Dechra®
Pharmaceuticals PLC

Half-Yearly Financial Report 2016

for the six months ended 31 December 2015

Monday, 22 February 2016

"We are pleased to report a strong performance in the first half. All our business units are performing well, we are in the process of launching several new products, our international expansion plans are progressing as expected and we have made two strategic acquisitions. We remain in a strong position to continue to grow the business and deliver returns to our shareholders."

Ian Page, Chief Executive Officer

Highlights

- Trading in our first half was strong with Group revenue growth, including Genera, of 14.9% at Constant Exchange Rate (CER) (9.7% at Actual Exchange Rate (AER)) and underlying operating profit growth of 24.2% at CER (13.9% at AER).
- Excluding Genera, revenue growth was 11.1% at CER (6.4% at AER).
- Revenue growth in EU Pharmaceuticals, including Genera, was encouraging at 8.1% (CER), however it continues to be adversely impacted by exchange rate headwinds (0.9% growth at AER).
- North America's excellent momentum continues with revenue growth of 51.9% at CER (59.1% at AER).
- *Zycortal*®, a novel canine endocrine product for the treatment of Addison's disease, has received regulatory approvals. Two Food producing Animal Products (FAP) antibiotics, Phenocillin and *Solamocta*®, have also been approved in the EU.
- The integration of Genera, acquired in October 2015, is on track.
- The underlying diluted EPS increased by 17.6% at CER (7.2% at AER) to 21.99 pence per share.
- Following the Genera acquisition and the investment in the US expansion, our reported net debt is £17.8 million as at 31 December 2015 (2014: net cash £3.0 million).
- Interim dividend increased to 5.55 pence, an increase of 8.4% compared to the prior year.

Financial Summary

	2016 £m	2015 £m	Growth at actual exchange rate	**Growth at constant exchange rate**
Revenue	**110.7**	100.9	9.7%	**14.9%**
Gross profit	**63.5**	56.9	11.6%	**18.8%**
Gross profit %	*57.4%*	*56.4%*		
Underlying operating profit	**26.3**	23.1	13.9%	**24.2%**
Underlying EBITDA	**28.7**	24.8	15.7%	**24.6%**
Underlying diluted EPS	**21.99p**	20.51p	7.2%	**17.6%**
Reported operating profit	**15.9**	13.9	14.4%	**24.5%**
Diluted EPS	**12.74p**	11.78p	8.1%	**19.4%**

The Group presents a number of non-GAAP measures. This is to allow investors to understand the underlying performance of the Group, excluding items associated with areas such as acquisition and disposal related expenses, debt refinancing, discontinued operations and rationalisation.

Enquiries

Dechra Pharmaceuticals PLC

Ian Page, Chief Executive Officer
Anne-Francoise Nesmes, Chief Financial Officer

Office: +44 (0)1606 814730
Email: corporate.enquiries@dechra.com

TooleyStreet Communications Ltd

Fiona Tooley, Director

Mobile: +44 (0)7785 703 523
Email: fiona@tooleystreet.com

Analysts Briefing: Today at 10.30am (UK time)
Investec Bank plc, 2 Gresham Street, London, EC2V 7QP

Dial in: +44 (0)20 3003 2666
(ref: Dechra)

Half-Yearly Financial Report 2016

for the six months ended 31 December 2015

Introduction

The Group has continued to deliver significant progress on its strategic objectives resulting in solid growth in both revenue and profit at CER in the first six months of this financial year. Notable achievements in our key areas of focus are:

- Portfolio Focus: significant growth was achieved in all our key therapeutic sectors, including FAP;
- Pipeline Delivery: new novel and generic products were approved across several species and geographies;
- Acquisition: one acquisition, Genera, was completed in the period and a second, Brovel, announced after the close of the reporting period. Both enhance our product portfolio and geographical reach; and
- Geographical Expansion: our rest of the world presence has been extended through the creation of new subsidiaries, acquisitions and product registrations in the last 12 months.

Financial Review

Our reported results include the result of Genera since the acquisition on 20 October 2015. On this basis revenue rose to £110.7 million, an increase of 14.9% at CER and 9.7% at AER as currency headwinds, particularly on the Euro, continued. Companion Animal Products (CAP) grew by 14.8% at CER (11.8% at AER) with a particularly strong performance in North America. As a result of our expansion into Poland, focus on specifically targeted territories and the acquisition of Genera, FAP have returned to growth; however, Germany continues to decline. Although we are starting to see growth in some countries, the lower sales in Diets reflect the slower recovery from the previously reported supply issue.

Revenues by type are shown below. Genera sales have been allocated to both 'FAP' and 'Other' categories as a proportion of its revenues come from third party manufacturing and other non-pharmaceutical businesses.

Revenue	**Six months ended 31 December 2015 £m**	Six months ended 31 December 2014* £m	Growth at actual exchange rate	**Growth at constant exchange rate**
CAP	**62.6**	56.0	11.8%	**14.8%**
Equine	**9.5**	8.1	17.3%	**19.8%**
FAP	**15.4**	14.2	8.5%	**19.0%**
Sub-total pharmaceuticals	**87.5**	78.3	11.7%	**16.1%**
Diets	**11.6**	13.2	(12.1%)	**(2.3%)**
Other [(1)]	**11.6**	9.4	23.4%	**28.7%**
Total	**110.7**	100.9	9.7%	**14.9%**

[(1)] 'Other' includes third party manufacturing revenues and other non-core businesses in Genera.

* The prior year categorisation has been restated to reflect the current portfolio, following a product allocation review in the prior year.

Gross margins have improved from 56.4% to 57.4%. The positive impact on margins of the growth in CAP is partly offset by the lower margin in our new operations in Poland and Genera where average margins are generally lower than Dechra's existing business.

Selling, general and administration expenses increased from £39.6 million to £43.6 million including non-underlying items (from £30.4 million to £33.2 million excluding non-underlying items). As reported previously, we are continuing to invest in our infrastructure to support our strategy. Notably, expenses grew by 37.0% (at CER) in North America as we continue to expand our sales force in the USA. Compared to the prior year, we have also funded two new subsidiaries in Canada and Poland. The R&D expenses have increased compared to the prior year as we progress our pipeline.

Underlying diluted earnings per share (EPS) grew to 21.99 pence from 20.51 pence, representing an increase of 17.6% at CER (7.2% at AER).

