

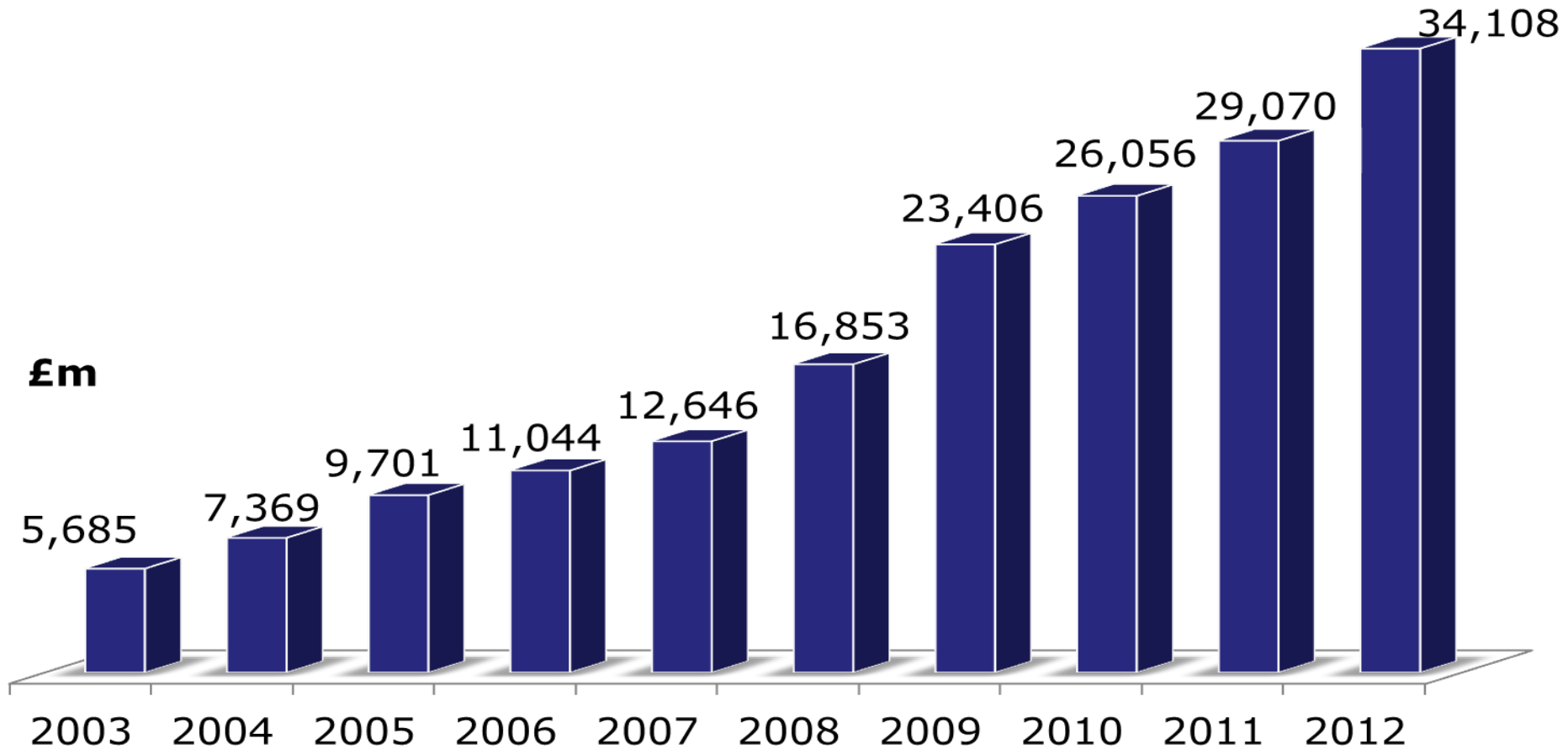
The Evolution of Dechra



Preliminary Results
for the year ended 30 June 2012

**Progressing the strategy of building
a high margin, cash generative veterinary products business**

Ninth Consecutive Year of Underlying Pre-Tax Profit Growth



Overview



- ↳ €135 million acquisition of *Eurovet*[®] Animal Health B.V. ("*Eurovet*") completed, funded by successful Rights Issue and debt re-financing
- ↳ Strong performance from Pharmaceuticals in both Europe and the USA
- ↳ NVS[®] operating margin stabilised in second half
- ↳ Investment in product pipeline increased by 10%
- ↳ Strong second half cash inflow results in 92% full year conversion rate

Financial Highlights

	Year ended 30 June 2012	Year ended 30 June 2011	
Group revenue			
Reported	£426.0m	£389.2m	+9.5%
Constant currency	£427.0m	£389.2m	+9.7%
Underlying operating profit*			
Reported	£36.6m	£31.8m	+15.0%
Constant currency	£36.8m	£31.8m	+15.8%
Underlying profit before taxation*			
Reported	£33.0m	£30.1m	+9.6%
Constant currency	£34.1m	£29.1m	+17.3%
Operating profit	£20.9m	£21.7m	
Profit before tax	£16.8m	£18.5m	
Underlying earnings per share*			
Basic	32.37p†	31.53p†	+2.7%
Diluted	32.27p†	31.43p†	+2.7%
Earnings per share			
Basic	15.65p†	19.59p†	
Diluted	15.60p†	19.53p†	
Dividend			
Final	8.50p	7.72p†	+10.1%
Total	12.27p†	11.12p†	+10.3%
Net borrowings	£86.7m	£34.1m	

