Chairman's Statement

Michael Redmond
Non-Executive Chairman

Delivering Growth in Our Focus Therapeutic Areas in Europe

Our European Pharmaceuticals Segment continues to show progress and achieved sales of £168.7 million, an increase of 66.3% (at constant exchange rates ("CER")) over the previous year. On a like-for-like basis, adjusting 2012 to include a full year of *Eurovet* revenue, growth is 5%, despite having been affected by slow trading in the third quarter due to bad weather, as previously reported. Importantly, on a like-for-like basis all key therapeutic areas delivered a good performance:

- Our focus companion animal products performed very well increasing by 18.4% (at CER), with our key products *Vetoryl*, *Felimazole* and *Cardisure®* delivering double digit revenue growth.
- Despite a challenging environment for our food producing animal products, caused principally by pressure to reduce antimicrobials usage due to concerns over increasing resistance, we saw modest sales growth of our key water soluble antibiotics. Total sales for key products in this category remained flat due to competition issues on *Cyclospray®* (an aerosol for cattle foot rot).
- Diets grew by 2.6% (at CER) driven by the relaunch of our new wet diet presentation and a new intensive support diet for animals post-surgery.

The results reflect the successful integration of *Eurovet.* This acquisition has met our expectations, expanding our geographical footprint in Europe, adding complementary products to our companion animal product portfolio, providing an entrance into the food producing animal market and increasing our manufacturing capabilities.

Operating profit for the European Pharmaceuticals Segment increased to £45.8 million from £28.9 million in the prior year.

Strong US Core Performance

Revenues in the US totalled £20.5 million, growth of 4.7% (at CER) compared to the prior year. Third party supply issues on our ophthalmic and dermatology ranges hampered the US performance, as previously described in our trading update on 10 July 2013. However, adjusting for these unexpected circumstances, the core sales growth was 10.3% (at CER) with *Vetoryl* continuing to grow at 11.6% and *Felimazole* at 16.3%.

During the year, Dechra Veterinary Products US continued to invest in and build its sales team in order to reinforce its marketing activities and further strengthen relationships with veterinarians. As a result the operating profit for this Segment was slightly down at £5.6 million compared to £5.9 million in 2012.

Strategic Divestment of the Services Segment

The divestment of our Services Segment, completed post year end on 16 August 2013, represents a further step in the Board strategy to create a focused pure play specialist veterinary pharmaceuticals business. The Board believes that the Pharmaceuticals businesses are higher margin, cash generative businesses, operating in a global market with attractive long term growth prospects.

The net proceeds of the disposal will be used initially to reduce Group's debt but provides the Group with additional resources to continue its development, both organically and through strategic acquisitions.

Increased Investment in Research and Development ("R&D")

In 2013 our Development and Regulatory team achieved approvals for:

- three new products;
- three line extensions; and
- three existing products licensed into new territories.

At the same time, development of our novel and generic products continued; four projects have now reached the clinical phase of development. We will also file imminently in the UK and the US for a new equine product.

As a specialist veterinary pharmaceuticals business, the Board has decided to increase the Group's focus and investment in R&D as a key driver of future growth and profitability.

Net Debt

As expected our net borrowing position at the end of the financial year improved compared to 2012, reducing from £86.7 million to £80.8 million.

"This has been a transformational year for Dechra. The disposal of the Services Segment represents a major step forward in the Board's strategy to create a specialist veterinary pharmaceuticals business. We expect the quality of the Group's business and its prospects to be enhanced as a result of the disposal."

Read more about
Reasons to Invest 08

Above:
Visual vials inspection at DPM, Skipton

Dividend

Subject to Shareholder approval at the forthcoming Annual General Meeting on 17 October 2013, the Board is proposing a final dividend of 9.66 pence per share, reflecting underlying EPS growth, and bringing the total dividend per share to 14.00 pence for the financial year ended 2013. The proposed final dividend shall be paid on 22 November 2013 to Shareholders on the Register on the Register at 8 November 2013. The shares will become ex-dividend on 6 November 2013.

Prospects

The divestment will enable management to focus exclusively on the areas of the business with the strongest margin, cash conversion and growth prospects. We intend to increase our focus on and investment in Research and Development to ensure the value of our pipeline is delivered and we continue to assess selective, strategic acquisitions which would add new products or geographies.

We will continue to refine our strategy for the continuing Group in the next financial year. The Board remains committed to building a cash generative specialist veterinary pharmaceuticals business which will:

- expand our geographical footprint;
- maximising opportunities with our existing products; and
- advancing and deliver our promising pipeline.

Current trading is ahead of last year and in line with management's expectations. The Board is confident that the Group will continue to perform well despite a challenging environment and that our strategy will deliver enhanced Shareholder value.

Michael Redmond
Non-Executive Chairman
3 September 2013