We ended the period in a net debt position of £17.8 million following the acquisition of Genera and the investment in our working capital to support the North American expansion.

The acquisition of Genera has advanced our strategic goals and helped broaden our FAP portfolio. Genera contributed £3.4 million revenue and £0.2 million underlying operating loss in the period post acquisition. Genera achieved revenues of £1.4 million in FAP, £0.1 million in CAP and £1.9 million in Other. It has historically maintained a number of non-core businesses which have experienced period on period declines. We are reviewing these areas to determine their fit within the overall Dechra strategy. We are also considering investing further in vaccines technology, which is seen as a strategic driver for future growth.

Dividend

The Board is pleased to declare an interim dividend of 5.55 pence per share, which represents a growth of 8.4% compared to the prior year.

The dividend will be paid on 6 April 2016 to shareholders on the Register at 11 March 2016. The ordinary shares will become ex-dividend on 10 March 2016.

Operational Review

European Pharmaceuticals

During the first half of the year our European Pharmaceuticals revenue, including two months of Genera sales, increased by 8.1% at CER to £86.3 million compared to the same period last year and by 0.9% AER.

The growth was predominantly driven by a strong performance in CAP with excellent performances in both our anaesthetic/analgesic and endocrine therapeutic sectors. The introduction of *Osphos*® into the UK, together with a repositioning of *Equipalazone*®, contributed to the increase in Equine sales. *Osphos* was also launched in Germany, France and the Netherlands towards the end of the period being reported and will be launched into other European territories throughout the second half of the financial year.

Although there has been a continued decline of antibiotic sales in Germany, we have delivered growth in FAP in the period of 19.0% at CER. This growth has been achieved through an increased penetration of target markets, a good performance in Poland which commenced trading in May 2015, and the Genera acquisition, which added 11.0% to the growth. Two new FAP antibiotics have been prepared for imminent launch in Europe. These new products, together with a continued focus on increasing market share in countries where we currently have a low base and gaining new registrations in the rest of the world, enhance our future prospects in FAP.

Diet sales declined by 2.3% at CER over the half year period. This follows a difficult six months during which we conducted the technical transfer of the products to a new supplier and the loss of a portion of our business with a large corporate account in Scandinavia. We have, however, seen signs of recovery in the second quarter of this financial year and several countries, including our largest market France, are now showing growth.

North American Pharmaceuticals

North American revenue increased by 51.9% at CER to £24.5 million (59.1% at AER) on the same period last year as our dermatology, endocrinology and ophthalmic ranges started the year strongly. Canada, which only commenced trading in the second half of our 2015 financial year, also contributed to the period-on-period growth.

Osphos has received good support from key opinion leaders within the US and, towards the end of the period, sales were strong and market penetration increased.

Sales of our *DermaPet*® range, a significant part of our dermatology therapeutic sector, reached the US$20.0 million moving annual total threshold in August 2015, which triggered the final milestone payment of US$5.0 million committed to in the 2010 acquisition agreement.

The excellent growth in our endocrinology sector was again driven by *Vetoryl*® which was enhanced by the launch of a new 5mg formulation which increases veterinarians dosing flexibility.

Pipeline Delivery

The first half of the financial year saw some notable new product approvals. In September 2015, *Zycortal*, a novel canine endocrine product for the treatment of Addison's disease, received approval through the centralised process in 29 EU Member States. We are awaiting a New Animal Drug Application in the US as all parts of the dossier were approved post half year end.

Following the successful registration of *Osphos* last year in the US and UK, approval was received in 19 EU countries in September 2015. *Osphos* is a unique product which treats Navicular Syndrome in horses.

We have also had several successes in our FAP portfolio in Europe with two new water soluble antibiotics, *Solamocta* and Phenocillin, approved in 17 member states and our existing antibiotic aerosol, *Cyclospray®*, extended into 12 new territories.

Furthermore, we have had several international approvals to enhance our geographical expansion including two canine products, *Urilin®* in Australia and *Cardisure®* in Korea; and a FAP antibiotic *Soludox®* in Egypt.

Although within the period we terminated an early stage project for canine ophthalmology, we continue to refill the pipeline. We have started several new projects in both FAP and CAP. Further detail on our pipeline will be provided as usual in our Annual Report and Accounts.

Acquisition

On 3 August 2015, Dechra announced that it had conditionally agreed with the majority shareholder to acquire 69% of the voting rights in Genera, a Croatian stock market listed business. We have subsequently taken formal control of Genera and, with effect from 21 October 2015, Dechra owns 92.26% of the voting rights (83.99% of the share capital). The equity acquisition cost of €36.6 million (£26.8 million) was funded from our existing cash and revolving debt facilities. This strategic acquisition gives the Group an entry point into the fast growing poultry vaccines market; broadens our EU FAP business; provides us with a variety of dose form manufacturing and technical know how in a low cost environment and extends our geographical reach into the Balkans.

Subsequent to the reported period, on 13 January 2016, Dechra acquired 100% of the share capital of Laboratorios Brovel S.A. de C.V. (Brovel), a veterinary pharmaceuticals company based in Mexico City. The Group paid US$5.0 million (£3.5 million) consideration in cash on completion and a further US$1.0 million (£0.7 million) is contingent upon Brovel reaching successful registration milestones for Dechra's products in Mexico. Brovel is a family-owned business with more than 52 years' experience in the production and distribution of pharmaceutical veterinary products. It has a diverse product portfolio with a turnover of MxP$ 66.2million (£2.6 million). The Board believes this acquisition will help open the significant Mexican animal health market to Dechra as well as offer the potential to access other Latin American markets in the future. The initial focus will be to achieve registration of several existing Dechra products in Mexico.

Geographical Expansion

Geographical expansion is progressing well. In addition to the acquisition of Brovel which creates a foothold and an opportunity to develop a presence in the significant Mexican market, the acquisition of Genera provides access to the smaller markets of Croatia, Slovenia and Bosnia Herzegovina. Furthermore, a new greenfield start up subsidiary has been established in Austria which commenced trading in January 2016. Our subsidiaries in Canada and Poland, established in the prior financial year, are performing well with the latter being a major contributor to the reversal in trend in our FAP business which returned to growth in the period.

