Chairman's Statement

"We remain confident that our strategy will continue to deliver future solid growth and enhanced Shareholder value"

Michael Redmond
Non-Executive Chairman

Introduction

The year has proved very successful with strong underlying growth delivered and a significant strategic acquisition completed. The underlying growth has been generated from a solid performance by our licensed veterinary pharmaceuticals across all our major brands. Good revenue growth was delivered in both our Services segment and from our third party manufacturing. Solid progress has also been made on our product pipeline. Furthermore, our UK based manufacturer, Dales® Pharmaceuticals ("*Dales*"), has achieved a significant milestone in gaining US Food and Drug Administration ("FDA") approval to manufacture Vetoryl® for the US market. The strategic acquisition of *Eurovet* Animal Health B.V. ("*Eurovet*") increases the strength and depth of the countries in which we trade; increases our manufacturing competencies; provides complementary companion animal products and introduces Dechra into the farm animal products sector. *Eurovet* will deliver significant synergies throughout the integration process and will be earnings enhancing in the first full year of ownership, furthermore it will be materially earnings enhancing in the financial year ending 30 June 2014. The acquisition was funded by way of a fully subscribed Rights Issue and a new debt facility, details of which are provided within the Financial Review.

Financial Highlights

Group revenue increased by 9.5% from £389.2 million to £426.0 million. 7.9% of this growth was organic whilst 1.8% of the growth was contributed by *Eurovet*. Currency movements had a negative impact of 0.2%.

Underlying operating profit increased by 15.0% from £31.8 million to £36.6 million with *Eurovet* contributing £0.9 million to this figure. Underlying operating margin rose from 8.2% to 8.6%. This increase was due to strong pharmaceutical sales both in Europe and the USA which more than offset the effect of a reduction in margin at our wholesaler, *NVS*.

The underlying net finance expense was £3.6 million compared to £1.8 million in 2011. The current year figure includes a foreign exchange loss of £0.9 million (2011: gain of £1.0 million). Excluding this, the charge was broadly consistent with last year.

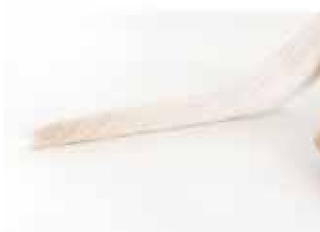
Underlying profit before taxation increased by 9.6% from £30.1 million to £33.0 million. At constant currency and excluding foreign currency gains and losses, underlying profit before taxation was £34.1 million, an increase of 17.3%.

Underlying earnings per share after taking into account the bonus element of the Rights Issue increased from 31.53 pence to 32.37 pence, up 2.7%.

Reported operating profit was £20.9 million (2011: £21.7 million) whilst profit before taxation was £16.8 million (2011: £18.5 million). Reported earnings per share was 15.65 pence (2011: 19.59 pence).

Net borrowings at 30 June 2012 stood at £86.7 million which equates to 1.8 times pro-forma EBITDA of the enlarged Group. This represents a significant reduction from the pro-forma net borrowings of £105.2 million shown in the *Eurovet* Prospectus.

In order to partially fund the *Eurovet* acquisition, the Group entered into a new £120 million debt facility, provided by a syndicate of four banks. The facility matures in October 2016 and further details are shown on page 37.



Dividend

In line with our progressive dividend policy and, after taking into account the recent Rights Issue, the Directors are recommending an increase in the final dividend to 8.50 pence per share (2011: 7.72 pence per share adjusted for the bonus element of the Rights Issue). This, together with the interim dividend of 3.77 pence per share (2011: 3.40 pence per share), makes a total dividend for the year of 12.27 pence per share (2011: 11.12 pence per share), a 10.3% increase. All figures have been adjusted for the bonus element of the Rights Issue.

The total dividend is covered 2.4 times by underlying profit after taxation (2011: 2.8 times).

The final dividend, which is subject to Shareholder approval at the Annual General Meeting to be held on Friday 19 October 2012, will be paid on 23 November 2012 to Shareholders on the Register at 9 November 2012. The date shares become ex-dividend is 7 November 2012.

People

The senior management team has been strengthened in the year by the acquisition of *Eurovet*. Furthermore, there have been a number of senior management appointments which are outlined in the Chief Executive's Review. Bryan Morton, one of our Non-Executive Directors, has decided to step down from his role; we are currently in the process of recruiting his successor. On behalf of the Board and Shareholders I would like to welcome all the *Eurovet* employees to the Group and wish our new employees every success in their future roles. I would also like to thank all employees for their continued hard work and dedication throughout the year.

Prospects

The integration of *Eurovet* is progressing to plan and is delivering the expected synergies; the enhanced product range is robust; our pipeline is at an advanced stage to deliver future significant products and the Group has identified other product, geographical and service opportunities. Current trading is in line with the Board's expectations. We are conscious of the ongoing global economic uncertainties, but remain confident that our strategy will continue to deliver future solid growth and enhanced Shareholder value.

Michael Redmond
Non-Executive Chairman
4 September 2012