

Animalcare Group plc

*"A leading supplier of veterinary medicines,
identification and welfare products to the
companion animal markets"*

Interim results to 31 December 2010



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

Group performance in line with expectations

- Four new veterinary medicines (Phenoleptil, Anivac, Florgane and Enrocare) launched between June and December 2010
- Overall new veterinary medicines revenue (+29%) and gross margin (+39%) continue to drive growth
- New product development pipeline remains on track
- Overheads well controlled (-2%)
- Normalised PBT at expectations (+71%)
- Strong cash generation from operations and proceeds from the sale of the Livestock Division allowed debt to be reduced from £5.07m to £1.0m at the end of the period
- Cash on hand £1.43m

Consolidated Income Statement

	6 months ended 31 December 2010	6 months ended 31 December 2010	6 months ended 31 December 2010	6 months ended 31 December 2009	6 months ended 31 December 2009	6 months ended 31 December 2009
	Underlying results before exceptional and other items £'000	Exceptional and other items(*) £'000	Total £'000	Underlying results before exceptional and other items £'000	Exceptional and other items(*) £'000	Total £'000
Revenue	5,986	-	5,986	5,374	-	5,374
Cost of sales	(2,766)	-	(2,766)	(2,498)	-	(2,498)
Gross profit	3,220	-	3,220	2,876	-	2,876
Distribution costs	(152)	-	(152)	(128)	-	(128)
Administrative expenses	(1,580)	(59)	(1,639)	(1,631)	(59)	(1,690)
Operating profit/(loss)	1,488	(59)	1,429	1,117	(59)	1,058
Finance costs	(49)	(1)	(50)	(85)	(31)	(116)
Finance income	2	-	2	1	-	1
Profit/(loss) before tax	1,441	(60)	1,381	1,033	(90)	943
Income tax (expense)/credit	(388)	16	(372)	(325)	25	(300)
Total comprehensive income/(loss) for the period from continuing operations	1,053	(44)	1,009	708	(65)	643
Total comprehensive loss for the period from discontinued operations	(47)	-	(47)	(96)	-	(96)
Total comprehensive income/(loss) for the period	1,006	(44)	962	612	(65)	547
Basic earnings per share			4.8p			2.8p
Fully diluted earnings per share			4.5p			2.6p

* In order to aid understanding of underlying business performance, the directors have presented underlying results before the effect of exceptional and other items. 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.

Consolidated Balance Sheet

	31 December 2010 Unaudited £'000	31 December 2009 Unaudited £'000	30 June 2010 Audited £'000
Non-current assets			
Goodwill	12,711	15,254	13,027
Other intangible assets	1,879	2,302	2,105
Property, plant and equipment	284	1,766	1,153
	14,874	19,322	16,285
Current assets			
Inventories	955	2,193	1,815
Trade and other receivables	1,623	2,574	3,418
Cash and cash equivalents	1,425	1,245	1,564
	4,003	6,012	6,797
Total assets	18,877	25,334	23,082
Current liabilities			
Trade and other payables	(1,546)	(2,697)	(2,770)
Current tax liabilities	(394)	(412)	(479)
Bank overdraft and loans	(1,000)	(883)	(883)
Deferred income	(168)	(140)	(154)
Contingent consideration	-	(91)	-
Derivative financial instruments	-	(111)	(55)
	(3,108)	(4,334)	(4,341)
Net current assets	895	1,678	2,456

	31 December 2010 Unaudited £'000	31 December 2009 Unaudited £'000	30 June 2010 Audited £'000
Net current assets	895	1,678	2,456
Non-current liabilities			
Bank loans	-	(4,182)	(3,573)
Deferred income	(857)	(797)	(837)
Deferred tax liabilities	(325)	(464)	(250)
	(1,182)	(5,443)	(4,660)
Total liabilities	(4,290)	(9,777)	(9,001)
Net assets	14,587	15,557	14,081
Capital and reserves			
Called up share capital	4,057	3,977	4,010
Share premium account	6,022	5,870	5,931
Retained earnings	4,508	5,710	4,140
Equity attributable to equity holders of the parent	14,587	15,557	14,081

Consolidated Cashflow Statement

	6 months ended	6 months ended	12 months ended
	31 December	31 December	30 June
	2010	2009	2010
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Profit/(Loss) before tax	1,318	804	(558)
Adjustments for:			
Depreciation of property, plant and equipment	134	158	287
Amortisation of intangible assets	79	133	308
Impairment of intangible assets	-	-	115
Impairment of property, plant and equipment	-	-	596
Goodwill impairment charge	-	-	2,227
Finance costs	53	116	175
Finance income	(2)	(1)	(16)
Share-based payment award	15	50	58
Release of deferred income	33	55	108
Profit on disposal of property, plant and equipment	(3)	-	(16)
Loss on sale of business	230	-	-
Operating cash flows before movements in working capital	1,857	1,315	3,284
(Increase)/decrease in inventories	(167)	(161)	217
Decrease/(increase) in receivables	643	15	(829)
(Decrease)/increase in payables	(481)	13	76
Cash generated by operations	1,852	1,182	2,748
Income taxes paid	(410)	(184)	(547)
Interest paid	(108)	(70)	(265)
Net cash flow from operating activities	1,334	928	1,936

