

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 (the "FSMA") if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser.

This document, which comprises: (i) a circular prepared in compliance with Chapter 13 of the Listing Rules; and (ii) a prospectus relating to Dechra Pharmaceuticals PLC, the Acquisition and the Rights Issue, has been prepared in accordance with the Listing Rules and Prospectus Rules of the UK Listing Authority (made under section 73A of FSMA) and has been approved by the Financial Services Authority (the "FSA") in accordance with section 85 of FSMA. A copy of this document has been filed with the FSA in accordance with paragraph 3.2.1 of the Prospectus Rules. This document, together with the documents incorporated by reference (as set out in Part XI of this document) will be made available to the public in accordance with paragraph 3.2.1 of the Prospectus Rules by the same being made available, free of charge, at www.dechra.com, at the Company's registered office and by a written request to the Company's Registrars from their offices, details of which are set out on page 18 of this document.

Subject to the restrictions set out below, if you have sold or otherwise transferred all of your Ordinary Shares please send this document, together with the Form of Proxy and (once received) any Provisional Allotment Letter (duly renounced), at once to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee except that such documents should not be forwarded or sent into any jurisdiction where to do so might constitute a violation of local securities laws or regulations, including but not limited to the US and, subject to certain exceptions, any of the other Excluded Territories. If you have sold or otherwise transferred only part of your holding of Ordinary Shares held in certificated form, you should refer to the instruction regarding split applications in Part III of this document and in the Provisional Allotment Letter. If you have sold or otherwise transferred all or some of your Ordinary Shares held in uncertificated form, a claim transaction will automatically be generated by Euroclear UK which, on settlement, will transfer the appropriate number of Nil Paid Rights to the purchaser or transferee.

DECHRA PHARMACEUTICALS PLC

(incorporated and registered in England and Wales under the Companies Act 1985, with registered number 03369634)

Proposed acquisition of Eurovet

and

3 for 10 Rights Issue of 20,040,653 New Ordinary Shares at 300 pence per New Ordinary Share

and

Notice of General Meeting

Sponsor, Financial Adviser and Underwriter

Investec Bank plc

The distribution of this document and/or the accompanying documents, and/or the transfer of Nil Paid Rights, Fully Paid Rights and/or New Ordinary Shares into jurisdictions outside the United Kingdom may be restricted by law and therefore persons into whose possession this document and/or the accompanying documents come should inform themselves about and observe any of those restrictions. Any failure to comply with any of these restrictions may constitute a violation of the securities laws of any such jurisdiction. In particular, subject to certain exceptions, this document, the Form of Proxy, the Provisional Allotment Letter and any other such documents should not be distributed, forwarded to or transmitted in or into the United States or any of the other Excluded Territories.

The existing Ordinary Shares are admitted to the Official List of the UK Listing Authority and to trading on the London Stock Exchange's main market for listed securities. Applications have been made to the UK Listing Authority and to the London Stock Exchange for the New Ordinary Shares to be admitted to the Official List of the UK Listing Authority and to trading on the main market for listed securities of the London Stock Exchange, respectively. It is expected that Admission will become effective and that dealings on the London Stock Exchange in the New Ordinary Shares (nil paid) will commence at 8:00 a.m. (London time) on 30 April 2012.

Your attention is drawn to the letter from the Chairman which is set out on pages 25 to 35 of this document recommending you to vote in favour of the Resolutions to be proposed at the General Meeting. You should read the whole of this document and any documents incorporated herein by reference. Shareholders and any other persons contemplating a purchase of the Nil Paid Rights, Fully Paid Rights or the New Ordinary Shares should review the risk factors set out on pages 10 to 14 of this document for a discussion of certain factors that should be considered when deciding what action to take in relation to the Rights Issue and deciding whether or not to purchase the Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares.

The Nil Paid Rights, the Fully Paid Rights, the Provisional Allotment Letters and the New Ordinary Shares have not been and will not be registered under the US Securities Act of 1933, as amended, (the "**US Securities Act**") or under any securities laws of any state or other jurisdiction of the US and may not be offered, sold, resold, taken up, exercised, renounced, transferred or delivered, directly or indirectly, within the US except in accordance with the registration requirements of the US Securities Act or an exemption therefrom. There will be no public offer of the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares in the United States. The Nil Paid Rights, the Fully Paid Rights, the New Ordinary Shares and the Provisional Allotment Letters are being offered and sold outside the United States in transactions exempt from the registration requirements of the US Securities Act in reliance on Regulation S under the US Securities Act.

The Nil Paid Rights, the Fully Paid Rights, the Provisional Allotment Letters and the New Ordinary Shares will also not be registered under the securities laws of any other Excluded Territory and may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, within such jurisdictions except pursuant to an applicable exemption from and in compliance with any applicable securities laws. There will be no public offer of the Nil Paid Rights, the Fully Paid Rights, the Provisional Allotment Letters and the New Ordinary Shares in any of the Excluded Territories.

In addition, until 40 days after the commencement of the Rights Issue, an offer, sale or transfer of the Nil Paid Rights, the Fully Paid Rights, the New Ordinary Shares or the Provisional Allotment Letters within the United States by a dealer (whether or not participating in the Rights Issue) may violate the registration requirements of the US Securities Act.

This document, the Form of Proxy and the Provisional Allotment Letter, subject to certain exceptions, should not be distributed, forwarded to or transmitted in or into the US or any of the other Excluded Territories or in or into any other jurisdiction where the extension or availability of the Rights Issue would or may breach any applicable law. Shareholders who believe that they, or persons on whose behalf they hold Ordinary Shares, are eligible for an exemption from such requirements should refer to Part III of this document to determine whether and how they may participate. This document and the Form of Proxy do not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to acquire, Nil Paid Rights, Fully Paid Rights, Provisional Allotment Letters or the New Ordinary Shares offered by any person in any jurisdiction in which such an offer or solicitation is unlawful.

This document is confidential in the United States and Malaysia and is being furnished to holders of Ordinary Shares in the United States and Malaysia for information only in connection with the General Meeting. Each holder of Ordinary Shares in the United States and Malaysia, by accepting this document, agrees that any reproduction or distribution of this document, in whole or in part, and any disclosure of its contents or use of any information herein in the United States or Malaysia for any purpose other than considering the resolutions to be adopted at the General Meeting is prohibited.

The latest time and date for acceptance and payment in full for the New Ordinary Shares by holders of Nil Paid Rights is 11.00 a.m. on 15 May 2012. The procedures for delivery of the Nil Paid Rights, acceptance and payment are set out in Part III of this document and for Qualifying Non-CREST Shareholders (other than, subject to certain exceptions, Restricted Shareholders) only, in the Provisional Allotment Letter. Qualifying CREST Shareholders should refer to paragraph 3 of Part III of this document.

Qualifying Non-CREST Shareholders (other than, subject to certain exceptions, Restricted Shareholders) will be sent a Provisional Allotment Letter on 27 April 2012. Qualifying CREST Shareholders will not be receiving Provisional Allotment Letters. Instead, Qualifying CREST Shareholders (other than, subject to certain exceptions, Restricted Shareholders) will receive a credit to their appropriate stock accounts in CREST in respect of the Nil Paid Rights to which they are entitled on 30 April 2012. The Nil Paid Rights so credited are expected to be enabled for settlement by Euroclear UK as soon as practicable after Admission has become effective. Qualifying CREST Shareholders who are CREST sponsored members should refer to their CREST sponsors regarding the action to be taken in connection with this document and the Rights Issue.

Holdings of existing Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Rights Issue.

Notice of the General Meeting of Dechra to be held on 14 May 2012 at 9.00 a.m. at Dechra's offices, Dechra House, Jamage Industrial Estate, Talke Pits, Stoke-on-Trent ST7 1XW is set out at the end of this document. A Form of Proxy for use at the General Meeting is enclosed and, to be valid, should be completed, signed and returned so as to be received by Dechra's Registrars, Computershare as soon as possible but, in any event, so as to arrive no later than 9.00 a.m. on 10 May 2012 at the address set out therein. Completion and return of a Form of Proxy will not prevent members from attending and voting in person should they wish to do so.

All Overseas Shareholders and any person (including, without limitation, a nominee or trustee) who has a contractual or legal obligation to forward this document or any Provisional Allotment Letter, or other document to a jurisdiction outside the United Kingdom should read the information set out in paragraph 8 of Part III of this document.

Investec is authorised and regulated in the UK by the FSA and is acting exclusively for the Company in connection with the Rights Issue and not for any other person and will not be responsible to any other person for providing the protections afforded to their respective customers, or for providing advice in relation to the Rights Issue, the contents of this document and the accompanying documents or any arrangements referred to therein.

Apart from the responsibilities and liabilities, if any, which may be imposed on Investec by FSMA or the regulatory regime established thereunder, Investec does accept any responsibility whatsoever and make no representation or warranty, express or implied, for the contents of this document including its accuracy, completeness or verification or for any other statement made or purported to be made by any of them, or on behalf of them, in connection with the Company, the New Ordinary Shares or the Rights Issue and nothing in this document is, or shall be relied upon as, a promise or representation in this respect, whether as to the past or future. Accordingly, Investec disclaims all and any liability whatsoever, whether arising in tort, contract or otherwise (save as referred to above), which it might otherwise have in respect of this document.

Investec may, in accordance with applicable legal and regulatory provisions, engage in transactions in relation to the Nil Paid Rights, the Fully Paid Rights, the New Ordinary Shares and/or related instruments for its own account for the purpose of hedging its underwriting exposure or otherwise. Except as required by applicable law or regulation, Investec does not propose to make any public disclosure in relation to any such transactions.

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SUMMARY

The following summary information should be read as an introduction to the more detailed information appearing elsewhere in this document. Any investment decision relating to the New Ordinary Shares should be based on a consideration of this document as a whole including the information incorporated by reference into this document and not solely on this summarised information. Where a claim relating to the information contained in this document and/or the documents incorporated herein by reference is brought before a court, a plaintiff investor may, under the national legislation of a European Economic Area state, have to bear the costs of translating this document before legal proceedings are initiated. Civil liability attaches to the persons responsible for this summary, including any translation of this summary, but only if the summary is misleading, inaccurate or inconsistent when read with other parts of this document.

1. Introduction

On 5 April 2012 Dechra announced that it had entered into a conditional agreement with AUV to acquire the entire issued share capital of Eurovet for €135 million in cash, on a debt-free, cash-free basis. The Acquisition is in line with Dechra's strategy.

The Acquisition will be funded by a fully underwritten £60 million rights issue and a new £120 million debt facility.

2. Information on Dechra

Dechra operates under four segments:

- (a) **Product Development** which develops and licences Dechra's own branded veterinary product portfolio of novel and generic pharmaceuticals and specialist pet diets;
- (b) **European Pharmaceuticals** which comprises DVP EU and *Dales*®;
- (c) **US Pharmaceuticals** comprising DVP US; and
- (d) **Services** comprising *NVS*® and Dechra's laboratories, NWL and CSLS, recently rebranded to Dechra Laboratory Services and Dechra Specialist Laboratories.

3. Information on Eurovet

Eurovet is the pharmaceutical business of A.U.V. Holding B.V., a veterinary services business based in the Netherlands. It is headquartered in Bladel, the Netherlands and operates in both the companion and farm animal markets. It was borne out of the Vetimex Production and Trade Association, including the Farvet Laboratories export department, which was established in 1978 and was taken over by AUV in 1996, the same year the Eurovet brand name was created as a Benelux veterinary pharmaceutical own label. Since then the business has grown both organically and by acquisition.

The Directors have followed the progress of Eurovet with interest for some time and have a good understanding of the business, its strategy and its opportunities.

4. Principal terms of the Rights Issue

Under the terms of the Rights Issue, 20,040,653 New Ordinary Shares are being offered, by way of rights at an Issue Price of 300 pence per New Ordinary Share. The Rights Issue will raise approximately £58.2 million (net of underwriting commissions). The Rights Issue is being made on the following basis:

3 New Ordinary Shares for every 10 Existing Ordinary Shares

held by Qualifying Shareholders on the Rights Issue Record Date and so in proportion to any other number of existing Ordinary Shares then held.

The New Ordinary Shares will, when issued and fully paid, rank *pari passu* in all respects with the existing Ordinary Shares.

The Rights Issue is conditional, amongst other things, upon:

- (a) the Underwriting Agreement having become unconditional in all respects; and
- (b) admission of the New Ordinary Shares, nil paid, becoming effective by not later than 8.00 a.m. on 30 April 2012 (or such later time and/or date as the Company and Investec may agree (being not later than 14 May 2012)).

The Issue Price of 300 pence per New Ordinary Share represents a 29.6 per cent. discount to the theoretical ex-rights price calculated by reference to the Closing Price of 464 pence per existing Ordinary Share on 4 April 2012, being the last business day prior to the announcement of the Rights Issue.

Should the Acquisition fail to complete, the Directors will determine, after having discussed with Shareholders, the appropriate level of monies from the Rights Issue to return to Shareholders and the appropriate manner in which to do so.

5. Background to and reasons for the Acquisition

The Directors believe that the combination of Dechra and Eurovet has clear strategic and value enhancing benefits, as well as accelerating a number of Dechra's core strategic objectives.

The Acquisition would give Dechra a strong direct presence in the German market, where its products are currently marketed via a third party distributor. The combination of the two businesses is also expected to considerably strengthen Dechra's presence in Denmark, the Netherlands and Belgium. Similarly, there is an opportunity to drive sales of Eurovet's companion animal products via Dechra's well established European subsidiary network.

The combined companion animal portfolio is entirely complementary, resulting in an enhanced customer product offering and significant cross-selling opportunities from within the existing combined client base. The Acquisition also enables Dechra to accelerate one of its key strategic objectives by accessing significant opportunities in the large farm animal market, a market in which Dechra has previously declined product opportunities due to its lack of critical mass. Demand for farm animal pharmaceutical products is driven by the strength of farming globally, especially the increased demand for meat from developing countries. The Directors are aware of concern in Europe regarding antibiotic use in the food chain which has been linked to the treatment of antimicrobial resistant infections in humans and animals. This is both a potential risk and benefit to Eurovet's antibiotic product portfolio for farm animals.

Eurovet has a proven track record in delivering value added and affordable products to market, having registered 12 products in the past few years, whilst maintaining a strong differentiated generic product pipeline, with several products at an advanced stage of development. On the manufacturing side, Eurovet has four competencies: (a) sterile liquids; (b) powders; (c) medicated premixes; and (d) liquids. The liquids competency is the only area of duplication between Dechra and Eurovet, but with Dechra's *Dales* site nearing capacity, all Eurovet capacity will be used for future growth. Given the difficulties Dechra has experienced over the last two years in outsourced sterile products, it will be a significant advantage to have an in-house, modern sterile facility.

The Directors believe the combination of Dechra and Eurovet has clear strategic and value enhancing benefits:

- (a) Revenue synergies and margin uplift through marketing of Dechra's products via Eurovet's direct sales force in Germany;
- (b) accelerated growth of Eurovet's companion animal products and associated margin enhancement from marketing the portfolio through Dechra's well established EU subsidiary network;
- (c) realisation of cost savings at the Enlarged Group;
- (d) manufacturing synergies through better utilisation of combined facilities;
- (e) significant accounts and back office synergies; and

- (f) Enlarged Group will benefit from the extensive knowledge and experience of Eurovet's management team.

Annualised synergies of €6 million are expected to be delivered within three years, with a minimum of €2 million expected to be realised in the first full year.

6. The Enlarged Group – Strategy going forward

Following Completion, the Enlarged Group's strategy will be unchanged, namely to continue to develop a high growth, cash generative, specialist veterinary products business to compete in a global market. A combination of Dechra and Eurovet is directly in line with, and significantly accelerates, this strategy.

7. Management of the Enlarged Group

It is expected that the senior management of Eurovet and certain senior members of AUV will be joining the Enlarged Group and Dechra welcomes their experience and expertise. These include Tony Griffin, the current Chief Executive of AUV.

8. Key terms of the Acquisition

The Acquisition Agreement provides that Dechra pays AUV €135 million comprised of a base purchase price of €126.45 million and the repayment of third party and intercompany debt owed by Eurovet of €8.55 million. In addition, Dechra will pay to AUV an amount equal to 6 per cent. per annum of the base purchase price of €126.45 million calculated from 1 January up to and including the earlier of 7 May 2012 or Completion rising to 12 per cent. from the 8 May 2012 up to and including the date of Completion.

Completion is conditional upon:

- (a) no court of competent jurisdiction having rendered a decision which precludes the Seller from selling and/or transferring the Pharma Shares pursuant to the Acquisition Agreement and no legal proceedings which seek the same result having been initiated against the Seller in respect of which no final decision has been taken;
- (b) the passing at a General Meeting of Dechra of the Transaction Resolution; and
- (c) Admission.

If the Conditions set out above are not fulfilled or waived on or before 1 June 2012 (or such later date as AUV and Dechra may agree in writing), the Agreement shall terminate automatically. If the Acquisition Agreement is terminated owing to the conditions set out at paragraphs (b) and (c) above not being fulfilled, Dechra shall pay a lump sum break fee of €1,264,500.

9. Financing of the Acquisition

The Acquisition and associated expenses are being funded through the Rights Issue and the new Facility Agreement. The Rights Issue is raising £58.2 million net of underwriting commissions and the Facility Agreement is for £120 million.

10. Financial impact of the Acquisition and the Rights Issue

The impact of the Rights Issue and the Acquisition would have led to a pro forma movement in net assets from £96.6 million to £150.6 million as at 31 December 2011.

It is expected that the Acquisition will be earnings enhancing in the first full year of ownership and materially earnings enhancing thereafter after synergies but excluding one-off costs.

11. Dividends and dividend policy

The Board of Dechra intend to continue with their progressive dividend policy which will take into account the bonus element of the Rights Issue.

12. Current trading and prospects

Dechra

Since the date of the interim results announced on 21 February 2012, Dechra has continued to trade in line with the Board's expectations.

Eurovet

For the year ended 31 December 2011, Eurovet reported net revenues of €76.8 million (2010: €70.3 million) and an EBITDA before parent company management charges of €12.8 million (2010: €11.6 million). Since the start of the new financial year, Eurovet's trading has been above budget.

There are a number of potential growth drivers which Eurovet is capitalising on. Eurovet has a presence in the farm animal sector, where the strength of farming globally, especially the increased demand for meat from developing countries, is in turn generating demand for farm animal pharmaceutical products.

On the companion animal side of the Eurovet business, Eurovet has a proven track record in delivering value added and affordable products to market, having registered 12 products in the past few years, whilst maintaining a strong differentiated generic product pipeline, with several products at an advanced stage of development, including six already in registration. With the continued development of the Northern European market, the Directors believe there is an important growth opportunity for Eurovet's products.

Enlarged Group

The Directors believe that the combination of Dechra and Eurovet has clear strategic and value enhancing benefits, as well as accelerating a number of Dechra's core strategic objectives. Overall, the Directors believe the prospects for the Enlarged Group are good.

13. General Meeting

A General Meeting is being convened for the purposes of considering and, if thought fit, passing the Transaction Resolution (which is required for Completion of the Transaction to take place).

14. Selected Financial Information on Dechra

The selected financial information set out below has been extracted without material adjustment from Dechra's audited report and accounts for the year ended 30 June 2009, the year ended 30 June 2010 and the year ended 30 June 2011 and from Dechra's unaudited half yearly report for the six months ended 30 December 2011. The financial information was prepared in accordance with IFRS.

	Year ended 30 June (audited)			Six months ended 31 December (unaudited)	
	2009 £ million	2010 £ million	2011 £ million	2010 £ million	2011 £ million
Revenue	350.0	369.4	389.2	192.2	209.5
Gross profit	73.7	80.6	88.4	42.1	46.5
Underlying operating profit ⁽¹⁾	25.0	28.2	31.8	14.5	16.2
Operating profit	17.7	19.9	21.7	10.0	11.0
Profit before tax	16.1	17.7	18.5	9.0	8.9
Profit after tax	11.3	13.2	14.1	6.7	6.7
Net (debt)/Cash	(15.5)	(6.7)	(34.1)	(49.6)	(46.1)
Net assets	80.7	86.2	98.3	91.7	96.6

⁽¹⁾ Underlying operating profit is before amortisation of acquired intangibles, acquisition expenses, rationalisation costs, payments to acquire technology for the research and development programme, impairment charges, loss on extinguishment of debt and the unwinding of discounts on deferred and contingent consideration.

15. Selected financial information on Eurovet

The table below sets out Eurovet's summary financial information for the financial years ended 31 December 2009, 31 December 2010 and 31 December 2011 all of which were prepared in accordance with International Financial Reporting Standards. This information has been extracted without material adjustment from Part VIII of this document and should be read together with Part VIII of this document.

	Year ended 31 December		
	2009 € million	2010 € million	2011 € million
Revenue	63.2	70.3	76.8
Gross profit	32.3	35.1	38.9
EBITDA ⁽¹⁾	11.8	11.6	12.8
Operating profit ⁽¹⁾	9.5	9.1	10.2
Profit before tax ⁽¹⁾	8.8	8.4	9.6
Profit after tax	5.5	5.0	5.6
Net assets	22.8	27.9	30.7

⁽¹⁾ Before parent company management charges

16. Summary of risk factors

Risks relating to Dechra and the Enlarged Group

- A future stepped reduction in footfall in veterinary practices in Europe and North America would have a detrimental effect.
- Additional financing may be required by the Group in the future, and if such financing were not available to fund the Group's capital requirements this could have a material adverse effect on the Company.
- A downturn in consumer spending in the veterinary sector may decrease the demand for veterinarian services which in turn could have a material adverse effect on the Group's business, financial condition and cash flows.
- If competitor products were to be launched against one or more of Dechra's key products this could cause an adverse impact on profitability and cash flow.

- (e) Increased discounting in the Services segment would have an impact on the segment's future profitability.
- (f) Changes in regulation and the failure to meet regulatory requirements are a risk to the Enlarged Group.
- (g) If the Group does not succeed in attracting, developing and retaining skilled personnel, it may not be able to grow its business as anticipated.
- (h) Adverse movements in exchange rates may affect the Group's financial performance.
- (i) To the extent the Enlarged Group is unable to develop new products, this could have a material adverse impact on the future value of the Enlarged Group.
- (j) If a number of the customers or suppliers to the Enlarged Group were to fail or direct their business elsewhere, this would have an impact on the financial performance of the Enlarged Group.
- (k) To the extent the fleet of Dechra's Service segment could not run, or run on a reduced service, this would disrupt the Enlarged Group's business. A prolonged break down in the automated picking circuit at NVS would also have a material impact on the financial performance of the Enlarged Group.
- (l) A prolonged disruption to one or more of the Enlarged Group's manufacturing facilities would materially impact the ability of the Enlarged Group to get its products to markets with the consequential effect on sales.

Risks relating to the Acquisition

- (a) The Enlarged Group's success may in part be dependent upon Dechra's ability to integrate Eurovet.
- (b) Failure to retain certain Eurovet and AUV management personal during the integration period may affect the ability to integrate Eurovet successfully into the Enlarged Group.
- (c) The expected synergy benefits of the Acquisition may not be realised.
- (d) As a result of the Acquisition, the Enlarged Group will have an increased amount of debt and debt service obligations which may have important adverse consequences.
- (e) The Acquisition Agreement contains limited warranties and representations.

Additional risks relating to the Rights Issue and the New Ordinary Shares

- (a) The price of the Ordinary Shares may be volatile and may fluctuate.
- (b) An active trading market in the Nil Paid Rights may not develop.
- (c) Admission of the New Ordinary Shares may not occur when expected.
- (d) The Company may not be able to pay a dividend in the future.
- (e) Shareholders who do not participate in the Rights Issue will be diluted.
- (f) Shareholders from outside the United Kingdom may not be able to participate in the Rights Issue or any future issue of shares.
- (g) The Rights Issue is not dependent on the Acquisition completing.

General risk factors

- (a) Continued weakness or deterioration of the global markets.
- (b) The current economic crises may expose the Group to additional credit and other risks.

RISK FACTORS

The Rights Issue and any investment in the New Ordinary Shares is subject to a number of risks. Accordingly, Shareholders and prospective investors should carefully consider all the information contained in this document and all of the information incorporated by reference into this document, including, in particular, the risks described below, and their personal circumstances prior to making any investment decision. Some of the following factors relate principally to the Group's and the Enlarged Group's business. Other factors relate principally to the Rights Issue, an investment in the New Ordinary Shares and to the Acquisition. The Group's business, financial condition in the longer term or results of operations could be materially and adversely affected by any of the risks described below. In such case, the market price of the Ordinary Shares, Nil Paid Rights and/or the Fully Paid Rights may decline and investors may lose all or part of their investment.

The risks and uncertainties described below should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties. Additional risks and uncertainties that are not presently known to the Directors, or which they deem immaterial, may also have an adverse effect on the Group's operating results, financial condition and prospects.

A. Risks relating to Dechra and the Enlarged Group

Reduction in footfall at veterinary practices

Footfall through veterinary practices in Europe and North America has reduced from their historic levels throughout the current economic downturn. However, the majority of Dechra's key markets are continuing to see inflationary and volumes growth. Any future stepped decline which results in a flattening or reduction of the market would have a detrimental effect on both turnover and profitability.

Inability to obtain capital/additional finance

The Group requires capital to fund its growth. If the cash that the Group generates from its business, together with cash that it may borrow or has borrowed under its credit facilities, is not sufficient in the long term to fund its growth requirements, additional debt and/or equity financing will be required. If such additional financing were not available to fund the Group's growth, revenue and cash flow could decrease, potentially having a material adverse effect on the Company.

The Group's ability to obtain additional financing is contingent upon, amongst other things, the covenants and financial ratios contained within its credit facilities. The Articles of the Company also contain restrictions on borrowing powers. The Company cannot be certain that any additional financing that may be required in the future which would only be after 12 months from the date of this document due to the Rights Issue and new debt facility, will be available on terms which are satisfactory to it. If the Group is unable to obtain such additional finance, the growth of the business could be adversely affected.

This should not be treated in any way as qualifying the statement relating to working capital in Part X of this document.

Increase in competition

The UK veterinary pharmaceutical distribution market is highly competitive. The Group is generally able to compete on the basis of quality, geographical reach, breadth of service, expertise, reliability and the novelty and relative attractiveness of its product range. The Pharmaceutical segments are reliant for most of their profitability and cash flow on a number of key products. If competitor products were to be launched against one or more of these key products this could cause an adverse impact on profitability and results of operations.

Increased discounting in the Services segment

The Services segment (comprising primarily the NVS business) is subject to an increasingly competitive market place resulting in margin pressure. Any subsequent increase in discounting would have an impact on the segment's future profitability.

Internet pharmacies are supplying an increasing number of therapeutic pet diets that were historically sold through veterinarians. Although NVS supplies a number of these internet pharmacies we are underweight in this sector and this also creates adverse margin pressure.

Regulatory

Like the human pharmaceutical industry, the veterinary pharmaceutical industry is highly regulated. Major operational sites are required to be licensed either by the Medicine and Healthcare products Regulatory Agency (“MHRA”) or the Home Office; and products by the Veterinary Medicines Directorate (“VMD”). Inspections by these bodies are carried out regularly. All pharmaceutical products are required to be approved for sale by the relevant regulatory authority in each territory. The main regulatory risks faced by the Group are:

- (a) Failing to operate the businesses in accordance with their licences resulting in disruption to operations;
- (b) Potential reclassification of major pharmaceutical products from prescription only to a lower category causing loss of revenue as competing products enter the market;
- (c) Failure to satisfy the regulatory authorities on new product submissions causing product launches to be delayed or aborted; and
- (d) Changes to the law or adverse reactions causing threat to existing products as a result of removal of the relevant licence or imposition of increased regulatory compliance procedures.

Highly skilled management and personnel

The Group is dependent on members of its senior management team and a flexible, highly skilled and well motivated work force and believes its future success will depend in part on its ability to attract, develop and retain highly skilled management and personnel. If the Group does not succeed in attracting, developing and retaining skilled personnel, it may not be able to grow its business as anticipated. Further, the departure from the Group of any of the Executive Directors or certain senior employees could, in the short term, have a material adverse effect on the Group’s business.

Currency and interest rate fluctuations

Although the Company is an English company which reports in Pounds Sterling, the Group has significant cash flows and net financial assets and liabilities in Danish Krone, US Dollar and Euro. Currency fluctuations can have a significant impact on the Group’s consolidated balance sheet, particularly total shareholders’ funds, when the financial statements of the non-UK subsidiaries are translated into Pounds Sterling.

The Group will also be exposed to interest rate risk on its floating rate debt. Fluctuations in interest rates may affect the interest expense on existing debt and the cost of new financings. The Group periodically utilises interest rate hedges to manage and mitigate its exposure to changes in the interest rates. Despite this, the Company’s financial condition and results of operations would be adversely affected by an increase in interest rates.

New product development

The Enlarged Group’s future growth is dependent on its ability to develop novel drugs, new formulations of drugs or identifying opportunities for generic drugs. Dechra and Eurovet each have a good track record in developing new products. Development of new products is dependent on such products coming through the Enlarged Group’s research and development department to drive future growth. At each stage of the development process there is a risk that the product does not pass internal requirements, particularly with respect to efficacy against the targeted disease/condition. To the extent the Enlarged Group is unable to develop new products, this could have a material adverse impact on the future value of the Enlarged Group.

Failure/loss of major customer or supplier

The Enlarged Group has a number of large customers (e.g. large veterinary corporates) and suppliers (e.g. raw material supplies, pharmaceutical companies which Dechra distributes for through its NVS division). Were a number of these to fail or to direct their business elsewhere, there could be an impact on the financial performance of the Enlarged Group.

Fuel shortage/logistics failure

Dechra's Services segment is highly reliant on the availability of fuel for its fleet of delivery vehicles. To the extent the fleet could not run or had to run on a reduced service, this would disrupt the Enlarged Group's business. A prolonged break down in the automated picking circuit at *MVS* would also have a material impact on the financial performance of the Enlarged Group.

Disruption to manufacturing

The significant proportion of the Enlarged Group's manufacturing is conducted in-house although Dechra's leading product is manufactured in two locations. A prolonged disruption to one or more of the Enlarged Group's manufacturing facilities would materially impact the ability of the Enlarged Group to get its products to markets with the consequential effect on sales.

B. Risks relating to the Acquisition

Integration risk

Whilst Dechra has past experience in integrating acquisitions, the Enlarged Group's success may in part be dependent upon Dechra's ability to integrate Eurovet and any other businesses that it may acquire in the future, without disruption to the existing business.

Eurovet and AUV management

The success of the Enlarged Group will, to an extent, depend upon the successful integration and motivation of certain Eurovet and AUV senior management personnel. It is possible that failure to retain these people during the integration period will affect the ability to integrate Eurovet successfully into the Enlarged Group.

