4

Laminitis

- Positive in vitro indications
- Further go / no go trial in May

New Opportunities

- Development of next global product commenced
- New UK product application to be submitted this year
- Several global opportunities under review

Prospects

- Significant progress made to deliver further growth from our veterinary pharmaceutical portfolio, both in the UK and internationally
- Continue to build on solid market share within our Services businesses
- New substantial opportunities identified
- Confident for the future

Appendix

Divisional Summary

| | 2005 £'000 | 2004 £'000 |
|-------------------------|---------------|---------------|
| Revenue | | |
| Pharmaceuticals | 11,179 | 9,949 |
| Services | 108,101 | 97,230 |
| Inter-division | (3,192) | (2,916) |
| | ----- | ----- |
| | 116,088 | 104,263 |
| | ----- | ----- |
| Operating profit | | |
| Pharmaceuticals | 2,047 | 2,081 |
| Services | 4,275 | 3,910 |
| Central costs | (513) | (456) |
| | ----- | ----- |
| | 5,809 | 5,535 |
| | ----- | ----- |