	6 months ended	6 months ended	12 months ended
	31 December	31 December	30 June
	2010	2009	2010
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Net cash flow from operating activities	1,334	928	1,936
Investing activities:			
Payments to acquire intangible assets	(18)	(296)	(407)
Payments to acquire property, plant and equipment	(21)	(107)	(205)
Interest received	2	1	16
Receipts from sale of property, plant and equipment	4	-	20
Receipts from sale of businesses	2,487	-	-
Net cash generated by/(used in) investing activities	2,454	(402)	(576)
Financing:			
Receipts from issue of share capital	138	72	166
Equity dividends paid	(609)	(494)	(494)
Repayment of bank loans	(3,456)	(391)	(1,000)
Net cash used in financing activities	(3,927)	(813)	(1,328)
Net (decrease)/increase in cash and cash equivalents	(139)	(287)	32
Cash and cash equivalents at start of period	1,564	1,532	1,532
Cash and cash equivalents at end of period	1,425	1,245	1,564

Key Financial Highlights

	6 months ended 31 December 2010	6 months ended 31 December 2009	% change
Revenue – continuing operations	£5.99m	£5.37m	+ 12%
Operating profit - continuing operations	£1.43m	£1.06m	+ 35%
Underlying operating profit(*) - continuing operations	£1.49m	£1.12m	+ 33%
Profit before tax – continuing operations	£1.38m	£0.94m	+ 47%
Underlying profit before tax(*) - continuing operations	£1.44m	£1.03m	+ 40%
Basic earnings per share	4.8p	2.8p	+ 71%
Fully diluted earnings per share	4.5p	2.6p	+ 73%
Borrowings	£1.00m	£5.07m	- 80%
Cash and cash equivalents	£1.43m	£1.25m	+ 14%
Interim Dividend	1.0p	nil	

- Continued revenue growth driven by new veterinary medicines
- Profit in line with expectations
- Improved cash flow from operating activities
- £2.49m cash realised from sale of livestock businesses
- Borrowings to be fully repaid by 31 March 2011

* 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 2010		% of Total Company 6 months to December 2009	
	Revenue	Gross Margin	Revenue	Gross Margin
Licensed Veterinary Medicines	49%	51%	47%	47%
Companion Animal Identification	29%	32%	30%	36%
Other Products	23%	17%	24%	18%

Licensed Veterinary Medicines

Six months to	December 2010	December 2009	
Revenue (£m)	2.90	2.53	+15%
Gross Margin	1.64	1.34	+22%
% GM	56.5%	52.8%	

- Benazecare, Buprecare and Cephacare in the UK continue to be the main driver of growth
- Anivac has seen a rapid uptake with Enrocare and Phenoleptil slower but on track. Florgane is slow moving in a highly competitive livestock market
- With notable exceptions (Fluid Therapy revenue +10%, gross margin +23%) we continue to see the expected gradual erosion of sales of our older licensed medicines portfolio
- Export sales have been hit by economic pressures in Spain and the bankruptcy and loss of our distributor in Belgium and Luxembourg

Companion Animal Identification

Six months to	December 2010	December 2009	
Revenue (£m)	1.71	1.60	+7%
Gross Margin	1.04	1.04	+0%
% GM	60.9%	64.6%	

- Increases in the sales of microchips to vets masked in part by early lower margin sales of "contract" microchips
- Insurance commission (+24%) is growing at expected rates
- Locate is also as expected (+16%)
- Database redesign significantly progressed with targeted implementation around May 2011

Other Products

Six months to	December 2010	December 2009	
Revenue (£m)	1.37	1.27	+8%
Gross Margin	0.54	0.50	+8%
% GM	39.5%	39.5%	

- Infusion accessories showed a good performance (revenue +13%, gross margin +17%) mirroring the overall strength of the Fluid Therapy offering
- Trauma Management was level whilst Pet Health Care was lower than last year, as expected, with revenue -12% and gross margin -10%

2010/11 Prospects

Second half trading in line with market expectations

- Licensed Veterinary Medicines
 - Existing New Products and planned new product launches will continue to drive sales. However our supply problems with one key product which have already affected this year's sales, show no signs of improvement
 - Fluid Therapy should continue to perform well whilst the anticipated decline in our older outmoded licensed medicines will continue at expected rates
- Companion Animal Identification
 - Balance issues in mix evident in H1 should unwind in H2 and the product group is expected to be on track
- Other Products
 - We expect this product group to continue perform at planned levels

New Product Development Pipeline

New product launches on schedule and development programmes moving to plan

- Narco A and Narco B will be launched in Q3 2011
- We have the option to launch Deadwood and Iris in Q4 but will decide later based on available sales time
- Bouquet is at Day 105 questions break and a series of proving studies are being carried out to respond to questions
- Quattro is at final dossier assembly before regulatory submission
- Stone is at draft dossier preparation for first group of products and pilot production and stability studies for second group products
- Five new projects have been identified as a result of our internal NPD review process. Assembly of elements of these projects is underway