Failure to achieve expected synergy benefits.

The expected synergy benefits arising from the Acquisition may not be achieved and the cost of achieving the synergies may be higher than expected.

Operating and financial restrictions as a result of increased debt facilities

As a result of the Acquisition, the Enlarged Group will have an increased amount of debt and debt service obligations. This debt could have important adverse consequences insofar as it:

- (a) requires the Group to dedicate a significant proportion of its cash flows from operations to fund payments in respect of the debt, thereby reducing the flexibility of the Group to utilise its cash to grow the business;
- (b) increases the Group's vulnerability to adverse general economic industry conditions;
- (c) may limit the Group's flexibility in planning for, or reacting to, changes in its business or the industry in which it operates;
- (d) may limit the Group's ability to raise additional debt or equity in the future; and
- (e) could restrict the Group from making strategic acquisitions or exploiting business opportunities.

Limited warranties and representations in the Acquisition Agreement

The Acquisition Agreement contains warranties and representations on the part of the Seller which, as is usual in such a transaction, are subject to specific negotiated limitations also contained in the Acquisition Agreement. Accordingly the right of Dechra to recover damages or compensation in the event of an undisclosed liability of Eurovet coming to light after Completion is restricted.

C. Additional risks relating to the Rights Issue and the New Ordinary Shares

Volatility in the price of the Ordinary Shares and liquidity in the market for the Ordinary Shares

The price of the Ordinary Shares may decline below the Issue Price. Should that occur after rights are exercised, Qualifying Shareholders who exercised their rights will suffer an immediate unrealised loss as a

result. Moreover Shareholders may not be able to sell their New Ordinary Shares at a price equal to or greater than the Issue Price.

The price of the Ordinary Shares will fluctuate and may not always reflect the underlying asset value or the prospects of the Group. The price of the Ordinary Shares may fall in response to market appraisal of the Group's current strategy or if the Group's operating results and/or prospects from time to time are below the prior expectations of market analysts and investors. In addition, stock markets have, from time to time, experienced significant price and volume fluctuations that have affected the market price of securities and which may be unrelated to the Group's operating performance and prospects. A number of factors outside the control of the Group may impact on its performance and the price of the Ordinary Shares. The factors which may affect the Company's share price include:

- (a) the Group's expected and actual operating performance and the performance of other companies in the markets in which the Group operates;
- (b) speculation about the Group's business, about mergers or acquisitions involving the Group and/or major divestments by the Group in the press, media or investment community;
- (c) speculation regarding the intentions of the Company's major Shareholders or significant sales of Shares by such Shareholders;
- (d) other rights issues in the market; and
- (e) general economic and market conditions.

Although the Company has no current plans for a subsequent offering of Ordinary Shares, it is possible that it may decide to do so in the future. An additional offering or a significant sale of Ordinary Shares by any of the Company's major Shareholders could have an adverse effect on the market price of the outstanding Ordinary Shares.

Trading market in the Nil Paid Rights may not develop

An active trading market in the Nil Paid Rights may not develop on the London Stock Exchange during the trading period. In addition, because the trading price of the Nil Paid Rights depends on the trading price of Ordinary Shares, the Nil Paid Rights price may be volatile and is subject to the same risks as noted in the preceding risk factor. The volatility of the price of Ordinary Shares may also magnify the price volatility of the Nil Paid Rights.

Timetable for listing and admission to trading of the New Ordinary Shares

There is no assurance that the listing and trading on the London Stock Exchange will take place when anticipated. See "Expected Timetable of Principal Events" on page 16 of this document for further information on the expected dates of these events.

Dividends

Under UK company law, a company may pay cash dividends only to the extent that it has distributable reserves and cash available for this purpose. Dechra's ability to pay dividends is affected by the Group's profitability and the extent to which Dechra has distributable reserves out of which dividends may be paid. In the light of these factors, the Company can give no assurance that it will be able to pay a dividend in the future or as to the amount of any such dividend, if paid.

Shareholders who do not acquire New Ordinary Shares in the Rights Issue will experience dilution in their ownership of Dechra

The Rights Issue offer period is expected to begin on 30 April 2012 and expire at 11.00 a.m. (London time) on 15 May 2012. If Qualifying Shareholders do not take up or are not able to take up their entitlements under the Rights Issue, their proportionate ownership and voting interests in Dechra will be reduced and the percentage that their shares will represent of the total share capital of the Company will be reduced accordingly. Even if a Shareholder elects to sell his unexercised Nil Paid Rights or such Nil Paid Rights are sold on his behalf, the consideration he receives may not be sufficient to compensate him fully for the dilution of his percentage ownership of the Company's share capital that may be caused as a result of the Rights Issue.

Any future issues of Dechra Shares will further dilute the holdings of current Dechra Shareholders and could adversely affect the market price of Dechra's Shares

Other than the proposed issue of shares under the Rights Issue, Dechra has no current plans for an offering of Dechra shares. However, it is possible that Dechra may decide to offer additional Dechra shares in the future either to raise capital or for other purposes. If Shareholders did not take up such offer of shares or were not eligible to participate in such offering, their proportionate ownership and voting interests in Dechra would be reduced and the percentage that their Shares would represent of the total share capital of Dechra would be reduced accordingly. An additional offering, or significant sales of Dechra shares by major Shareholders, could have a material adverse effect on the market price of Dechra shares as a whole.

Overseas Shareholders may not be able to receive New Ordinary Shares in the Rights Issue

Securities laws of certain jurisdictions may restrict Dechra's ability to allow participation by Shareholders in the Rights Issue. In particular, holders of Ordinary Shares with registered addresses, or resident or located, in the US may not be able to exercise their pre-emption rights unless a registration statement under the US Securities Act is effective with respect to such rights or an exemption from the registration requirements is available thereunder. The Rights Issue will not be registered under the US Securities Act. Securities laws of certain other jurisdictions may restrict Dechra's ability to allow participation by Qualifying Shareholders in such jurisdictions in the Rights Issue.

Rights Issue not conditional on Completion of the Acquisition

It is possible that following Admission and the Rights Issue becoming wholly unconditional, the Acquisition could cease to be capable of completion. In this case, as the Rights Issue is not conditional upon the Acquisition being approved or Completion of the Acquisition, the Rights Issue would still be completed and funds would be raised by Dechra. In the event that the Rights Issue proceeds but Completion does not take place, the Board will determine after having discussed with Shareholders, the appropriate level of monies to return to Shareholders and the appropriate manner in which to do so. Any return of capital may have adverse tax implications for Shareholders.

D. General risk factors

Macro-economic risks

The global financial system has experienced severe difficulties over the past thirty six months. This has led to unprecedented levels of illiquidity in the global financial system. In response to the market instability and illiquidity, a number of governments, including those of the UK, other EU member states and the US, have intervened in order to inject capital into and generate additional liquidity in financial markets to promote stability and in some cases to prevent the failure of financial institutions. Despite such measures, the volatility and disruption of the capital and credit markets has continued and recessionary conditions are present in the UK and Europe, the predominant markets in which Dechra operates.

The precise nature of all the risks and uncertainties Dechra faces as a result of the current global financial and economic turmoil cannot be predicted, as many of these risks are outside of Dechra's control. Dechra may experience reductions in trading activity, a lower share price, asset impairments and lower profitability. A global recession or deeper recessionary conditions which affect Dechra's businesses could have a material adverse effect on the Group's business, results of operations and overall financial condition.

Economic and market cycles and volatility

The Group's business may be affected by the general risks associated with all companies operating in the same markets as the Group. The overall veterinary market in most territories has continued to show growth even during the current economic difficulties. However, continued recessionary conditions could cause a significant market slowdown. An investment could be affected adversely by changes in economic, political, administrative, taxation or other regulatory factors, in any jurisdiction in which the Group may operate now or in the future.

RIGHTS ISSUE STATISTICS

Issue Price per New Ordinary Share	300 pence
Basis of Rights Issue	3 New Ordinary Shares for every 10 existing Ordinary Shares
Number of Existing Ordinary Shares in issue at the date of this document	66,802,179
Number of New Ordinary Shares to be issued in the Rights Issue	20,040,653
Number of Ordinary Shares in issue immediately following the Rights Issue	86,842,832
New Ordinary Shares as a percentage of the enlarged issued share capital of the Company immediately following completion of the Rights Issue	23.1%
Estimated proceeds of the Rights Issue to be retained by the Company (net of underwriting commissions)	£58.2 million
Estimated expenses of the Rights Issue (excluding VAT)	£1.8 million

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Each of the times and dates in the table below is indicative only and may be subject to change.

Announcement of the Acquisition and Rights Issue	5 April 2012
Record Date for the Rights Issue	close of business on 23 April 2012
Publication of the Combined Prospectus and Circular	25 April 2012
Dispatch of Provisional Allotment Letters (to Qualifying Non-CREST Shareholders only ⁽¹⁾), the Notice of General Meeting and Form of Proxy	27 April 2012
Dealings in New Ordinary Shares, nil paid, commence on the London Stock Exchange	8.00 a.m. on 30 April 2012
Existing Ordinary Shares marked “ex” by the London Stock Exchange (expected to be)	8.00 a.m. on 30 April 2012
Nil Paid Rights credited to stock accounts in CREST (Qualifying CREST Shareholders only ⁽¹⁾)	30 April 2012
Nil Paid Rights enabled in CREST	30 April 2012
Latest time and date for Cashless Take Up or disposal of rights using the Computershare Dealing Facility	3.00 p.m. 4 May 2012
Recommended latest time for requesting withdrawal of Nil Paid Rights and Fully Paid Rights from CREST (i.e. if your Nil Paid Rights and Fully Paid Rights are in CREST and you wish to convert them to certificated form)	4.30 p.m. on 9 May 2012
Latest time and date for receipt of Forms of Proxy for the General Meeting	9.00 a.m. on 10 May 2012
Latest time for depositing renounced Provisional Allotment Letters, nil or fully paid, into CREST or for dematerialising Nil Paid Rights or Fully Paid Rights into a CREST stock account (i.e. if your Nil Paid Rights and Fully Paid Rights are represented by a Provisional Allotment Letter and you wish to convert them to uncertificated form)	3.00 p.m. on 10 May 2012
Latest time and date for splitting Provisional Allotment Letters, nil or fully paid	3.00 p.m. on 11 May 2012
General Meeting (“GM”)	9.00 a.m. on 14 May 2012
Latest time and date for acceptance, payment in full and registration of renunciation of Provisional Allotment Letters	11.00 a.m. on 15 May 2012
Results of Rights Issue to be announced	15 May 2012
Dealings in New Ordinary Shares, fully paid, commence on the London Stock Exchange	8.00 a.m. on 16 May 2012
New Ordinary Shares credited to CREST stock accounts	16 May 2012
Expected date of dispatch of definitive share certificates for the New Ordinary Shares in certificated form	by 21 May 2012
Expected date of completion of the Acquisition	23 May 2012

Notes:

- (1) The ability to participate in the Rights Issue is subject to certain restrictions relating to Qualifying Shareholders with registered addresses or located or resident in countries outside the UK (particularly the Restricted Shareholders) details of which are set out in Part III of this document.
- (2) The times and dates set out in the expected timetable of principal events above and mentioned throughout this document may be adjusted by Dechra (in consultation with the Underwriter), in which event details of the new times and dates will be notified to the UK Listing Authority, the London Stock Exchange and, where appropriate, Qualifying Shareholders.
- (3) Different deadlines and procedures for applications may apply in certain cases. For example, if you hold your existing Ordinary Shares through a CREST member or other nominee, that person may set an earlier date for application and payment than the dates noted above.
- (4) References to times in this document are to London times unless otherwise stated.

Where to find help:

Part II of this document answers some of the questions most often asked by shareholders about rights issues. If you have further questions, please telephone the Shareholder Helpline on 0870 889 4030 from within the United Kingdom or on +44 870 889 4030 if calling from outside the United Kingdom. The Shareholder Helpline is available from 8.30 a.m. to 5.00 p.m. (London time) Monday to Friday (except bank and other public holidays).

Calls to the Shareholder Helpline 0870 number are charged at 8.5 pence per minute (including VAT) plus any of your service provider's network extras. Calls to the Shareholder Helpline 0870 number from outside the UK are charged at applicable international rates. Different charges may apply to calls made from mobile telephones and calls may be recorded and monitored randomly for security and training purposes.

PLEASE NOTE THAT, FOR LEGAL REASONS, THE SHAREHOLDER HELPLINE IS ONLY ABLE TO PROVIDE INFORMATION CONTAINED IN THIS DOCUMENT AND INFORMATION RELATING TO DECHRA PHARMACEUTICAL PLC'S REGISTER OF MEMBERS AND IS UNABLE TO GIVE ADVICE ON THE MERITS OF THE RIGHTS ISSUE, OR PROVIDE LEGAL, FINANCIAL, TAX OR INVESTMENT ADVICE.

DIRECTORS, GROUP SECRETARY, REGISTERED OFFICE AND ADVISERS

Directors

Michael Redmond

Ian Page

Simon Evans

Ed Torr

Neil Warner

Bryan Morton

Dr Chris Richards

Principal functions

Non-Executive Chairman

Chief Executive

Group Finance Director

Managing Director of Dechra Veterinary

Products Europe

Senior Independent Non-Executive

Director

Non-Executive Director

Non-Executive Director

Company Secretary

Zoe Goulding

Registered office

Dechra Pharmaceuticals PLC

Dechra House

Jamage Industrial Estate

Talke Pits

Stoke-on-Trent

ST7 1XW

Note: The business address of each of the Directors is the Company's registered address at Dechra House, Jamage Industrial Estate, Talke Pits, Stoke-on-Trent ST7 1XW.

Sponsor, Financial Adviser and Broker to the Company

Investec Bank plc

2 Gresham Street

London

EC2V 7QP

Underwriter

Investec Bank plc

2 Gresham Street

London

EC2V 7QP

Auditors and Reporting Accountants to the Company

KPMG Audit Plc

One Snowhill

Snow Hill Queensway

Birmingham

B4 6GH

Legal advisers to the Company

DLA Piper UK LLP

Victoria Square House

Victoria Square

Birmingham

B2 4DL

Legal Adviser to the Underwriter

Travers Smith LLP

10 Snow Hill

London

EC1A 2AL

Registrars

Computershare Investor Services PLC

The Pavilions

Bridgwater Road

Bristol

BS99 6ZZ

Receiving Agent

Computershare Investor Services PLC

Corporate Actions Projects

Bristol

BS99 6AH

IMPORTANT INFORMATION

Presentation of financial information

The Company publishes its financial statements in pounds sterling (“£” or “Sterling”). The abbreviation “£m” represents millions of pounds sterling, and references to “pence” and “p” represent pence in the UK. References to “Euros”, “EUR” or “€” are to the single currency of the participating member states of the European Union and references to “dollars”, “USD” or “US\$” are to the lawful currency of the United States of America.

The financial information presented in a number of tables in this document has been rounded to the nearest whole number or the nearest decimal place. Therefore, the sum of the numbers in a table may not conform exactly to the total figure given for that table. In addition, certain percentages presented in the tables in this document reflect calculations based upon the underlying information prior to rounding, and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

International Financial Reporting Standards

As required by the Companies Act and Article 4 of the European Union IAS Regulation, the consolidated financial statements of the Group are prepared in accordance with IFRS issued by the IASB and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB as adopted by the European Union.

No incorporation of website information

Dechra’s website is www.dechra.com and this document is available on that website. The information on that website, any website mentioned in this document or any website directly or indirectly linked to these websites has not been verified and does not form part of this document and investors should not rely on it.

Forward-looking statements

Certain statements made in this document constitute forward-looking statements. Forward-looking statements can be identified by the use of words such as “may”, “will”, “should”, “predict”, “assurance”, “aim”, “hope”, “risk”, “expect”, “intend”, “estimate”, “anticipate”, “believe”, “plan”, “seek”, “continue” or other similar expressions that are predictive or indicative of future events. All statements other than statements of historical facts included in this document, including, without limitation, those regarding the Group’s expectations, intentions and beliefs concerning, amongst other things, the Group’s results of operations, financial position, growth strategy, prospects, dividend policy and the industries in which the Group operates, are forward-looking statements. By their nature, such forward-looking statements involve known and unknown risks, uncertainties and other factors, many of which are outside the control of the Group and its Directors, which may cause the actual results, performance, achievements, cash flows, dividends of the Group or industry results to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. As such, forward-looking statements are no guarantee of future performance.

Such forward-looking statements are based on numerous assumptions regarding the Group’s present and future business strategies and the environment in which the Group will operate in the future. Among the important factors that could cause the Group’s actual results, performance or achievements to differ materially from those in the forward-looking statements include, among others, economic conditions in the relevant markets of the world, market position of the Company or its subsidiaries, earnings, financial position, cash flows, return on capital and operating margins, political uncertainty, the actions of competitors, activities by governmental authorities such as changes in taxation or regulation, changing business or other market conditions and general economic conditions and such other risk factors identified in the “Risk Factors” section of this document. Forward-looking statements should, therefore, be construed in light of such risk factors and undue reliance should not be placed on forward-looking statements. These forward-looking statements speak only as of the date of this document and are not intended to give assurance as to future results. The Group will update this document as required by applicable law, including the City Code, Listing Rules, Prospectus Rules and/or the Disclosure and

Transparency Rules of the Financial Services Authority, but otherwise expressly disclaims any such obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in Dechra's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

You are advised to read this document and, in particular, the Summary, the Risk Factors, Part IV "Information on the Company and the Enlarged Group" and Part V "Operating and Financial Review and Financial Information on Dechra" for a further discussion of the factors that could affect the Group's future performance and the industries and markets in which it operates. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements in this document may or may not occur. Investors should note that the contents of these paragraphs relating to forward looking statements are not intended to qualify the statements made as to sufficiency of working capital in this document.

Enforcement of civil liabilities

The ability of an Overseas Shareholder to bring an action against the Company may be limited under law. The Company is a public limited company incorporated under the laws of England and Wales. The rights of holders of the Shares are governed by English law and by the Company's Articles. These rights differ from the rights of shareholders in typical US corporations and some other non-UK corporations. In particular, even though the Companies Act has prescribed a range of circumstances under which shareholders of companies may bring derivative actions, English law significantly limits such circumstances. Under English law generally, only a company can be the proper pursuer or claimant in proceedings in respect of wrongful acts committed against it. In addition, it may be difficult for an Overseas Shareholder to prevail in a claim against the Company under, or to enforce liabilities predicated upon, non-UK securities laws.

An Overseas Shareholder may not be able to enforce a judgment against some or all of the Company's Directors and senior managers. The Directors and (other than two senior managers who are residents of the United States) senior managers of the Company are residents of the UK. Consequently, it may not be possible for an Overseas Shareholder to affect service of process upon the Directors and senior managers within the Overseas Shareholder's country of residence or to enforce against the Directors and senior managers judgments of courts of the Overseas Shareholder's country of residence based on civil liabilities under that country's securities laws. There can be no assurance that an Overseas Shareholder will be able to enforce any judgments in civil and commercial matters or any judgments under the securities laws of countries other than the UK against the Directors or senior managers who are residents of the UK or countries other than those in which judgment is made. In addition, English or other courts may not impose civil liability on the Directors or senior managers in any original action based solely on foreign securities laws brought against the Company or the Directors or senior managers in a court of competent jurisdiction in England or other countries.

Notice to investors in the United States of America

Securities may not be offered or sold in the United States unless they are registered under the US Securities Act or are exempt from such registration. The New Ordinary Shares, the Nil Paid Rights, the Fully Paid Rights and the Provisional Allotment Letters have not been and will not be registered under the US Securities Act or under any securities laws of any state or other jurisdiction of the United States and, accordingly, may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, in or into the United States at any time without registration or pursuant to an applicable exemption from the registration requirements of the US Securities Act and in compliance with state securities laws. The New Ordinary Shares, the Nil Paid Rights, the Fully Paid Rights and the Provisional Allotment Letters are being offered and sold outside the United States in reliance on Regulation S.

The Nil Paid Rights, the Fully Paid Rights, the Provisional Allotment Letters and the New Ordinary Shares have not been approved or disapproved by the US Securities and Exchange Commission, any state securities commission in the US or any US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States. This document is being sent to holders with registered or mailing addresses in the United States or Malaysia for information only in connection with the General Meeting and, in that context, no part of this document nor the Provisional Allotment Letter constitutes, or will constitute,

or forms part of any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for the New Ordinary Shares, Nil Paid Rights or Fully Paid Rights to any Shareholder with a registered address in, or who is resident or located in, the United States.

Any person who acquires New Ordinary Shares, Nil Paid Rights or Fully Paid Rights will be deemed to have declared, warranted and agreed, by accepting delivery of this document or the Provisional Allotment Letter if and when received or delivery of the New Ordinary Shares, the Nil Paid Rights or the Fully Paid Rights, as set forth in paragraph 8.5 of Part III of this document.

In addition, until 40 days after the commencement of the Rights Issue, an offer, sale or transfer of the New Ordinary Shares, the Nil Paid Rights, the Fully Paid Rights and the Provisional Allotment Letters within the United States by a dealer (whether or not participating in the Rights Issue) may violate the registration requirements of the US Securities Act.

Any investor subscribing for New Ordinary Shares not taken up in the Rights Issue, by accepting delivery of this document, is deemed to acknowledge, represent and agree with the Company and Investec to the representations and agreements set forth above, including that they are acquiring the New Ordinary Shares in an offshore transaction outside the United States in a transaction which is in compliance with Regulation S.

Notice to investors in an European Economic Area

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive (each, a "relevant member state") (except for the UK), with effect from and including the date on which the Prospectus Directive was implemented in that relevant member state (the "relevant implementation date") no Nil Paid Rights, Fully Paid Rights or New Ordinary Shares have been offered or will be offered pursuant to the Rights Issue to the public in that relevant member state prior to the publication of a prospectus in relation to the Nil Paid Rights, Fully Paid Rights or the New Ordinary Shares which has been approved by the competent authority in the relevant member state or, where appropriate, approved in another relevant member state and notified to the competent authority in the relevant member state all in accordance with the Prospectus Directive, except that with effect from and including the relevant implementation date, offers of Nil Paid Rights, Fully Paid Rights and the New Ordinary Shares may be made to the public in that relevant member state at any time:

- (a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (b) to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than Euros 43 million; and (iii) an annual turnover of more than Euros 50 million, as shown in its last annual or consolidated accounts; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of Nil Paid Rights, Fully Paid Rights or the New Ordinary Shares shall result in a requirement for the publication by the Company or any underwriter of a prospectus pursuant to Article 3 of the Prospectus Directive.

For this purpose, the expression "an offer of any Nil Paid Rights, Fully Paid Rights or New Ordinary Shares to the public" in relation to any Nil Paid Rights, Fully Paid Rights or New Ordinary Shares in any relevant member state means the communication in any form and by any means of sufficient information on the terms of the Rights Issue and any Nil Paid Rights, Fully Paid Rights or New Ordinary Shares to be offered so as to enable an investor to decide to acquire any Nil Paid Rights, Fully Paid Rights or New Ordinary Shares as the same may be varied in that relevant member state by any measure implementing the Prospectus Directive in that relevant member state.

In the case of any Nil Paid Rights, Fully Paid Rights or New Ordinary Shares being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, such financial intermediary will also be deemed to have represented, acknowledged and agreed that the Nil Paid Rights, Fully Paid Rights or New Ordinary Shares acquired by it in the Rights Issue have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any Nil Paid Rights, Fully Paid Rights or New Ordinary Shares to the public other than their offer or resale in a relevant member state to qualified investors as so

defined or in circumstances in which the prior consent of the Company and each of Investec has been obtained to each such proposed offer or resale.

Notice to investors in Ireland

This Prospectus has not been prepared in the context of an offering of transferable securities in the Republic of Ireland for the purposes of the Prospectus (Directive 2003/71/EC) Regulations 2005. The Prospectus is being made available to fewer than 100 natural or legal persons resident in the Republic of Ireland (other than qualified investors as defined in the Prospectus Directive) on the condition that it shall not be passed on to any person nor reproduced (in whole or in part) and that applicants act for their own account and undertake not to retransfer directly or indirectly the shares other than in compliance with the applicable laws and regulations. Dechra has not authorised nor does it authorise, the making of any offer of New Ordinary Shares in circumstances in which an obligation arises for Dechra to publish or supplement a prospectus in the Republic of Ireland for such offer. Dechra has not authorised nor does it authorise, the making of any offer of New Ordinary Shares in circumstances in which an obligation arises for Dechra to publish or supplement a prospectus in Ireland for such offer.

Notice to investors in Germany

This document is not, and is not intended to be, a securities prospectus within the meaning of the German Securities Prospectus Act and has neither been and will not be filed with or approved by the Federal Financial Services Supervisory Authority (*BaFin*). The information contained in this document does not, and is not intended to, constitute a public offering of securities in Germany within the meaning of Section 2 no. 4 of the German Securities Prospectus Act. Accordingly, this document or any other documents relating to the Rights Issue are not being, and will not be, distributed, and the New Ordinary Shares are not being, and will not be, directly or indirectly, offered, issued or sold to the public in Germany except under circumstances which (i) do not constitute a public offering of securities under applicable laws and regulations in Germany or (ii) are in full compliance with section 3 paragraph 2 of the German Securities Prospectus Act or other applicable rules and regulations related to the promotion of financial products and services in Germany. This document is provided to potential investors at their sole request for information purposes only and does not constitute investment advice and should not be taken as such.

Notice to investors in the Netherlands

This document is addressed to less than 100 individuals or legal entities in the Netherlands in reliance on the exemption set out in section 5:3 subsection 1 (b) of the Dutch Act on financial supervision (*Wet op het financieel toezicht*) and may not be distributed to any other individual or legal entity in the Netherlands.

**Attention! This investment falls outside AFM supervision.
No prospectus required for this activity.**



Notice to investors in Belgium

This document is sent on a confidential basis for use by a limited number solely in consideration of the purchase of the securities described herein in a private placement (as defined in Belgium law). The acceptance of this documentation within the territory of Belgium constitutes an agreement on the part of the recipient hereof and the recipient's representatives to maintain the confidentiality of the information contained herein and not to sell or transfer the securities described therein in any way to investors, other than qualified investors, in Belgium. This documentation may not be reproduced, redistributed or passed on to any other person in Belgium or published in whole or in part for any purpose. No person receiving a copy of this documentation, other than the addressee, may treat it as constituting an invitation or a solicitation to them to subscribe for or purchase securities. The use of this documentation for any purpose other than an investment in the securities described herein is prohibited. Since the offering in Belgium of the securities described herein is only intended for and restricted to a limited number of investors, other than qualified investors, which number shall not exceed 99 offerees, it does not have a public character in the sense of the Belgian Law of 16 June 2006 on the public offer of investment instruments and the admission to trading of investment instruments on a regulated market, and has not been approved or disapproved by or notified to the Belgium Financial Services and Markets Authority nor has the latter or any Belgian or foreign state regulatory authority passed upon or endorsed the merits of the offering or the accuracy or adequacy of the information contained herein.

Notice to investors in France

The Rights Issue does not constitute a public offering of financial instruments in France (*“offre au public d’instruments financiers”*), as defined in article L.411-1 of the French Code Monétaire et Financier. Only members of a restricted circle of investors acting for their own account, as defined in Articles L.411-2 and D.411-4 of the French Code Monétaire et Financier are eligible to participate in the Rights Issue.

As required by article 211-4 of the General Regulations of the Autorité des Marchés Financiers, such members of a restricted circle of investors are informed that: (i) this document has not been submitted and will not be submitted to the clearance procedures of the Autorité des Marchés Financiers in France ; (ii) they must participate in the Rights Issue on their own account, in the conditions set out in article L.411-2 of the French Code Monétaire et Financier.

Notice to investors in Spain

This document has not been prepared in the context of an offer of securities to the public within the meaning of section 30 Law 24/1988, of the Securities Market (as amended by Royal Decree Law 5/2005 (“RDL 5/2005”)) (the “LMV”) and Royal Decree 1310/2005, on admission to listing and public offer of securities (the “Royal Decree”). RDL 5/2005 and has not been approved by the Spanish securities regulatory commission (*Comisión Nacional del Mercado de Valores* or “CNMV”) . This document is being made available to less than 100 investors resident in Spain and is therefore exempt from the Royal Decree and on the condition that it shall not be passed on to any person nor reproduced (in whole or in part) and that applicants act for their own account and undertake not to retransfer directly or indirectly the shares other than in compliance with the applicable laws and regulations.

Notice to investors in Switzerland

The New Ordinary Shares may not be publicly offered, sold or advertised, directly or indirectly, in or from Switzerland. Neither this document nor any other offering or marketing material relating to the New Ordinary Shares constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Federal Code of Obligations, or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange Ltd., and neither this document nor any other offering or marketing material relating to the New Ordinary Shares may be publicly distributed or otherwise made publicly available in Switzerland. The New Ordinary Shares will not be listed or admitted to trading on the SIX Swiss Exchange Ltd. or any other regulated market in Switzerland.

Notice to investors in Australia

This document is not a prospectus for the purposes of the Corporations Act (Cth) and has not been lodged with the Australian Securities and Investments Commission. The information in this document does not take into account your investment objectives, financial situation or particular needs. If you have any questions about the matters contained in this document you should consult your financial, taxation or other adviser.

Notice to investors in New Zealand

This document may be sent to the Company’s New Zealand resident shareholders without a New Zealand registered prospectus or an investment statement, in accordance with the New Zealand Securities Act (Overseas Companies) Exemption Notice 2002. Accordingly, this document may not contain all of the information which a New Zealand investor may require to make a decision as to whether to subscribe for New Ordinary Shares in the Rights Issue and does not contain all the information which would otherwise be required by New Zealand law to be disclosed in a registered prospectus and an investment statement.

Notice to all overseas investors

All Overseas Shareholders and any person (including, without limitation, a nominee or trustee) who has a contractual or legal obligation to forward this document or any Provisional Allotment Letter, if and when received, or other document to a jurisdiction outside the UK, should read paragraph 8 of Part III of this document.

Notice to all investors

Any reproduction or distribution of this document, in whole or in part, and any disclosure of its contents or use of any information contained in this document for any purpose other than considering an investment in the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares is prohibited. By accepting delivery of this document, each offeree of the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares agrees to the foregoing.

The distribution of this document and/or the Provisional Allotment Letters and/or the transfer of the Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares into jurisdictions other than the UK may be restricted by law. Persons into whose possession these documents come should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. In particular, such documents should not be distributed, forwarded to or transmitted in or into the United States or any of the other Excluded Territories or into any other jurisdiction where the extension or availability of the Rights Issue would breach any applicable law. For further information on the manner of distribution of the New Ordinary Shares, and transfer restrictions to which they are subject, see paragraph 8 of Part III of this document.