Risks and Uncertainties

The Group, like every business, faces risks and uncertainties in both its day-to-day operations and through events relating to the achievement of its strategic objectives. The Board has ultimate responsibility for risk management and regularly assesses and monitors the key business risks. The Board does not consider that the principal risks and uncertainties have changed since the publication of the Group's 2015 Annual Report and Accounts. An explanation of the risks and how the Group seeks to mitigate them can be found on pages 60 to 63 of the 2015 Annual Report, a copy of which is available at www.dechra.com.

There are a number of potential risks and uncertainties which could have a material impact on the Group's performance over the remaining six months of the current financial year and these are summarised below.

Competitive Environment

The environment within which the Group operates remains competitive. The launch of generic products in our key therapeutic sectors is a key risk. We continue to mitigate this risk by closely monitoring the market and investing in lifecycle management strategies for our key products. Generics of *Felimazole®*, *Comfortan®* and *Malaseb* have entered the European market. In the first half of the year *Malaseb* sales have fallen by 5.8%, but our defence strategies for *Felimazole* and *Comfortan* have proved successful to date with European growth of 3.0% and 25.8% respectively.

Currency Movements

We are an international business that trades in many currencies and are therefore exposed to volatility in exchange rates. The Euro is one of the major currencies in which we trade and, given the current political and economic environment in Europe, we expect continued Euro volatility which could impact our results. In the first six months of the year we made foreign exchange transactional losses of £0.7 million on trading activities and translational gains of £6.1 million on revaluing our balance sheet at the half year exchange rate.

Reduction in Antibiotic Use

In Western Europe there is a continued focus on prudent prescribing of antibiotics due to concerns about antibiotic resistance. This trend is expected to continue in Western Europe and has impacted our FAP business, especially in Germany. However the rate of decline has slowed in Denmark and the Netherlands, where antibiotic use has reduced substantially in the past. We believe our risk is minimal in our other European territories where our market shares are lower and our FAP performance is stable or growing in these territories. We have established a dedicated FAP business unit to drive greater focus on our strategy of extending sales into new territories, such as Poland and export markets, and bringing new FAP products to market which address the antibiotic dosage concerns.

Supply Chain Relationships

Relationships with third party suppliers of raw materials and finished products remain a risk. We mitigate this risk by maintaining buffer stocks, dual sourcing arrangements for key products, and monitoring the performance of our key suppliers. We are continuing to strengthen our supply chain by implementing a global sales and operations planning process across Dechra to deliver improved supply chain performance.

Outlook

As a result of our focus on the execution of our strategy, we have delivered a strong first half performance. Our core portfolio demonstrates growth, the product pipeline is delivering results and geographical expansion through acquisitions and the creation of new subsidiaries is progressing. Although the macro-economic conditions in Europe are uncertain and currencies could be volatile, trading for the second half has started well and is in line with management expectations for the 2016 financial year. We remain confident in our future prospects.

About Dechra

Dechra is an international specialist veterinary pharmaceuticals and related products business. Our expertise is in the development, manufacture, and sales and marketing of high quality products exclusively for veterinarians worldwide. Dechra's business is unique as the majority of its products are used to treat medical conditions for which there is no other effective solution or have a clinical or dosing advantage over competitor products.

For more information please visit: www.dechra.com or corporate.enquiries@dechra.com.

Stock Code: Full Listing (Pharmaceuticals): DPH.

Responsibility Statement of the Directors in respect of the Half-Yearly Financial Report

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU;
- the interim management report (this comprises the Half-Yearly Financial Report) includes a fair review of the information required by:

  (a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

  (b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

By Order of the Board

Ian Page
Chief Executive Officer
22 February 2016

Anne-Francoise Nesmes
Chief Financial Officer

Condensed Consolidated Income Statement

for the six months ended 31 December 2015

	Note	Six months ended 31.12.15 £000	Six months ended 31.12.14 £000	Year ended 30.06.15 £000
Revenue	2	**110,736**	100,894	203,480
Cost of sales		**(47,233)**	(43,994)	(87,338)
Gross profit		**63,503**	56,900	116,142
Selling, general and administrative expenses		**(43,591)**	(39,577)	(81,491)
Research and development expenses		**(4,012)**	(3,424)	(8,671)
Operating profit	2	**15,900**	13,899	25,980
Underlying operating profit	8	**26,265**	23,120	44,351
Non-underlying items*	8	**(10,365)**	(9,221)	(18,371)
Operating profit		**15,900**	13,899	25,980
Finance income	3	**8**	316	2,242
Underlying finance expense	4	**(1,362)**	(775)	(1,496)
Non-underlying items*	4	**(311)**	(876)	(920)
Finance expense		**(1,673)**	(1,651)	(2,416)
Profit before taxation	2	**14,235**	12,564	25,806
Underlying profit before taxation	8	**24,911**	22,661	45,097
Non-underlying items*	8	**(10,676)**	(10,097)	(19,291)
Profit before taxation		**14,235**	12,564	25,806
Income tax expense	5	**(3,089)**	(2,176)	(6,347)
Profit for the period		**11,146**	10,388	19,459
Underlying profit after taxation		**19,506**	18,083	35,307
Non-underlying items*		**(8,360)**	(7,695)	(15,848)
Total profit for the period		**11,146**	10,388	19,459
Attributable to:				
Owners of the parent		**11,307**	10,388	19,459
Non-controlling interests		**(161)**	–	–
		11,146	10,388	19,459
Earnings per share				
Basic	7	**12.85p**	11.83p	22.14p
Diluted	7	**12.74p**	11.78p	21.99p
Dividend per share (interim and final proposed)	6	**5.55p**	5.12p	16.94p

* Non-underlying items comprise amortisation and impairment (if any) of acquired intangibles, acquisition expenses, fair value of uplift of inventory acquired through business combinations, rationalisation costs, loss on extinguishment of debt, and fair value and other movements on deferred and contingent consideration.

