



An International Veterinary
Pharmaceutical Business





An International Veterinary Pharmaceutical Business

Preliminary Results for the year ended 30 June 2010

Overview

- Solid growth in revenue and profitability
- Increased investment in product pipeline of 35.9%
- Strong cash flow – cash conversion rate of 100.8%
- Significant reduction in net borrowings – down from £15.5 million to £6.7 million
- Dividend increase of 15.4%

Preliminary Results

Year ended 30 June
2010 2009

Revenue	£369.4m	£350.0m	+5.5%
Adjusted operating profit*	£28.2m	£25.0m	+12.9%
Operating profit	£19.9m	£17.7m	+12.4%
Adjusted pre-tax profit*	£26.1m	£23.4m	+11.3%
Pre-tax profit	£17.7m	£16.1m	+10.1%
Adjusted earnings per share*	29.50p	25.61p	+15.2%
Earnings per share	19.97p	17.27p	+15.6%
Full year dividend	10.50p	9.10p	+15.4%
Net borrowings	£6.7m	£15.5m	

* Before amortisation of acquired intangibles and exceptional costs

Financials

- European Pharmaceuticals

	2010	2009	
	£000	£000	
Revenue - pharmaceuticals	44,695	41,221	+8.4%
- diets	25,559	22,716	+12.5%
- contract manufacturing	11,524	10,369	+11.1%
- instruments	2,859	3,105	-7.9%
	-----	-----	
	84,637	77,411	+9.3%
Adjusted operating profit	21,412	17,964	+19.2%
Adjusted operating margin	25.3%	23.2%	

- Strong performance from key brands
- Double digit growth in diets and contract manufacturing
- Improvement in operating margin

Financials

- US Pharmaceuticals

	2010 £000	2009 £000	
Revenue	10,634	7,779	+ 36.7%
Adjusted operating profit	1,311	815	+ 60.9%
Adjusted operating margin	12.3%	10.5%	

- *Vetoryl*[®] revenue of \$6.6 million (2009: \$2.2 million) and *Felimazole*[®] revenue of \$0.6 million (2009: \$nil)
- Amortisation charge of £537,000 (2009: £210,000) included in above figures

Financials

- Services

	2010	2009	
	£000	£000	
Revenue - veterinary wholesaling	280,385	270,772	+3.6%
- laboratories	5,285	5,369	-1.6%
	-----	-----	
	285,670	276,141	+3.5%
 Adjusted operating profit	 13,103	 12,334	 +6.2%
 Adjusted operating margin	 4.6%	 4.5%	

- Markets remain competitive
- Tight cost control enabled small margin enhancement

Financials

Product development expenditure

	2010 £000	2009 £000	
Charged to income statement	4,666	3,433	+ 35.9%
Capitalised	955	785	
	-----	-----	
	5,621	4,218	+ 33.3%
	=====	=====	

Net finance expense

Net interest payable	2,359	2,631
Foreign exchange gains	(626)	(1,028)
Movement in fair values of derivatives	401	(38)
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	2,134	1,565

Interest rate hedge unwinds 31 December 2010

Effective tax rate 25.8% (2009: 29.8%)

Utilisation of losses in overseas subsidiaries
Adjustments to prior periods

Financials

Exceptional items

	£000
Rationalisation of DVP EU logistics and finance functions	1,096
Impairment of acquired patent rights and trademarks	230
Payment for in-licensed technology for development programme	418

	1,744
	=====

Financials

- Group Statement of Financial Position

	2010 £000	2009 £000
Non-current assets - intangibles	80,371	89,565
- property, plant and equipment	7,673	8,040
	-----	-----
	88,044	97,605
Net working capital	21,486	17,548
Current tax liability	(4,105)	(4,756)
Deferred tax liabilities	(12,496)	(14,184)
Net borrowings	(6,701)	(15,527)
	-----	-----
Net assets	86,228	80,686
	-----	-----
Inventory days	41	39
Trade receivable days	37	37