The Nil Paid Rights, the Fully Paid Rights, the Provisional Allotment Letters and the New Ordinary Shares are not transferable, except in accordance with, and the distribution of this document is subject to, the restrictions set out in paragraph 8 of Part III of this document. No action has been taken by Dechra that would permit an offer of the New Ordinary Shares or possession or distribution of this document or any other offering or publicity material in any jurisdiction where action for that purpose is required, other than in the UK.

No person has been authorised to give any information or make any representations other than those contained in this document and, if given or made, such information or representations must not be relied upon as having been authorised by Dechra. Neither the delivery of this document nor any subscription or sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of Dechra since the date of this document or that the information in this document is correct as at any time subsequent to its date.

In making an investment decision, each investor must rely on their own examination, analysis and enquiry of the Company and the terms of the Rights Issue, including the merits and risks involved.

General notice

Nothing contained in this document is intended to constitute investment, legal, tax, accounting or other professional advice. This document is for your information only and nothing in this document is intended to endorse or recommend a particular course of action. You should consult with an appropriate professional for specific advice rendered on the basis of your situation.

Defined terms

Certain terms used in this document, including all capitalised terms and other terms, are defined and explained in Part XII of this document.

PART I

LETTER FROM THE CHAIRMAN OF

DECHRA PHARMACEUTICALS PLC

(Incorporated in England and Wales with registered number 03369634)

Directors:

Michael Redmond (*Non-Executive Chairman*)
Ian Page (*Chief Executive*)
Simon Evans (*Group Finance Director*)
Ed Torr (*Managing Director of Dechra Veterinary Products Europe*)
Neil Warner (*Senior Independent Non-Executive Director*)
Dr Chris Richards (*Non-Executive Director*)
Bryan Morton (*Non-Executive Director*)

Registered Office:

Dechra House
Jamage Industrial Estate
Talke Pits
Stoke-on-Trent
ST7 1XW

25 April 2012

To all Qualifying Shareholders

Dear Shareholder

Proposed acquisition of Eurovet, 3 for 10 Rights Issue at 300 pence per New Ordinary Share and Notice of General Meeting

1. Introduction

On 5 April 2012 Dechra announced that it had entered into a conditional agreement with AUV to acquire the entire issued share capital of Eurovet for €135 million in cash, on a debt-free, cash-free basis. Eurovet is a Continental European veterinary pharmaceuticals business based in the Netherlands, which operates in both the companion animal pharmaceuticals and farm animal pharmaceuticals markets. For the year ended 31 December 2011, Eurovet's sales were €76.8 million (approximately £64.0 million) and EBITDA before parent company management charges was €12.8 million (approximately £10.7 million)¹.

Eurovet has highly complementary products, geographies, manufacturing competencies and is similar in structure to Dechra Veterinary Products. It has sales and marketing operations in the Netherlands, Germany, Belgium, Denmark and the UK, and supplies partners in over 40 countries in the EU and worldwide. The Acquisition enables Dechra to accelerate its strategic objectives and is expected to be earnings enhancing in the first full year of ownership and materially earnings enhancing thereafter after synergies but excluding one-off costs of integration. The Acquisition will be funded with the proceeds of a fully underwritten Rights Issue to raise approximately £60 million (approximately £58.2 million net of underwriting commissions) and debt pursuant to the terms of a new debt facility.

In view of its size, the Acquisition is conditional, *inter alia*, on the approval of Shareholders as required by the Listing Rules. A General Meeting has been convened for this purpose and will be held at the offices of Dechra House, Jamage Industrial Estate, Talke Pits, Stoke-on-Trent ST7 1XW. at 9.00 a.m. on 14 May 2012. The notice of this meeting is set out at the end of this document.

Under the Rights Issue, Dechra will raise gross proceeds of approximately £60 million (approximately £58.2 million net of underwriting commissions) by way of the issue of 20,040,653 New Ordinary Shares at a price of 300 pence per share. The Rights Issue will be made on the basis of 3 New Ordinary Shares for every 10 Existing Ordinary Shares held on the Rights Issue Record Date.

The Issue Price of 300 pence per share represents a discount of 29.6 per cent. to the theoretical ex-rights price of 426.15 and a discount of 35.3 per cent. to the Closing Price of 464 pence per share on 4 April 2012, being the last business day before the announcement of the Rights Issue. Investec has agreed, pursuant to the Underwriting Agreement, to procure subscribers, failing which to subscribe itself for any

¹ Based on an exchange rate of €1:£0.83325.

New Ordinary Shares not taken up under the Rights Issue by Qualifying Shareholders. The Rights Issue is being made to all Qualifying Shareholders on the Register of Members of the Company at the close of business on 23 April 2012 (other than, subject to certain exceptions, Qualifying Shareholders with registered addresses in the Excluded Territories). Further details of the Rights Issue are set out in Part III of this document.

The Rights Issue is not conditional on the successful completion of the Acquisition. In the event that the Acquisition does not complete, the Directors will determine, after having discussed with Shareholders, the appropriate level of monies from the Rights Issue to return to Shareholders and the appropriate manner in which to do so. The purpose of this document is to: (a) provide you with information relating to the Acquisition and the Rights Issue; (b) to explain the reasons for the Acquisition and the Rights Issue and why the Directors of Dechra consider the Acquisition and Rights Issue in the best interests of Shareholders as a whole; and (c) to recommend you vote in favour of the Resolutions set out in the Notice of General Meeting at the end of this document, as the Directors intend to do in respect of their aggregate shareholdings in Dechra, amounting to 3.2 per cent. of Dechra's current issued share capital.

2. Summary Information on Eurovet

Eurovet is the pharmaceutical business of A.U.V. Holding B.V., a veterinary services business based in the Netherlands. It is headquartered in Bladel, the Netherlands and operates in both the companion and farm animal markets. It was borne out of the Vetimex Production and Trade Association, including the Farvet Laboratories export department, which was established in 1978 and was taken over by AUV in 1996, the same year as the Eurovet brand name was created as a Benelux veterinary pharmaceutical own label. In 2001, the Eurovet, *Vetimex*® and Farvet brands were amalgamated to form Eurovet Animal Health B.V. In 2005 Eurovet bought Albrecht GmbH, which at the time sold own label companion animal products to over 9,000 veterinarians in Germany. Eurovet farm animal products were added to the German portfolio, creating a comprehensive pharmaceutical offering for both target markets in Germany. In 2010, Eurovet acquired Danish pharmaceutical company ScanimalHealth ApS, which gave it direct access to the Scandinavian market. In the same year, it set up a greenfield operation based in Cambridge, UK.

The Directors have followed the progress of Eurovet with interest for some time and have a good understanding of the business, its strategy and its opportunities. As such, the Directors believe that the combination of Dechra and Eurovet has clear strategic and value enhancing benefits, as well as accelerating a number of Dechra's core strategic objectives. Eurovet has highly complementary products, geographies, manufacturing competencies and is similar in structure to Dechra Veterinary Products. It has sales and marketing operations in the Netherlands, Germany, Belgium, Denmark and the United Kingdom.

For the year ended 31 December 2011, Eurovet reported revenues of €76.8 million, EBITDA before parent company management charges of €12.8 million, and profit before tax of €8.2 million. Gross assets at 31 December 2011 were €55.3 million.

Further information on Eurovet can be found in Part VII of this document.

3. Principal terms of the Rights Issue

Under the terms of the Rights Issue, 20,040,653 New Ordinary Shares are being offered, by way of rights, to Qualifying Shareholders (other than, subject to certain exemptions, Restricted Shareholders) at an Issue Price of 300 pence per New Ordinary Share, payable in full on acceptance by not later than 11.00 a.m. on 15 May 2012. The Rights Issue will raise approximately £58.2 million (net of underwriting commissions). The Rights Issue is being made on the following basis:

3 New Ordinary Shares for every 10 Existing Ordinary Shares

held by Qualifying Shareholders on the Rights Issue Record Date and so in proportion to any other number of existing Ordinary Shares then held, and otherwise on the terms and conditions as set out in this document and, in the case of Qualifying non-CREST Shareholders (other than, subject to certain exemptions, Restricted Shareholders only), will also be in the Provisional Allotment Letter.

The New Ordinary Shares will, when issued and fully paid, rank *pari passu* in all respects with the existing Ordinary Shares, including the right to all future dividends or other distributions made, paid or declared after their date of issue. Details of the rights attaching to existing Ordinary Shares appear in the Articles, a description of which appears in paragraph 5 of Part X of this document.

New Ordinary Shares representing fractional entitlements will not be allotted to Qualifying Shareholders and, where necessary, entitlements to New Ordinary Shares will be rounded down to the nearest whole number. Such fractional entitlements will be aggregated and, if possible, sold in the market. The net proceeds of such sales (after deduction of expenses) will be aggregated and will ultimately accrue for the benefit of the Company, save that Qualifying Shareholders will receive any proceeds in respect of a fractional entitlement in the event that such proceeds have a value of £5.00 or more. Holdings of existing Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Rights Issue.

The Rights Issue is conditional, amongst other things, upon:

- (a) the Underwriting Agreement having become unconditional in all respects and not having been terminated in accordance with its terms; and
- (b) admission of the New Ordinary Shares, nil paid, becoming effective by not later than 8.00 a.m. on 30 April 2012 (or such later time and/or date as the Company and Investec may agree (being not later than 11 May 2012)).

Application has been made to the UK Listing Authority for the New Ordinary Shares to be admitted to the premium segment of the Official List and to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on its main market for listed securities. It is expected that Admission will become effective and that dealings in the New Ordinary Shares, nil paid, will commence on the London Stock Exchange at 8.00 a.m. on 30 April 2012.

The latest time and date for acceptance and payment in full of the New Ordinary Shares will be 11.00 a.m. on 15 May 2012.

The Issue Price of 300 pence per New Ordinary Share represents:

- (a) a 29.6 per cent. discount to the theoretical ex-rights price (calculated by reference to the Closing Price of 464 pence per existing Ordinary Share on 4 April 2012, being the last business day prior to the announcement of the Rights Issue); and
- (b) a 35.3 per cent. discount to the Closing Price of 464 pence per Ordinary Share on 4 April 2012, being the last business day prior to the announcement of the Rights Issue.

Should the Acquisition fail to complete, the Directors will determine, after having discussed with Shareholders, the appropriate level of monies from the Rights Issue to return to Shareholders and the appropriate manner in which to do so.

4. Background to and reasons for the Acquisition

Strategic Rationale

The Directors have followed the progress of Eurovet with interest for some time and have a good understanding of the business, its strategy and its opportunities. As such, the Directors believe that the combination of Dechra and Eurovet has clear strategic and value enhancing benefits, as well as accelerating a number of Dechra's core strategic objectives, and have entered into agreement with AUV to conditionally acquire the entire issued share capital of Eurovet, following a formal disposal process. In choosing Dechra as the preferred bidder, the AUV and Eurovet management teams expressed a desire to select the right strategic partner, with a shared vision for product innovation, customer focus and growth, to help take Eurovet to its next stage of development.

Eurovet has direct sales and marketing operations in the Netherlands, Germany, Belgium, Denmark and the UK. Outside these territories, Eurovet uses an international distributor network to market its products. The Acquisition would give Dechra a strong direct presence in the German market, where its products are currently marketed via a third party distributor, with associated revenue and margin benefits. The

combination of the two businesses is also expected to considerably strengthen Dechra's presence in Denmark, the Netherlands and Belgium, where an enlarged sales team should provide greater sales and marketing support across the whole combined product portfolio. Similarly, there is an opportunity to drive sales of Eurovet's companion animal products via Dechra's well established European subsidiary network.

The combined companion animal portfolio is entirely complementary, with no overlap in product, resulting in an enhanced customer product offering and significant cross-selling opportunities from within the existing combined client base. The Acquisition also enables Dechra to accelerate one of its key strategic objectives by accessing significant opportunities in the large farm animal market, a market in which Dechra has previously declined product opportunities due to its lack of critical mass. Demand for farm animal pharmaceutical products is driven by the strength of farming globally, especially the increased demand for meat from developing countries. In the year ended 31 December 2011, farm animal products made up 62 per cent. of Eurovet's sales. The Directors are aware of concern in Europe regarding antibiotics in the food chain, which has been linked to the ability to treat MRSA and other similar resistant infections in humans and animals¹. The Directors believe that continuing initiatives to stem the development of resistant infections by overuse of preventative antibiotics and the promotion of effective, targeted veterinary pharmaceuticals as cost effective cures, while a potential risk, will also benefit Eurovet's antibiotic product suite for farm animals.

Eurovet has a proven track record in delivering value added and affordable products to market, having registered 12 products in the past few years, whilst maintaining a strong differentiated generic product pipeline, with several products at an advanced stage of development, including six already in registration. Eurovet's product pipeline will drive the growth and enhance the focus of the pharmaceutical division within the Enlarged Group. On the manufacturing side, Eurovet has four competencies: (a) sterile liquids; (b) powders; (c) medicated premixes; and (d) liquids. The liquids competency is the only duplicated activity between Eurovet and Dechra, but with the *Dales* site nearing capacity, all Eurovet capacity will be used for future growth. The Enlarged Group will enjoy operational efficiencies and margin uplift from better utilisation of the combined facilities, including bringing the currently outsourced production of two of Eurovet's products in-house at *Dales*. Given the number of problems Dechra has experienced over the last two years in outsourced sterile products, it will be a significant advantage to have an in-house, modern sterile facility.

Synergies

The Directors believe the combination of Dechra and Eurovet has clear strategic and value enhancing benefits:

- (a) Revenue synergies and margin uplift through marketing of Dechra's products via Eurovet's direct sales force in Germany rather than Dechra's current third party distributor;
- (b) accelerated growth of Eurovet's companion animal products and associated margin enhancement from marketing the portfolio through Dechra's well established EU subsidiary network;
- (c) realisation of cost savings at the Enlarged Group in the UK, Denmark and the Netherlands through rationalisation of some personnel and facilities;
- (d) manufacturing synergies through better utilisation of combined facilities, with extra capacity within Eurovet's estate;
- (e) significant accounts and back office synergies that can be implemented across the Enlarged Group once the proposed new Oracle IT system goes live in Q2, 2013; and
- (f) Enlarged Group will benefit from the extensive knowledge and experience of Eurovet's management team.

Annualised synergies of €6 million are expected to be delivered within three years, with a minimum of €2 million expected to be realised in the first full year.

¹ "Action plan against the rising threats from Antimicrobial Resistance," Communication from the Commission to the European Parliament and the Council, November 2011.

5. Current Trading and Prospects

Dechra

On 21 February 2012 Dechra released its unaudited interim results for the six months ended 31 December 2011, in which it said:

“In the first six months of the financial year Dechra has delivered strong growth in its key strategic Pharmaceuticals segments. The main factors driving the performance in this period are the solid organic growth from our pharmaceutical products, the contribution from the two acquisitions made in the previous financial year and the benefit from the in-house marketing of *Vetoryl*®.

Good revenue growth was seen in our Services segment, however as previously reported gross margin remained under pressure and was reduced in the period due to product mix and increased discounting in a highly competitive market.”

Overall the Group has performed to management’s expectations during the period.”

Since the date of the interim results, Dechra has continued to trade in line with the Board’s expectations.

Eurovet

For the year ended 31 December 2011, Eurovet reported revenues of €76.8 million (2010: €70.3 million) and an EBITDA before parent company management charges of €12.8 million (2010: €11.6 million). Since the start of the new financial year, Eurovet’s trading has been above budget.

There are a number of potential growth drivers which Eurovet is capitalising on. Eurovet has a presence in the farm animal sector, where the strength of farming globally, especially the increased demand for meat from developing countries, is in turn generating demand for farm animal pharmaceutical products. In addition, the Directors are aware of concern in Europe regarding antibiotic use in the food chain, which has been linked to the ability to treat MRSA and other similar resistant infections in humans and animals¹. The Directors believe that continuing initiatives to stem the development of resistant infections by overuse of preventative antibiotics and the promotion of effective, targeted veterinary pharmaceuticals as cost effective cures, while a potential risk, will also benefit Eurovet’s antibiotic product portfolio for farm animals.

On the companion animal side of the Eurovet business, Eurovet has a proven track record in delivering value added and affordable products to market, having registered 12 products in the past few years, whilst maintaining a strong differentiated generic product pipeline, with several products at an advanced stage of development, including six already in registration. With the continued development of the Northern European market, the Directors believe there is an important growth opportunity for Eurovet’s products.

Enlarged Group

The Directors believe that the combination of Dechra and Eurovet has clear strategic and value enhancing benefits, as well as accelerating a number of Dechra’s core strategic objectives. Overall, the Directors believe the prospects for the Enlarged Group are good.

6. The Enlarged Group – Strategy going forward

Following Completion, the Enlarged Group’s strategy will be unchanged, namely to continue to develop a high growth, cash generative, specialist veterinary products business to compete in a global market.

A combination of Dechra and Eurovet is directly in line with, and significantly accelerates, this strategy.

7. Management of the Enlarged Group

It is expected that the senior management of Eurovet and certain senior members of AUV will be joining the Enlarged Group and Dechra welcomes their experience and expertise. Further details on these individuals can be found in Part VII of this document.

¹ “Action plan against the rising threats from Antimicrobial Resistance,” Communication from the Commission to the European Parliament and the Council, November 2011.

8. Key terms of the Acquisition

The Acquisition Agreement provides that:

- (a) The aggregate consideration payable in cash on Completion is €126,450,000 ("**Base Purchase Price**") plus an amount ("**Additional Amount**") equal to:
 - (i) 6 per cent. per annum, calculated over an amount equal to the Base Purchase Price over the period from and including 1 January 2012 up to and including the earlier of 7 May 2012 or the date of Completion on the basis of a 365 day year;
 - (ii) 12 per cent. per annum, calculated over an amount equal to the Base Purchase Price over the period from and including 8 May 2012 up to and including the date of Completion on the basis of a 365 day year.

The Base Purchase Price and the Additional Amount shall together be the "**Purchase Price**".

- (b) The Seller shall pay to Dechra a sum equal to any Leakage Amount notified to the Seller within 18 months of Completion (Leakage being more particularly defined in the Acquisition Agreement, and generally being certain specified payments from Eurovet or a member of the Eurovet Group to the Seller).
- (c) On Completion Dechra shall procure that the relevant Pharma Companies are put in funds so that all third party and intercompany debt owed by the Pharma Companies is satisfied in full on Completion. As at 31 December 2011 the aggregate amount of such third party and intercompany debt was €8.55m.
- (d) Completion is conditional upon:
 - (i) no court of competent jurisdiction having rendered a decision which precludes AUV from selling and/or transferring the Pharma Shares pursuant to the Acquisition Agreement and no legal proceedings which seek the same result having been initiated against AUV in respect of which no final decision has been taken;
 - (ii) the passing at a General Meeting of Dechra of the Transaction Resolution; and
 - (iii) Admission,(together the "**Conditions**", and those at (ii) and (iii) above together the "**Purchaser Conditions**")
- (e) If the Conditions are not fulfilled or waived on or before 1 June 2012 (or such later date as the Seller and Dechra may agree in writing), the Acquisition Agreement shall terminate automatically.
- (f) If the Acquisition Agreement is terminated owing to the Purchaser Conditions not being fulfilled, Dechra shall pay a lump sum break fee of an amount equal to one per cent. of the Base Purchase Price (being €1,264,500), payable within 5 Business Days after the date the termination notice is given, by wire transfer to an account designated in writing by the Seller.
- (g) The Seller provides customary warranties in favour of Dechra, with a liability cap of €10m.

9. Financing of the Acquisition

The Acquisition is being funded through the Rights Issue and the new Facility Agreement.

The Facilities Agreement was entered into on 4 April 2012 between the Company and a syndicate of banks comprising Barclays Bank plc, Svenska, Handelsbanken AB (PUBL), HSBC Bank plc and Lloyds TSB Bank plc ("**Lenders**") under which a facility of £120 million was made available to, amongst other things, finance the Acquisition. The Facility Agreement includes a £55 million 4.5 year amortising term loan and a £65 million 4.5 year revolving credit facility and contains customary representations, warranties and covenants in favour of the Lenders. Interest payable under the Facility Agreement is LIBOR plus between 200 to 325bps depending upon the net leverage of the Group from time to time. The covenants include a maximum net debt to EBITDA multiple of 2.75x, reducing to a maximum 2.5x net debt to EBITDA for testing periods expiring after 30 June 2013; minimum debt service of 1.25x and minimum EBIT interest cover of 4.0x.

The Enlarged Group's leverage immediately post the Acquisition is expected to be approximately 2.3x pro forma net debt to EBITDA¹.

Further details of the principal terms and conditions of the Facility Agreement are set out in Part X of this document

10. Financial impact of the Acquisition and the Rights Issue

An unaudited pro forma statement of net assets illustrating the effect of the Acquisition and the Rights Issue on the Group's net assets as at 31 December 2011, as if they had been undertaken at this date, is set out in Part IX of this document. This information is unaudited and has been prepared for illustrative purposes only. It shows the impact of the Rights Issue and the Acquisition would have led to a pro forma movement in net assets from GBP96.6 million to GBP150.6 million as at 31 December 2011.

It is expected that the Acquisition will be earnings enhancing in the first full year of ownership and materially earnings enhancing thereafter after synergies but excluding one-off costs of integration.

The impact of the Rights Issue (excluding the Acquisition), had it taken place at the beginning of the 2011 financial year, would have been positive to Dechra's earnings.

11. Dividends and dividend policy

The Board of Dechra intend to continue with their progressive dividend policy which will take into account the bonus element of the Rights Issue.

12. The New Ordinary Shares

Applications have been made to the UK Listing Authority and to the London Stock Exchange for the New Ordinary Shares to be admitted, nil paid, to the Official List and to trading on the London Stock Exchange. It is expected that Admission will become effective, and dealings for normal settlement in the New Ordinary Shares will commence, nil paid, on the London Stock Exchange's main market for listed securities at 8.00 a.m. on 30 April 2012.

The New Ordinary Shares (which will rank *pari passu* in all respects with existing Ordinary Shares) will be capable of being held in certificated or uncertificated form.

Any New Ordinary Shares to be issued in certificated form will be represented by definitive share certificates, which are expected to be dispatched by 21 May 2012 to the persons entitled thereto to that person's registered address.

The attention of Shareholders with Ordinary Shares in uncertificated form or who wish to receive their New Ordinary Shares in uncertificated form is drawn to paragraphs 3 and 4 of Part III of this document.

Further information on the Rights Issue, including its terms and conditions and the procedure for acceptance and payment, is set out in Part III of this document.

13. General Meeting

The Acquisition is subject to the passing of the Transaction Resolution at the General Meeting. The remaining Resolutions will provide the Directors with the authority to issue further shares until the next annual general meeting of the Company. There are no current plans to issue further shares. A notice convening the General Meeting to be held at Dechra House, Jamage Industrial Estate, Talke Pits, Stoke-on-Trent ST7 1XW, at 9.00 a.m. on 14 May 2012, is set out at the end of this document.

The General Meeting is being convened for the purposes of considering and, if thought fit, passing the Resolutions (including the Transaction Resolution which is required for completion of the Acquisition).

¹ Pro forma EBITDA based on Eurovet's EBITDA (before parent company management charges and converted at €1: £0.83325) for the year ended 31 December 2011 and Dechra's underlying EBITDA for the 12 months to 31 December 2011. Pro forma net debt is the total of Dechra's net debt as at 31 December 2011 of £46.1 million and the £57.6 million of debt used to acquire Eurovet.

Set out below is a summary of the resolutions to be proposed at the General Meeting:

(a) the first resolution to be proposed at the General Meeting, which is an ordinary resolution, will grant the Directors authority to allot Relevant Securities

a(i) comprising equity securities (as defined in section 560(1) of the 2006 Act) up to an aggregate nominal amount of £578,952 (such amount to be reduced by the aggregate nominal amount of Relevant Securities allotted pursuant to paragraph a(ii) of this first resolution) in connection with a rights issue (as defined in the Listing Rules published by the Financial Services Authority):

a(i)(i) to holders of ordinary shares in the capital of the Company in proportion (as nearly as practicable) to the respective numbers of ordinary shares held by them; and

a(i)(ii) to holders of other equity securities in the capital of the Company, as required by the rights of those securities or, subject to such rights, as the Directors otherwise consider necessary, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates or any legal or practical problems under the laws of any territory or the requirements of any regulatory body or stock exchange; and

a(ii) otherwise than pursuant to paragraph a(i) of this first resolution, up to an aggregate nominal amount of £289,476 (such amount to be reduced by the aggregate nominal amount of Relevant Securities allotted pursuant to paragraph a(i) of this first resolution in excess of £289,476),

provided that (unless previously revoked, varied or renewed) these authorities shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this first resolution, save that the Company may make an offer or agreement before the authority expires which would or might require Relevant Securities to be allotted after the authority expires and the Directors may allot Relevant Securities pursuant to any such offer or agreement as if the authority had not expired.

In this first resolution, "Relevant Securities" means shares in the Company or rights to subscribe for or to convert any security into shares in the Company; a reference to the allotment of Relevant Securities includes the grant of such a right; and a reference to the nominal amount of a Relevant Security which is a right to subscribe for or to convert any security into shares in the Company is to the nominal amount of the shares which may be allotted pursuant to that right.

The authorities proposed in this first resolution are in substitution for and shall replace all existing authorities (which, to the extent unused at the date of this resolution, are revoked with immediate effect).

(b) if the first resolution is passed, the second resolution, which is a special resolution, will empower the Directors to allot, pursuant to section 571 of the 2006 Act, equity securities of the Company for cash following the Rights Issue either (i) up to £43,421 (being five per cent. of the Company's anticipated issued share capital immediately following the Rights Issue); or (ii) in connection with a rights issue, open offer or other pre-emptive offer, as if the statutory pre-emption rights in section 561(1) of the 2006 Act did not apply to such allotment. This authority will expire on the date of the Company's next annual general meeting, save that the Company may allot relevant securities after this authority ends if the allotment is made pursuant to an agreement or offer which is made before this authority ends; and

(c) the third resolution to be proposed at the General Meeting, which is an ordinary resolution, will approve the acquisition by Dechra of the entire issued share capital of Eurovet on the terms and subject to the conditions of the agreements relating to the Acquisition, subject to such amendment, variation or waiver (provided such amendments, variations or waivers are not of a material nature) of the terms and conditions thereof as the Directors (or a committee consisting of one or more Directors which is duly constituted under the Company's Articles of Association ("**Committee**")), shall, in their absolute discretion, think fit and subject to the foregoing, that the Directors (or the Committee as applicable) be authorised to take all necessary steps and to execute all documents and deeds as they may consider to be necessary, desirable or expedient to conclude, implement and give effect to the Acquisition or in connection therewith.

Completion of the Transaction is condition on the passing of the Transaction Resolution without material amendment.

14. Action to be taken

In respect of the General Meeting

A Form of Proxy for use at the General Meeting is enclosed with this document. Whether or not you intend to be present at the General Meeting, you are requested to complete and return the Form of Proxy, in accordance with the instructions printed thereon, as soon as possible and in any event so that it may be received by Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, not later than 9.00 a.m. on 10 May 2012. Completion and return of the Form of Proxy will not preclude Shareholders from attending and voting in person at the General Meeting should they wish to do so.

As an alternative to completing the hard copy proxy form, a Shareholder may appoint a proxy or proxies electronically by lodging a Form of Proxy at www.eproxyappointment.com. For an electronic proxy appointment to be valid, the appointment must be received by Computershare Investor Services PLC no later than 9.00 am on 10 May 2012 (or, if the Meeting is adjourned, no later than 48 hours before the time of any adjourned meeting). Any electronic communication sent by a Shareholder to the Company or Computershare which is found to contain a virus will not be accepted by the Company.

In respect of the Rights Issue

If you are a Qualifying non-CREST Shareholder other than, subject to certain exceptions, Shareholders with a registered address, or resident, in the US, the Excluded Territories or any jurisdiction where the posting of the Provisional Allotment Letter may constitute a violation of local securities laws or regulations, you will receive a Provisional Allotment Letter giving you details of your Nil Paid Rights.

If you are a Qualifying CREST Shareholder, other than, subject to certain exceptions Shareholders with a registered address or resident in the US or the Excluded Territories you will receive a credit to your appropriate stock accounts in CREST in respect of the Nil Paid Rights as soon as practicable after 8.00 a.m. on 30 April 2012. Qualifying CREST Shareholders will not be sent a Provisional Allotment Letter.

If you have sold or otherwise transferred all of your Ordinary Shares held (other than ex-rights) in certificated form before 30 April 2012, please forward this document and any Provisional Allotment Letter (once received), at once to the purchaser or transferee or the bank, stockbroker or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee, except that, subject to certain exceptions, such documents should not be sent to any jurisdiction where to do so might constitute a violation of local securities laws or regulations, including, but not limited to, the US and the Excluded Territories.

If you have sold or otherwise transferred all or some of your Ordinary Shares (other than ex-rights) held in uncertificated form before the ex-rights date, a claim transaction will automatically be generated by Euroclear which, on settlement, will transfer the appropriate number of Nil Paid Rights to the purchaser or transferee.

If you have sold or otherwise transferred only part of your holding of existing Shares (other than ex-rights) before the ex-rights date, you should refer to the instruction regarding split applications in Part III of this document and in the Provisional Allotment Letter.

The latest time and date for acceptance and payment in full in respect of the Rights Issue is 11.00 a.m. on 15 May 2012, unless otherwise announced by the Company. The procedure for acceptance and payment is set out in Part III of this document and, in respect of Qualifying non-CREST Shareholders only, will also be in the Provisional Allotment Letter.

The latest time and date for requesting a Cashless Take Up or a disposal of all Nil Paid Rights through the Computershare Dealing Facility will be 3.00 p.m. on 4 May 2012.

For Qualifying non-CREST Shareholders, the New Ordinary Shares will be issued in certificated form and will be represented by definitive share certificates, which are expected to be dispatched to the registered address of the person(s) entitled to them by no later than 21 May 2012.

For Qualifying CREST Shareholders, the Registrars will instruct CREST to credit the stock accounts of the Qualifying CREST Shareholders with their entitlements to New Ordinary Shares. It is expected that this will take place by 8.00 a.m. on 16 May 2012. Qualifying CREST Shareholders who are CREST sponsored members should refer to their CREST sponsor regarding the action to be taken in connection with this document and the Rights Issue.

If you are in any doubt as to the action you should take, you should immediately seek your own financial advice from your stockbroker, bank manager, solicitor, accountant, fund manager or other appropriate independent financial adviser authorised under FSMA if you are resident in the UK or, if not, from another appropriately authorised independent financial adviser.