Condensed Consolidated Statement of Comprehensive Income

for the six months ended 31 December 2015

	Six months ended		Year ended
	31.12.15	31.12.14	30.06.15
	£000	£000	£000
Profit for the period	**11,146**	10,388	19,459
Other comprehensive income:			
Items that will not be subsequently recycled to the profit or loss:			
Remeasurement of defined benefit pension scheme	**22**	(41)	(111)
Income tax relating to components of other comprehensive income	**–**	–	97
	22	(41)	(14)
Items that may be subsequently recycled to the profit or loss:			
Effective portion of changes in fair value of cash flow hedges	**(89)**	(48)	(136)
Cash flow hedges recycled to income statement	**157**	89	178
Losses arising on available for sale financial assets	**(329)**	–	(37)
Foreign currency translation differences for foreign operations	**6,141**	(4,049)	(18,525)
Income tax relating to components of other comprehensive income	**54**	(4)	(4)
	5,934	(4,012)	(18,524)
Total comprehensive income for the period	**17,102**	6,335	921
Attributable to:			
Owners of the parent	**17,263**	6,335	921
Non-controlling interests	**(161)**	–	–
	17,102	6,335	921

Condensed Consolidated Statement of Financial Position

as at 31 December 2015

ASSETS	Note	As at 31.12.15 £000	As at 31.12.14 £000	As at 30.06.15 £000
Non-current assets				
Intangible assets		**183,590**	186,695	166,684
Property, plant and equipment		**28,233**	17,749	16,822
Total non-current assets		**211,823**	204,444	183,506
Current assets				
Inventories		**40,277**	29,370	31,744
Trade and other receivables		**42,684**	29,220	30,932
Cash and cash equivalents	9	**45,132**	36,266	45,948
Total current assets		**128,093**	94,856	108,624
Total assets		**339,916**	299,300	292,130
LIABILITIES				
Current liabilities				
Borrowings		**(1,935)**	(95)	(8)
Trade and other payables		**(35,543)**	(26,430)	(31,025)
Deferred and contingent consideration		**(1,337)**	(1,367)	(4,417)
Current tax liabilities		**(10,479)**	(8,353)	(8,659)
Total current liabilities		**(49,294)**	(36,245)	(44,109)
Non-current liabilities				
Borrowings		**(61,034)**	(33,160)	(32,519)
Deferred and contingent consideration		**(3,678)**	(6,625)	(3,412)
Employee benefit obligations		**(1,507)**	(1,128)	(1,311)
Provisions		**(2,625)**	–	–
Deferred tax liabilities		**(16,577)**	(19,242)	(16,291)
Total non-current liabilities		**(85,421)**	(60,155)	(53,533)
Total liabilities	2	**(134,715)**	(96,400)	(97,642)
Net assets		**205,201**	202,900	194,488
EQUITY				
Issued share capital		**880**	879	880
Share premium account		**125,344**	124,692	124,801
Own shares		**(21)**	(303)	(303)
Hedging reserve		**(38)**	(95)	(94)
Foreign currency translation reserve		**(21,406)**	(13,071)	(27,547)
Merger reserve		**1,770**	1,770	1,770
Retained earnings		**96,585**	89,028	94,981
Total equity attributable to equity holders of the parent		**203,114**	202,900	194,488
Non-controlling interests		**2,087**	–	–
Total equity		**205,201**	202,900	194,488

Condensed Consolidated Statement of Changes in Shareholders' Equity

for the six months ended 31 December 2015

	Attributable to owners of the parent									
	Issued share capital £000	Share premium account £000	Own shares £000	Hedging reserve £000	Foreign currency translation reserve £000	Merger reserve £000	Retained earnings £000	Total £000	Non-controlling interests £000	Total equity £000
Six months ended 31 December 2014										
At 1 July 2014	877	124,429	(606)	(132)	(9,022)	1,770	87,490	204,806	–	204,806
Profit for the period	–	–	–	–	–	–	10,388	10,388	–	10,388
Effective portion of changes in fair value of cash flow hedges, net of tax	–	–	–	(52)	–	–	–	(52)	–	(52)
Foreign currency translation differences for foreign operations	–	–	–	–	(4,049)	–	–	(4,049)	–	(4,049)
Remeasurement of defined benefit pension scheme, net of tax	–	–	–	–	–	–	(41)	(41)	–	(41)
Cash flow hedges recycled to income statement, net of tax	–	–	–	89	–	–	–	89	–	89
Total comprehensive income for the period	–	–	–	37	(4,049)	–	10,347	6,335	–	6,335
Transactions with owners										
Dividends paid	–	–	–	–	–	–	(9,355)	(9,355)	–	(9,355)
Share-based payments	–	–	–	–	–	–	849	849	–	849
Shares issued	2	263	–	–	–	–	–	265	-	265
Own shares recycled to retained earnings	–	–	303	–	–	–	(303)	–	–	–
Total contributions by and distribution to owners	2	263	303	–	–	–	(8,809)	(8,241)	–	(8,241)
At 31 December 2014	879	124,692	(303)	(95)	(13,071)	1,770	89,028	202,900	–	202,900
Year ended 30 June 2015										
At 1 July 2014	877	124,429	(606)	(132)	(9,022)	1,770	87,490	204,806	–	204,806
Profit for the period	–	–	–	–	–	–	19,459	19,459	–	19,459
Effective portion of changes in fair value of cash flow hedges, net of tax	–	–	–	(140)	–	–	–	(140)	–	(140)
Losses arising on available for sale financial assets	–	–	–	–	–	–	(37)	(37)	–	(37)
Foreign currency translation differences for foreign operations	–	–	–	–	(18,525)	–	–	(18,525)	–	(18,525)
Remeasurement of defined benefit pension scheme, net of tax	–	–	–	–	–	–	(14)	(14)	–	(14)
Cash flow hedges recycled to income statement, net of tax	–	–	–	178	–	–	–	178	–	178
Total comprehensive income for the period	–	–	–	38	(18,525)	–	19,408	921	–	921
Transactions with owners										
Dividends paid	–	–	–	–	–	–	(13,857)	(13,857)	–	(13,857)
Share-based payments	–	–	–	–	–	–	2,243	2,243	–	2,243
Shares issued	3	372	–	–	–	–	–	375	–	375
Own shares purchased	–	–	303	–	–	–	(303)	–	–	–
Total contributions by and distribution to owners	3	372	303	–	–	–	(11,917)	(11,239)	–	(11,239)
At 30 June 2015	880	124,801	(303)	(94)	(27,547)	1,770	94,981	194,488	–	194,488
Six months ended 31 December 2015										
At 1 July 2015	**880**	**124,801**	**(303)**	**(94)**	**(27,547)**	**1,770**	**94,981**	**194,488**	**–**	**194,488**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**11,307**	**11,307**	**(161)**	**11,146**
Effective portion of changes in fair value of cash flow hedges, net of tax	**–**	**–**	**–**	**(71)**	**–**	**–**	**–**	**(71)**	**–**	**(71)**
Losses arising on available for sale financial assets	**–**	**–**	**–**	**–**	**–**	**–**	**(263)**	**(263)**	**–**	**(263)**
Foreign currency translation differences for foreign operations	**–**	**–**	**–**	**–**	**6,141**	**–**	**–**	**6,141**	**–**	**6,141**
Remeasurement of defined benefit pension scheme, net of tax	**–**	**–**	**–**	**–**	**–**	**–**	**22**	**22**	**–**	**22**
Cash flow hedges recycled to income statement, net of tax	**–**	**–**	**–**	**127**	**–**	**–**	**–**	**127**	**–**	**127**
Total comprehensive income for the period	**–**	**–**	**–**	**56**	**6,141**	**–**	**11,066**	**17,263**	**(161)**	**17,102**
Transactions with owners										
Dividends paid	**–**	**–**	**–**	**–**	**–**	**–**	**(10,401)**	**(10,401)**	**–**	**(10,401)**
Share-based payments	**–**	**–**	**–**	**–**	**–**	**–**	**1,221**	**1,221**	**–**	**1,221**
Shares issued	**–**	**543**	**–**	**–**	**–**	**–**	**–**	**543**	**–**	**543**
Acquisition of non-controlling interest	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,248**	**2,248**
Own shares reserve recycled to retained earnings	**–**	**–**	**282**	**–**	**–**	**–**	**(282)**	**–**	**–**	**–**
Total contributions by and distribution to owners	**–**	**543**	**282**	**–**	**–**	**–**	**(9,462)**	**(8,637)**	**2,248**	**(6,389)**
At 31 December 2015	**880**	**125,344**	**(21)**	**(38)**	**(21,406)**	**1,770**	**96,585**	**203,114**	**2,087**	**205,201**

