

Animalcare Group plc

Interim results to 31 December 2011



Developing and Supplying
Veterinary Products for Companion Animals

Business Overview

Animalcare Group develops and sells goods and services to veterinary professionals principally for use in companion animals.

It operates directly in the UK and through distribution and development partners in key markets in Western Europe.

Its principal product lines are licensed veterinary medicines and companion animal identification products and services.

Overview of Results

Weak performance in Companion Animal Identification balanced by strong results in Licensed Veterinary Medicines

- Licensed veterinary medicines revenue excluding Buprecare grew by 14% and including Buprecare by 3%.
- Four new veterinary medicines launched before the end of October
 - Torphasol – sedation and short term analgesia for use in horses
 - Detonervin – sedation and mild analgesia in horses and cattle
 - Emdocam – anti-inflammatory for use in horses, cattle and pigs
 - Tilmodil – antibacterial for use in cattle and sheep
- Buprecare MDV marketing authorisation received in September followed by limited launch in December 2011
- Reduced revenue (but not market share) from companion animal identification microchips and associated goods and services
- New microchip database implemented and already delivering cost savings and revenue opportunities
- Operating costs well controlled (-1% before exceptional items)
- Strong cash generation from operations of £1.3m
- Net cash position £1.75m (2010: £0.43)

Key Financial Highlights

	6 months ended 31 December 2011	6 months ended 31 December 2010	% change
Revenue – continuing operations	£5.40m	£5.99m	- 10%
Operating profit - continuing operations	£1.09m	£1.43m	- 24%
Underlying operating profit* - continuing operations	£1.22m	£1.49m	- 18%
Profit before tax – continuing operations	£1.09m	£1.38m	- 21%
Underlying profit before tax(*) - continuing operations	£1.22m	£1.44m	- 15%
Basic underlying earnings per share - total operations	4.7p	5.0p	- 6%
Fully diluted underlying earnings per share - total operations	4.7p	4.9p	- 4%
Net cash	£1.75m	£0.43m	+ 307%
Interim Dividend	1.5p	1.0p	+ 50%

- H1 revenues levels reflect temporary supply disruptions of Buprecare ampoules and reduced sales volumes in companion animal identification products
- Revenue from licensed veterinary medicines excluding Buprecare increase by 14%
- Retrospective research tax credits see a reduction in tax rates in the year to 19% and an ongoing benefit of 1-1.5%
- Interim dividend increased to 1.5p
- New CFO to join the group at 31st May

* Underlying measures exclude, where applicable, amortisation of acquired intangibles, impairment of goodwill, fair value movements on interest hedging, impairments to current and non-current assets and other charges relating to Group reorganisation.

Key Product Categories

	% of Total Company Six months to December 2011		% of Total Company 6 months to December 2010	
	Revenue	Gross Profit	Revenue	Gross Profit
Licensed Veterinary Medicines	54%	55%	47%	50%
Companion Animal Identification	22%	28%	29%	32%
Other Products	24%	17%	24%	18%

Licensed Veterinary Medicines

Six months to	December 2011	December 2010	
Revenue (£m)	2.92	2.84	+3%
Gross Profit	1.62	1.61	+1%
% GP	55.5%	56.9%	

- Temporary loss of Buprecare ampoule supply acutely felt but project for replacement supply established and running well
- Buprecare MDV launched in France in December
- Excluding Buprecare the Licensed Veterinary Medicines segment grew revenue by +14% and GP by +15% driven by recently (2010-11) and newly (2011-12) launched products
- Our older licensed medicine portfolio also saw good revenue growth of +6% although gross profit growth was slower +1%
- The livestock market remains extremely competitive

Companion Animal Identification

Six months to	December 2011	December 2010	
Revenue (£m)	1.20	1.71	-30%
Gross Profit	0.84	1.04	-19%
% GP	70.1%	60.9%	

- Companion animal microchip revenue down by 15% although market share maintained
- Thoroughbred horse microchip revenue down 29%
- Discontinuation of distribution of microchip activated catflaps reduced revenue by £268K and GP by £96K
- Reduction in on sales of other goods and services flowing on from reduction in microchip sales
- Locate promotion saw revenue increase by 5%.
- New database successfully implemented in November. Cost reductions and addition revenues streams beginning

Other Products

Six months to	December 2011	December 2010	
Revenue (£m)	1.28	1.45	-12%
Gross Profit	0.50	0.57	-12%
% GP	38.8%	39.2%	

- Infusion accessories revenues 8% lower on the back of supply issues from USA
- Pet Healthcare and Trauma Management both, -13% revenue, affected by reduced consumer confidence and decrease in priority in range

2011/12 Prospects

Second half trading in line with market expectations

- **Licensed Veterinary Medicines**
 - Recently launched products are expected to continue to take market share as we establish them in the marketplace.
 - Our reintroduction of buprenorphine based products through the launch of Buprecare MDV will now accelerate both in the UK and key EU markets
 - We expect to be able to launch an additional new product towards the end of the period
 - Older ranges of licensed products are expected to perform anticipated levels
- **Companion Animal Identification**
 - Although we cannot see an immediate return to the volume of microchip sales expected measures are already in hand that should improved returns from chip sales and an increase in ancillary product sales
- **Other Products**
 - We expect these products to perform at planned levels as we continue to rationalise the ranges within this grouping.