You will find some helpful questions and answers in Part II of this document. Further details of the Rights Issue, including the procedure for acceptance and payment and the procedure in respect of rights not taken up, are set out in Part III of this document.

15. Overseas Shareholders

The attention of Overseas Shareholders who have registered addresses outside the UK, or who are citizens of or resident or located in countries other than the UK or who are holding Ordinary Shares for the benefit of such persons (including, without limitation, nominees, custodians and trustees) or have a contractual or legal obligation to forward this document, the Form of Proxy or the Provisional Allotment Letter (once received) to such persons, is drawn to the information which appears in paragraph 8 of Part III of this document.

In particular, Qualifying Shareholders who have registered addresses outside the UK, or who are citizens of or resident or located in countries other than the UK (including, without limitation, the US or any of the Excluded Territories) should consult their professional advisers as to whether they require any governmental or other consent or need to observe any other formalities to enable them to take up their entitlements to the Rights Issue.

16. Taxation

Information regarding taxation in the UK in connection with the Rights Issue is set out in Part X of this document.

If you are in any doubt as to your tax position, or you are subject to tax in any other jurisdiction, you should consult your financial adviser as soon as possible.

17. Share Option Schemes

The Board will consider appropriate adjustments to options and awards as a result of the Rights Issue in accordance with the rules of the Dechra Share Option Schemes. Any adjustments will not be made until after the Rights Issue and will be subject to the approval of HMRC where required. Where options and/or awards are subject to performance conditions, adjustments may, if appropriate, be made to these conditions.

Participants in these schemes will be contacted separately with further information on how their options and/or awards will be affected by the Rights Issue.

18. Further Information

Your attention is drawn to the further information set out in the section entitled "Important Information" and Part X of this document. In addition, your attention is drawn to the section entitled "Risk Factors". You are advised to read the whole of this document and the documents incorporated by reference and not to rely solely on the information contained in this letter.

19. Directors' intentions

Neil Warner, Dr Chris Richards, Bryan Morton and Michael Redmond intend to take up their rights in full. Ian Page, Simon Evans and Ed Torr intend to take up 90,777, 93,796, 48,365 rights respectively¹.

20. Importance of the vote

The Transaction Resolution must be passed by Shareholders at the General Meeting in order for the Completion of the Transaction to take place.

21. Recommendation

The Board considers that the Rights Issue, the Acquisition and the Resolutions are in the best interests of the Company and its Shareholders as a whole. The Board has received financial advice from Investec. In providing advice to the Board, Investec has placed reliance on the commercial assessment of the Board. Accordingly, the Board unanimously recommends that Shareholders vote in favour of the Resolutions to be proposed at the General Meeting, as they intend to do in respect of their own respective beneficial holdings of, in aggregate, 2,162,000 existing Ordinary Shares, representing approximately 3.2 per cent. of the Company's existing issued share capital.

Yours sincerely

Michael Redmond
Chairman

¹ Each Director is acquiring a certain number of their rights from new investment with the balance acquired by selling sufficient nil-paid rights to fund their purchase. This calculation has assumed the price of a nil-paid right of £1.2615, being the difference between the Issue Price of £3.00 and the theoretical ex-rights price of £4.2615.

PART II

SOME QUESTIONS AND ANSWERS ON THE RIGHTS ISSUE

The questions and answers set out in this Part II are intended to be in general terms only and, as such, you should read Part III of this document for full details of what action you should take. In the event of any inconsistency between Parts II and III, Part III shall prevail. If you are in any doubt as to what action you should take, you are recommended to seek immediately your own financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser, duly authorised under the FSMA if you are resident in the UK or, if not, from another appropriately authorised independent financial adviser. If you are an Overseas Shareholder, you should read paragraph 8 of Part III of this document and you should take professional advice as to whether you are eligible and/or you need to observe any formalities to enable you to take up your rights.

The Ordinary Shares can be held in certificated form (that is, represented by a share certificate) or in uncertificated form (that is, through CREST). Accordingly, the questions and answers in this Part II are split into four sections:

- Section 1 ("**General**") answers general questions relating to the Rights Issue.
- Section 2 ("**Ordinary Shares in certificated form**") answers questions you may have in respect of the procedures for Qualifying Shareholders who hold their Ordinary Shares in certificated form. You should note that Sections 1 and 4 may still apply to you.
- Section 3 ("**Ordinary Shares in CREST**") answers questions you may have in respect of the equivalent procedures for Qualifying Shareholders who hold their Ordinary Shares in CREST. If you are a CREST sponsored member, you should also consult your CREST sponsor. You should note that Sections 1 and 4 may still apply to you.
- Section 4 ("**Further procedures for Ordinary Shares whether in certificated form or in CREST**") answers some detailed questions about your rights and the actions you may need to take and is applicable to Ordinary Shares whether held in certificated form or in CREST.

If you are a Qualifying CREST Shareholder who is a CREST sponsored member, you should also consult your CREST sponsor. If you do not know whether your Ordinary Shares are in certificated or uncertificated form, please call Computershare on 0870 889 4030 or, if telephoning from outside the UK, on +44 870 889 4030. Calls to the Computershare 0870 number are charged at up to 8.5 pence per minute (including VAT) plus any of your service provider's network extras. Calls to the Computershare 0870 number from outside the UK are charged at applicable international rates. Different charges may apply to calls made from mobile telephones and calls may be recorded and monitored randomly for security and training purposes. Computershare cannot provide advice on the merits of the Rights Issue nor give any financial, legal or tax advice.

Timetable dates in this Part II have been included on the basis of the expected timetable set out on page 16 of this document.

1. General

What is a rights issue?

Rights issues are one way for companies to raise money. Companies do this by issuing shares for cash and giving their existing Shareholders a right of first refusal to buy further shares in proportion to their existing shareholdings.

This Rights Issue is an offer by Dechra of 20,040,653 New Ordinary Shares at a price of 300 pence per New Ordinary Share to Qualifying Shareholders (other than, subject to certain exceptions, Restricted Shareholders). If you hold Ordinary Shares on the Register of Members of the Company at the close of business on 23 April 2012 (the Rights Issue Record Date) and are not a Restricted Shareholder, you will be a Qualifying Shareholder. Restricted Shareholders are those Qualifying Shareholders who (subject to certain exceptions) have a registered address in, or are resident in or located in, the United States or any

other Excluded Territories. If you hold your Ordinary Shares in certificated form, your entitlement will be set out in your Provisional Allotment Letter.

New Ordinary Shares are typically offered in a rights issue at a discount to the current share price. While the market value of the existing Ordinary Shares exceeds the Issue Price, the right to buy the New Ordinary Shares is potentially valuable. In this Rights Issue, the New Ordinary Shares are being offered to Qualifying Shareholders (other than, subject to certain exceptions, Restricted Shareholders) in the Rights Issue at a discount to the share price on the last business day before the details of the Rights Issue were announced on 5 April 2012. The Issue Price of 300 pence per New Ordinary Share represents a 29.6 per cent. discount to the theoretical ex-rights price based on the closing middle-market price of 464 pence per Ordinary Share and a 35.3 per cent. discount to the closing middle-market price of 464 pence per Ordinary Share as derived from the London Stock Exchange's Daily Official List, in each case on 4 April 2012, the last business day prior to the announcement of the Rights Issue.

The Rights Issue is on the basis of 3 New Ordinary Shares for every 10 Existing Ordinary Shares held by Qualifying Shareholders at the Rights Issue Record Date.

If you do not want to buy the New Ordinary Shares to which you are entitled, you can instead sell or transfer your rights (called "Nil Paid Rights") to those New Ordinary Shares and receive the net proceeds, if any, of the sale or transfer in cash. This is referred to as dealing "nil paid".

The currency of the Rights Issue is Sterling.

2. Ordinary Shares in certificated form

2.1 How do I know if I am eligible to participate in the Rights Issue?

If you receive a Provisional Allotment Letter and are not a holder with a registered address in, or located or resident in any of the Excluded Territories, then you should be eligible to participate in the Rights Issue (as long as you have not sold all of your Ordinary Shares before 8:00 a.m. on 30 April 2012 (the time when the Ordinary Shares are expected to be marked "ex-rights" by the London Stock Exchange)).

Overseas Shareholders and any person having a registered address in, or who is resident in or located in, any of the Excluded Territories should refer to paragraph 8 of Part III of this document.

2.2 What do I need to do in relation to the Rights Issue?

If you hold your Ordinary Shares in certificated form and do not have a registered address in, or are located in or resident in, any of the Excluded Territories, you will be sent a Provisional Allotment Letter on 27 April 2012 that shows:

- (a) how many Ordinary Shares you held at the close of business on the Rights Issue Record Date;
- (b) how many New Ordinary Shares you are entitled to buy pursuant to the Rights Issue; and
- (c) how much you need to pay if you want to take up your right to buy all the New Ordinary Shares provisionally allotted to you.

Subject to certain exceptions (as described in paragraph 8 of Part III of this document), if you have a registered address in, or are located in or resident in any of the any of the Excluded Territories, you will not receive a Provisional Allotment Letter.

2.3 I am a Qualifying Shareholder with a registered address in the UK. What are my choices and what should I do with the Provisional Allotment Letter?

- (a) *If you wish to take up your rights in full*

If you wish to take up in full your rights to subscribe for the New Ordinary Shares to which you are entitled, all you need to do is return the Provisional Allotment Letter (once received), together with your cheque or banker's draft for the full amount shown in Box 3, payable to "CIS PLC

re Dechra plc—Rights Issue” and crossed “A/C payee only”, either by post or by hand to Computershare at the address shown on the front of the Provisional Allotment Letter (during normal business hours only) to arrive before 11.00 a.m. on 15 May 2012. Within the United Kingdom only, you can use the reply-paid envelope which will be enclosed with the Provisional Allotment Letter. Paragraph 3 of Part III of this document has full instructions on how to accept and pay for your New Ordinary Shares and instructions will also be set out in the Provisional Allotment Letter. You will be required to pay in full for all the rights you take up. A definitive share certificate will be sent to you for the New Ordinary Shares for which you subscribe and it is expected that such certificate(s) will be dispatched by no later than 21 May 2012.

You will only need your Provisional Allotment Letter to be returned to you if you want to deal in your Fully Paid Rights. Your Provisional Allotment Letter will not be returned to you unless you tick the appropriate box on the Provisional Allotment Letter.

Third party cheques will not be accepted with the exception of building society cheques or banker’s drafts where the building society or bank has confirmed the name of the account holder by stamping or endorsing the cheque or draft to such effect. The account name should be the same as that shown on the application. Post-dated cheques will not be accepted.

(b) *If you do not want to take up your rights at all*

If you do not want to take up any of your rights, you do not need to do anything. If you do not return your Provisional Allotment Letter subscribing for the New Ordinary Shares to which you are entitled by 11.00 a.m. on 15 May 2012, Dechra has made arrangements under which the Underwriter will try to find investors to take up your rights and the rights of others who have not taken them up. If the Underwriter find investors and are able to achieve a premium over the Issue Price and the related fees and expenses of procuring those investors (including any value added tax), you will be sent a cheque for your share of the amount of that aggregate premium provided that this is £5.00 or more. Cheques are expected to be dispatched on or around 25 May 2012 and will be sent to your address as it appears on the Company’s Register of Members (or to the first-named holder if you hold your Ordinary Shares jointly). If the Underwriter cannot find investors who agree to pay a premium over the Issue Price and related expenses so that your entitlement would be £5.00 or more, you will not receive any payment.

If and to the extent that subscribers cannot be so procured, the Underwriter shall as principal subscribe at the Issue Price, for the New Ordinary Shares not taken up. The proceeds of this subscription (less fees and expenses including any amounts in respect of value added tax) will be aggregated and paid to the Company for its own benefit.

Alternatively, if you do not want to take up your rights, you can sell or transfer your Nil Paid Rights (see paragraph (d) below).

(c) *If you want to take up some but not all of your rights*

If you want to take up some but not all of your rights and wish to sell some or all of those you do not want to take up, you should first apply to have your Provisional Allotment Letters split by completing Form X on page 2 of the Provisional Allotment Letter, and returning it by post or by hand to Computershare at the address shown on the front of the Provisional Allotment Letter (during normal business hours only) to be received by 3.00 p.m. on 11 May 2012, (the latest time and date for splitting Provisional Allotment Letters, nil paid), together with a covering letter stating the number of split Provisional Allotment Letters required and the number of Nil Paid Rights to be comprised in each split Provisional Allotment Letter. You should then deliver the split Provisional Allotment Letter representing the rights to New Ordinary Shares you wish to take up, together with your cheque or banker’s draft, to Computershare (see paragraph (a) above) to be received by 11.00 a.m. on 15 May 2012 (the latest date and time for acceptance and payment in full).

Alternatively, if you want only to take up some of your rights (and do not wish to sell or transfer some or all of those rights you do not want to take up), you should complete Form X on page 2 of the Provisional Allotment Letter and return it by post or by hand to Computershare (see

paragraph (a) above) with a covering letter confirming the number of New Ordinary Shares you wish to take up, together with a cheque or banker's draft to pay for the appropriate number of shares you wish to take up. In this case the Provisional Allotment Letter and the cheque or banker's draft must be received by Computershare by 3.00 p.m. on 11 May 2012 (the latest time and date for splitting Provisional Allotment Letters, nil paid).

(d) *If you wish to effect a Cashless Take Up through the Computershare Dealing Facility*

Qualifying Non-CREST Shareholders who wish to effect a Cashless Take Up through the Computershare Dealing Facility should tick the box under Option 2 "Cashless Take Up" on page 1 of the Provisional Allotment Letter, sign and date the bottom of page 1 of the Provisional Allotment Letter, and return their Provisional Allotment Letter by post to Computershare Investor Services, Corporate Actions Projects, Bridgwater Road, Bristol, BS99 6AH or by hand (during normal business hours only) to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS13 8AE, so as to be received as soon as possible and, in any event, by not later than 3.00 p.m. on 4 May 2012, the latest time and date for requesting a Cashless Take Up. A reply-paid envelope will be enclosed with the Provisional Allotment Letter for the purpose of returning the Provisional Allotment Letters by post. Qualifying Non-CREST Shareholders who post their Provisional Allotment Letter within the United Kingdom by first-class post, are recommended to allow at least four working days for delivery. The terms and conditions of the Computershare Dealing Facility will be set out in a rights issue guide accompanying the Provisional Allotment Letter or are available on request. Shareholders using such service should note that they will be clients of Computershare Investor Services PLC and not of Dechra or Investec when using this service. Computershare Investor Services PLC rather than Dechra or Investec will therefore be responsible for providing the protections afforded by the UK regulatory regime to clients for whom such services are provided. Neither Dechra nor Investec is providing advice to Shareholders on dealing in Ordinary Shares.

(e) *If you wish to dispose of all of your Nil Paid Rights through the Computershare Dealing Facility*

Qualifying Non-CREST Shareholders who wish to dispose of all of their Nil Paid Rights through the Computershare Dealing Facility should tick the box under Option 3 "Sell all your rights" on page 1 of the Provisional Allotment Letter, sign and date the bottom of page 1 of the Provisional Allotment Letter, and return their Provisional Allotment Letter by post to Computershare Investor Services PLC, Corporate Actions Projects, Bristol, BS99 6AH or by hand (during normal business hours only) to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS13 8AE, so as to be received as soon as possible and, in any event, by not later than 3.00 p.m. on 4 May 2012, the latest time and date for requesting disposals of Nil Paid Rights through the Computershare Dealing Facility. A reply-paid envelope will be enclosed with the Provisional Allotment Letter for the purpose of returning the Provisional Allotment Letter by post. Qualifying Non-CREST Shareholders, who post their Provisional Allotment Letter within the United Kingdom by first class post, are recommended to allow at least four working days for delivery. The terms and conditions of the Computershare Dealing Facility will be set out in a rights issue guide accompanying the Provisional Allotment Letter. Shareholders using such service should note that they will be clients of Computershare Investor Services PLC and not of Dechra or Investec when using this service. Computershare Investor Services PLC rather than Dechra or Investec will therefore be responsible for providing the protections afforded by the UK regulatory regime to clients for whom such services are provided. Neither Dechra nor Investec is providing advice to Shareholders on dealing in Ordinary Shares.

(f) *If you want to sell all of your rights*

If you want to sell all of your rights, you should complete and sign Form X on the Provisional Allotment Letter (if it is not already marked "Original Duly Renounced") and pass the entire letter to your stockbroker, bank manager or other appropriate financial adviser through whom you would like to effect the sale or to the transferee (provided they are not in any of the Excluded Territories). The latest time and date for selling all of your rights is 11.00 a.m. on 15 May 2012. Please ensure, however, that you allow enough time so as to enable the person acquiring your rights to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 15 May 2012.

2.4 ***How do I transfer my rights into the CREST system?***

If you are a Qualifying Non-CREST Shareholder (other than, subject to certain exceptions, a Restricted Shareholder), but are a CREST member and want your New Ordinary Shares to be in uncertificated form, you should complete Form X and the CREST Deposit Form (both on page 2 of the Provisional Allotment Letter), and ensure they are delivered to the CREST Courier and Sorting Service to be received by no later than 3.00 p.m. on 10 May 2012. CREST sponsored members should arrange for their CREST sponsors to do this.

If you have transferred your rights into the CREST system, you should refer to paragraph 4 of Part III of this document for details on how to pay for the New Ordinary Shares.

2.5 ***I acquired my Ordinary Shares prior to the Rights Issue Record Date. What if I do not receive a Provisional Allotment Letter?***

If you do not receive a Provisional Allotment Letter but hold your Ordinary Shares in certificated form, this probably means you are not eligible to participate in the Rights Issue. This is likely to be because your registered address is in one of the Excluded Territories and you have not notified the Company of an address in the UK for the purpose of the service of notices. Overseas Shareholders and any person having a registered address in or who is resident in or located in any of the Excluded Territories should refer to paragraph 8 of Part III of this document. Some Qualifying Non-CREST Shareholders, however, will not receive a Provisional Allotment Letter but may still be eligible to take up their rights under the Rights Issue, namely:

- (a) Qualifying CREST Shareholders who held their Ordinary Shares in uncertificated form on the Rights Issue Record Date and who have converted them to certificated form;
- (b) Qualifying Non-CREST Shareholders who buy Ordinary Shares before 30 April 2012 but were not registered as the holders of those Ordinary Shares at the close of business on the Rights Issue Record Date; and
- (c) certain Overseas Shareholders who can demonstrate to the satisfaction of the Company that they can lawfully take up their rights under the Rights Issue without contravention of any relevant legal or regulatory requirements (see paragraph 4 below).

If you do not receive a Provisional Allotment Letter but think that you should have received one, please contact Computershare on 0870 889 4030, (or +44 870 889 4030 if you are calling from outside the United Kingdom) between 8.30 a.m. and 5.00 p.m. (London time) Monday to Friday (except bank and other public holidays). Calls to the Computershare 0870 number are charged at up to 8.5 pence per minute (including VAT) plus any of your service provider's network extras. Calls to the Computershare 0870 number from outside the UK are charged at applicable international rates. Different charges may apply to calls made from mobile telephones and calls may be recorded and monitored randomly for security and training purposes. Computershare cannot provide advice on the merits of the Rights Issue nor give any financial, legal or tax advice.

2.6 ***If I buy or have bought Ordinary Shares after the Rights Issue Record Date but before 30 April 2012 (the date the Ordinary Shares start trading ex-rights) will I be eligible to participate in the Rights Issue?***

If you buy or have bought Ordinary Shares before 8.00 a.m. on 30 April 2012 (the time when the Ordinary Shares are expected to start trading ex-rights on the London Stock Exchange) but were not registered as the holder of those Ordinary Shares at the Rights Issue Record Date (23 April 2012), you may still be eligible to participate in the Rights Issue. If you are in any doubt, please consult your stockbroker, bank or other appropriate financial adviser, or whoever arranged your share purchase, to ensure you claim your entitlement.

You will not be entitled to Nil Paid Rights in respect of any Ordinary Shares acquired on or after 30 April 2012, the Ex-Rights Date.

2.7 What should I do if I sell or have sold or transfer or have transferred all or some of the Ordinary Shares shown in Box 1 of the Provisional Allotment Letter before 30 April 2012 (the date the Ordinary Shares start trading ex-rights)?

If you have sold or transferred all of your Ordinary Shares before 30 April 2012, you should complete Form X on page 2 of the Provisional Allotment Letter and send the entire Provisional Allotment Letter, together with this document and any accompanying documents, to the stockbroker, bank or other appropriate financial adviser through whom you made the sale or transfer. However, you should not forward or transmit this document or the Provisional Allotment Letter into any Excluded Territory.

If you have sold or transferred only some of your holding of Ordinary Shares before 30 April 2012, you will need to complete Form X on page 2 of the Provisional Allotment Letter and send the entire Provisional Allotment Letter, together with this document and any accompanying documents, to the stockbroker, bank or other appropriate financial adviser through whom you made the sale or transfer, before taking any action, with regard to the balance of rights due to you.

2.8 How many New Ordinary Shares am I entitled to acquire?

Box 2 on page 1 of the Provisional Allotment Letter will set out the number of New Ordinary Shares you are entitled to buy if you are a Qualifying Non-CREST Shareholder. You are entitled to 3 New Ordinary Shares for every 10 Existing Ordinary Shares held by you on 23 April 2012 (being the Rights Issue Record Date) (rounding down any fractions).

2.9 What should I do if I think my holding of Ordinary Shares (as shown in Box 1 on page 1 of the Provisional Allotment Letter) is incorrect?

If you have bought or sold Ordinary Shares shortly before 23 April 2012, your transaction may not be entered on the Register of Members in time to appear on the Register at the Rights Issue Record Date. See questions 2.6 and 2.7 above for what you should do in this case.

Otherwise, if you are concerned about the figure in Box 1, please call Computershare on 0870 889 4030, or on +44 870 889 4030 if you are calling from outside the United Kingdom.

2.10 If I take up my rights, when will I receive my new share certificate?

If you take up your rights under the Rights Issue, share certificates for the New Ordinary Shares which are to be held outside CREST are expected to be dispatched by no later than 21 May 2012.

3. Ordinary Shares in CREST

3.1 How do I know if am eligible to participate in the Rights Issue? What do I need to do in relation to the Rights Issue?

If you are a Qualifying CREST Shareholder (other than, subject to certain exceptions, a Restricted Shareholder) it is expected that your CREST stock account(s) will be credited with your entitlement to Nil Paid Rights and enabled on 30 April 2012. The stock account(s) to be credited will be the account(s) under the participant ID and member account ID that apply to your Ordinary Shares on the Rights Issue Record Date. If you are a CREST sponsored member, you should consult your CREST sponsor if you wish to check that your account has been credited with your entitlement to Nil Paid Rights. The CREST stock accounts of Restricted Shareholders (subject to certain exceptions) will not be credited with Nil Paid Rights. Overseas Shareholders (including Restricted Shareholders) should refer to paragraph 8 of Part III of this document.

3.2 How do I take up my rights using the CREST system?

If you are a Qualifying CREST Shareholder (other than, subject to certain exceptions, a Restricted Shareholder) you should refer to paragraph 4 of Part III of this document for details on how to take up and pay for your rights.

If you are a Qualifying CREST Shareholder (other than, subject to certain exceptions, a Restricted Shareholder) and wish to take up your rights, you should ensure that a Many-to-Many ("MTM") instruction has been input and has settled by 11.00 a.m. on 15 May 2012 in order to make a valid

acceptance. If your Ordinary Shares are held by a nominee or you are a CREST sponsored member you should speak directly to the stockholder who looks after your stock or your CREST sponsor (as appropriate) who will be able to help you.

3.3 If I buy Ordinary Shares before 30 April 2012 (the date that the Ordinary Shares start trading ex-rights), will I be eligible to participate in the Rights Issue?

If you buy or have bought Ordinary Shares before 8.00 a.m. on 30 April 2012 (the time when the Ordinary Shares are expected to start trading ex-rights on the London Stock Exchange) but were not registered as the holder of those Ordinary Shares at the Rights Issue Record Date (23 April 2012), you may still be eligible to participate in the Rights Issue. Euroclear UK will raise claims in the normal manner in respect of your purchase and your Nil Paid Rights will be credited to your stock account(s) on settlement of those claims.

You will not be entitled to Nil Paid Rights in respect of any Ordinary Shares acquired on or after 30 April 2012, the Ex-Rights Date.

3.4 What should I do if I sell or have sold or transfer or have transferred all or some of my Ordinary Shares before close of business on 30 April 2012 (the date the Ordinary Shares start trading ex-rights)?

You do not have to take any action except, where you sell or transfer all of your Ordinary Shares before 30 April 2012, to send this document and any accompanying documents to the purchaser or transferee or to the stockbroker, bank or other financial adviser through whom you made the sale or transfer. However, you should not forward or transmit this document or the Provisional Allotment Letter into any Excluded Territory. A claim transaction in respect of that sale or transfer will automatically be generated by Euroclear UK which, on settlement, will transfer the appropriate number of Nil Paid Rights to the purchaser or transferee.

3.5 How many New Ordinary Shares am I entitled to acquire?

Save in the case of Restricted Shareholders (subject to certain exceptions), your stock account will be credited with Nil Paid Rights in respect of the number of New Ordinary Shares to which you are entitled based on the number of Ordinary Shares you hold on the Rights Issue Record Date. You can also view the claim transactions in respect of purchases/sales effected after this date, but before the Ex-Rights Date. If you are a Qualifying CREST Shareholder (other than, subject to certain exceptions, a Restricted Shareholder) who is a CREST sponsored member, you should consult your CREST sponsor. You are entitled to 3 New Ordinary Shares for every 10 Existing Ordinary Shares held on 23 April 2012, the Rights Issue Record Date (rounding down any fractions).

3.6 What should I do if I think my holding of Ordinary Shares is incorrect?

If you have bought or sold Ordinary Shares shortly before 23 April 2012, your transaction may not be entered on the Register of Members in time to appear on the register at the Rights Issue Record Date.

If you are concerned about the number of Nil Paid Rights with which your stock account has been credited, please call Computershare on 0870 889 4030, or on +44 870 889 4030 if you are calling from outside the United Kingdom.

3.7 If I take up my rights, when will New Ordinary Shares be credited to my CREST stock account(s)?

If you validly take up your rights under the Rights Issue, New Ordinary Shares will be credited to the CREST stock account(s) in which you hold your Fully Paid Rights on 16 May 2012.

4. Further procedures for Ordinary Shares whether in certificated form or in CREST

4.1 *What happens if the number of Ordinary Shares I hold is not exactly divisible by 10? Am I entitled to fractions of the New Ordinary Shares?*

Because this is a “3 for 10” Rights Issue, your entitlement will be calculated on the Rights Issue Record Date by multiplying your holding of Ordinary Shares by 3 and dividing the result by 10. If the result is not a whole number, your entitlement will be rounded down to the nearest whole number of New Ordinary Shares, meaning that you will not receive a New Ordinary Share in respect of the fractional entitlement. The New Ordinary Shares representing the aggregated fractions that would otherwise be allotted to Shareholders will be sold in the market nil paid for the benefit of the Company, save that Qualifying Shareholders will receive any net proceeds in respect of sale of any pro-rata fractional entitlements with a value of £5.00 or more.

4.2 *Will I be taxed if I take up or sell my rights or if my rights are sold on my behalf?*

Information regarding the United Kingdom taxation is set out in Part IX of this document. Qualifying Shareholders who are in any doubt as to their tax position, or who are subject to tax in any jurisdiction other than the United Kingdom, should consult their professional adviser as soon as possible. Please note that the Shareholder Helpline will not be able to assist you with taxation issues.

4.3 *I understand that there is a period when there is trading in the Nil Paid Rights. What does this mean?*

If you do not want to buy the New Ordinary Shares being offered to you under the Rights Issue, you can instead sell or transfer your rights (Nil Paid Rights) to those New Ordinary Shares and receive the net proceeds of the sale or transfer in cash. This is referred to as dealing “nil paid”. This means that during the Rights Issue offer period (i.e. between 30 April 2012 and 15 May 2012), you can purchase Ordinary Shares (which will not carry any entitlement to participate in the Rights Issue (sometimes referred to as trading “ex-”)) and/or you can trade in the Nil Paid Rights.

If you sell or transfer all of your Nil Paid Rights and you hold your Ordinary Shares in certificated form, you will need to complete Form X, the form of renunciation, on page 2 of the Provisional Allotment Letter and send it to the stockbroker, bank or other agent, through or by whom the sale or transfer was effected, to be forwarded to the purchaser or transferee except that Provisional Allotment Letters should not be forwarded or transmitted into any of the Excluded Territories.

If you buy Nil Paid Rights, you are buying an entitlement to take up the New Ordinary Shares, subject to your paying for them in accordance with the terms of the Rights Issue. Any seller of Nil Paid Rights who holds his Ordinary Shares in certificated form will need to forward to you his Provisional Allotment Letter (with Form X completed) for you to complete and return, with your cheque, by 11.00 a.m. on 15 May 2012, in accordance with the instructions on the Provisional Allotment Letter. If you are a CREST member or CREST sponsored member and you wish to hold your Nil Paid Rights in uncertificated form in CREST then you are advised to send the Provisional Allotment Letter with Form X and the CREST Deposit Form on page 2 of the Provisional Allotment Letter completed (in the case of a CREST member) to the CREST Courier and Sorting Service or (in the case of a CREST sponsored member) to your CREST sponsor by 3.00 p.m. on 10 May 2012 at the latest.

Qualifying CREST Shareholders and, subject to dematerialisation of their Nil Paid Rights as set out in the Provisional Allotment Letter, Qualifying Non-CREST Shareholders who are CREST members or CREST sponsored members, can transfer Nil Paid Rights, in whole or in part, by means of CREST in the same manner as any other security that is admitted to CREST. Please consult your CREST sponsor or stockbroker, bank or other appropriate financial adviser, or whoever arranged your share purchase, for details.

4.4 *What if I want to sell the New Ordinary Shares I have paid for?*

If you are a Qualifying Non-CREST Shareholder, provided the New Ordinary Shares have been paid for and you have requested the return of the receipted Provisional Allotment Letter (by ticking Box 4 on page 2 of the Provisional Allotment Letter), you can transfer the Fully Paid Rights by completing Form X, the form of renunciation, on page 2 of the receipted Provisional Allotment Letter in accordance with the instructions set out on page 3 of the Provisional Allotment Letter until 11.00 a.m.

on 15 May 2012. See paragraph 3 of Part III of this document for more details. After that date, you will be able to sell your New Ordinary Shares in the normal way.