Condensed Consolidated Statement of Cash Flows

for the six months ended 31 December 2015

	Note	Six months ended 31.12.15 £000	Six months ended 31.12.14 £000	Year ended 30.06.15 £000
Cash flows from operating activities				
Profit for the period		**11,146**	10,388	19,459
Adjustments for:				
Depreciation		**1,594**	1,174	2,412
Amortisation and impairment		**9,744**	9,580	19,126
Loss on disposal of intangible assets		**5**	–	45
Loss on sale of property, plant and equipment		**12**	129	–
Finance income	3	**(8)**	(316)	(2,242)
Finance expense	4	**1,673**	1,651	2,416
Equity-settled share-based payments expense		**1,044**	837	1,767
Income tax expense		**3,089**	2,176	6,347
Operating cash flow before changes in working capital		**28,299**	25,619	49,330
Increase in inventories		**(986)**	(11)	(4,527)
(Increase)/decrease in trade and other receivables		**(902)**	440	(2,553)
Increase/(decrease) in trade and other payables		**214**	(693)	4,738
Cash generated from operating activities before interest and taxation		**26,625**	25,355	46,988
Interest paid		**(442)**	(903)	(1,338)
Income taxes paid		**(2,861)**	(2,267)	(4,667)
Net cash inflow from operating activities		**23,322**	22,185	40,983
Cash flows from investing activities				
Interest received		**1**	20	16
Acquisition of subsidiaries (net of cash received)	10	**(30,004)**	(613)	(908)
Purchase of property, plant and equipment		**(1,479)**	(865)	(2,081)
Capitalised development expenditure		**(105)**	(377)	(1,035)
Purchase of other intangible non-current assets		**(1,436)**	(185)	(643)
Net cash outflow from investing activities		**(33,023)**	(2,020)	(4,651)
Cash flows from financing activities				
Proceeds from the issue of share capital		**543**	265	375
New borrowings		**20,678**	–	–
Expenses of raising new borrowings		**–**	(1,235)	(1,235)
Repayment of borrowings		**(606)**	(8)	(102)
Dividends paid		**(10,401)**	(9,355)	(13,857)
Net cash inflow/(outflow) from financing activities		**10,214**	(10,333)	(14,819)
Net increase in cash and cash equivalents		**513**	9,832	21,513
Cash and cash equivalents at start of period		**45,948**	26,773	26,773
Exchange differences on cash and cash equivalents		**(1,329)**	(339)	(2,338)
Cash and cash equivalents at end of period		**45,132**	36,266	45,948
Reconciliation of net cash flow to movement in net (borrowings)/cash				
Net increase in cash and cash equivalents		**513**	9,832	21,513
Repayment of borrowings		**606**	8	102
New borrowings		**(20,678)**	–	–
Expenses of refinancing borrowing facilities		**–**	1,235	1,235
Acquisition of subsidiary borrowings		**(8,578)**	–	–
Exchange differences on cash and cash equivalents		**(1,329)**	(339)	(2,338)
Retranslation of foreign borrowings		**(1,742)**	(2,231)	(1,442)
Other non-cash changes		**(50)**	(504)	(659)
Movement in net (borrowings)/cash in the period		**(31,258)**	8,001	18,411
Net cash/(borrowings) at start of period		**13,421**	(4,990)	(4,990)
Net (borrowings)/cash at end of period	9	**(17,837)**	3,011	13,421

Notes to the Financial Statements
for the six months ended 31 December 2015

1 Basis of Preparation and Principal Accounting Policies

Dechra Pharmaceuticals PLC (Dechra or the Company) is a company domiciled in the United Kingdom. The condensed set of financial statements as at, and for, the six months ended 31 December 2015 comprises the Company and its subsidiaries (together referred to as the Group).

This interim financial information does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. However the Auditor, PricewaterhouseCoopers LLP who were appointed on 23 October 2015, has carried out a review of the condensed set of financial statements and their report in respect of the six months to 31 December 2015 is set out in the Independent Review Report. The Group financial statements as at, and for, the year ended 30 June 2015 prepared in accordance with IFRS as adopted by the EU and with those parts of the Companies Act 2006 applicable to companies reporting under EU adopted IFRS, are available upon request from the Company's registered office at 24 Cheshire Avenue, Cheshire Business Park, Lostock Gralam, Northwich, CW9 7UA.

