

Directors' Report: Our Performance

European Pharmaceuticals: This segment comprises DVP EU (incorporating Eurovet) and Dechra Manufacturing

DVP EU Management Team



Tony Griffin
Managing Director



René Hogenkamp
Finance Director



Giles Coley
Sales and Marketing Director,
Region I



Jan Jaap Korevaar
Sales and Marketing Director,
Region II



Roeland Meijers
Director of Diets

Region I: Denmark, Finland, France, Norway, Sweden and UK
Region II: Benelux, Germany, Portugal and Spain

What we do

This business unit markets and sells our own branded veterinary products across 13 European countries and manages the relationships with our worldwide marketing partners.

Operational Structure

The business has an operating board of seven senior managers. The business is managed from Bladel, the Netherlands and Sansaw, UK. Companion animal marketing is located in Sansaw, farm animal marketing in Bladel and *Specific* pet diets marketing in Uldum, Denmark.

We have nine Country Managers operating out of Denmark, Finland, France, Germany, the Netherlands, Norway, Spain, Sweden and the UK. Ireland and Portugal are managed out of the UK and Spain respectively and Belgium and Luxembourg are managed out of the Netherlands.

We currently employ 73 representatives across these territories. DVP EU, including *Eurovet*, employs 436 people.

Our Market

Our customers are veterinary surgeons, predominantly operating out of commercial veterinary practices. Before acquiring *Eurovet*, this was entirely small animal and equine; most European markets are demonstrating growth although, on the whole, this is inflationary. Although consumers continue to treat sick animals, high levels of historic growth have declined in the current depressed global economy as spend has reduced on discretionary items such as pet diets. However, this has had minimal effect on DVP as most our products are therapeutic. Internet pharmacies, predominantly in the UK, but also increasingly in other major European territories, are demonstrating stronger levels of growth as consumers look to reduce the cost of pet and horse ownership. Through *Eurovet* the business now supplies large animal practices; these are predominantly pig and poultry practices which are very specialised, and although few in number are high value. DVP EU also sells into over 40 countries through relationships with distribution partners who themselves sell into veterinary practices in their own country.





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Logistics Director Europe



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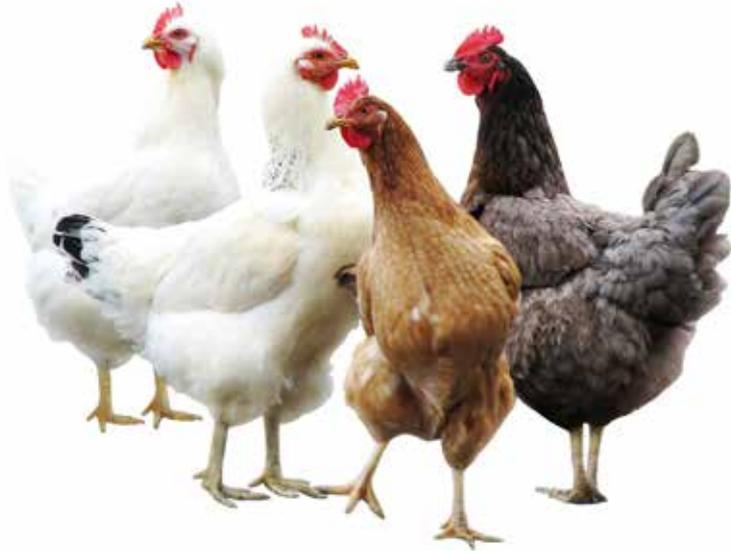
Key Strengths

Our business is unique as the majority of our products are either novel and are used to treat medical conditions for which there is often no other effective solution or have a clinical or dosing advantage over competitor products. Our key marketing benefit, especially on diets, is that our products are only marketed and sold to veterinary practices. Due to the technical nature of many of our products, we invest in state of the art online communication tools. We are one of the leading companies in the veterinary industry to offer online educational webinars and also approved continued professional development courses through our websites.

Achievements

The main achievement and ongoing priority is the integration of *Eurovet* into our European operations. Rationalisation of the four duplicated sales offices has been completed. *Eurovet*'s Danish and UK offices have been closed and now operate out of Dechra's facilities, whilst Dechra's Dutch and Belgian operation has been closed and now operates out of *Eurovet*'s facility in a consolidated Benelux unit. A number of key distribution agreements have been amended as we begin to realise revenue synergies on the marketing of *Eurovet* products through Dechra subsidiaries and through Dechra products being marketed by *Eurovet*'s German operation.

Like for like growth on our pharmaceuticals was 9.0% ahead of last year with good growth seen from our key products, *Vetoryl* and *Felimazole*, which were introduced into our own subsidiary sales and marketing teams at the beginning of the financial year. The *DermaPet* products, acquired in October 2010 to strengthen our US business, have been launched into several EU territories in Dechra livery with positive initial sales.



Eurovet revenue since acquisition has been in line with our expectations and ahead of their corresponding period last year. This was achieved despite ongoing pressure to reduce antibiotic usage, especially in the Netherlands, one of the main markets for this range.

Sales of our specialised pet diets grew by 1.9% at constant currency in the financial year. We have successfully completed the supply change of all feline dry products into our new outsourced manufacturing facility in Sweden following the transfer of our canine diets in the preceding year. The wet diets have been re-optimised and introduced in new European pack presentation with nine languages. This has improved operational efficiency as it reduces the number of stocking units from 130 to 19. Two new diets were launched during the period, *Specific* CED endocrine support and *Specific* FID digestive support.