The share certificate relating to your New Ordinary Shares is expected to be dispatched to you by no later than 21 May 2012. Pending dispatch of share certificates, instruments of transfer may be certified by Computershare against the Register.

If you hold Fully Paid Rights in CREST, you may transfer the Fully Paid Rights in the same manner as any other security that is admitted to CREST. See paragraph 4 of Part III of this document for more details. Please consult your stockbroker, bank or other appropriate financial adviser, or whoever arranged your share purchase, for details.

4.5 *Do I need to comply with the Money Laundering Regulations (as set out in paragraphs 3.4 and 4.3 of Part III of this document)?*

If you are a Qualifying Non-CREST Shareholder, you do not need to follow these procedures if the value of the New Ordinary Shares you are subscribing for is less than the sterling equivalent of €15,000 or if you pay for them by a cheque drawn on an account in your own name and that account is one which is held with an EU or UK regulated bank or building society. If you are a Qualifying CREST Shareholder, you will not generally need to comply with the Money Laundering Regulations unless you apply to take up all or some of your entitlement to Nil Paid Rights as agent for one or more persons and you are not an EU or UK regulated financial institution.

Qualifying Non-CREST Shareholders and Qualifying CREST Shareholders should refer to paragraph 3.4 and paragraph 4.3, respectively of Part III of this document for a fuller description of the requirements of the Money Laundering Regulations.

4.6 *What if I am entitled to Ordinary Shares under a Share Option Scheme?*

Participants in Share Option Schemes will be advised separately of adjustments (if any) to their rights or as to any entitlement to participate in the Rights Issue.

4.7 *What should I do if I live outside the United Kingdom?*

Your ability to take up rights to New Ordinary Shares may be affected by the laws of the country in which you live and you should take professional advice as to whether you require any governmental or other consents or any formalities you need to observe to enable you to take up your rights. Overseas Shareholders (including Restricted Shareholders) should refer to paragraph 8 of Part III of this document. Your attention is drawn to the further terms and conditions of the Rights Issue contained in Part III of this document and (in the case of Qualifying Non-CREST Shareholders) will also be set out in the Provisional Allotment Letter.

PART III

TERMS AND CONDITIONS OF THE RIGHTS ISSUE

1. Details of the Rights Issue

The Company is proposing to raise approximately £58.2 million, net of underwriting commissions by way of a rights issue of 20,040,653 New Ordinary Shares. Subject to the fulfillment or waiver (as applicable) of the conditions referred to below, the New Ordinary Shares will be offered by way of rights at 300 pence per share, payable in full on acceptance, to Qualifying Shareholders (other than, subject to certain exceptions, Restricted Shareholders) on the basis of:

3 New Ordinary Shares for every 10 Existing Ordinary Shares

held and registered in their name at 6:00pm on the Rights Issue Record Date and so in proportion for any other number of existing Ordinary Shares then held and otherwise on the terms and conditions set out in this document and, in the case of Qualifying Non-CREST Shareholders, in the Provisional Allotment Letters.

Qualifying Shareholders are holders of Ordinary Shares on the Register of Members of the Company at the Rights Issue Record Date other than (subject to certain exceptions) Restricted Shareholders. With the exclusion (subject to certain exceptions) of Restricted Shareholders, Qualifying Shareholders will be entitled to take up the New Ordinary Shares represented by their entitlements to Nil Paid Rights. Subject to certain exceptions, Nil Paid Rights to which Restricted Shareholders would otherwise be entitled will be aggregated with entitlements to Nil Paid Rights which have not been taken up by other Qualifying Shareholders and sold as described in paragraph 5.1 below.

Dates in this Part III have been included on the basis of the expected timetable set out on page 16.

The Issue Price of 300 pence per New Ordinary Share represents a 29.6 per cent. discount to the theoretical ex-rights price based on the closing middle-market price of 464 pence per Ordinary Share, and a 35.3 per cent. discount to the closing middle-market price of 464 pence per Ordinary Share as derived from the London Stock Exchange's Daily Official List, in each case on 4 April 2012, the last business day prior to the announcement of the Rights Issue.

The Nil Paid Rights (also described as rights to acquire New Ordinary Shares, nil paid) are entitlements to acquire the New Ordinary Shares subject to payment of the Issue Price. The Fully Paid Rights are entitlements to receive the New Ordinary Shares, for which a subscription and payment has already been made.

Holdings of Ordinary Shares in certificated and uncertificated forms will be treated as separate holdings for the purpose of calculating entitlements under the Rights Issue. Fractional entitlements to New Ordinary Shares will not be allotted to Qualifying Shareholders and, where necessary, entitlements will be rounded down to the nearest whole number of New Ordinary Shares. Such fractions will be aggregated and, if possible, sold as soon as practicable after the commencement of dealings in the New Ordinary Shares, nil paid. The net proceeds of such sales (after deduction of expenses) will be aggregated and will ultimately accrue for the benefit of the Company, save that Qualifying Shareholders will receive any net proceeds from the sale of their pro-rata fractional entitlements with a value of £5.00 or more. Qualifying Shareholders with fewer than 3 Existing Ordinary Shares will not be entitled to any New Ordinary Shares.

The Rights Issue is conditional, *inter alia*, upon:

- (a) Admission becoming effective by not later than 8.00 a.m. on 11 May 2012 (or such later time and/or date as Investec and the Company may agree); and
- (b) the Underwriting Agreement becoming unconditional in all respects (save for the condition relating to Admission) and not having been terminated in accordance with its terms prior to Admission.

The Rights Issue has been fully underwritten by the Underwriter and is conditional, *inter alia*, upon the Underwriting Agreement becoming unconditional in all respects and not being terminated in accordance

with its terms, prior to Admission. The Underwriting Agreement is conditional *inter alia* upon Admission and upon certain matters being satisfied or not breached prior to Admission and upon the occurrence or non-occurrence of certain specified events prior to Admission.

If the Underwriting Agreement does not become unconditional in all respects by 8.00 a.m. on 30 April 2012 (or such later time and/or date as the Company and Investec may agree) or if it is terminated in accordance with its terms, the Rights Issue will be revoked and the Company will not proceed with it. Revocation cannot occur after nil paid dealings in the New Ordinary Shares have begun. The Underwriting Agreement may not be terminated after Admission including, without limitation, if a supplementary prospectus is required to be produced after Admission.

The Underwriter has agreed under the Underwriting Agreement, subject to the terms and conditions therein, to use its reasonable endeavours to procure subscribers for New Ordinary Shares not taken up under the Rights Issue, failing which the Underwriter will, as principal, subscribe for such New Ordinary Shares at the Issue Price. The Underwriter may arrange sub-underwriting for some, all or none of the New Ordinary Shares.

A summary of the principal terms of the Underwriting Agreement is set out in paragraph 13 of Part X of this document.

The Underwriter may, in accordance with applicable legal and regulatory provisions, engage in transactions in relation to the Nil Paid Rights, the Fully Paid Rights, the Ordinary Shares and/or related instruments for its own account for the purpose of hedging its underwriting exposure or otherwise. Except as required by applicable law or regulation, the Underwriter does not propose to make any public disclosure in relation to any such transactions.

Applications have been made to the UK Listing Authority and to the London Stock Exchange for the New Ordinary Shares (nil paid and fully paid) to be admitted to the Official List and to trading on the London Stock Exchange's main market for listed securities respectively. It is expected that Admission will become effective on 30 April 2012 and that dealings in the New Ordinary Shares, nil paid, will commence on the London Stock Exchange by 8:00 a.m. on that date. Dealings in the New Ordinary Shares (fully paid) are expected to commence on the London Stock Exchange by 8.00 a.m. on 16 May 2012. The New Ordinary Shares and the Ordinary Shares are in registered form and can be held in certificated form or uncertificated form via CREST.

The Ordinary Shares are already admitted to CREST. No further application for admission to CREST is required for the New Ordinary Shares and all of the New Ordinary Shares when issued and fully paid may be held and transferred by means of CREST.

Applications have been made for the Nil Paid Rights and the Fully Paid Rights to be admitted to CREST as separate securities. Euroclear UK requires the Company to confirm to it that certain conditions (imposed by the CREST Manual) are satisfied before Euroclear UK will admit any security to CREST. It is expected that these conditions will be satisfied, in respect of the Nil Paid Rights and the Fully Paid Rights, on Admission. As soon as practicable after satisfaction of these conditions, the Company will confirm this to Euroclear UK.

The ISIN for the New Ordinary Shares will be the same as that of the Ordinary Shares being GB0009633180. The ISIN code for the Nil Paid Rights is GB00B7WF4H66 and for the Fully Paid Rights is GB00B7WF4K95.

None of the New Ordinary Shares are being made available to the public other than pursuant to the Rights Issue.

Subject to the conditions referred to above being satisfied (other than the condition relating to Admission) and save as provided in paragraph 8 below, it is intended that:

- (a) Provisional Allotment Letters in respect of Nil Paid Rights will be dispatched to Qualifying Non-CREST Shareholders on 27 April 2012 (other than, subject to certain exceptions, Restricted Shareholders) at their own risk;

- (b) Computershare will instruct Euroclear UK to credit the appropriate stock accounts of Qualifying CREST Shareholders (other than, subject to certain exceptions, Restricted Shareholders) with such Shareholders' entitlements to Nil Paid Rights with effect from 8:00 a.m. on 30 April 2012;
- (c) the Nil Paid Rights and the Fully Paid Rights will be enabled for settlement in CREST by Euroclear UK on 30 April 2012, as soon as practicable after the Company has confirmed to Euroclear UK that all the conditions for Admission of such rights to CREST have been satisfied;
- (d) New Ordinary Shares will be credited to the appropriate stock accounts of the relevant Qualifying CREST Shareholders (or their renounees) who validly take up their rights as soon as practicable after 8:00 a.m. on 16 May 2012; and
- (e) share certificates for the New Ordinary Shares will be dispatched to relevant Qualifying Non-CREST Shareholders (or their renounees) who validly take up their rights by no later than 21 May 2012.

The attention of Overseas Shareholders or any person (including, without limitation, custodians, nominees and trustees) who has a contractual or other legal obligation to forward this document into a jurisdiction other than the UK is drawn to paragraph 8 below. The offer of New Ordinary Shares and the Rights Issue will not be made into certain territories. Subject to the provisions of paragraph 8, Restricted Shareholders are not being sent this document and will not be sent Provisional Allotment Letters and will not have their CREST stock accounts credited with Nil Paid Rights.

The New Ordinary Shares will, when issued and fully paid, rank *pari passu* in all respects with the Ordinary Shares now in issue.

All documents including Provisional Allotment Letters (which constitute temporary documents of title) and cheques and certificates posted to, by or from Qualifying Shareholders and/or their transferees or renounees (or their agents, as appropriate) will be posted at their own risk.

Shareholders taking up their rights by completing a Provisional Allotment Letter or by sending a MTM instruction to Euroclear UK will be deemed to have given the representations and warranties set out in paragraph 4.2(d) of this Part III.

2. Action to be taken—Introduction

The action to be taken in respect of New Ordinary Shares depends on whether, at the relevant time, the Nil Paid Rights or Fully Paid Rights in respect of which action is to be taken are in certificated form (that is, are represented by Provisional Allotment Letters) or are in uncertificated form (that is, are in CREST).

If you are a Qualifying Non-CREST Shareholder please refer to paragraph 3 and paragraphs 5 to 9 (inclusive) of this Part III.

If you are a Qualifying CREST Shareholder, please refer to paragraph 4 and paragraphs 5 to 9 (inclusive) of this Part III and to the CREST Manual for further information on the CREST procedures referred to below.

Qualifying CREST Shareholders who are CREST sponsored members should refer to their CREST sponsors, as only their CREST sponsors will be able to take the necessary action specified below to take up their entitlements or otherwise to deal with the Nil Paid Rights or Fully Paid Rights of CREST sponsored members.

All enquiries in relation to the Provisional Allotment Letters should be addressed to Computershare on 0870 889 4030 or, if telephoning from outside the UK, on +44 870 889 4030 between 8.30 a.m. and 5.00 p.m. (London time) Monday to Friday (except bank and other public holidays). Calls to the Computershare 0870 number are charged at up to 8.5 pence per minute (including VAT) plus any of your service provider's network extras. Calls to the Computershare 0870 number from outside the UK are charged at applicable international rates. Different charges may apply to calls made from mobile telephones and calls may be recorded and monitored randomly for security and training purposes. Computershare cannot provide advice on the merits of the Rights Issue nor give any financial, legal or tax advice.

3. Action to be taken by Qualifying Non-CREST Shareholders in relation to Nil Paid Rights represented by Provisional Allotment Letters

3.1 General

Qualifying Non-CREST Shareholders (other than, subject to certain exceptions, Restricted Shareholders) will be sent, a Provisional Allotment Letter on 27 April 2012. If for any reason Provisional Allotment Letters are posted later than this date, the times and dates set out in this document will be adjusted and the revised times and dates will be set out in the Provisional Allotment Letters. Each Provisional Allotment Letter, which constitutes a temporary document of title, will set out:

- (a) the holding at the Rights Issue Record Date of existing Ordinary Shares in certificated form on which a Qualifying Non-CREST Shareholder's entitlement to New Ordinary Shares has been based;
- (b) the aggregate number of New Ordinary Shares in certificated form which have been provisionally allotted to such Qualifying Non-CREST Shareholder;
- (c) the procedures to be followed if a Qualifying Non-CREST Shareholder wishes to dispose of all or part of his entitlement or to convert all or part of his entitlement into uncertificated form; and
- (d) instructions regarding acceptance and payment, consolidation, splitting and registration of renunciation.

3.2 Procedure for acceptance and payment

(a) *Qualifying Non-CREST Shareholders who wish to accept in full*

Holders of Provisional Allotment Letters who wish to take up all of their entitlements must return the Provisional Allotment Letter, in accordance with the instructions thereon, together with a cheque or banker's draft in pounds sterling, made payable to "CIS PLC re Dechra PLC—Rights Issue" and crossed "A/C payee only", for the full amount payable on acceptance, by post or by hand (during normal business hours only) to Computershare, at the address shown on the front of the Provisional Allotment Letter, so as to arrive as soon as possible and in any event so as to be received no later than 11.00 a.m. on 15 May 2012. If you post the Provisional Allotment Letter within the United Kingdom by first class post, it is recommended that you allow at least four days for delivery. A reply-paid envelope will be enclosed with the Provisional Allotment Letter for use within the United Kingdom only for this purpose.

(b) *Qualifying Non-CREST Shareholders who wish to accept in part*

Holders of Provisional Allotment Letters who wish to take up some but not all of their Nil Paid Rights should refer to paragraph 3.8 below.

(c) *Qualifying Non-CREST Shareholders who wish to effect a Cashless Take Up through the Computershare Dealing Facility*

Qualifying Non-CREST Shareholders who wish to effect a Cashless Take Up through the Computershare Dealing Facility should tick the box under Option 2 "Cashless Take Up" on page 1 of the Provisional Allotment Letter, sign and date the bottom of page 1 of the Provisional Allotment Letter, and return their Provisional Allotment Letter by post to Computershare Investor Services PLC, Corporate Actions Projects, Bridgwater Road, Bristol, BS99 6AH or by hand (during normal business hours only) to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS13 8AE, so as to be received as soon as possible and, in any event, by not later than 3.00 p.m. on 4 May 2012, the latest time and date for requesting a Cashless Take Up. A reply-paid envelope will be enclosed with the Provisional Allotment Letter for the purpose of returning the Provisional Allotment Letters by post. Qualifying Non-CREST Shareholders who post their Provisional Allotment Letter within the United Kingdom by first-class post, are recommended to allow at least four working days for delivery. The terms and conditions of the Computershare Dealing Facility will be set out in a rights issue guide accompanying the Provisional Allotment Letter or are available on request. Shareholders using such service should note that they will be clients of Computershare Investor Services PLC and

not of Dechra or Investec when using this service. Computershare Investor Services PLC rather than Dechra or Investec will therefore be responsible for providing the protections afforded by the UK regulatory regime to clients for whom such services are provided. Neither Dechra nor Investec is providing advice to Shareholders on dealing in Ordinary Shares.

(d) *Qualifying Non-CREST Shareholders who wish to dispose of their Nil Paid Rights through the Computershare Dealing Facility*

Qualifying Non-CREST Shareholders who wish to dispose of all of their Nil Paid Rights through the Computershare Dealing Facility should tick the box under Option 3 "Sell all your rights" on page 1 of the Provisional Allotment Letter, sign and date the bottom of page 1 of the Provisional Allotment Letter, and return their Provisional Allotment Letter by post to Computershare Investor Services PLC, Corporate Actions Projects, Bristol, BS99 6AH or by hand (during normal business hours only) to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS13 8AE, so as to be received as soon as possible and, in any event, by not later than 3.00 p.m. on 4 May 2012, the latest time and date for requesting disposals of Nil Paid Rights through the Computershare Dealing Facility. A reply-paid envelope will be enclosed with the Provisional Allotment Letter for the purpose of returning the Provisional Allotment Letter by post. Qualifying Non-CREST Shareholders who post their Provisional Allotment Letter within the United Kingdom by first class post, are recommended to allow at least four working days for delivery. The terms and conditions of the Computershare Dealing Facility will be set out in a rights issue guide accompanying the Provisional Allotment Letter. Shareholders using such service should note that they will be clients of Computershare Investor Services PLC and not of Dechra or Investec when using this service. Computershare Investor Services PLC rather than Dechra nor Investec will therefore be responsible for providing the protections afforded by the UK regulatory regime to clients for whom such services are provided. Neither Dechra nor Investec is providing advice to Shareholders on dealing in Ordinary Shares.

(e) *Company's discretion as to validity of acceptances*

If payment is not received in full by 11.00 a.m. on 15 May 2012, the provisional allotment will (unless the Company has exercised its right to treat as valid an acceptance as set out herein) be deemed to have been declined and will lapse.

The Company and the Underwriter reserve the right, but shall not be obliged, to treat as valid (a) Provisional Allotment Letters and accompanying remittances for the full amounts due which are not received through the post prior to 11.00 a.m. on 15 May 2012 (the cover bearing a legible postmark not later than 11.00 a.m. on 14 May 2012) and (b) acceptances in respect of which a remittance is received prior to 11.00 a.m. on 15 May 2012 from an authorised person (as defined in section 31(2) of the FSMA) identifying the shares concerned and undertaking to lodge the relevant Provisional Allotment Letter duly completed by not later than 11.00 a.m. on 15 May 2012 and such Provisional Allotment Letter is lodged by that time.

The Company and the Underwriter may also (in their absolute discretion) treat a Provisional Allotment Letter as valid and binding on the person(s) by whom or on whose behalf it is lodged even if not completed in accordance with the relevant instructions or not accompanied by a valid power of attorney where required.

The Company and the Underwriter also reserve the right to treat as invalid any acceptance or purported acceptance of the New Ordinary Shares that appears to the Company to have been executed in, dispatched from, or that provided an address for delivery of definitive share certificates for New Ordinary Shares in, any of the Excluded Territories.

A Qualifying Non-CREST Shareholder who makes a valid acceptance and payment in accordance with this paragraph 3.2 is deemed to request that the New Ordinary Shares to which he will become entitled be issued to him on the terms set out in this document and subject to the Articles of Association.

3.3 **Payments**

Payments must be made by cheque or banker's draft in pounds sterling drawn on a bank or building society or a branch of a bank or building society in the United Kingdom or Channel Islands which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques or banker's drafts to be cleared through the facilities provided for members of any of these companies. Such cheques or banker's drafts must bear the appropriate sort code in the top right hand corner. Cheques, which must be drawn on the personal account of the individual investor where they have a sole or joint title to the funds, and banker's drafts should be made payable to "CIS PLC re Dechra PLC—Rights Issue" and crossed "a/c payee only". Such payments will be held by Computershare on behalf of Dechra, who is acting as principal on receipt of such monies. Third party cheques will not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has confirmed the name of the account holder by stamping or endorsing the cheque or banker's draft to such effect. The account name should be the same as that shown on the application. Post-dated cheques will not be accepted.

The Company reserves the right to have cheques and banker's drafts presented for payment on receipt and to instruct Computershare to seek special clearance of cheques to allow the Company to obtain value for remittances at the earliest opportunity. Interest will not be paid on payments made before they are due but will accrue for the benefit of the Company. Return of the Provisional Allotment Letter with a remittance in the form of a cheque will constitute a warranty that the cheque will be honored on first presentation. The Company and the Underwriter may (in their absolute discretion) elect to treat as invalid any acceptances in respect of which cheques or other remittances are notified to them or their agent as not having been so honored. All documents, cheques and banker's drafts sent through the post will be sent at the risk of the sender. Payments via CHAPS, BACS or electronic transfer will not be accepted.

If New Ordinary Shares have already been allotted to a Qualifying Non-CREST Shareholder prior to any payment not being so honored upon first presentation or such acceptances being treated as invalid, the Company and Investec may (in their absolute discretion as to manner, timing and terms) make arrangements for the sale of such New Ordinary Shares on behalf of such Qualifying Non-CREST Shareholders and hold the proceeds of sale (net of the Company's reasonable estimate of any loss that it has suffered as a result of the same and of the expenses of the sale including, without limitation, any stamp duty or SDRT payable on the transfer of such New Ordinary Shares, and of all amounts payable by such Qualifying Non-CREST Shareholders pursuant to these provisions in respect of the acquisition of such New Ordinary Shares) on behalf of such Qualifying Non-CREST Shareholders. None of the Company, any of Investec nor any other person shall be responsible for, or have any liability for, any loss, expense or damage suffered by such Qualifying Non-CREST Shareholders as a result.

All enquiries in connection with Provisional Allotment Letters should be addressed to Computershare Investor Services PLC on 0870 889 4030, (or +44 870 889 4030 if you are calling from outside the United Kingdom).

3.4 **Money Laundering Regulations**

It is a term of the Rights Issue that, to ensure compliance with the Money Laundering Regulations, the Registrars may require, in its absolute discretion, verification of the identity of the person by whom or on whose behalf a Provisional Allotment Letter is lodged with payment (which requirements are referred to below as the "verification of identity requirements"). The person(s) (the "acceptor") who, by lodging a Provisional Allotment Letter with payment, as described above, accept(s) the allotment of the New Ordinary Shares (the "relevant shares") comprised in such Provisional Allotment Letter (being the provisional allottee or, in the case of renunciation, the person named in Form Y on such Provisional Allotment Letter) shall thereby be deemed to agree to provide the Registrars and/or the Company with such information and other evidence as they or either of them may require to satisfy the verification of identity requirements.

If the Registrars determines that the verification of identity requirements apply to an acceptance of an allotment and the verification of identity requirements have not been satisfied (which the Registrars

shall in their absolute discretion determine) by 11.00 a.m. on 15 May 2012, the Company may, in its absolute discretion, and without prejudice to any other rights of the Company, treat the acceptance as invalid or may confirm the allotment of the relevant shares to the acceptor but (notwithstanding any other term of the Rights Issue) such shares will not be issued to him or registered in his name until the verification of identity requirements have been satisfied (which the Registrars shall in their absolute discretion determine). If the acceptance is not treated as invalid and the verification of identity requirements are not satisfied within such period, being not less than seven days after a request for evidence of identity is dispatched to the acceptor, as the Company may in its absolute discretion allow, the Company will be entitled to make arrangements (in its absolute discretion as to manner, timing and terms) to sell the relevant shares (and for that purpose the Company will be expressly authorised to act as agent of the acceptor). Any proceeds of sale (net of expenses) of the relevant shares which shall be issued to and registered in the name of the purchaser(s) or an amount equivalent to the original payment, whichever is the lower, will be held by the Company on trust for the acceptor, subject to the requirements of the Money Laundering Regulations. The Registrars are entitled in their absolute discretion to determine whether the verification of identity requirements apply to any acceptor and whether such requirements have been satisfied. Neither the Company nor the Registrars will be liable to any person for any loss suffered or incurred as a result of the exercise of any such discretion or as a result of any sale of relevant shares.

Return of a Provisional Allotment Letter with the appropriate remittance will constitute a warranty from the acceptor that the Money Laundering Regulations will not be breached by acceptance of such remittance. If the verification of identity requirements apply, failure to provide the necessary evidence of identity may result in your acceptance being treated as invalid or in delays in the dispatch of a receipted fully-paid Provisional Allotment Letter or a share certificate.

The verification of identity requirements will not usually apply:

- (a) if the acceptor is an organisation required to comply with the Money Laundering Directive 2005/60/EC of the European Parliament and of the EC Council of 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing; or
- (b) if the acceptor is a regulated United Kingdom broker or intermediary acting as agent and is itself subject to the Money Laundering Regulations; or
- (c) if the acceptor (not being an acceptor who delivers his acceptance in person) makes payment by way of a cheque drawn on an account in the name of such acceptor; or
- (d) if the aggregate subscription price for the relevant shares is less than €15,000.

Where the verification of identity requirements apply, please note the following as this will assist in satisfying the requirements. Satisfaction of the verification of identity requirements may be facilitated in the following ways:

- (a) if payment is made by cheque or banker's draft in pounds sterling drawn on a branch in the United Kingdom of a bank or building society and bears a UK bank sort code number in the top right hand corner, the following applies. Cheques should be made payable to "CIS PLC re Dechra PLC—Rights Issue". Third party cheques will not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has confirmed the name of the account holder by stamping or endorsing the building society cheque/banker's draft to such effect. The account name should be the same as that shown on the application;
- (b) if the Provisional Allotment Letter is lodged with payment by an agent which is an organisation of the kind referred to in (i) above or which is subject to anti money-laundering regulation in a country which is a member of the Financial Action Task Force (the non-European Union members of which are Argentina, Australia, Brazil, Canada, Hong Kong, Iceland, Japan, Mexico, New Zealand, Norway, the Russian Federation, Singapore, South Africa, Switzerland, Turkey, the United States of America and, by virtue of their membership of the Gulf Co-operation Council, Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates), the agent should

provide written confirmation with the Provisional Allotment Letter that it has that status and a written assurance that it has obtained and recorded evidence of the identity of the persons for whom it acts and that it will on demand make such evidence available to the Registrars or the relevant authority; or

- (c) if a Provisional Allotment Letter is lodged by hand by the acceptor in person, he should ensure that he has with him evidence of identity bearing his photograph (for example, his passport) and evidence of his address.

In order to confirm the acceptability of any written assurance referred to in (b) above or any other case, the acceptor should contact the Registrars.

3.5 Dealings in Nil Paid Rights

Subject to the fulfillment of the conditions set out in paragraph 1 above, dealings on the London Stock Exchange in the Nil Paid Rights are expected to commence at 8.00 a.m. on 30 April 2012. A transfer of Nil Paid Rights can be made by renunciation of the Provisional Allotment Letter in accordance with the instructions printed on it or, in the case of any person in whose favour the rights have been renounced, by delivery of such letter to the transferee. The latest time and date for registration of renunciation of Provisional Allotment Letters, nil paid, is expected to be 11.00 a.m. on 15 May 2012.

3.6 Dealings in Fully Paid Rights

After acceptance of the provisional allotment and receipt of payment in accordance with the provisions set out in this document and in the Provisional Allotment Letter, the Fully Paid Rights may be transferred by renunciation of the relevant Provisional Allotment Letter and delivery of the same by post to Computershare Investor Services PLC, Corporate Actions Projects, Bristol, BS99 6AH or by hand (during normal business hours only) to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8AE by 11.00 a.m. on 15 May 2012. To do this, Qualifying Non-CREST Shareholders will need to have their fully paid Provisional Allotment Letters returned to them after acceptance has been effected by the Registrars. However, fully paid Provisional Allotment Letters will not be returned to such Shareholders unless their return is requested by ticking Box 4 on page 2 of the Provisional Allotment Letter. After 15 May 2012, the New Ordinary Shares will be in registered form and will be transferable by written instrument of transfer in any usual or common form complying with the Articles or in any other written form which the Directors may approve.

3.7 Registration in names of Qualifying Non-CREST Shareholders

A Qualifying Non-CREST Shareholder who wishes to have all his entitlement to New Ordinary Shares registered in his name must accept and make payment for such allotment of the New Ordinary Shares in accordance with the provisions summarised in this document and to be set out in the Provisional Allotment Letter but need take no further action. A share certificate is expected to be dispatched to such Qualifying Shareholders by post by no later than 21 May 2012.

3.8 Renunciation and splitting of Provisional Allotment Letters and acceptance in part

The Provisional Allotment Letters are fully renounceable (save as required by the laws of certain overseas jurisdictions as further described in paragraph 8 below) and may be split up to 3.00 p.m. on 11 May 2012, nil paid and fully paid.

A Qualifying Non-CREST Shareholder wishing to transfer all of his Nil Paid Rights or, after acceptance of the provisional allotment and payment in full, Fully Paid Rights comprised in a Provisional Allotment Letter may (save as required by the laws of certain overseas jurisdictions) renounce such allotment by completing and signing Form X on the Provisional Allotment Letter (if it is not already marked "Original Duly Renounced") and delivering (but not in or into any Excluded Territories or any other jurisdiction in which it would be illegal to do so) the Provisional Allotment Letter to the transferee or the broker or bank who acted for such Qualifying Non-CREST Shareholder on the transaction. Once so renounced, a Provisional Allotment Letter will become a negotiable instrument in bearer form and the Nil Paid Rights or Fully Paid Rights (as appropriate) comprised in the Provisional Allotment Letter may be transferred by delivery of the Provisional Allotment Letter to the transferee. The latest time and date for

registration of renunciation of Provisional Allotment Letters, fully paid, is 11.00 a.m. on 15 May 2012.

If a holder of a Provisional Allotment Letter wishes either to have only some of the New Ordinary Shares registered in his name and to transfer the remainder, or wishes to transfer all the Nil Paid Rights or (if appropriate) Fully Paid Rights but to different persons, he may have the Provisional Allotment Letter split, for which purpose he or his agent must complete and sign Form X on the Provisional Allotment Letter. The Provisional Allotment letter must then be lodged, by post with Computershare Investor Services PLC, Corporate Actions Projects, Bristol, BS99 6AH or by hand (during normal business hours only), to Computershare Investor Services, The Pavilions, Bridgwater Road, Bristol, BS13 8AE by not later than 3.00 p.m. on 11 May 2012, to be cancelled and exchanged for the split Provisional Allotment Letters required. The number of split Provisional Allotment Letters required and the number of Nil Paid Rights or (as appropriate) Fully Paid Rights to be comprised in each such letter should be stated in a covering letter. Form X on the split Provisional Allotment Letters will be marked "Original Duly Renounced" before issue.