New Product Development Pipeline

2011 product launches ahead of schedule and development projects on track

- Project Bouquet – Buprecare MDV marketing authorisation received end Sept 2011. Launched in France in December and other key EU Markets February 2012 onwards
- Project Deadwood – Torphasol successful launch in October 2011
- Project Dodge – Detonervin launched alongside Torphasol in October 2011. First six months forecast sold in six weeks
- Project Iris – Timodil launched November 2011
- Project Quattro – completion of procedure within two weeks
- Project Stone 1 – passed dossier validation and moving through the regulatory process
- Other essentially similar new product projects advancing
- New technology projects still at early stages but moving forward
- Other product opportunities continue to be offered

Consolidated Income Statement

	6 months ended 31 December 2011			6 months ended 31 December 2010			
	Note	Underlying results* £'000	Exceptional and other items* £'000	Total £'000	Underlying results* £'000	Exceptional and other items* £'000	Total £'000
Revenue		5,400	-	5,400	5,986	-	5,986
Cost of sales		(2,457)	-	(2,457)	(2,766)	-	(2,766)
Gross profit		2,943	-	2,943	3,220	-	3,220
Distribution costs		(125)	-	(125)	(152)	-	(152)
Administrative expenses		(1,598)	(130)	(1,728)	(1,580)	(59)	(1,639)
Operating profit/(loss)		1,220	(130)	1,090	1,488	(59)	1,429
Finance costs		-	-	-	(49)	(1)	(50)
Finance income		-	-	-	2	-	2
Profit/(loss) before tax		1,220	(130)	1,090	1,441	(60)	1,381
Income tax (expense)/credit	5	(249)	42	(207)	(388)	16	(372)
Total comprehensive income/(loss) for the period from continuing operations		971	(88)	883	1,053	(44)	1,009
Total comprehensive loss for the period from discontinued operations		-	-	-	(47)	-	(47)
Total comprehensive income/(loss) for the period		971	(88)	883	1,006	(44)	962
Basic earnings per share from continuing operations	7			4.3p			4.8p
Fully diluted earnings per share from continuing operations	7			4.3p			4.7p

Total comprehensive income/(loss) for the period is attributable to the equity holders of the parent.

* In order to aid understanding of underlying business performance, the directors have presented underlying results before the effect of exceptional and other items. These exceptional and other items are analysed in detail in note 3 to these financial statements.

Consolidated Balance Sheet

	31 December 2011 Unaudited £'000	31 December 2010 Unaudited £'000	30 June 2011 Audited £'000		31 December 2011 Unaudited £'000	31 December 2010 Unaudited £'000	30 June 2011 Audited £'000
Non-current assets				Non-current liabilities			
Goodwill	12,711	12,711	12,711	Deferred income	(854)	(857)	(862)
Other intangible assets	1,843	1,879	1,820	Deferred tax liabilities	(65)	(325)	(65)
Property, plant and equipment	59	284	47		(919)	(1,182)	(927)
	14,613	14,874	14,578	Total liabilities	(3,214)	(4,290)	(2,995)
Current assets				Net assets	16,135	14,587	15,789
Inventories	1,439	955	1,346	Capital and reserves			
Trade and other receivables	1,547	1,623	1,681	Called up share capital	4,102	4,057	4,075
Cash and cash equivalents	1,750	1,425	1,179	Share premium account	6,090	6,022	6,045
	4,736	4,003	4,206	Retained earnings	5,943	4,508	5,669
Total assets	19,349	18,877	18,784	Equity attributable to equity holders of the parent	16,135	14,587	15,789
Current liabilities							
Trade and other payables	(1,693)	(1,546)	(1,566)				
Current tax liabilities	(407)	(394)	(320)				
Bank overdraft and loans	-	(1,000)	-				
Deferred income	(195)	(168)	(182)				
	(2,295)	(3,108)	(2,068)				
Net current assets	2,441	895	2,138				

Consolidated Cashflow Statement

	6 mths ended 31/12/11 Unaudited £'000	6 mths ended 31/12/10 Unaudited £'000	Year ended 30/6/11 Audited £'000
Comprehensive income for the period before tax	1,090	1,318	2,936
Adjustments for:			
Depreciation of property, plant and equipment	8	79	88
Amortisation of intangible assets	146	134	317
Finance costs	-	53	55
Finance income	-	(2)	(2)
Share-based payment award	6	15	16
Release of deferred income	5	33	53
Profit on disposal of property, plant and equipment	-	(3)	(2)
Loss on sale of businesses	-	230	94
Operating cash flows before movements in working capital	1,255	1,857	3,555
Increase in inventories	(93)	(167)	(596)
Decrease in receivables	134	643	572
Increase/(decrease) in payables	127	(481)	(471)
Cash generated by operations	1,423	1,852	3,060
Income taxes paid	(120)	(410)	(805)
Interest paid	-	(108)	(110)
Net cash flow from operating activities	1,303	1,334	2,145

	6 mths ended 31/12/11 Unaudited £'000	6 mths ended 31/12/10 Unaudited £'000	Year ended 30/6/11 Audited £'000
Net cash flow from operating activities	1,303	1,334	2,145
Investing activities:			
Payments to acquire intangible assets	(169)	(18)	(134)
Payments to acquire property, plant and equipment	(20)	(21)	(18)
Interest received	-	2	2
Receipts from sale of property, plant and equipment	-	4	4
Receipts from sale of businesses	-	2,487	2,705
Net cash (used in)/generated by investing activities	(189)	2,454	2,559
Financing:			
Receipts from issue of share capital	72	138	179
Equity dividends paid	(615)	(609)	(812)
Repayment of bank loans	-	(3,456)	(4,456)
Net cash used in financing activities	(543)	(3,927)	(5,089)
Net increase/(decrease) in cash and cash equivalents	571	(139)	(385)
Cash and cash equivalents at start of period	1,179	1,564	1,564
Cash and cash equivalents at end of period	1,750	1,425	1,179
Comprising:			
Cash and cash equivalents	1,750	1,425	1,179
	1,750	1,425	1,179