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 2015 and the unaudited financial information in the Half-Yearly Financial Report for the six months ended 31 December 2014. The comparative figures for the financial year ended 30 June 2015 are not the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's previous auditors, KPMG Audit Plc, and delivered to the Registrar of Companies. The report of the auditor (i) was unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

Having re-assessed the principal risks, the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the Half-Yearly Financial Report.

The condensed set of financial statements for the six months ended 31 December 2015 are unaudited but have been reviewed by the Auditor. The Independent Review Report is set out at the end of this document.

Statement of Compliance

The condensed set of financial statements included in this Half-Yearly Financial Report has been prepared in accordance with IAS 34 '*Interim Financial Reporting*' as adopted by the EU. The condensed set of financial statements does not include all of the information required for the full annual financial statements, and should be read in conjunction with the Group financial statements for the year ended 30 June 2015.

This condensed set of financial statements was approved by the Board of Directors on 22 February 2016.

Significant Accounting Policies

As required by the Disclosure and Transparency Rules (DTR) of the Financial Conduct Authority, the condensed set of financial statements has been prepared applying the accounting policies and presentation that were applied in the preparation of the Company's consolidated financial statements for the year ended 30 June 2015 as described in pages 110 to 118 of the Annual Report, except where new or revised accounting standards have been applied.

The accounting policies adopted are consistent with those of the previous financial year except for IFRS 10 '*Consolidated financial statements*' and IFRS 11, '*Joint arrangements*' which are relevant but have no impact on the results for the period.

Other amendments to IFRSs effective for the financial year ending June 2016 are not expected to have a material impact on the Group.

Estimates and Judgements

The preparation of a condensed set of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. In accounting for business combinations, the identifiable assets, liabilities and contingent liabilities acquired have to be measured at their fair values. In particular, some judgement is required in estimating the fair value of inventory with reference to current selling prices and costs to sell, and judgement in estimating the valuation of intangible assets and other identification intangible assets. Details concerning acquisitions and business combinations are outlined in note 10. Actual results may differ from these estimates.

New and Revised Standards

The following revision to standards and interpretations are applicable to the Group and have been adopted as they are mandatory for the year ending 30 June 2016:

- Amendments to IAS 19 '*Defined Benefit Plans: Employee Contributions*'

The adoption of these amendments has not had a material impact on the Group's financial statements.

2 Operating Segments

The Group has three reportable segments, as discussed below, which are based on information provided to the Board of Directors, which is deemed to be the Group's chief operating decision maker. Several operating segments which have similar economic characteristics have been aggregated into the reporting segments.

The European Pharmaceuticals Segment comprises Dechra Veterinary Products EU, Genera and Dechra Pharmaceuticals Manufacturing. This Segment operates internationally and manufactures and markets Companion Animal, Equine and Food producing Animal Products. This Segment also includes third party manufacturing sales and other non-core businesses.

The North America (NA) Pharmaceuticals Segment consists of Dechra Veterinary Products US and Dechra Veterinary Products Canada which sells Companion Animal and Equine Products into those territories. The Segment also includes our manufacturing unit based in Melbourne, Florida.

The Pharmaceuticals Research and Development Segment includes all of the Group's pharmaceutical research and development activities. From a Board perspective, this Segment has no revenue income.

		Six months ended		Year ended
		31.12.15	31.12.14	30.06.15
		£000	£000	£000
Revenue by segment				
European Pharmaceuticals	— total	**86,483**	85,510	168,665
	— intersegment	**(228)**	–	(32)
NA Pharmaceuticals	— total	**24,481**	15,384	34,870
	— intersegment	**–**	–	(23)
		110,736	100,894	203,480
Operating profit/(loss) by segment				
European Pharmaceuticals		**24,680**	24,060	48,030
NA Pharmaceuticals		**8,696**	5,381	10,637
Pharmaceuticals Research and Development		**(4,012)**	(3,424)	(8,671)
Segment operating profit		**29,364**	26,017	49,996
Corporate and other unallocated costs		**(3,099)**	(2,897)	(5,645)
Underlying operating profit		**26,265**	23,120	44,351
Amortisation of acquired intangibles		**(8,895)**	(9,106)	(17,871)
Fair value uplift of inventory acquired through business combinations		**(1,039)**	–	–
Rationalisation costs		**(90)**	–	(9)
Acquisition expenses		**(341)**	(115)	(491)
Total operating profit		**15,900**	13,899	25,980
Finance income		**8**	316	2,242
Finance expense		**(1,673)**	(1,651)	(2,416)
Profit before taxation		**14,235**	12,564	25,806
Total liabilities by segment				
European Pharmaceuticals		**(36,583)**	(21,982)	(24,567)
NA Pharmaceuticals		**(5,480)**	(10,329)	(11,486)
Pharmaceuticals Research and Development		**(649)**	(773)	(710)
Segment liabilities		**(42,712)**	(33,084)	(36,763)
Corporate loans and revolving credit facility		**(62,969)**	(33,255)	(32,519)
Corporate accruals and other payables		**(1,978)**	(2,466)	(3,410)
Current and deferred tax liabilities		**(27,056)**	(27,595)	(24,950)
		(134,715)	(96,400)	(97,642)
Revenue by product category			Restated*	
CAP		**62,579**	56,002	113,888
Equine		**9,485**	8,089	17,040
FAP		**15,407**	14,200	27,278
Diets		**11,596**	13,176	25,575
Other		**11,669**	9,427	19,699
		110,736	100,894	203,480

* The prior year categorisation has been restated to reflect the current portfolio, following a product allocation review in the prior period.

Notes to the Financial Statements continued
for the six months ended 31 December 2015

3 Finance Income

	Six months ended		Year ended
	31.12.15	31.12.14	30.06.15
	£000	£000	£000
Finance income arising from:			
— Cash and cash equivalents	**8**	8	23
— Loans and receivables	**–**	20	3
— Foreign exchange gains	**–**	288	2,216
	8	316	2,242

4 Finance Expense

	Six months ended		Year ended
	31.12.15	31.12.14	30.06.15
Underlying	**£000**	£000	£000
Finance expense arising from:			
— Financial liabilities at amortised cost	**674**	755	1,460
— Net interest on net defined benefit obligations	**9**	20	36
— Foreign exchange losses	**679**	–	–
Underlying finance expense	**1,362**	775	1,496

	Six months ended		Year ended
	31.12.15	31.12.14	30.06.15
Non-underlying	**£000**	£000	£000
Loss on extinguishment of debt	**–**	372	392
Fair value and other movements on deferred and contingent consideration	**311**	504	528
Non-underlying finance expense	**311**	876	920
Total finance expense	**1,673**	1,651	2,416

5 Income Tax Expense

The tax charge for the six months ended 31 December 2015 has been based on the estimated effective rate for the year ending 30 June 2016 of 21.7% (six months ended 31 December 2014: 17.3%, year ended 30 June 2015: 24.6%). This includes non-underlying items as defined in the Condensed Consolidated Income Statement. The movement in the effective tax rate in the 2015 financial year arose as a result of an unforeseen prior period adjustment.