A Qualifying Non-CREST Shareholder who wishes to take up only some of his rights, without selling or transferring the remainder, should complete Form X on the Provisional Allotment Letter and return it by post to Computershare Investor Services PLC, Corporate Actions Projects, Bristol, BS99 6AH or by hand (during normal business hours only) to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8AE, together with a covering letter confirming the number of New Ordinary Shares to be taken up and a cheque or banker's draft to pay for this number of shares. In this case, the Provisional Allotment Letter and cheque or banker's draft must be received by Computershare (during normal business hours only) by 3.00 p.m. on 11 May 2012, being the latest time and date for splitting Nil Paid Rights.

The Company and the Underwriter reserve the right to refuse to register any renunciation by or in favour of any person in respect of whom the Company and the Underwriter believe such renunciation may violate applicable legal or regulatory requirements, including (without limitation) any renunciation in the name of any person with an address outside the UK.

3.9 Registration in names of persons other than Qualifying Shareholders originally entitled

In order to register Fully Paid Rights in certificated form in the name of someone other than the non-CREST Qualifying Shareholder(s) originally entitled, the renounee or his agent(s) must complete Form Y on the Provisional Allotment Letter (unless the renounee is a CREST member who wishes to hold such shares in uncertificated form, in which case, Form X and the CREST Deposit Form must be completed—see paragraph 3.10 below) and lodge the entire Provisional Allotment Letter by post to Computershare Investor Services PLC, Corporate Actions Projects, Bristol, BS99 6AH or by hand (during normal business hours only) to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8AE not later than 11.00 a.m. on 15 May 2012, the latest time for registration of renunciations. Registration cannot be effected unless and until the New Ordinary Shares comprised in a Provisional Allotment Letter are fully paid.

The New Ordinary Shares comprised in several renounced Provisional Allotment Letters may be registered in the name of one holder (or joint holders) if Form Y on the Provisional Allotment Letter is completed on one Provisional Allotment Letter (the "Principal Letter") and all the Provisional Allotment Letters are delivered in one batch. Details of each Provisional Allotment Letter (including the Principal Letter) should be listed in the Consolidation Listing Form adjacent to Forms X and Y of the Principal Letter and the allotment number of the Principal Letter should be entered in the space provided on each of the other Provisional Allotment Letters.

3.10 Deposit of Nil Paid Rights or Fully Paid Rights into CREST

Nil Paid Rights or Fully Paid Rights represented by the Provisional Allotment Letter may be converted into uncertificated form, that is, deposited into CREST (whether any such conversion arises as a result of a renunciation of those rights or otherwise). Similarly, Nil Paid Rights or Fully Paid Rights held in CREST may be converted into certificated form, that is, withdrawn from CREST. Subject to the next paragraph (or the Provisional Allotment Letter), normal CREST procedures (including timings) apply in relation to any such conversion. You are recommended to refer to the CREST Manual for details of such procedures.

The procedure for depositing the Nil Paid Rights or Fully Paid Rights represented by the Provisional Allotment Letter into CREST, depends on whether such rights are to be converted into uncertificated form in the name(s) of the person(s) whose name(s) and address appear(s) on page 1 of the Provisional Allotment Letter or in the name of a person or persons to whom the Provisional Allotment Letter has been renounced. To deposit rights that are not to be renounced, only the CREST Deposit Form will need to be completed. To deposit rights that have been renounced, Form X and the CREST Deposit Form (both on page 2 of the Provisional Allotment Letter) will need to be completed. In each case, the Provisional Allotment Letter must be deposited with the CCSS; in addition, the normal CREST Stock Deposit procedures will need to be carried out, except that (a) it will not be necessary to complete and lodge a separate CREST Transfer Form (prescribed under the Stock Transfer Act 1963) with the CCSS and (b) only the whole of the Nil Paid Rights or Fully Paid Rights represented by the Provisional Allotment Letter may be deposited into CREST. If you wish to deposit some only of the Nil Paid Rights or Fully Paid Rights represented by the Provisional Allotment Letter into CREST, you must first apply for split Provisional Allotment Letters in the manner described in paragraph 3.8 above. If the rights represented by more than one Provisional Allotment Letter are to be deposited, the CREST Deposit Form on each Provisional Allotment Letter must be completed and deposited. The Consolidation Listing Form (as defined in the Regulations) must not be used.

A holder of Nil Paid Rights or Fully Paid Rights represented by a Provisional Allotment Letter who is proposing to convert those rights into uncertificated form (whether following a renunciation of such rights or otherwise) is recommended to ensure that the conversion procedures are implemented in sufficient time to enable the person holding or acquiring the Nil Paid Rights or Fully Paid Rights in CREST following the conversion to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 15 May 2012. In particular, having regard to normal processing times in CREST and on the part of Computershare, the latest recommended time for depositing a renounced Provisional Allotment Letter, with Form X and the CREST Deposit Form on page 2 of the Provisional Allotment Letter duly completed, with the CCSS (in order to enable the person acquiring the Nil Paid Rights or Fully Paid Rights in CREST as a result of the conversion to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 15 May 2012) is 3.00 p.m. on 10 May 2012.

When Form X and/or the CREST Deposit Form (both on page 2 of the Provisional Allotment Letter) have been completed, the title to the Nil Paid Rights or Fully Paid Rights represented by the Provisional Allotment Letter will cease forthwith to be renounceable or transferable by delivery and, for the avoidance of doubt, any entries in Form Y will not subsequently be recognised or acted upon by Computershare. All renunciations or transfers of the Nil Paid Rights or Fully Paid Rights must be effected through the means of CREST once such Nil Paid Rights or Fully Paid Rights have been deposited into CREST.

CREST sponsored members should contact their CREST sponsor as only their CREST sponsor will be able to take the necessary action to take up the entitlement or otherwise to deal with the Nil Paid Rights or Fully Paid Rights of the CREST sponsored member.

3.11 *Issue of New Ordinary Shares in definitive form*

Definitive share certificates in respect of the New Ordinary Shares to be held in certificated form are expected to be dispatched by post by no later than 21 May 2012 to relevant Qualifying Non-CREST Shareholders (or their transferees who hold Fully Paid Rights in certificated form), or in the case of joint holdings, to the first-named Shareholders, at their registered address (unless lodging agent details have been completed on the Provisional Allotment Letter). All documents and cheques posted to or by Shareholders or renounees or their agents will be posted at their risk. After the dispatch of share certificates, Provisional Allotment Letters will cease to be valid for any purpose whatsoever. Pending the dispatch of share certificates, instruments of transfer of the New Ordinary Shares will be certified by Computershare against the register against lodgment of fully paid Provisional Allotment Letters and/or, in the case of renunciations, fully paid registration receipts forms (Form X), duly stamped by Computershare.

4. Action to be taken by Qualifying CREST Shareholders in relation to Nil Paid Rights and Fully Paid Rights in CREST

4.1 General

It is expected that each Qualifying CREST Shareholder (other than, subject to certain exceptions, Restricted Shareholders) will receive a credit to his CREST stock account of his entitlement to Nil Paid Rights on 30 April 2012. It is expected that such rights will be enabled as soon as practicable after 8.00 a.m. on 30 April 2012. The CREST stock account to be credited will be an account under the participant ID and member account ID that apply to the existing Ordinary Shares in uncertificated form held on the Rights Issue Record Date by the Qualifying CREST Shareholder in respect of which the Nil Paid Rights are provisionally allotted.

The Nil Paid Rights will constitute a separate security for the purposes of CREST and can accordingly be transferred, in whole or in part, by means of CREST in the same manner as any other security that is admitted to CREST.

If the Rights Issue is delayed or if, for any other reason, it is impracticable to credit the stock accounts of relevant Qualifying CREST Shareholders, or to enable the Nil Paid Rights, by 8.00 a.m. on 30 April 2012, the expected timetable as set out in this document may be adjusted. References to dates and times in this document should be read as subject to any such adjustment. The Company will make an appropriate announcement to a Regulatory Information Service giving details of the revised dates, but relevant Qualifying CREST Shareholders may not receive any further written communication. Further, in such circumstances a Provisional Allotment Letter shall, unless the Company determines otherwise, be sent to each relevant Qualifying CREST Shareholder in substitution for the Nil Paid Rights which would have been enabled or credited to its stock account in CREST and the expected timetable as set out in this document will be adjusted as appropriate.

CREST members who wish to take up all or part of their entitlements in respect of, or otherwise to transfer, Nil Paid Rights or Fully Paid Rights held by them in CREST should refer to the CREST Manual for further information on the CREST procedures referred to below. If you are a CREST sponsored member and wish to take up your entitlement, you should consult your CREST sponsor, as only your CREST sponsor will be able to take the necessary action to take up your entitlements or otherwise to deal with your Nil Paid Rights or Fully Paid Rights.

4.2 Procedure for acceptance and payment

(a) Many-To-Many instructions

CREST members who wish to take up all or part of their entitlement in respect of Nil Paid Rights in CREST must send (or, if they are CREST sponsored members, procure that their CREST sponsor sends) an MTM instruction to Euroclear UK which, on its settlement, will have the following effect:

- (i) the crediting of a stock account of Computershare, under the participant ID and member account ID specified below, with the number of Nil Paid Rights to be taken up;
- (ii) the creation of a settlement bank payment obligation (as defined in the CREST Manual), in accordance with the RTGS payment mechanism (as defined in the CREST Manual), in favour of the RTGS settlement bank of Computershare in sterling, in respect of the full amount payable on acceptance in respect of the Nil Paid Rights referred to in sub-paragraph (i) above; and
- (iii) the crediting of a stock account of the accepting CREST member (being an account under the same participant ID and member account ID as the account from which the Nil Paid Rights are to be debited on settlement of the MTM instruction) of the corresponding number of Fully Paid Rights to which the CREST member is entitled on taking up his Nil Paid Rights referred to in sub-paragraph (i) above.

(b) *Contents of MTM instructions*

The MTM instruction must be properly authenticated in accordance with Euroclear UK's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- (i) the number of Nil Paid Rights to which the acceptance relates;
- (ii) the participant ID of the accepting CREST member;
- (iii) the member account ID of the accepting CREST member from which the Nil Paid Rights are to be debited;
- (iv) the participant ID of Computershare Investor Services PLC, in its capacity as a CREST Receiving Agent. This is RA69;
- (v) the member account ID of Computershare Investor Services PLC, in its capacity as a CREST Receiving Agent. This is DECHRA;
- (vi) the number of Fully Paid Rights that the CREST member is expecting to receive on settlement of the MTM instruction. This must be the same as the number of Nil Paid Rights to which the acceptance relates;
- (vii) the amount payable by means of the settlement bank payment obligation (as defined in the CREST Manual) on settlement of the MTM instruction. This must be the full amount payable on acceptance in respect of the number of Nil Paid Rights to which the acceptance relates referred to in paragraph 4.2(b)(i) above;
- (viii) the intended settlement date. This must be at or before 11.00 a.m. on 15 May 2012;
- (ix) the Nil Paid Rights ISIN Number. This is GB00B7WF4H66;
- (x) the Fully Paid Rights ISIN Number. This is GB00B7WF4K95;
- (xi) the Corporate Action Number for the Rights Issue. This will be available by viewing the relevant corporate action details in CREST; and
- (xii) contact name and telephone number in the shared contact field.

(c) *Valid acceptance*

An MTM instruction complying with each of the requirements as to authentication and contents set out in sub-paragraph (b) of this paragraph 4.2 above will constitute a valid acceptance where either:

- (i) the MTM instruction settles by not later than 11.00 a.m. on 15 May 2012; or
- (ii) at the discretion of the Company and the Underwriter if:
 - (A) the MTM instruction is received by Euroclear UK by not later than 11.00 a.m. on 15 May 2012;
 - (B) a number of Nil Paid Rights at least equal to the number of Nil Paid Rights inserted in the MTM instruction is credited to the CREST stock account of the accepting CREST member specified in the MTM instruction at 11.00 a.m. on 15 May 2012; and
 - (C) the relevant MTM instruction settles by 2.00 p.m. on 15 May 2012 (or such later time as the Company may determine).

An MTM instruction will be treated as having been received by Euroclear UK for these purposes at the time at which the instruction is processed by the Network Providers' Communications Host (as this term is defined in the CREST Manual) at Euroclear UK of the network provider used

by the CREST member (or by the CREST sponsored member's CREST sponsor). This will be conclusively determined by the input time stamp applied to the MTM instruction by the Network Providers' Communications Host.

(d) *Representations, warranties and undertakings of CREST members*

A CREST member or CREST sponsored member who makes a valid acceptance in accordance with this paragraph 4.2 represents, warrants and undertakes to the Company and each of Investec that he has taken (or procured to be taken), and will take (or will procure to be taken), whatever action is required to be taken by him or by his CREST sponsor (as appropriate) to ensure that the MTM instruction concerned is capable of settlement at 11.00 a.m. on 15 May 2012 and remains capable of settlement at all times after that until 2.00 p.m. on 15 May 2012 (or until such later time and date as the Company may determine). In particular, the CREST member or CREST sponsored member (as appropriate) represents, warrants and undertakes that, at 11.00 a.m. on 15 May 2012 and at all times thereafter until 2.00 p.m. on 15 May 2012 (or until such later time and date as the Company may determine), there will be sufficient Headroom within the Cap (as those terms are defined in the CREST Manual) in respect of the cash memorandum account to be debited with the amount payable on acceptance to permit the MTM instruction to settle. CREST sponsored members should contact their CREST sponsor if they are in any doubt.

If there is insufficient Headroom within the Cap (as those terms are defined in the CREST Manual) in respect of the cash memorandum account of a CREST member or CREST sponsored member for such amount to be debited or the CREST member's or CREST sponsored member's acceptance is otherwise treated as invalid and New Ordinary Shares have already been allotted to such CREST member or CREST sponsored member, the Company and Investec may (in their absolute discretion as to the manner, timing and terms) make arrangements for the sale of such shares on behalf of that CREST member or CREST sponsored member and hold the proceeds of sale (net of the Company's reasonable estimate of any loss that it has suffered as a result of the acceptance being treated as invalid and of the expenses of sale including, without limitation, any stamp duty or SDRT payable on the transfer of such shares, and of all amounts payable by the CREST member or CREST sponsored member pursuant to the provisions of this Part III in respect of the acquisition of such shares) on behalf of such CREST member or CREST sponsored member. None of the Company, any of Investec nor any other person shall be responsible for, or have any liability for, any loss, expense or damage suffered by such CREST member or CREST sponsored member as a result.

(e) *CREST procedures and timings*

CREST members and CREST sponsors (on behalf of CREST sponsored members) should note that Euroclear UK does not make available special procedures in CREST for any particular corporate action. Normal systems timings and limitations will therefore apply in relation to the input of an MTM instruction and its settlement in connection with the Rights Issue. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST sponsored member, to procure that his CREST sponsor takes) the action necessary to ensure that a valid acceptance is received as stated above by 11.00 a.m. on 15 May 2012. In this connection CREST members and (where applicable) CREST sponsors are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

(f) *CREST member's undertaking to pay*

A CREST member or CREST sponsored member who makes a valid acceptance in accordance with the procedures set out in this paragraph 4.2, (a) undertakes to pay to Computershare Investor Services PLC, or procure the payment to Computershare of, the amount payable in Sterling on acceptance in accordance with the above procedures or in such other manner as Computershare may require (it being acknowledged that, where payment is made by means of the CREST RTGS payment mechanism, the creation of a RTGS payment obligation in Sterling in favour of Computershare Investor Services PLC RTGS settlement bank (as defined in the CREST Manual) in accordance with the RTGS payment mechanism shall, to the extent of the obligation so created, discharge in full the obligation of the CREST member (or CREST sponsored member) to pay the amount payable on acceptance) and (b) requests that the Fully

Paid Rights and/or New Ordinary Shares to which he will become entitled be issued to him on the terms set out in this document and subject to the Articles of Association of the Company. Such payment will be held by Computershare on behalf of the Company who is acting as principal on receipt of such monies.

If the payment obligations of the relevant CREST member in relation to such New Ordinary Shares are not discharged in full and such New Ordinary Shares have already been allotted to the CREST member or CREST sponsored member, the Company and the Underwriter may (in their absolute discretion as to the manner, timing and terms) make arrangements for the sale of such shares on behalf of that CREST member or CREST sponsored member and hold the proceeds of sale (net of the Company's reasonable estimate of any loss that it has suffered as a result of the same and of the expenses of sale including, without limitation, any stamp duty or SDRT payable on the transfer of such shares, and of all amounts payable by the CREST member or CREST sponsored member pursuant to the provisions of this Part III in respect of the acquisition of such shares) or any amount equal to the original payment of the CREST member or CREST sponsored member (whichever is lower) on trust for such CREST member or CREST sponsored member. None of the Company, any of Investec or any other person shall be responsible for, or have any liability for, any loss, expense or damage suffered by such CREST member or CREST sponsored member as a result.

(g) *Discretion as to rejection and validity of acceptances*

The Company and the Underwriter may in their absolute discretion to:

- (i) reject any acceptance constituted by an MTM instruction, which is otherwise valid, in the event of breach of any of the representations, warranties and undertakings set out or referred to in this paragraph 4.2 Where an acceptance is made as described in this paragraph 4.2 of this Part III which is otherwise valid, and the MTM instruction concerned fails to settle by 2.00 p.m. on 15 May 2012 (or by such later time and date as the Company and the Underwriter have determined in their absolute discretion), the Company and the Underwriter shall be entitled to assume, for the purposes of their right to reject an acceptance contained in this paragraph 4.2, that there has been a breach of the representations, warranties and undertakings set out or referred to in this paragraph 4.2, unless the Company is aware of any reason outside the control of the CREST member or CREST sponsor (as appropriate) concerned for the failure of the MTM instruction to settle;
- (ii) treat as valid (and binding on the CREST member or CREST sponsored member concerned) an acceptance which does not comply in all respects with the requirements as to validity set out or referred to in this paragraph 4.2;
- (iii) accept an alternative properly authenticated dematerialised instruction from a CREST member or (where applicable) a CREST sponsor as constituting a valid acceptance in substitution for, or in addition to, an MTM instruction and subject to such further terms and conditions as the Company and the Underwriter may determine in their absolute discretion;
- (iv) treat a properly authenticated dematerialised instruction (in this sub-paragraph (iv) the "first instruction") as not constituting a valid acceptance if, at the time at which Computershare receives a properly authenticated dematerialised instruction giving details of the first instruction, either the Company or Computershare has received actual notice from Euroclear UK of any of the matters specified in regulation 35(5)(a) of the Regulations in relation to the first instruction. These matters include notice that any information contained in the first instruction was incorrect or notice of lack of authority to send the first instruction; and
- (v) accept an alternative instruction or notification from a CREST member or CREST sponsored member or (where applicable) a CREST sponsor, or extend the time for acceptance and/or settlement of an MTM instruction or any alternative instruction or notification if, for reasons or due to circumstances outside the control of any CREST member or CREST sponsored member or (where applicable) CREST sponsor, the CREST member or CREST sponsored member is unable validly to take up all or part of his Nil Paid

Rights by means of the above procedures. In normal circumstances and without prejudice to the foregoing, this discretion is only likely to be exercised in the event of an interruption, failure or breakdown of CREST (or of any part of CREST) or on the part of facilities and/or systems operated by Computershare in connection with CREST.

4.3 Money Laundering Regulations

If you hold your Nil Paid Rights in CREST and apply to take up all or part of your entitlement as agent for one or more persons and you are not a UK or EU regulated person or institution (e.g. a UK financial institution), then, irrespective of the value of the application, Computershare is entitled to take reasonable measures to establish the identity of the person or persons (or the ultimate controller of such person or persons) on whose behalf you are making the application. You must therefore contact Computershare before sending any MTM instruction or other instruction so that appropriate measures may be taken.

Submission of an MTM instruction which constitutes, or which may on its settlement constitute, a valid acceptance as described above constitutes a warranty and undertaking by the applicant to provide promptly to Computershare any information Computershare may specify as being required for the purposes of the Money Laundering Regulations or FSMA. Pending provision of such information and such other evidence as Computershare may require to satisfy the verification of identity requirements, Computershare may at its absolute discretion take, or omit to take, such action as it may determine to prevent or delay settlement of the MTM instruction. If satisfactory evidence of identity has not been provided within a reasonable time, then Computershare will not permit the MTM instruction concerned to proceed to settlement, but without prejudice to the right of the Company to take proceedings to recover any loss suffered by it as a result of failure by the applicant to provide satisfactory evidence.

4.4 Dealings in Nil Paid Rights in CREST

Assuming the Rights Issue becomes unconditional, dealings in the Nil Paid Rights on the London Stock Exchange are expected to commence at 8.00 a.m. on 30 April 2012. A transfer (in whole or in part) of Nil Paid Rights can be made by means of CREST in the same manner as any other security that is admitted to CREST. The Nil Paid Rights are expected to be disabled in CREST by 11.00 a.m. on 15 May 2012.

4.5 Dealings in Fully Paid Rights in CREST

After acceptance of the provisional allotment and payment in full in accordance with the provisions set out in this document and (where appropriate) the Provisional Allotment Letter, the Fully Paid Rights may be transferred (in whole or in part) by means of CREST in the same manner as any other security that is admitted to CREST. The latest time and date for settlement of any transfer of Fully Paid Rights in CREST is expected to be 11.00 a.m. on 15 May 2012. The Fully Paid Rights are expected to be disabled in CREST by Close of Business on 15 May 2012. After 16 May 2012, the New Ordinary Shares will be registered in the name (s) of the person(s) entitled to them in the Company's register of members and will be transferable in the usual way (see paragraph 4.7 of this Part III).

4.6 Withdrawal of Nil Paid Rights or Fully Paid Rights from CREST

Nil Paid Rights or Fully Paid Rights held in CREST may be converted into certificated form, that is, withdrawn from CREST. Normal CREST procedures (including timings) apply in relation to any such conversion.

The recommended latest time for receipt by Euroclear UK of a properly authenticated dematerialised instruction requesting withdrawal of Nil Paid Rights, or if appropriate, Fully Paid Rights from CREST is 4.30 p.m. on 9 May 2012, so as to enable the person acquiring or (as appropriate) holding the Nil Paid Rights, or if appropriate, Fully Paid Rights following the conversion to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 15 May 2012. You are recommended to refer to the CREST Manual for details of such procedures.

4.7 **Issue of New Ordinary Shares in definitive form**

Fully Paid Rights in CREST are expected to be disabled in CREST after the close of CREST business on 15 May 2012 (the latest date for settlement of transfers of Fully Paid Rights in CREST). New Ordinary Shares (in definitive form) will be issued in uncertificated form to those persons registered as holding such Fully Paid Rights in CREST at the close of business on the date on which the Fully Paid Rights are disabled. Computershare will instruct Euroclear UK to credit the appropriate stock accounts of those persons (under the same participant ID and member account ID that applied to the Fully Paid Rights held by those persons) with their entitlements to New Ordinary Shares with effect from the next business day (expected to be 16 May 2012).

4.8 **Rights to allot/issue in certificated form**

Despite any other provision of this document, the Company reserves the right to allot and/or issue any Nil Paid Rights, Fully Paid Rights or New Ordinary Shares in certificated form. In normal circumstances, this right is only likely to be exercised in the event of an interruption, failure or breakdown of CREST (or any part of CREST) or on the part of the facilities and/or systems operated by Computershare in connection with CREST.

5. **Procedure in respect of rights not taken up and withdrawal rights**

5.1 **Procedure in respect of New Ordinary Shares not taken up**

If an entitlement to New Ordinary Shares is not validly taken up by 11.00 a.m. on 15 May 2012, in accordance with the procedure set out for acceptance and payment, then that provisional allotment will be deemed to have been declined and will lapse. The Underwriter will, as agent for the Company, endeavour to procure subscribers for such New Ordinary Shares by not later than 3.00 p.m. on 17 May 2012 at a price which is at least equal to the aggregate of the Issue Price and the related expenses of procuring such subscribers (including any value added tax thereon). Notwithstanding the above, if at any time after 11.00 a.m. on 15 May 2012 the Underwriter is of the opinion that it is unlikely that subscribers can be procured on the terms described above, the Underwriter may cease to endeavour to procure subscribers on such basis. If and to the extent subscribers cannot be so procured on the basis outlined above, the New Ordinary Shares not taken up will be subscribed by the Underwriter as principal on and subject to the terms of the Underwriting Agreement or by sub-underwriters procured by the Underwriter at the Issue Price on the terms and subject to the conditions of the Underwriting Agreement.

It will be a term of such subscription that any premium over the aggregate of the Issue Price and the related expenses of procuring such subscribers (including any value added tax thereon) shall be paid (subject as provided in this paragraph 5.1):

- (a) where Nil Paid Rights were, at the time they lapsed, represented by a Provisional Allotment Letter, to the person whose name and address appears on the Provisional Allotment Letter (or to the first named holder on the Provisional Allotment Letter if Ordinary Shares are or were held jointly);
- (b) where the Nil Paid Rights were, at the time they lapsed, in uncertificated form, to the person registered as the holder of such Nil Paid Rights at the time of their disablement in CREST; and
- (c) where an entitlement to the New Ordinary Shares was not taken up by an Overseas Shareholder and neither (i) nor (ii) above applies, to that Overseas Shareholder.

New Ordinary Shares for which subscribers are procured on this basis will be allotted to the subscribers at the Issue Price and the aggregate of any premiums (being the amount paid by the subscribers after deduction of the Issue Price and the fees and expenses related to the procuring such subscribers, including any value added tax thereon), if any, will be paid (without interest) to those persons entitled (as referred to above) *pro rata* to their relevant lapsed provisional allotments, save that amounts of less than £5 per holding will not be paid to such persons but will be aggregated and retained for the benefit of the Company. Cheques for the amounts due (if any) will be sent by post at the risk of such person(s) entitled, to their registered addresses (the registered address of the first-named holder in the case of joint holders), provided that, where any entitlement concerned was held in CREST, the amount due will, unless the Company (in its absolute discretion) otherwise

determines, be satisfied by the creation of an assured settlement bank payment obligation in favour of the relevant CREST member's (or CREST sponsored member's) RTGS settlement bank in respect of the cash amount concerned in accordance with the RTGS payment mechanism.

Any transactions undertaken pursuant to this paragraph 5.1 shall be deemed to have been undertaken at the request of person entitled to the lapsed provisional allotments, and none of the Company, the Underwriter nor any person procuring or seeking to procure such subscribers shall be responsible or have any liability for any loss or damage (whether actual or alleged) arising from the terms, amount or timing of any such subscription or any failure to procure such subscribers or the decision not to endeavour to procure such subscribers on the basis so outlined. The Underwriter will be entitled to retain any brokerage fees, commissions or other benefits received in connection with these arrangements.

5.2 *Withdrawal rights*

Qualifying Shareholders or their renounees who have the right to withdraw their acceptances under section 87Q(4) of FSMA after any supplementary prospectus has been published and who wish to exercise such right of withdrawal must deposit a written notice of withdrawal, which must include the full name and address of the person wishing to exercise such right of withdrawal and, if such person is a CREST member, the participant ID and the member account ID of such CREST member, by post to Computershare Investor Services PLC, Corporate Actions Projects, Bristol, BS99 6AH or by hand (during normal business hours only) to Computershare Investor Services, The Pavilions, Bridgwater Road, Bristol BS13 8AE so as to be received no later than two business days beginning with the first business day after the date on which a supplementary prospectus was published. Notice of withdrawal given by any other means or which is deposited with or received by Computershare after expiry of such period will not constitute a valid withdrawal save that the Company and Computershare Investor Services PLC shall treat as valid any notice of withdrawal received through the post by not later than four business days after the date on which a supplementary prospectus is published provided that the cover bears a legible postmark not later than the date falling two business days after the date on which such supplementary prospectus was published.

Furthermore, the exercise of withdrawal rights will not be permitted after payment by the relevant Shareholder of his subscription price in full and the allotment of the New Ordinary Shares to such Shareholder becoming unconditional. In such circumstances, Shareholders are advised to consult their professional advisers. Provisional allotments of entitlements to New Ordinary Shares which are the subject of a valid withdrawal notice will be deemed to be declined. Such entitlements to New Ordinary Shares will be subject to the provisions of paragraph 5.1 of this section above as if the entitlement had not been validly taken up.

6. *Dechra Share Option Schemes*

The Directors will make such adjustments as they deem appropriate as a result of the Rights Issue, including to the number of Shares under options or awards granted under the Dechra Share Option Schemes and to the exercise price, if any, of those options and awards, to compensate participants for the impact of the Rights Issue on their options. Any such adjustments shall be made in accordance with the rules of the relevant plan. Where required by relevant plan rules, adjustments shall be made with the prior approval of HMRC. Participants will be notified in due course of the adjustments to be made to the options.

7. *Taxation*

The information regarding United Kingdom taxation in respect of the New Ordinary Shares and the Rights Issue set out in Part X of this document is intended only as a general guide to the current tax position in the UK. If you are in any doubt about your tax position or are subject to a tax in a jurisdiction other than the United Kingdom, you should consult your own tax advisers without delay.

8. *Overseas Shareholders*

This document has been approved by the FSA, being the competent authority in the UK.

Accordingly, the making of the proposed offer of New Ordinary Shares to persons located or resident in, or who have a registered address in countries other than the UK may be affected by the law or regulatory

requirements of the relevant jurisdiction. Any Shareholder who is in any doubt as to his position should consult an appropriate professional adviser without delay.

8.1 **General**

The making or acceptance of the offer of Nil Paid Rights, Fully Paid Rights, Provisional Allotment Letters and/or New Ordinary Shares to persons resident or located in, or who have registered addresses in, countries other than the United Kingdom may be affected by the laws of the relevant jurisdiction. Such persons should consult appropriately qualified professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their rights.

It is the responsibility of all persons (including, without limitation, custodians, nominees and trustees) outside the United Kingdom receiving this document and/or a Provisional Allotment Letter and/or a credit of Nil Paid Rights to a stock account in CREST and wishing to accept the offer of New Ordinary Shares under the Rights Issue to satisfy themselves as to full observance of the laws of each relevant territory in connection therewith, including the obtaining of all necessary governmental or other consents which may be required, the compliance with all other requisite formalities and payment of any issue, transfer or other taxes due in such territories. The comments set out in this paragraph 8 are intended as a general guide only and any Overseas Shareholder who is in doubt as to his position should consult his professional adviser without delay.

This paragraph 8 sets out the restrictions applicable to Qualifying Shareholders who have registered addresses outside the UK, or are resident or located in countries other than the UK or who are persons (including, without limitation, custodians, nominees and trustees) who have a contractual or legal obligation to forward this document to a jurisdiction outside the UK or who hold Ordinary Shares for the account or benefit of any such person.

