Chief Executive Officer's Q&A

Your questions answered
with Ian Page, Chief Executive Officer

Q
Why did Dechra decide to sell the Services businesses?

The Group strategy has been clear for several years; to develop a high margin, cash generative veterinary pharmaceutical and products business. Within this strategy there is clearly no place for the Services businesses. Historically, the Services businesses were the strongest part of the Group both in terms of turnover and profit, but as the years have progressed, and we have developed our pharmaceutical business, that contribution has diminished.

What actually triggered the transaction was a firm offer from Patterson. Patterson have a sole focus on Services; we believe that they will secure the future of the staff within the Services businesses and also continue to excel in performance at providing high levels of service to customers. So these factors, along with the firm offer, meant that we believed it was a strong win-win position for both parties.

Q
How does the sale of the Services businesses impact Group strategy going forward?

The Group strategy has not changed at all. If anything, the sale of the Services businesses has allowed us to have an even clearer focus on our core strategy; furthermore, the proceeds of the sale have strengthened our balance sheet considerably. The consequences of which are that we now have the capabilities to look at further acquisitions if they become available to us in the future, and also we are able to put a little bit more investment in our product development pipeline, which will strengthen the opportunities for future growth.

Q

Has the *Eurovet* integration progressed according to plan and has it fulfilled all your expectations?

It has definitely fulfilled our expectations. It has extended our geography, particularly into Germany; strengthened our companion animal product portfolio; enhanced our manufacturing capabilities and also moved us into the livestock sector, which is a very important area for us to be involved in, as we look at our international expansion opportunities.

In terms of the integration, it has delivered all the expected synergies to date of both revenue and cost nature; we expect it to continue to deliver further revenue synergies over the next couple of years.

Q

When will the product development pipeline start to deliver significant new products?

The product pipeline has actually delivered products year on year now for several years, both pharmaceuticals and diets. The next major product was expected to be an equine lameness product but unfortunately this was delayed due to third party contract manufacturing issues. However, we have now resolved the issues and we expect the product to appear within the next 12 months within one or two major territories. Behind that, there is an extensive list of novel products that we have in development, so hopefully we should see at least one of these products appearing per year from 2014 onwards.

Q

What are your expectations for the business in the medium and long term?

The world's animal health markets are continuing to show growth. The companion animal markets remain strong in North America and Western Europe, and the livestock markets continue to increase in the developing world where there is a high demand for animal protein. So overall we are in a very strong position to deliver good organic growth with our existing portfolio but additionally, as I have already outlined, we have a very strong product development pipeline which will enhance that growth. We are looking at new countries to establish a presence; global expansion is high on our agenda; furthermore, with our strong balance sheet, we will hopefully be able to find one or two acquisitions to bolster the Group as a whole. So, all in all, we are in a very strong position to cement ourselves as one of the top ten global animal health companies.

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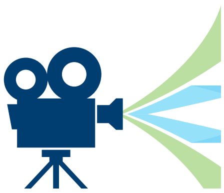

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