*Non-underlying items comprise amortisation of acquired intangibles, acquisition expenses, rationalisation costs, loss on extinguishment of debt and the unwinding of discounts on deferred and contingent consideration


†Re-stated to reflect the impact of the bonus element of the Rights Issue

Segmental Revenue



	2012 £'000	2011 £'000	
At Constant Currency			
European Pharmaceuticals	105,790	89,287	+18.5%
US Pharmaceuticals	20,287	16,107	+26.0%
Services	315,672	296,258	+6.6%
Inter-segment	(14,758)	(12,415)	
Total revenue at constant currency	426,991	389,237	+9.7%
Currency impact	(950)	-	
Reported revenue	426,041	389,237	+9.5%

Underlying Operating Profit



	2012	2011	
Gross profit	£99.3m	£88.4m	+12.3%
Gross margin	23.3%	22.7%	
-increased contribution from Pharmaceuticals businesses			
-competitive margin pressures at <i>NVS</i>			
Underlying distribution expenses	(£18.0m)	(£17.7m)	(1.8%)
-distribution efficiencies achieved			
Underlying SG&A expenses	(£38.9m)	(£33.7m)	(15.7%)
-increase of 8.1% excluding <i>Eurovet</i>			
-continued build up in US infrastructure			
-marketing costs of bringing <i>Vetoryl</i> [®] in-house			
Research and development expenses	(£5.7m)	(£5.2m)	(9.8%)

Underlying Operating Profit



At Constant Currency	2012	2011	
	£'000	£'000	
European Pharmaceuticals	29,166	22,506	+29.6%
US Pharmaceuticals	5,845	4,838	+20.8%
Services	11,056	13,087	(15.5%)
Research and development	(5,735)	(5,221)	(9.8%)
Central costs	(3,487)	(3,387)	(3.0%)
Underlying operating profit at constant currency	36,845	31,823	+15.8%
Currency impact	(244)	-	
Reported underlying operating profit	36,601	31,823	+15.0%

Other Items



	2012	2011
	£'000	£'000
Net underlying finance expense		
-net interest	2,737	2,753
-foreign exchange loss/(gain)	898	(999)
	3,635	1,754
Taxation		
-effective rate on underlying earnings untaxed foreign exchange losses/(gains)	26.3%	24.3%
Exceptional items		
-one off <i>Eurovet</i> acquisition and rationalisation costs in line with the Prospectus	4,840	

Financials

Group Statement of Financial Position



	2012	2011
	£'000	£'000
Non-current assets		
Intangible assets	225,872	125,098
Property, plant and equipment	16,720	7,721
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	242, 592	132,819
Working capital	49,531	32,494
Deferred and contingent consideration	(13,863)	(14,055)
Current tax liability	(8,155)	(5,391)
Deferred tax liability	(29,343)	(13,443)
Employee benefit obligations	(363)	-
Net borrowings	(86,717)	(34,091)
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Net assets	153,682	98,333

- Net borrowings 1.8 times pro-forma EBITDA
- £11.0 million of working capital increase due to *Eurovet*

Financials – Cash Flow



	2012 £'000	2011 £'000
Cash generated from operations	29,128	25,374
Free cash flow	7,905	9,294
Cash conversion rate	91.7%	82.8%

Acquisition - Eurovet



- ↳ €135 million acquisition of profitable European animal health business, completed in May 2012
- ↳ First approach six years ago
- ↳ Numerous benefits:-
 - Geography
 - Product range
 - Manufacturing capabilities
 - Product development
 - Management
- ↳ Annualised synergies of *circa* €6.0 million identified for delivery within next three years

Acquisition - Eurovet



↳ Geography

- Strong German presence
- Significant increase in sales and marketing infrastructure in Denmark, Netherlands and Belgium
- Synergies already being delivered from rationalisation of the four duplicate sales offices
- Margin benefit from *Eurovet* products being distributed through Dechra subsidiaries
- Combined ranges provides critical mass for future geographical expansion

↳ Product range

- No overlap with Dechra's companion animal portfolio
- Provides entry into farm animal market for Dechra

Acquisition - Eurovet



- ↳ Manufacturing capabilities
 - Modern sterile facility
 - Oral liquids, pre-mixes and soluble powders, almost entirely complementary
 - Future opportunity for in-house manufacturing of previously outsourced *Eurovet* products

- ↳ Product Development
 - Proven track record of delivering added value generics

- ↳ Synergies
 - Over €2.0 million already being delivered
 - On track to achieve targets