Receipt of this document and/or a Provisional Allotment Letter will not constitute an offer in those jurisdictions in which it would be illegal to make an offer and, in those circumstances, this document and/or a Provisional Allotment Letter must be treated as sent for information only and should not be copied or redistributed. The crediting of Nil Paid Rights to a stock account in CREST does not constitute an offer to Shareholders in any jurisdiction.

New Ordinary Shares will be provisionally allotted (nil paid) to all Qualifying Shareholders (including Restricted Shareholders) on the register at the Rights Issue Record Date. However, Provisional Allotment Letters will not be sent to, and Nil Paid Rights will not be credited to CREST Stock accounts of, Restricted Shareholders or their agent or intermediary, except where the Company is satisfied that such action would not result in the contravention of any registration or other legal or regulatory requirement in any jurisdiction.

No person in any territory other than the United Kingdom receiving this document and/or a Provisional Allotment Letter and/or a credit of Nil Paid Rights to a stock account in CREST may treat the same as constituting an offer or invitation to him, nor should he in any event use a Provisional Allotment Letter or deal with Nil Paid Rights or Fully Paid Rights in CREST, unless in each relevant territory such an invitation or offer can lawfully be made to him and the Provisional Allotment Letter, Nil Paid Rights or Fully Paid Rights in CREST can lawfully be used or dealt with without contravention of any unfulfilled registration or other legal or regulatory requirements. In such circumstances, this document and the Provisional Allotment Letter are to be treated as sent for information only and should not be copied or redistributed.

Persons (including, without limitation, nominees, agents and trustees) receiving a copy of this document and/or a Provisional Allotment Letter or whose stock account in CREST is credited with Nil Paid Rights or Fully Paid Rights should not distribute or send it or transfer Nil Paid Rights or Fully Paid Rights in or into any jurisdiction where to do so would or might contravene local securities laws or regulations. If a Provisional Allotment Letter or credit of Nil Paid Rights or Fully Paid Rights in CREST is received by any person in any such territory (or by the agent or nominee of such a person), he must not seek to take up the rights referred to in the Provisional Allotment Letter or in this document or renounce the Provisional Allotment Letter or transfer the Nil Paid Rights or Fully Paid Rights unless such actions would not violate applicable legal or regulatory requirements. Any person (including,

without limitation, nominees, agents and trustees) who does forward this document or a Provisional Allotment Letter into any such territory (whether pursuant to a contractual or legal obligation or otherwise) should draw the recipient's attention to the contents of this paragraph 8.

The Company reserves the right (in consultation with Investec) to treat as invalid and will not be bound to allot or issue any New Ordinary Shares in respect of any acceptance or purported acceptance of the offer of New Ordinary Shares which:

- (a) appears to the Company or its agents to have been executed, effected or dispatched from one of the Excluded Territories; or
- (b) in the case of a Provisional Allotment Letter, provides an address for delivery of definitive share certificates for New Ordinary Shares or, in the case of a credit of New Ordinary Shares in CREST, the CREST member or CREST sponsored member whose registered address would be in one of the Excluded Territories or any jurisdiction outside the United Kingdom in which it would be unlawful to deliver such share certificates or make such a credit.

The attention of Overseas Shareholders with registered addresses in any of the Excluded Territories is drawn to paragraphs 8.2 to 8.3 (inclusive) below.

Entitlements to Nil Paid Rights to which Qualifying Shareholders with registered addresses in any of the Excluded Territories would otherwise be entitled will be aggregated with entitlements to Nil Paid Rights which have not been taken up by other Qualifying Shareholders and sold as described in paragraph 5.1 above. The net proceeds of such sales (after deduction of expenses) will be paid to the relevant Qualifying Shareholders *pro rata* to their holdings of Ordinary Shares at the Rights Issue Record Date as soon as practicable after receipt, except that (i) individual amounts of less than £5.00 per holding and (ii) amounts in respect of fractions will not be distributed but will be retained by Computershare on trust for Investec who is acting as principal on receipt of such monies. None of the Company, any of Investec or any other person shall be responsible or have any liability whatsoever for any loss or damage (actual or alleged) arising from the terms or the timing of the acquisition or the procuring of it or any failure to procure subscribers.

Despite any other provision of this document or a Provisional Allotment Letter, the Company reserves the right to permit any Qualifying Shareholder to take up rights on the terms and conditions set out in this document if the Company in its sole and absolute discretion is satisfied that the transaction in question is exempt from or not subject to the legislation or regulations giving rise to the otherwise applicable restrictions.

Those Shareholders who wish, and are permitted, to take up their entitlement should note that payments must be made as described in paragraphs 3.3 (Qualifying Non-CREST Shareholders) and 4.2 (Qualifying CREST Shareholders) above.

Overseas Non-CREST Shareholders should note that all subscription monies must be paid in pounds sterling by cheque or banker's draft and should be drawn on a bank in the UK, made payable to "CIS PLC re Dechra PLC—Rights Issue" and crossed "A/C payee only".

The provisions of this paragraph 8 shall override any other provision in this document and/or a Provisional Allotment Letter to the contrary.

8.2 **United States**

The Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares have not been and will not be registered under the US Securities Act or under any securities laws of any state or other jurisdiction of the US and may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, within the US except in accordance with the registration requirements of the US Securities Act or an applicable exemption therefrom and in compliance with any applicable securities laws of any state or other jurisdiction of the US.

This document is confidential in the United States and each holder of Ordinary Shares in the United States, by accepting this document, agrees that any reproduction or distribution of this document, in whole or in part, and any disclosure of its contents or use of any information herein in the United States for any purpose other than considering the resolutions to be adopted at the General Meeting

is prohibited. This document is being sent to holders with registered or mailing addresses in the United States for information only in connection with the General Meeting, and, in that context, no part of this document nor the Provisional Allotment Letter constitutes, or will constitute, or forms part of any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for the New Ordinary Shares, Nil Paid Rights or Fully Paid Rights to any Shareholder with a registered address in, or who is resident or located in, the United States.

Provisional Allotment Letters or renunciations thereof sent from or post-marked in the US will, subject to certain exceptions, be deemed to be invalid and all persons acquiring New Ordinary Shares and wishing to hold such Shares in registered form must provide an address outside the US for registration of the New Ordinary Shares issued upon exercise thereof. Although Nil Paid Rights may be credited to the CREST accounts of Qualifying CREST Shareholders who hold their Shares through nominees with a UK address, such crediting of Nil Paid Rights does not constitute an offer to such Shareholders and any such Qualifying CREST Shareholders will not be entitled to take up rights in the Rights Issue unless such action would not result in the contravention of any registration or other legal requirement in any jurisdiction.

The Company reserves the right to treat as invalid any Provisional Allotment Letter (or renunciation thereof) that appears to the Company or its agents to have been executed in or dispatched from the US, or that provides an address in the US for the acceptance or renunciation of the Rights Issue, or which does not make the warranty set out in the Provisional Allotment Letter to the effect that the person accepting and/or renouncing the Provisional Allotment Letter does not have a registered address and is not otherwise located or resident in the US and is acquiring the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares and not with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Nil Paid Rights, Fully Paid Rights or New Ordinary Shares in the US or where the Company believes acceptance of such Provisional Allotment Letter may infringe applicable legal or regulatory requirements. The Company will not be bound to allot (on a non-provisional basis) or issue any New Ordinary Shares, Nil Paid Rights, or Fully Paid Rights to any person with an address in, or who is otherwise located or resident in, the US in whose favour a Provisional Allotment Letter or any Nil Paid Rights, Fully Paid Rights or New Ordinary Shares may be transferred or renounced. In addition, the Company and Investec reserve the right to reject any MTM instruction sent by or on behalf of any CREST member in or with a registered address in the US in respect of the Nil Paid Rights.

In addition, until 40 days after the commencement of the Rights Issue, an offer, sale or transfer of the New Ordinary Shares, the Nil Paid Rights or the Fully Paid Rights within the US by a dealer (whether or not participating in the Rights Issue) may violate the registration requirements of the US Securities Act.

8.3 ***Other Excluded Territories***

Due to restrictions under the securities laws of the Excluded Territories and subject to certain exemptions, no Provisional Allotment Letters in relation to the New Ordinary Shares will be sent to Shareholders located in or resident in, or having registered addresses in the Excluded Territories (unless such Qualifying Shareholder can satisfy the Company (following consultation with Investec) that receipt, and acceptance, of the offer in such jurisdiction will not breach applicable securities laws as described in this paragraph 8.3) and their entitlements to New Ordinary Shares will be sold in the market as if they were New Ordinary Shares not taken up, in accordance with paragraph 5 above. Except as expressly permitted under this paragraph 8, the Provisional Allotment Letters, the Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares may not be transferred or sold to or renounced or delivered in, any Excluded Territory. No offer of New Ordinary Shares is being made by virtue of this document, or the Provisional Allotment Letters into the Excluded Territories.

Although Nil Paid Rights may be credited to the CREST accounts of Qualifying CREST Shareholders who hold their Shares through a nominee with a UK registered address, such crediting of Nil Paid Rights does not constitute an offer to Shareholders. Qualifying Shareholders (i) with a registered address, or located or resident, in one of the Excluded Territories; (ii) with a registered address in, or who hold on behalf of, or for the account or benefit of persons in the US or located in the US, or who hold on behalf of, or for the account or benefit of, any person on a non-discretionary basis who is in the US, or any State of the US will not be entitled to take up rights in the Rights Issue, unless such action would not result in the contravention of any registration or other legal requirement in any jurisdiction, and their entitlements will be sold in accordance with the provisions of paragraph 5.1 above.

Notwithstanding the foregoing, if a Qualifying Shareholder with a registered address in, or resident in, any of the Excluded Territories can demonstrate to the satisfaction of the Company that receipt, or acceptance, of the offer in such jurisdiction will not breach applicable securities laws then the Company in its absolute discretion (and in consultation with the Underwriter) may either arrange for such Qualifying Shareholder to be sent a Provisional Allotment Letter if he is a Qualifying Non-CREST Shareholder holding his Shares in certificated form (as the case may be) or, if he is a Qualifying CREST Shareholder, arrange for Nil Paid Rights to be credited to the relevant CREST stock account. Such Qualifying Shareholders may, subject to the laws of the relevant jurisdictions, accept their rights under the Rights Issue in accordance with the instructions set out in this document and, if relevant, the Provisional Allotment Letter. Although Nil Paid Rights may be credited to the CREST accounts of such Qualifying CREST Shareholders, the crediting of Nil Paid Rights does not constitute an offer to Shareholders. Such Shareholders will not be entitled to take up rights in the Rights Issue if to do so would result in the contravention of any registration or other legal requirement in any jurisdiction. In cases where Overseas Shareholders are not able to, or do not, take up Nil Paid Rights, their entitlements will be sold in accordance with the provisions of paragraph 5.1 above.

8.4 Overseas territories other than the United States and other Excluded Territories

Qualifying Shareholders resident in overseas territories other than the United States and the other Excluded Territories should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their rights.

8.5 Representations and warranties relating to Overseas Shareholders

(a) Qualifying non-CREST Shareholders

Any person accepting and/or renouncing a Provisional Allotment Letter, acquiring New Ordinary Shares, Nil Paid Rights or Fully Paid Rights or requesting registration of the New Ordinary Shares comprised therein makes the representations and warranties set out below to the Company and the Underwriter that, except where proof has been provided to the Company's satisfaction that such person's use of the Provisional Allotment Letter will not result in the contravention of any applicable legal requirements in any jurisdiction. Documentation for establishing such proof may be obtained from Dechra or Computershare Investor Services PLC, Corporate Actions Projects, Bristol BS99 6AH. In the absence of such proof, the representations and warranties referred to above are that: such person: (a) is not accepting and/or renouncing the Provisional Allotment Letter, or requesting registration of the relevant New Ordinary Shares, from within the United States or any of the other Excluded Territories and is acquiring the New Ordinary Shares, Nil Paid Rights or Fully Paid Rights in an offshore transaction in compliance with Regulation S; (b) is not in any territory in which it is unlawful to make or accept an offer to acquire New Ordinary Shares or to use the Provisional Allotment Letter in any manner in which such person has used or will use it; (c) such person is not acting on a non-discretionary basis for a person located within the United States or any of the other Excluded Territories or any territory referred to in (b) above at the time the instruction to accept or renounce was given; and (d) such person is not acquiring New Ordinary Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such New Ordinary Shares into the United States or any of the other Excluded Territories or any territory referred to in (b) above. The Company may treat as invalid any acceptance or purported acceptance of the allotment of New Ordinary Shares comprised in, or renunciation or purported renunciation of, a Provisional Allotment Letter if it (i) appears to the Company to have been executed in or dispatched from the United States or any of the other Excluded Territories or otherwise in a manner which may involve a breach of the laws of any jurisdiction, or if it believes the same may violate any applicable legal or regulatory requirement; (ii) provides an address in the United States or any of the other Excluded Territories for delivery of definitive share certificates for New Ordinary Shares (or any jurisdiction outside the United Kingdom in which it would be unlawful to deliver such certificates), or (iii) purports to exclude the warranty required by this paragraph.

(b) *Qualifying CREST Shareholders*

A CREST member or CREST sponsored member who makes a valid acceptance in accordance with the procedures set out in this Part III makes the representations and warranties set out below to the Company and the Underwriter that, except where proof has been provided to the Company's satisfaction that such person's acceptance will not result in the contravention of any applicable legal requirement in any jurisdiction. Documentation for establishing such proof may be obtained from Dechra or Computershare Investor Services PLC, Corporate Actions Projects, Bristol BS99 6AH. In the absence of such proof, the representations and warranties referred to above are that: such person (a) is not within the United States or any of the other Excluded Territories and is acquiring the New Ordinary Shares, Nil Paid Rights or Fully Paid Rights in an offshore transaction in compliance with Regulation S; (b) is not in any territory in which it is unlawful to make or accept an offer to acquire Nil Paid Rights, Fully Paid Rights or New Ordinary Shares; (c) is not accepting on a non-discretionary basis for a person located within the United States or any of the other Excluded Territories or any territory referred to in (b) above at the time the instruction to accept was given; and (d) is not acquiring Fully Paid Rights or New Ordinary Shares with a view to the offer, sale, transfer, delivery or distribution, directly or indirectly, of any such Fully Paid Rights or New Ordinary Shares into the United States or any of the other Excluded Territories or any territory referred to in (b) above.

The comments set out in this paragraph 8 are intended as a guide only and, if you are in any doubt as to your eligibility to take up rights under the Rights Issue, you should consult your professional adviser without delay.

9. General

9.1 *Times and dates*

The Company shall, in its discretion and after consultation with its financial and legal advisers, be entitled to amend the dates that Provisional Allotment Letters are dispatched or dealings in Nil Paid Rights commence or amend or extend the latest date for acceptance under the Rights Issue and all related dates set out in this document and in such circumstances shall notify the UK Listing Authority, and make an announcement via a Regulatory Information Service approved by the UK Listing Authority and, if appropriate, to Shareholders but Qualifying Shareholders may not receive any further written communication.

If a supplementary prospectus is issued by the Company two or fewer business days prior to the latest time and date for acceptance and payment in full under the Rights Issue specified in this document as the latest date for acceptance under the Rights Issue (or such later date as may be agreed between the Company and the Underwriter), the latest date for acceptance under the Rights Issue shall be extended to the date that is three business days after the date of publication of the supplementary prospectus (and the dates and times of principal events due to take place following such date shall be extended accordingly).

9.2 *Governing law*

The terms and conditions of the Rights Issue as set out in this document and to be set out in the Provisional Allotment Letter, and all other matters in relation thereto, shall be governed by, and construed in accordance with, English law.

9.3 *Jurisdiction*

The courts of England and Wales are to have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Rights Issue, this document or the Provisional Allotment Letter. By accepting rights under the Rights Issue in accordance with the instruction set out in this document and, in the case of Qualifying Non-CREST Shareholders only, the Provisional Allotment Letter, Qualifying Shareholders irrevocably submit to the jurisdiction of the courts of England and Wales and waive any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum.

PART IV

INFORMATION ON THE COMPANY

1. History and development of the Company

To effect a management buyout from Lloyds Chemist plc, the Company was incorporated and registered in England and Wales on 13 May 1997 with registered number 03369634 under the 1985 Act as a private limited company with the name Broomco (1283) Limited. On 18 July 1997, it changed its name to Dechra Holdings Limited. At such time Dechra comprised: (a) *NVS*, a supplier of pharmaceuticals and pet and other products to veterinary practices; (b) *Arnolds*, a supplier of own-branded pharmaceuticals, instruments and equipment to the veterinary profession; and (c) *Dales*, a licensed manufacturer of human and veterinary pharmaceuticals. Three years later, in 2000, the issued ordinary share capital of Dechra was admitted to the Official List.

Since 2000, the Company has grown strongly through a combination of organic growth and acquisition. Key events in Dechra's history are:

- (a) 2001: UK launch of *Vetoryl*, a novel drug for the treatment of Cushing's syndrome in dogs
- (b) 2002: acquisition of North Western Laboratories Limited and Cambridge Specialist Laboratory Services Limited, which extended Dechra's service offering to the veterinary profession
- (c) 2002: acquisition of Anglian Pharma PLC, which increased Dechra's contract manufacturing revenues
- (d) 2007: commencement of Dechra trading via sales and marketing in the US as a result of the acquisition of the marketing rights for a range of licensed veterinary pharmaceuticals from Nycomed US, Inc
- (e) 2008: acquisition of *VetXX® Holdings A/S*, a developer, producer and marketer of companion animal veterinary products in Europe, which broadened and strengthened Dechra's European footprint and range of licensed veterinary products
- (f) 2009: launch of *Vetoryl* in the US
- (g) 2010: acquisition of *DermaPet®*, Inc., a US-based business which strengthened Dechra's position in dermatological products as well providing greater scale in the US market
- (h) 2010: acquisition of *Genitrix® Limited*, a private UK company with a range of products complementary to Dechra's

The Group's strategic focus is to deliver medium to long-term growth through the development, both organically and by way of acquisition, of its branded veterinary pharmaceutical portfolio of both novel and generic products, together with the licensing of these key products into international markets.

2. Overview of the Group

2.1 Overview

Dechra is an international pharmaceutical business focused on the veterinary market with its key area of specialisation being in the development and marketing of companion animal products. The Company's headquarters are in Stoke-on-Trent and it currently employs approximately 1,010 staff, operates out of 14 countries and exports products globally.

Dechra operates under two divisions, Pharmaceuticals and Services, and through four segments, as follows:

- (a) **Product Development** which develops and licences Dechra's own branded veterinary product portfolio of novel and generic pharmaceuticals and specialist pet diets;
- (b) **European Pharmaceuticals** which comprises Dechra Veterinary Products EU ("DVP EU") and *Dales*;
- (c) **US Pharmaceuticals** which comprises Dechra Veterinary Products US ("DVP US"); and

- (d) **Services** comprising NVS and Dechra's laboratories, NWL and CSLS (which have been re-branded as Dechra Laboratory Services and Dechra Specialist Laboratories in mid-April 2012).

Product Development

Dechra's product development segment is concentrated in three areas:

- (a) Prescription only veterinary medicines ("POMs") for dogs, cats and horses. Dechra targets products in specialist therapeutic areas and focuses on novel ideas in underserved markets. Most of Dechra's products utilise existing pharmaceutical entities that are typically used within the human market and the majority of product creation is development and not research based;
- (b) Therapeutic pet diets for dogs and cats. Products are formulated and trialled to provide optimum nutrition for animals diagnosed with various medical conditions; and
- (c) Unlicensed medicines, shampoos and supplements for dogs, cats and horses. These products, on the whole, are intended for veterinary recommendation and in most cases will complement the therapeutic areas in which Dechra's POMs are targeted.

The Group continued to increase investment in product development with an 11.9 per cent. increase in expenditure during the financial year ended 30 June 2011 over the corresponding period in the previous year. The development team has been increased to 25 people who are located in the United States, United Kingdom and Denmark. Dosage form development work is conducted in the UK; regulatory work is conducted in the UK and Denmark; and the majority of safety and efficacy trials are controlled in the United States.

European Pharmaceuticals

This segment comprises DVP EU and *Dales*. DVP EU markets and sells Dechra's own branded veterinary products within 13 European countries and manages the relationships with Dechra's worldwide marketing partners. Dechra has nine country managers operating out of Denmark, Finland, France, Germany, Benelux, Norway, Spain, Sweden and the UK. Ireland and Portugal are managed out of the UK and Spain respectively. DVP EU currently employs 73 representatives across these territories. In total DVP EU employs 214 people.

Dechra's customers are small animal and equine veterinary surgeons, predominantly operating out of commercial veterinary practices. European companion animal veterinary markets are currently realising growth slightly above inflation as consumers continue to have their sick pets treated. However discretionary spend products, although seeing growth, is below historical levels. Internet pharmacies, especially in the UK, are demonstrating stronger levels of growth as consumers look to reduce the cost of pet and horse ownership. Animal numbers in the major territories remained static in the financial period ended 30 June 2011. The UK is currently Europe's largest pharmaceuticals market with approximately eight million cats, seven million dogs and one million horses.

Dales is a licensed manufacturer of veterinary and human pharmaceuticals for DVP EU and third party customers.

Dales manufactures at its site in Skipton the vast majority of Dechra's own branded, licensed pharmaceutical products which are then marketed through Dechra's subsidiaries, but also derives approximately half of its revenues from third party toll manufacturing, predominantly for human pharmaceutical companies. This is Dechra's only significant source of revenue not derived from the veterinary market. In addition to Skipton, *Dales* has a small manufacturing facility in Uldum, Denmark. *Dales* employs in total 226 people.

Dales' key strengths include the ability to be flexible on batch size, especially when introducing new pharmaceuticals, and the ability to produce several dosage formats such as tablets, capsules, liquids, creams, gels and powders which can be packaged in numerous formats. *Dales* can also provide a full service for third party customers including product formulation, trial batch manufacturing, validation, production and packaging.

US Pharmaceuticals

DVP US sells Dechra's branded endocrine, ophthalmic, dermatological and equine products into North America. Dechra's business is based in Kansas City, USA and employs 33 people, 22 of whom are field based representatives.

Dechra's US customers are small animal and equine veterinary surgeons, predominantly operating out of commercial veterinary practices. The USA is the world's largest veterinary market and represents a significant growth opportunity for Dechra. Over 62 per cent. of US households own a pet which equates to 73 million homes. Additionally, the number of pets is increasing with a current estimated population of 86 million cats, 78 million dogs and 8 million horses.

Services

NVS

NVS is the UK market leader, as measured in terms of market share, in the supply and distribution of veterinary products to veterinary practices and other approved outlets. *NVS* stocks a range of over 14,000 products, including pharmaceuticals, pet products, consumables and accessories. *NVS* has also developed a range of IT solutions for veterinary practices.

NVS employs 455 people across the UK, 111 of whom are delivery drivers. The centralised inventory held in Stoke-on-Trent, England is picked and packed throughout the afternoon and evening and then distributed overnight to 10 trunking depots. Van drivers are employed locally at these depots to distribute the goods directly to Dechra's customers. *NVS* has developed an advanced communication system for its customers and through this 85 per cent. of orders arrive at *NVS* automatically with no human input required.

NVS's principal customers are UK veterinary practices of all types: small animal, equine, farm animal and mixed species practices. Footfall through UK veterinary practices declined during the financial year ended 30 June 2011, although the overall market has continued to demonstrate growth, predominantly from inflation. The consolidation of veterinary practices into large corporate groups seen over recent years continued during the financial year ended 30 June 2011.

Laboratories

Dechra Laboratory Services is a first referral veterinary laboratory and provides histology, pathology, haematology, chemistry and microbiology services to veterinary practices. Dechra Specialist Laboratories is a primary and secondary referral specialist veterinary immunoassay laboratory, with Dechra's key area of expertise being endocrinology. Dechra Specialist Laboratories also provides precise assays which support the dosage regimes and patient monitoring of DVP's key products, *Vetoryl* and *Felimazole*.

The laboratories employ 75 people. Dechra Laboratory Services is located in Poulton-le-Fylde, Leeds and Swanscombe, and Dechra Specialist Laboratories is located in Sawston, England. Samples are received on a daily basis via post, couriers and Dechra's own collection service. Where the science allows, a same day or next day results service is provided.

Dechra Laboratory Services customers are UK commercial veterinary practices. Dechra has historically provided support to companion animal practices; however, in the last two years Dechra has introduced an increased range of large animal and equine services. Dechra Specialist Laboratories provides some first level support similar to Dechra Laboratory Services to UK veterinary practices; however, their major area of specialisation is in very precise endocrine assays.

3. Products and product pipeline

Dechra's key products and specialisations can be broken down into the following areas:

- (a) Dermatology – Dechra has a number of leading products in dermatology, including *Canaural*®, the leading first line treatment for otitis externa in cats and dogs; *Fuciderm*®, the only licensed product for the treatment of surface pyoderma in dogs; *Malaseb*®, the market leading medicated shampoo for cats and dogs; and *Animax*®, used for skin conditions in dogs and cats

- (b) Endocrinology – a key focus for Dechra, the two leading products are *Vetoryl*, a novel product for the treatment of Cushing's syndrome; and *Felimazole*, the first veterinary licensed product for the treatment of feline hyperthyroidism
- (c) Equine medicine – Dechra offers a wide range of 14 licensed products, with the lead product being *Equipalazone*®, a Non-Steroidal Anti-Inflammatory drug for the treatment of musculoskeletal disorders. *Equidone*® gel was approved in 2010 for the treatment of fescue toxicity in horses
- (d) Ophthalmology – a highly specialised area of veterinary medicine where Dechra has a number of leading products including licensed pharmaceuticals, unlicensed care products and instruments. *Fucithalmic*® Vet is the only licensed product available for the treatment of conjunctivitis
- (e) Critical care – Dechra has a wide range of products that support emergency medicine. The *Vetivex*® range of infusion fluids are licensed for the treatment of dehydration. *Libromide*® is the only licensed product of its type which is used for the management of epilepsy in dogs
- (f) Generics – several generic products are registered in the UK under the *Dechra Veterinary Essentials*® brand; a number of products are also registered in Europe
- (g) Pet diets – Dechra has two main cat and dog diet product ranges, both branded *Specific*®, which are sold exclusively through veterinary practices. The diet ranges address both therapeutic (to aid specific conditions e.g. diabetes, heart problems) and life stage (nutrition for healthy dogs and cats) needs
- (h) Care – a range of unlicensed products that complement Dechra's pharmaceutical range and which are available over the counter within veterinary practices

Dechra's product pipeline remains healthy. In terms of novel drug development, Dechra has an equine lameness product targeting approval in 2013 with several more products, including a canine and feline endocrine product targeting approval in 2014 and 2015 respectively. In terms of generics and unlicensed products, further products are under development and reformulation, improvement and innovation of unlicensed products is on-going. Several products are targeting approval over the next few years. On pet diets, a range of new products are due to launch shortly with further innovations due in the next few years.

4. Key markets

The companion animal veterinary pharmaceutical product market

The veterinary market for companion animal products is dominated by North America, Western Europe and Japan. Dechra's key markets are Western Europe and the US. Within the UK, the Board believes there are some seven million dogs, nine million cats and one million horses. The UK companion animal market is considered to be highly advanced in terms of spend per animal and veterinarian competence.

The US represents the biggest companion animal market in the world with an estimated 70 million dogs, 80 million cats and seven million horses. Sources indicate that Americans spend more per companion animal than any other nation. American veterinarians are very advanced in their knowledge of small animal medicine, a key advantage when marketing specialised products such as Dechra's own brands. The acquisition of *DermaPet*, Inc, the launch of *Vetoryl* in 2009 and the recent FDA approval of *Dales* to manufacture *Vetoryl* gives Dechra a strong base in which to continue to grow in the US market.

The Board believes that Continental Europe, in terms of the number of animals, is commensurate with the US, however, the market size is currently smaller as fewer pets have regular contact with veterinarians and, with the exception of some major conurbations, small animal veterinary science is not as advanced. However, the companion animal market is developing quickly in Northern Europe. The Board of Dechra believes that Europe, therefore, continues to represent an important growth opportunity for Dechra.

The UK supply of veterinary pharmaceutical products market

The Board of Dechra estimate that *NVS* has a market share of approximately 40 per cent. of the UK veterinary wholesale market, measured by value, making it the market leader. Within the industry there has been consolidation over the years, resulting in three key players, being *NVS*, Henry Schein Animal Health and Centaur Services. Over the 12 months to February 2012, the market has grown approximately 7.8 per cent. by value. (Source: GfK).

5. Competition

Dechra's chief competition differs between its different business areas.

Pharmaceuticals

In DVP EU and DVP US, the main competition is split between the large international pharmaceutical companies with animal pharmaceutical businesses who typically offer veterinary products in all of Dechra's markets and local or regional animal pharmaceutical businesses. However, many of Dechra's products are either novel or unique in formulation, and of the top 11 products (equating to 85 per cent. of Dechra's European pharmaceutical sales), 5 have no direct competitors.

There are a number of contract manufacturers which compete with *Dales* although not all can offer the full range of batch sizes and dosage forms which *Dales* can. Following submission to the US Food and Drug Administration ("FDA") in 2010 and subsequent final inspection in September 2011 *Dales* was granted FDA approval in November 2011 to manufacture a line extension for Vetoryl 120mg capsules. *Dales* is looking to extend the FDA approval into other products and dosage forms. FDA approval provides *Dales* with a competitive advantage. However, *Dales* is increasingly becoming an in-house manufacturer for Dechra so competition is less of an issue.

Services

NVS' primary competitors are the two other UK veterinary product distributors, Centaur Services, which is owned by MWI Veterinary Supply, Inc of the US, and Henry Schein Animal Health. In addition, there are a number of much smaller operators, which do not offer the full breadth of products and services that NVS offers.

Dechra Laboratory Services and Dechra Specialist Laboratories compete with two larger laboratory companies, being IDEXX and CVS, in addition to a number of independent laboratories.

6. Summary Financial Information on Dechra

The selected financial information set out below has been extracted without material adjustment from Dechra's audited report and accounts for the year ended 30 June 2009, the year ended 30 June 2010 and the year ended 30 June 2011 and from Dechra's unaudited half yearly report for the six months ended 30 December 2011. The financial information was prepared in accordance with IFRS.

	Year ended 30 June (audited)			Six months ended 31 December (unaudited)	
	2009 £ million	2010 £ million	2011 £ million	2010 £ million	2011 £ million
Revenue	350.0	369.4	389.2	192.2	209.5
Gross profit	73.7	80.6	88.4	42.1	46.5
Underlying operating profit⁽¹⁾	25.0	28.2	31.8	14.5	16.2
Operating profit	17.7	19.9	21.7	10.0	11.0
Profit before tax	16.1	17.7	18.5	9.0	8.9
Profit after tax	11.3	13.2	14.1	6.7	6.7
Net (debt)/Cash	(15.5)	(6.7)	(34.1)	(49.6)	(46.1)
Net assets	80.7	86.2	98.3	91.7	96.6

(1) Underlying operating profit is before amortisation of acquired intangibles, acquisition expenses, rationalisation costs, payments to acquire technology for the research and development programme, impairment charges, loss on extinguishment of debt and the unwinding of discounts on deferred and contingent consideration.