6 Dividends

The final dividend for the year ended 30 June 2015 of 11.82 pence per share costing £10,401,000 has been paid in the period.

The Directors have declared an interim dividend of 5.55 pence per share (2014: 5.12 pence) costing £4,889,000 (2014: £4,503,000). It is payable on 6 April 2016 to shareholders whose names are on the Register of Members at close of business on 11 March 2016. The ordinary shares will become ex-dividend on 10 March 2016.

As the dividend was declared after the end of the period being reported and in accordance with IAS 10 '*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 2016.

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		Year ended
	31.12.15	31.12.14	30.06.15
	£000	£000	£000
Basic earnings per share			
— Underlying*	**22.18**	20.59	40.17
— Basic	**12.85**	11.83	22.14
Diluted earnings per share			
— Underlying*	**21.99**	20.51	39.90
— Diluted	**12.74**	11.78	21.99

The calculations of basic and diluted earnings per share are based upon:

	£000	£000	£000
Earnings attributable to owners of the parent for underlying basic and underlying diluted earnings per share	**19,523**	18,083	35,307
Earnings attributable to owners of the parent for basic and diluted earnings per share	**11,307**	10,388	19,459

	No.	No.	No.
Weighted average number of ordinary shares for basic earnings per share	**88,004,285**	87,822,629	87,890,277
Impact of share options	**777,105**	321,926	604,887
Weighted average number of ordinary shares for diluted earnings per share	**88,781,390**	88,144,555	88,495,164

* Underlying measures exclude non-underlying items as defined on the Condensed Consolidated Income Statement.

8 Underlying Operating Profit and Profit before Taxation

	Six months ended		Year ended
	31.12.15	31.12.14	30.06.15
	£000	£000	£000
Operating profit			
Underlying operating profit is calculated as follows:			
Operating profit	**15,900**	13,899	25,980
Amortisation of intangible assets acquired as a result of business combinations	**8,895**	9,106	17,871
Fair value uplift of inventory acquired through business combinations	**1,039**	–	–
Rationalisation costs	**90**	–	9
Acquisition expenses	**341**	115	491
	26,265	23,120	44,351
Profit before taxation			
Underlying profit before taxation is calculated as follows:			
Profit before taxation	**14,235**	12,564	25,806
Amortisation of intangible assets acquired as a result of business combinations	**8,895**	9,106	17,871
Fair value uplift of inventory acquired through business combinations	**1,039**	–	–
Rationalisation costs	**90**	–	9
Acquisition expenses	**341**	115	491
Fair value and other movements on deferred and contingent consideration	**311**	504	528
Loss on extinguishment of debt	**–**	372	392
	24,911	22,661	45,097
Impact of non-underlying items on income tax	**2,316**	2,402	3,443

The Group presents a number of non-GAAP measures. This is to allow investors to understand the underlying performance of the Group, excluding items associated with areas such as acquisition and disposal related expenses, debt refinancing, discontinued operations and rationalisation.

Notes to the Financial Statements continued
for the six months ended 31 December 2015

9 Analysis of Net (Borrowings)/Cash

	As at 31.12.15 £000	As at 31.12.14 £000	As at 30.06.15 £000
Bank loans and overdraft	**(62,969)**	(33,153)	(32,519)
Finance leases and hire purchase contracts	**–**	(102)	(8)
Cash and cash equivalents	**45,132**	36,266	45,948
	(17,837)	3,011	13,421

In September 2014, the Group refinanced its existing bank facility which gave rise to a loss on extinguishment of debt of £0.4 million in the period. The Group's revised borrowing facility comprises a £90.0 million revolving credit facility and a £30.0 million Accordion facility committed until September 2019 and various finance lease obligations which have been repaid as at 31 December 2015.

10 Acquisitions

Acquisition of Genera d.d.

On 3 August 2015, Dechra announced that it had signed a conditional share purchase agreement to acquire 63.3% of the authorised shares (equivalent to 69% voting rights) in Genera d.d. (Genera), a Croatian pharmaceutical business. Under the Croatian Takeover Rules, the conditional offer required Dechra to make a mandatory offer for the remaining issued share capital of Genera. On 20 October 2015, the closing date for the Takeover Offer, Dechra had received further valid acceptances in respect of 82,390 Genera shares, amounting to 20.73% of Genera's share capital. Accordingly, the agreement with Mr. Marijan Hanžekovic, the majority shareholder in Genera, to acquire his 63.3% holding (equivalent to 69% voting rights) became unconditional. The majority shares were transferred on 20 October 2015 and the minority shares on 21 October 2015. Dechra now owns 1,549,417 shares in Genera, amounting to 92.26% of the voting rights (83.99% of the share capital) of Genera. The aggregate cost of acquiring the 92.26% controlling interest in Genera has been €36.6 million which has been funded from our existing cash and debt facilities. The non-controlling interest has been calculated using the fair-value method. The input to value the non-controlling interest was the prevailing share price for Genera at 21 October 2015. This strategic acquisition gives us an entry point into the fast growing poultry vaccines market and broaden our EU FAP business.