Acquisition - HY-50®



- ↳ Equine lameness product acquired in January 2012
- ↳ Total consideration Canadian Dollars 8.0 million (£5.1 million)
- ↳ Funded from Dechra's own cash resources
- ↳ Strengthens the Group's EU equine portfolio
- ↳ Will be earnings enhancing in first full year

Product Development



- ↳ Product Development spend increased by 10%
- ↳ Development pipeline enhanced by *Eurovet* prospects and competencies
- ↳ Robust novel products pipeline activity:
 - Novel products
 - 'STAR' generics
 - Standard generics
 - Diets
 - Lifecycle management
 - New territory registrations
- ↳ Major new novel opportunity at advanced stage of assessment


Product Development - Novel Products



Species	Indication	Territory	Manufacturing	2014	2015	2016+
Equine	Lameness	International	Outsourced	•		
Canine	Endocrine	International	Own (in-house)		•	
Feline	Endocrine	International	Outsourced		•	
Canine/Feline	Dermatology	International	Own			•
Canine/Feline	Otic	International	Own			•

- ↳ Equine lameness product - complete US safety and efficacy
 - batches manufactured by new contract supplier
 - on track for 2014 launch
- ↳ Canine endocrine-clinical trials commenced
- ↳ Feline endocrine-protocols agreed with FDA
- ↳ **In excess of £30 million potential annual revenue and gross margin expectation in excess of 70%**


Product Pipeline - Generics



Species	Indication	Territory	Manufacturing	2013	2014	2015	2016+
Swine/Poultry	Anti-infective	EU	Own	•			
Canine	Sedative	EU	Own	•			
Swine/Poultry	Anti-infective	Germany	Own	•			
Canine/Feline	Sedative	EU	Own		•		
Swine/Poultry	Anti-infective	EU	Outsourced		•		
Canine/Feline/Equine	Critical care	EU	Outsourced		•		
Canine/Feline/Equine	Sedative	EU	Own		•		
Dairy	Anti-infective	EU	Own			•	
Swine/Poultry	Anti-infective	EU	Own			•	
Cattle	Anti-infective	EU	Outsourced			•	
Canine	Sedative	EU	Own				•
Canine	Diuretic	EU	Own				•

↳ **In excess of £10 million potential annual revenue and gross margin expectation in excess of 50%**

Product Pipeline - Diets



Species	Indication	Territory	Manufacturing	2013	2014	2015	2016+
Feline	Orthopaedic	EU	Outsourced	•			
Canine/Feline	Critical care	EU	Outsourced	•			
Canine/Feline	Urinary	EU	Outsourced	•			
Canine/Feline	Dental	EU	Outsourced		•		
Canine/Feline	Allergy	EU	Outsourced		•		

↳ **Development programme maintains competitive position and enhances growth prospects**

Product Development - Achievements



- ↳ *Vetoryl* registered in Brazil
- ↳ *Libromide*® approved in EU
- ↳ 120mg *Vetoryl* licensed in the USA
- ↳ Three new diets developed
- ↳ Two *Eurovet* products approved since acquisition

EU Pharmaceuticals - Review



Dechra Veterinary Products EU:

- ↳ Like-for-like revenue increased by 11%
- ↳ Strong performance from all major pharma brands
- ↳ Good diet performance in second half, resulting in 2% annual growth
- ↳ *DermaPet*® products launched in key territories
- ↳ Two new diets launched, wet range re-launched in new presentation

EU Pharmaceuticals - Review



Dechra Manufacturing:

- ↳ Good growth of 6% in contract manufacturing revenues
- ↳ FDA approval granted for *Vetoryl* manufacturing for the USA
- ↳ Service levels improved
- ↳ Major investment in injections facility at Skipton site
- ↳ New FDA projects commenced

US Pharmaceuticals - Review



Dechra Veterinary Products US:

- ↳ 25% growth in revenue
 - strong performance from *DermaPet*, *Vetoryl* and *Felimazole*®
- ↳ Sales team personnel increased
 - improved regional coverage
- ↳ Technical support strengthened
 - over 100 regional meetings attended by over 3,000 veterinarians
- ↳ Supplier agreement reached for Ophthalmic range

Services - Review



NVS:

- ↳ Good revenue growth of 6.5%
- ↳ Margins stabilised
- ↳ ERP system fully implemented
- ↳ Service levels returning to historic highs
- ↳ New services being developed
 - web-shop
 - indices


Services - Review



Laboratories:

- ↪ Revenue growth of 8% reversing last years' decline
- ↪ NWL and CSLS re-branded:
 - Dechra Laboratory Services ("DLS")
 - Dechra Specialist Laboratory ("DSL")
- ↪ New sample collection service utilising NVS vehicle fleet
- ↪ New Laboratory Information System: 'go-live' imminent

Outlook

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- ↳ *Eurovet* integration and synergies progressing to plan
 - ↳ Pharma products delivering good growth
 - ↳ Geographic expansion opportunities
 - ↳ Novel pipeline increased in value
 - ↳ Generic pipeline doubled
 - ↳ Current trading in line with expectations
 - ↳ Confident that Dechra's strategy will continue to deliver growth and Shareholder value



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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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