- Further significant reduction in net borrowings

Financials

- Cash Flow

	2010 £000	2009 £000
Cash Flow		
Inflow from operations	26,662	27,557
% of operating profit (excluding amortisation of acquired intangibles)	100.8%	112.5%
Capital expenditure (including acquisitions)		
- intangible assets	1,478	1,368
- property, plant and equipment	1,243	1,086
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	2,721	2,454

Pharmaceutical Product Development

- Achievements

- EU approval of *Malaseb*[®] in 17 countries
- EU approval of *Urilin*[®] in 20 countries
- UK generic *Clavudale*[®] approved
- Canadian approval of *Felimazole*
- Two in-licensed generics for EU
- Marketing agreement for *Ovuplant*[®] extended into the USA and Canada

Pharmaceutical Product Development

- Pipeline

- Major progress with two novel equine products
- Novel feline product identified
 - Replacing terminated equine respiratory project
- Licensing agreement to develop novel soft chew
- Generic programme delivering new products
- New opportunities being continually evaluated

Specialist Pet Diet Development

- Achievements and Pipeline

- Canine diets transferred to new manufacturer
- Numerous quality, palatability and packaging improvements implemented
- Feline range being developed for re-launch in 2011
- Two novel products at an advanced stage of development

European Pharmaceuticals Review

- **Dechra Veterinary Products EU, Pharmaceuticals**
 - All major products showing growth
 - UK warehouse integrated into central EU warehouse
 - Re-launch of DVP websites
 - Technical and client data
 - On line CPD programmes
 - Agreement reached for early termination of marketing agreement for *Vetoryl* and *Felimazole* into Scandinavia

European Pharmaceuticals Review

- **Dechra Veterinary Products EU, Diets**
 - Good growth from both therapeutic and maintenance ranges
 - Two new best in class diets launched
 - Product range launched into Germany
 - Organic range launch planned

European Pharmaceuticals Review

- ***Dales*[®] Pharmaceuticals**
 - Strong growth from contract manufacturing
 - Increase in productivity and efficiency
 - *Fuciderm*[®] manufacturing transferred, *Canaural*[®] planned
 - Oracle IT system implemented at Danish manufacturing site
 - FDA approval inspection imminent

US Pharmaceuticals Review

- Strong increase in US sales
- *Vetoryl* continues to increase market penetration
 - 40% of companion animal practices have purchased
 - 4,500 vets attended educational presentations
 - On line educational site developed and launched
 - Sales pattern similar to EU performance
- Supply problems on ophthalmic and otic range detract from performance
- Equine portfolio significantly enhanced with *Equidone*[®] and *Ovuplant*

Services Review

- **National Veterinary Services**
 - 3.6% growth in competitive market
 - Excellent cost control and operational efficiencies
 - Planned facility expansion shelved
 - Final planning and testing of new ERP system

Services Review

- **Laboratory Services**
 - Marketing rights secured for in-practice Fuji chemistry analyser
 - Successful tender to retain largest account
 - CSLS relocated into custom built laboratory

Prospects

- General economic weakness resulting in competitive markets
- Consumer passion for their animals remains strong
- Product development pipeline strong
- International pharmaceutical and diets businesses delivering good growth
- Strong balance sheet giving financial flexibility to pursue opportunities
- Confidence in our future growth prospects

Appendices



Divisional Summary

	2010 £000	2009 £000
Revenue		
European pharmaceuticals	84,637	77,411
US pharmaceuticals	10,634	7,779
Services	285,670	276,141
Inter division	(11,572)	(11,367)
	-----	-----
	369,369	349,964
	-----	-----
Adjusted operating profit		
European pharmaceuticals	21,412	17,964
US pharmaceuticals	1,311	815
Services	13,103	12,334
Research and development	(4,666)	(3,433)
Corporate and other unallocated costs	(2,970)	(2,709)
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	28,190	24,971
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Forward-Looking Statements

This document contains certain forward-looking statements. The forward-looking statements reflect the knowledge and information available to the Company during the preparation and up to the publication of this document. By their very nature, these statements depend upon circumstances and relate to events that may occur in the future thereby involving a degree of uncertainty. Therefore, nothing in this document should be construed as a profit forecast by the Company.



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