	Provisional fair value £000
Recognised amounts of identifiable assets acquired and liabilities assumed	
Identifiable assets	
Property, plant and equipment	**11,073**
Inventories	**6,681**
Trade and other receivables	**10,281**
Cash and cash equivalents	**283**
Trade and other payables	**(4,183)**
Net deferred tax liability	**(2,870)**
Provisions and deferred revenue	**(2,950)**
Employee benefit obligations	**(356)**
Debt	**(8,728)**
Identifiable intangible assets	**17,530**
Net identifiable assets	**26,761**
Non-controlling interest	**(2,248)**
Goodwill	**2,281**
Total consideration	**26,794**
Satisfied by:	
Cash	**26,794**
Total consideration transferred	**26,794**
Net cash outflow arising on acquisition	
Cash consideration	**26,794**
Less cash and cash equivalents acquired	**(283)**
	26,511

The fair values shown above are provisional based on management's preliminary estimates of the fair values at the acquisition date. A detailed exercise is ongoing to assess the fair value of the assets acquired and liabilities assumed, with the use of third party experts where appropriate. This may result in revisions to the acquisition accounting at year end.

Deferred tax has been recognised on the temporary timing differences created by the fair value adjustments.

10 Acquisitions continued

The goodwill of £2.3 million arising from the acquisition consists of the assembled workforce and technical expertise. None of the goodwill is expected to be deductible for income tax purposes.

Acquisition related costs (included in operating expenses) amounted to £0.5 million (some of which was incurred in the prior year). Genera's results are reported within the EU Pharmaceuticals Segment.

Genera contributed £3.4 million revenue and £1.7 million loss before tax to the Group's profit, for the period between the date of acquisition and the balance sheet date. The corresponding underlying operating loss was £0.2 million. If the acquisition of Genera had been completed on the first day of the financial year, Group revenues for the period would be £116.4 million and the Group profit before tax would have been £14.2 million.

Acquisition of Phycox

On 20 May 2014, the Group acquired certain trade and assets of PSPC Inc. PSPC's principal product is *Phycox*®, a patented nutraceutical which competes in the US veterinary joint health supplement market, and *Levocrine*®, an endocrinology product. The maximum further consideration payable is US$4.2 million, which is contingent on future sales. During the year ended 30 June 2015, $0.5 million of the contingent consideration was paid.

In the six months to 31 December 2015, the Group paid a further US$0.5 million (£0.3 million) of the contingent consideration.

Acquisition of Dermapet, Inc.

On 22 October 2010, the Group acquired 100% of the share capital of *DermaPet*, Inc., a Florida based business which develops and markets a range of dermatological preparations, including shampoos, conditioners and ear products, for the US and overseas companion animal markets. These veterinary products are marketed and distributed through the same channels as Dechra's current US product portfolio.

In the six months to 31 December 2014, the Group paid a further US$1.0 million (£0.6 million) in respect of the acquisition of *DermaPet*, which related to deferred consideration which was paid on the fourth anniversary of the completion date.

In the six months to 31 December 2015, the Group paid a further US$5.0 million (£3.3 million) which was contingent upon revenue exceeding US$20.0 million in any rolling 12 month period. There is no further consideration outstanding.

11 Foreign Exchange Rates

The following exchange rates have been used in the translation of the results of foreign operations.

	Average rate for the six months ended		Closing rate at
	31.12.15	31.12.14	31.12.15
Danish Krone	**10.4007**	9.3873	10.1670
US Dollar	**1.5376**	1.6319	1.4832
Euro	**1.3942**	1.2602	1.3624

12 Related Party Transactions

There have been no new related party transactions that have taken place in the first six months of the current financial year.

13 Events after the Reporting Period

On 13 January 2016, Dechra acquired 100% of the share capital of Laboratorios Brovel S.A. de C.V. (Brovel), a veterinary pharmaceuticals company based in Mexico City. The Group paid US$5.0 million consideration in cash on completion and a further US$1.0 million is contingent upon Brovel successfully reaching registration milestones for Dechra's products in Mexico.

Due to the proximity of the acquisition date to the release of the Half-Yearly Financial Report, valuations of assets and liabilities acquired along with the disclosures required by IFRS 3 (revised) have not been prepared. Disclosures will be made in future annual financial statements. The book value of the net assets acquired was £1.0 million.

Independent Review Report to Dechra Pharmaceuticals PLC

Report on the Condensed Set of Financial Statements for the six months ended 31 December 2015

Our Conclusion

We have reviewed Dechra Pharmaceuticals PLC's condensed set of financial statements for the six months ended 31 December 2015 (the Interim Financial Statements) in the Half-Yearly Financial Report of Dechra Pharmaceuticals PLC for the six month period ended 31 December 2015. Based on our review, nothing has come to our attention that causes us to believe that the Interim Financial Statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, '*Interim Financial Reporting*', as adopted by the European Union and the Disclosure Rules and Transparency Rules of the United Kingdom's Financial Conduct Authority.

What We Have Reviewed

The Interim Financial Statements comprise:

- the Condensed Consolidated Statement of Financial Position as at 31 December 2015;
- the Condensed Consolidated Income Statement and Condensed Consolidated Statement of Comprehensive Income for the period then ended;
- the Condensed Consolidated Statement of Cash Flows for the period then ended;
- the Condensed Consolidated Statement of Changes in Shareholders' Equity for the period then ended; and
- the explanatory notes to the Interim Financial Statements.

The Interim Financial Statements included in the Half-Yearly Financial Report have been prepared in accordance with International Accounting Standard 34, '*Interim Financial Reporting*', as adopted by the European Union and the Disclosure Rules and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1 to the Interim Financial Statements, the financial reporting framework that has been applied in the preparation of the full Annual Financial Statements of the Group is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

Responsibilities for the Interim Financial Statements and the Review

Our Responsibilities and those of the Directors

The Half-Yearly Financial Report, including the Interim Financial Statements, is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the Half-Yearly Financial Report in accordance with the Disclosure Rules and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the Interim Financial Statements in the Half-Yearly Financial Report based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of complying with the Disclosure Rules and Transparency Rules of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What a Review of Interim Financial Statements Involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, '*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the Half-Yearly Financial Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the Interim Financial Statements.

PricewaterhouseCoopers LLP
Chartered Accountants
Birmingham
22 February 2016

Notes:

1. The maintenance and integrity of Dechra Pharmaceuticals PLC website is the responsibility of the Directors; the work carried out by the Auditor does not involve consideration of these matters and, accordingly, the Auditor accepts no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Dechra Pharmaceuticals PLC
24 Cheshire Avenue
Cheshire Business Park
Lostock Gralam
Northwich
CW9 7UA

T: +44 (0) 1606 814730
F: +44 (0) 1606 814731
E: corporate.enquiries@dechra.com

www.dechra.com

Stock Code: DPH