7. Organisational structure

The Company is the ultimate parent company of the Group. All operating activities are conducted by companies which are members of the Group. Please see Part X of this document for a detailed list of the Company's principal subsidiaries.

8. Principal Investments

The Group made no acquisitions during the financial years ended 30 June 2009 and 30 June 2010. A description of the Group's principal acquisitions for the financial year ended 30 June 2011 is given on pages 121 to 123 of its Annual Report and Accounts for the financial year ended 30 June 2011 (which are incorporated into this document by reference) and there were no further principal acquisitions for the period from 1 July 2011 to the date of this document.

Save as disclosed above and save to the extent that on-going investments outlined above have continuing capital investment requirements, the management of the Company has not made any firm commitments on any principal future investments which are material to the Group as a whole.

PART V

OPERATING AND FINANCIAL REVIEW AND FINANCIAL INFORMATION ON DECHRA

Discussion of the Group's financial condition and results of operations for the six month periods ended 31 December 2011 and 31 December 2010 and the years ended 30 June 2009, 2010 and 2011 is incorporated by reference into this document from the Group's audited consolidated financial statements and the related notes to the financial statements, for each of the financial years ended 30 June 2009, 2010 and 2011, and the unaudited interim financial report for the six months ended 31 December 2011 which are incorporated by reference into this document. Prospective investors should read the whole of this document and the documents incorporated herein by reference and should not just rely on the financial information set out in this Part V. See also "Presentation of Financial Information" and "International Financial Reporting Standards" set forth in the section of this document entitled "Important Information".

The presentation in this section contains certain forward looking statements that involve risks, uncertainties and assumptions. The Group's actual results may differ materially from those anticipated in these forward looking statements as a result of factors including, but not limited to, those set forth in the section of this document entitled "Risk Factors" and in "Forward Looking Statements", set forth in the section of this document entitled "Important Information".

The following discussion of the Group's liquidity and capitalisation and indebtedness is in addition to this discussion of the Group's financial condition and results of operations incorporated by reference into this document, including discussion of the Group's liquidity and capitalisation and indebtedness incorporated by reference into this document.

1. Liquidity and capital resources

Capital Resources

Dechra's operations are financed by a combination of equity (share capital and retained earnings) and debt. As at 31 December 2011, the Group was funded by £64.6 million of called up share capital, £32 million outstanding of a term loan from Lloyds Banking Group and Svenska Handelsbanken, repayable in instalments ending in 2014 and various finance lease and hire purchase contracts. The Group also had available a £28.0 million revolving credit facility committed until 2014, of which £28 million was drawn at 31 December 2011 and a £10.0 million overdraft facility renewable on 31 August 2012 to fund the Group's working capital requirements. The overdraft was only partially utilised at peak working capital points during the year ended 30 June 2011 and the six months ended 31 December 2011. As at 19 April 2012, being the latest practicable date before the publication of this document, the term loan and revolving credit facility available to the Group, being £56.0 million in total, were drawn to the amount of £55.5 million. The Group had cash balances of £8.7 million and an unutilised overdraft facility of £10 million.

The Group's borrowing levels vary both intra-month and during the course of the year. For the year ended 30 June 2011, peak borrowings of £68.6 million occurred in November 2010. For the six months ended 31 December 2011, peak borrowings of £65.0 million occurred in September 2011.

Cash inflow from operating activities of the Group in the year ended 30 June 2011 was £25.4 million compared to £26.7 million in 2010. For the six months ended 31 December 2011, the cash inflow from operating activities of the Group was £1.4 million, compared with £0.8 million for the comparable six months ended 31 December 2010. Net debt increased to £46.1 million at 31 December 2011 (£49.6 million at 31 December 2010) which compared with £34.1 million at the last year end, 30 June 2011 (£6.7 million at 30 June 2010). Key elements of this movement in net debt in the six months ended 31 December 2011 comprised a £15.4 million reduction in cash and cash equivalents, a £4.3 million repayment of borrowings and £0.9 million increase to borrowings as a result of retranslating foreign currency borrowings. The key elements of the movement in net debt in the year ended 30 June 2011 comprised a £0.6 million reduction in cash and cash equivalents, a £25.2 million net increase in borrowings including costs incurred on raising new borrowings, a net £0.2 million charge relating to exchange differences on cash balances and retranslation of foreign borrowings and £1.4 million of other non-cash changes.

To help finance the Acquisition, Dechra has entered into the Facility Agreement, a summary of which is set out in paragraph 14.4 Part X of this document. Provided completion of the Acquisition takes place, the Facility Agreement will replace the Group's existing term loan and revolving credit facility. The existing £10 million working capital facility, which will remain in place, will be next renewable at 31 March 2013 and annually thereafter.

The new facility comprises:

- (a) a £55 million term loan repayable in 8 instalments on 31 March and 30 September each year of £5 million per instalment, rising to £7.5 million per instalment from and including 30 September 2015 with a final instalment of £7.5 million on 31 October 2016. The first repayment is on 31 March 2013.
- (b) a £65 million revolving credit facility committed to 31 October 2016.

The covenants applicable to the facility are:

- (a) Net debt/EBITDA ratio will be no more than 2.75 times for testing periods up to and including 30 June 2013, falling to 2.5 times thereafter. This covenant is to be tested quarterly on a 12 month rolling historical basis.
- (b) EBIT/net interest ratio will be no less than four times. This covenant is to be tested quarterly on a 12 month rolling historical basis.
- (c) Consolidated net worth will be at least £120 million. This covenant is to be tested at 30 June and 31 December each year.
- (d) Cash flow available for debt service/debt service ratio will be at least 1.25. This covenant to be tested on a 12 month rolling historical basis at 30 June and 31 December each year.

The first testing of financial covenants shall be in respect of the period ending 30 June 2012.

Treasury policy

The Group's treasury policy is set by the Board and monitored by the Group Finance Director. The Company does not speculate on short term interest rate or exchange rate movements. The Group has hedged interest rate risk on its term loan by means of an interest rate swap arrangement whereby the Group's exposure to fluctuations in LIBOR is fixed at a rate of 1.6875 per cent. on the term loan and 1.185 per cent. on the revolving credit facility. The amount of the term loan and revolving credit outstanding at 31 December 2011 was £60.7 million. The hedge is in place until 31 December 2013 and the hedge matches the repayment profile of the loan. In addition, all finance leases and hire purchase contracts were at fixed rates. Foreign currency transaction exposure arising on normal trade flows is not hedged. The Group matches receipts and payments in the relevant foreign currencies as far as possible. To this end, bank accounts are maintained for all the major currencies in which the Group trades. Unmatched foreign currency exposure is hedged by the Group Finance Director in accordance with Group policy. As at 31 December 2011, £28.7 million of the Group's borrowings were denominated in foreign currencies.

Liquidity management

The Group's cash position is monitored on a daily basis by the Group Finance Director. As noted above, as at 31 December 2011, the Group had available sufficient overdraft and revolving credit facilities from Lloyds Banking Group for its day-to-day working capital requirements.

2. Capitalisation and indebtedness

The following tables show the capitalisation of the Group as at 31 December 2011 and the indebtedness and cash of the Group as at 29 February 2012. There have been no material changes to the capitalisation figures since 31 December 2011. The figures for capitalisation have been extracted without material adjustment from Dechra's unaudited consolidated results for the half year ended 31 December 2011. The indebtedness and cash figures have been extracted from the underlying accounting records of the Group as at 29 February 2012. The figures exclude balances between entities that comprise the Group.

<i>Shareholders' equity (excluding profit and loss reserves)</i>	<i>£'000</i>
Share capital	668
Share premium	63,890
Other reserves	1,770
Total capitalisation	66,328

Statement of indebtedness as at 29 February 2012

	<i>£m</i>
<i>Current debt</i>	
Secured	8.8
Guaranteed	–
Unsecured/unguaranteed	–
Total current debt	8.8
<i>Non-current debt</i>	
Secured	52.2
Guaranteed	–
Unsecured/unguaranteed	–
Total non-current debt	52.2
Total gross indebtedness	61.0

Statement of net indebtedness as at 29 February 2012

	<i>£m</i>
Cash & cash equivalents	(7.1)
Trading securities (short-term investments)	–
Liquidity	(7.1)
Current bank debt	–
Current portion of non-current debt	8.0
Other current financial debt	0.8
Current financial debt	8.8
Net current financial indebtedness	1.7
Non-current bank loans	51.8
Bonds issued	–
Other non-current loans	0.4
Non-current financial indebtedness	52.2
Net financial indebtedness	53.9

PART VI

HISTORICAL FINANCIAL INFORMATION ON THE GROUP

The financial information relating to Dechra as at and for the financial years ended 30 June 2009, 30 June 2010 and 30 June 2011 is incorporated into this document by reference to the statutory audited accounts of Dechra for those years as explained in Part XI of this document.

The financial information relating to Dechra as at and for the six months ended 31 December 2011 is incorporated into this document by reference to the interim accounts of Dechra for that period as explained in Part XI of this document.

PART VII

INFORMATION ON EUROVET

1. Overview

Eurovet is the pharmaceutical business of A.U.V. Holding B.V., a veterinary services business based in the Netherlands. It is headquartered in Bladel, the Netherlands and operates in both the companion and farm animal markets. Eurovet was borne out of the Vetimex Production and Trade Association, including the Farvet Laboratories export department, which was established in 1978 and was taken over by AUV in 1996, the same year as the Eurovet brand name was created as a Benelux veterinary pharmaceutical own label. In 2001, the Eurovet, *Vetimex* and Farvet brands were amalgamated to form Eurovet Animal Health B.V.. In 2005 Eurovet bought Albrecht GmbH, which at the time sold own label companion animal products to over 9,000 veterinarians in Germany. Eurovet farm animal products were added to the German portfolio, creating a comprehensive pharmaceutical offering for both target markets in Germany. In 2010, Eurovet acquired Danish pharmaceutical company ScanimalHealth ApS, which gave it direct access to the Scandinavian market. In the same year, it set up a greenfield operation based in Cambridge, UK.

2. Products

Eurovet is an expert in developing, registering, producing and marketing added value, own label companion and farm animal veterinary pharmaceutical medicines. In the year ended 31 December 2011, Eurovet's sales by product split was approximately 62 per cent. farm animal, 33 per cent. companion animals and 5 per cent. instruments. They have been exceptionally successful in registering veterinary products in Europe using mutual recognition and decentralised registration procedures, having brought 12 new products to market over the past few years.

Eurovet has a proven track record in developing ideas to registered products. New projects are based almost exclusively on existing molecules and differentiated generics, with the focus on new applications for existing active ingredients, new or improved drug administration methods, new indications, shorter withdrawal periods and improved animal friendly formulations. As a result, Eurovet has a broad range of added value companion animal and farm animal products, both in terms of function and delivery method, driven by diverse specialisms and knowledge within their 16 strong internal R&D team and the 16 further pharmacists, chemists, veterinarians and analysts based in external laboratories worldwide. For the year ended 31 December 2011, R&D spend was 3.0 per cent. of net revenue.

Eurovet currently has approximately 150 pharmaceutical products, of which 110 are registered by Eurovet. Of these the main category is antibiotics for livestock, which are used to treat conditions once they have evolved rather than used as a premix preventative medicine.

A selection of Eurovet's registered products include:

- (a) *Forthyron*® – in Eurovet's portfolio since the mid-1990s with Mutual Recognition in 2006, this is an innovative product for the treatment of dog hypothyroidism
- (b) Soludox 50% – in Eurovet's portfolio since 2003 with Mutual Recognition in 2009, a water-soluble product for group (as opposed to individual) medication
- (c) *Octacilline*® – in Eurovet's portfolio since 2005, a water-soluble product for group (as opposed to individual) medication
- (d) Cyclo spray – in Eurovet's portfolio since 2000, an antibiotic spray for cows, pigs and sheep

The table below gives an overview of a selection of registered Eurovet products and those currently in the process of registration/development.

<i>Animal</i>	<i>Registered product</i>	<i>Product in registration/development</i>
Dog	<i>Cardisure</i> : chewable cardio tablets <i>Vomend®</i> : anti-vomit injectable <i>Comfortan®</i> : methadone injectable <i>Forthyron*</i> : chewable tablets	Epilepsy tablets Injectable sedative Diuretic tablets Ketamine injectable
Cat	<i>Vomend</i> : anti-vomit injectable	Injectable sedative Hyperthyroid chewable tablets Ketamine injectable
Equine	N/A	Guaifesis: muscle relaxant (intravenous) Tensolvat: muscle treatment (ointment)
Cattle	<i>Centidox®*</i> : 100% doxycycline water soluble powder <i>Octacilline*</i> : amoxycycline water soluble powder	Methoxasol: sulfa/TMP oral solution New antibiotic spray
Porcine	<i>Bovocycline</i> : uterus tabs	New antibiotic spray Pen Melk: ready to use injectable for mastitis treatment

* Existing product with new form of dosage

In terms of the products in registration and development, Eurovet has a substantial number of products due to come to market in the next three years across its target markets, with six already in the registration phase.

3. Locations

Eurovet's products are marketed in over 45 countries worldwide, with its own sales forces based in the Netherlands, Belgium, Germany, Denmark and the UK. Germany represents Eurovet's largest market by sales, representing 43 per cent. of 2011 sales.

Eurovet's main site is situated in Bladel, the Netherlands. It is here that the research & development, production and storage of its products are based. Bladel is a new sterile facility, which was rebuilt in 2007 following a fire, with the ability to produce oral liquids, premixes and high volume powders. Eurovet also has office space used for sales and other functions in Bladel, Aulendorf (Germany), Cambridge (UK) and Farum (Denmark).

4. Markets

The companion animal market in which Eurovet operates is identical to that of Dechra. The livestock products are predominantly sold through specialist livestock veterinarians and veterinary practices.

5. Management and employees

Eurovet has 235 full time employees. The majority of the employees are involved with the production and the sales and marketing departments. In addition, there are a number of R&D personnel and support staff.

It is expected that the following senior management of Eurovet and the Chief Executive Officer of AUV will join the Enlarged Group:

Tony Griffin (49), AUV Chief Executive Officer

Tony joined AUV in 1993 as Director of Exports, having previously worked at Norbrook Laboratories and Moy Park. He was promoted to Managing Director of Eurovet in 1996 and in 2006 became CEO of the AUV Group. Tony is responsible for the development of medium and long term group strategy and policy, as well as having direct involvement in strategy for each of the business units. In addition, Tony takes charge of acquisition negotiations and implementation, as well as Group HR, initiation of management development and training plans, group finance and management reporting and the group's IT strategy and

policy. The management teams of the pharmaceutical and the veterinary services divisions report directly to Tony. It is intended that Tony will be appointed as the Managing Director of DVP EU. The current Managing Director of DVP EU, Ed Torr, will revert to his historic position within Dechra as Director of Product and Business Development.

Jan Jaap Korevaar (54), Eurovet Managing Director

Jan Jaap joined Eurovet in 1996 as general manager of the Benelux sales organisation, having previously been international product manager (poultry vaccines), marketing manager of Benelux and Global BU manager of Swine/Cattle at Solvay Animal Health. In 2000, Jan Jaap was appointed Sales & Marketing Director of Eurovet and in 2003 was put in charge of the acquisition and integration of Albrecht, with responsibility for reorganising operations. He currently has overall responsibility for Eurovet and reports directly to Tony Griffin. It is intended that Jan Jaap will join the DVP EU board.

Rob Joosten (53), Eurovet R&D Director

Rob began his career as a veterinary practitioner dealing with companion animals, including horses. In 1989, he joined Eurovet as registration officer with responsibility for veterinary services. In 1990 he was appointed as Head of Regulatory Affairs and Development, before being promoted to R&D Director in 2009. Rob's current responsibilities include research and pharmaceutical development programmes covering the complete course, from product idea to marketing authorisations globally. Regulatory affairs and marketing authorisation maintenance, including pharmacovigilance. In addition to his role at Eurovet, Rob is the cofounder and R&D Director of the European Group for Generic Veterinary Products (EGGVP) and regularly speaks at international conferences on various topics related to the veterinary medicinal product authorisation process in the European Union. It is intended that Rob will manage the generic product pipeline.

6. Summary financial information

The summary financial information set out below has been extracted without material adjustment from Eurovet's historic financial information for the years ended 31 December 2009, 31 December 2010 and 31 December 2011 all of which were prepared in accordance with International Financial Reporting Standards. The full financial statements can be found in Part VIII of this document.

	<i>Year ended 31 December</i>		
	<i>2009</i>	<i>2010</i>	<i>2011</i>
	<i>€ million</i>	<i>€ million</i>	<i>€ million</i>
Revenue	63.2	70.3	76.8
Gross profit	32.3	35.1	38.9
EBITDA ⁽¹⁾	11.8	11.6	12.8
Operating profit ⁽¹⁾	9.5	9.1	10.2
Profit before tax ⁽¹⁾	8.8	8.4	9.6
Profit after tax	5.5	5.0	5.6
Net assets	22.8	27.9	30.7

⁽¹⁾ Before parent company management charges

Revenues grew by €13.6 million between 2009 and 2011. This was driven primarily by new product introductions and the ScanimalHealth acquisition in Denmark.

The gross profit margin remained broadly flat between 2009 and 2011, with a changing product mix offset by some specific product competition in Germany and the Danish acquisition. The reduction in the 2010 operating profit margin was caused primarily by the costs associated with the Danish acquisition and the UK start-up losses. The operating profit margin recovered in 2011 despite losses in the UK and one-off costs in manufacturing facilities.

PART VIII

HISTORICAL FINANCIAL INFORMATION ON EUROVET

Financial information for the financial years ended 31 December 2009, 2010 and 2011

The historical information of Eurovet for the financial years ended 31 December 2009, 31 December 2010 and 31 December 2011 has been prepared by the Directors of Dechra on the basis set out in note 1(a) and is presented in Euros.

In this Part VIII, 'Group' means 'Eurovet Group' and 'Company' means 'Eurovet'.

Consolidated income statement

	Note	2009 €000	2010 €000	2011 €000
Revenue		63,191	70,301	76,755
Cost of sales		<u>(30,873)</u>	<u>(35,243)</u>	<u>(37,891)</u>
Gross profit		32,318	35,058	38,864
Operating expenses		<u>(23,873)</u>	<u>(27,141)</u>	<u>(30,119)</u>
<hr/>				
Operating profit before parent company management charges		9,545	9,050	10,161
Parent company management charges		<u>(1,100)</u>	<u>(1,133)</u>	<u>(1,416)</u>
<hr/>				
Operating profit		8,445	7,917	8,745
Finance income	2	99	144	219
Finance expense	3	<u>(814)</u>	<u>(768)</u>	<u>(805)</u>
Profit before taxation	4	7,730	7,293	8,159
Income tax expense	6	<u>(2,259)</u>	<u>(2,269)</u>	<u>(2,527)</u>
Profit for the year		<u>5,471</u>	<u>5,024</u>	<u>5,632</u>

Consolidated statement of comprehensive income

	<i>2009</i>	<i>2010</i>	<i>2011</i>
	<i>€000</i>	<i>€000</i>	<i>€000</i>
Profit for the period	5,471	5,024	5,632
Other comprehensive income:			
Foreign currency translation differences for foreign operations	(5)	–	(24)
Actuarial gains and losses	217	119	(98)
Income tax relating to components of other comprehensive income	(55)	(30)	25
Total comprehensive income for the period	<u>5,628</u>	<u>5,113</u>	<u>5,535</u>

Consolidated statement of financial position
at 31 December

	Note	2009 €000	2010 €000	2011 €000
Assets				
Non current assets				
Intangible assets	8	12,587	17,051	17,602
Property, plant and equipment	9	12,381	12,113	11,772
Employee benefits	18	87	13	–
Deferred tax assets	11	–	35	154
Total non current assets		<u>25,055</u>	<u>29,212</u>	<u>29,528</u>
Current assets				
Inventories	12	10,231	14,659	13,015
Trade and other receivables	13	6,141	7,608	7,432
Cash and cash equivalents	14	7,088	4,380	5,298
Current tax asset		2	39	–
Total current assets		<u>23,462</u>	<u>26,686</u>	<u>25,745</u>
Total assets		<u>48,517</u>	<u>55,898</u>	<u>55,273</u>
Liabilities				
Current liabilities				
Borrowings	17	(4,107)	(1,788)	(2,564)
Trade and other payables	15	(10,498)	(12,521)	(10,373)
Current tax liabilities	16	(97)	(238)	(463)
Total current liabilities		<u>(14,702)</u>	<u>(14,547)</u>	<u>(13,400)</u>
Non current liabilities				
Borrowings	17	(9,968)	(12,239)	(9,675)
Employee benefits	18	–	–	(289)
Deferred tax liabilities	11	(1,016)	(1,168)	(1,240)
Total non current liabilities		<u>(10,984)</u>	<u>(13,407)</u>	<u>(11,204)</u>
Total liabilities		<u>(25,686)</u>	<u>(27,954)</u>	<u>(24,604)</u>
Net assets		<u>22,831</u>	<u>27,944</u>	<u>30,669</u>
Equity				
Issued share capital	20	31	31	31
Share premium account		1,574	1,574	1,574
Foreign currency translation reserve		(5)	(5)	(29)
Capital reserve		3,731	5,672	6,444
Retained earnings		17,500	20,672	22,649
Total equity		<u>22,831</u>	<u>27,944</u>	<u>30,669</u>

**Consolidated statement of changes in shareholders' equity
for the year ended 31 December 2009**

	<i>Issued share capital €000</i>	<i>Share premium account €000</i>	<i>Foreign currency translation reserve €000</i>	<i>Capital reserve €000</i>	<i>Retained earnings €000</i>	<i>Total €000</i>
Year ended						
31 December 2009						
At 1 January 2009	31	1,574	–	2,482	15,620	19,707
Profit for the period	–	–	–	–	5,471	5,471
Capital reserve transfer	–	–	–	1,249	(1,249)	–
Foreign currency translation differences for foreign operations, net of tax	–	–	(5)	–	–	(5)
Actuarial gains and losses	–	–	–	–	217	217
Income tax on other comprehensive income	–	–	–	–	(55)	(55)
Total comprehensive income	<u>31</u>	<u>1,574</u>	<u>(5)</u>	<u>3,731</u>	<u>20,004</u>	<u>25,335</u>
Transactions with owners						
Dividends paid	–	–	–	–	(2,504)	(2,504)
Total contributions by and distributions to owners	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(2,504)</u>	<u>(2,504)</u>
At 31 December 2009	<u><u>31</u></u>	<u><u>1,574</u></u>	<u><u>(5)</u></u>	<u><u>3,731</u></u>	<u><u>17,500</u></u>	<u><u>22,831</u></u>

Consolidated statement of changes in shareholders' equity (continued)
for the year ended 31 December 2010

	<i>Issued share capital €000</i>	<i>Share premium account €000</i>	<i>Foreign currency translation reserve €000</i>	<i>Capital reserve €000</i>	<i>Retained earnings €000</i>	<i>Total €000</i>
Year ended						
31 December 2010						
At 1 January 2010	31	1,574	(5)	3,731	17,500	22,831
Profit for the period	–	–	–	–	5,024	5,024
Capital reserve transfer	–	–	–	1,941	(1,941)	–
Foreign currency translation differences for foreign operations, net of tax	–	–	–	–	–	–
Actuarial gains and losses	–	–	–	–	119	119
Income tax on other comprehensive income	–	–	–	–	(30)	(30)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income	31	1,574	(5)	5,672	20,672	27,944
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Transactions with owners						
Dividends paid	–	–	–	–	–	–
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total contributions by and distributions to owners	–	–	–	–	–	–
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2010	<u>31</u>	<u>1,574</u>	<u>(5)</u>	<u>5,672</u>	<u>20,672</u>	<u>27,944</u>

Consolidated statement of changes in shareholders' equity (continued)
for the year ended 31 December 2011

	<i>Issued share capital €000</i>	<i>Share premium account €000</i>	<i>Foreign currency translation reserve €000</i>	<i>Capital reserve €000</i>	<i>Retained earnings €000</i>	<i>Total €000</i>
Year ended						
31 December 2011						
At 1 January 2011	31	1,574	(5)	5,672	20,672	27,944
Profit for the period	–	–	–	–	5,632	5,632
Capital reserve transfer	–	–	–	772	(772)	–
Foreign currency translation differences for foreign operations, net of tax	–	–	(24)	–	–	(24)
Actuarial gains and losses	–	–	–	–	(98)	(98)
Income tax on other comprehensive income	–	–	–	–	25	25
Total comprehensive income	<u>31</u>	<u>1,574</u>	<u>(29)</u>	<u>6,444</u>	<u>25,459</u>	<u>33,479</u>
Transactions with owners						
Dividends paid	–	–	–	–	(2,810)	(2,810)
Total contributions by and distributions to owners	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(2,810)</u>	<u>(2,810)</u>
At 31 December 2011	<u><u>31</u></u>	<u><u>1,574</u></u>	<u><u>(29)</u></u>	<u><u>6,444</u></u>	<u><u>22,649</u></u>	<u><u>30,669</u></u>

Foreign Currency Translation Reserve

The foreign currency translation reserve contains exchange differences on the translation of subsidiaries with a functional currency other than Euro.

Capital Reserve

The capital reserve represents the carrying value of capitalised development costs of Eurovet Animal Health BV, the holding company of the Group. Legal requirements in the Netherlands require a separate capital reserve to be held equating to the carrying value of capitalised development costs. This reserve is non-distributable.

Consolidated statement of cash flows
for the years ended 31 December

	2009 £000	2010 £000	2011 £000
Cash flows from operating activities			
Profit for the period	5,471	5,024	5,632
Adjustments for:			
Depreciation	1,095	1,256	1,357
Amortisation and impairment	1,203	1,254	1,247
Loss on sale of property, plant and equipment	–	9	13
Finance income	(99)	(144)	(219)
Finance expense	814	768	805
Income tax expense	2,259	2,269	2,527
Contributions to the pension scheme less than charge to operating profit	120	187	194
	<hr/>	<hr/>	<hr/>
Operating cash flow before changes in working capital	10,863	10,623	11,556
Movement in inventories	563	(3,559)	1,644
Movement in trade and other receivables	(834)	(554)	133
Movement in trade and other payables	1,403	1,777	(2,578)
	<hr/>	<hr/>	<hr/>
Cash generated from operating activities before interest and taxation	11,995	8,287	10,755
Interest paid	(752)	(672)	(632)
Income taxes paid	(2,482)	(2,078)	(1,854)
	<hr/>	<hr/>	<hr/>
Net cash flow from operating activities	8,761	5,537	8,269
	<hr/>	<hr/>	<hr/>
Cash flows from investment activities			
Interest received	–	15	98
Acquisition of subsidiaries	–	(3,072)	–
Purchase of property, plant and equipment	(1,461)	(2,139)	(1,029)
Capitalised development expenditure	(1,841)	(3,001)	(1,799)
	<hr/>	<hr/>	<hr/>
Net cash outflow from investing activities	(3,302)	(8,197)	(2,730)
	<hr/>	<hr/>	<hr/>
Cash flows from financing activities			
Repayment of borrowings	(7,320)	(2,947)	(1,788)
Drawdown of borrowings	4,628	2,899	–
Dividends paid to parent company	(2,504)	–	(2,810)
	<hr/>	<hr/>	<hr/>
Net cash outflow from financing activities	(5,196)	(48)	(4,598)
	<hr/>	<hr/>	<hr/>
Net movement in cash and cash equivalents	263	(2,708)	941
Cash and cash equivalents at start of period	6,830	7,088	4,380
Exchange differences	(5)	–	(23)
	<hr/>	<hr/>	<hr/>
Cash and cash equivalent at end of period	<u>7,088</u>	<u>4,380</u>	<u>5,298</u>

Notes

(forming part of the financial statements)

1. Accounting policies

Eurovet Animal Health BV is a company domiciled in the Netherlands and is a wholly owned subsidiary of AUV Holding BV. The consolidated financial statements of the Eurovet Group for the year ended 31 December 2009, 31 December 2010 and 31 December 2011 comprise Eurovet Animal Health BV and its subsidiaries. The Eurovet Group ("The Group") subsidiaries are Farvet Laboratories BV in the Netherlands, Eurovet NV in Belgium, Albrecht GmbH in Germany, Eurovet Animal Health Limited in the United Kingdom and Scanimalhealth ApS and Scanoved ApS in Denmark.

(a) Basis of Preparation

The consolidated financial information for the three years ended 31 December 2011 have been prepared in accordance with IFRS (International Financial Reporting Standards) as adopted by the EU that were effective for the year ended 31 December 2011.

The consolidated financial statements are presented in Euros, rounded to the nearest thousand. They are prepared on a going concern basis and under the historical cost convention, except where International Financial Reporting Standards (as adopted by the EU) require an alternative treatment. The principal variations relate to derivative financial instruments and the fair value of pension scheme assets.

Subsidiary undertakings are fully consolidated from the date on which control is transferred to the Group. They cease to be consolidated from the date that the Group no longer has control. All subsidiary undertakings have been consolidated.

Inter-company transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated on consolidation.

The financial statements of all subsidiary undertakings are prepared to the same reporting date as the Company.

The preparation for consolidated financial statements in conformity with IFRSs requires the use of accounting estimates and for management to exercise its judgement in the process of applying the Group's accounting policies. These judgements and estimates are based on historical experience and management's best knowledge of the amounts, events or actions under review and the actual results may ultimately differ from these estimates. Areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are, where necessary, disclosed separately.

Critical Judgements in applying the Group's Accounting Policies and Key Sources of Estimation Uncertainty

In the process of applying the Group's accounting policies, the Directors have made the following judgements and estimates that have the most significant effect on the amounts recognised in the financial statements. The key sources of estimation uncertainty which may cause a material adjustment to the carrying amount of assets and liabilities are also discussed below:

Impairment of Goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units to which they are allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further detail on the assumptions used in determining value in use calculations is provided in note 10.

Impairment of Receivables

The Group has estimated impairment of receivables by assessing recoverability of amounts due on a customer by customer basis. As described in note 19, credit risk is not highly concentrated with the

exception of veterinary wholesalers. If the receivables due from one of these large customers proved to be irrecoverable then an additional impairment provision may be required.

Capitalisation of Development Costs

The Group applies judgement when assessing the probability that regulatory approval will be achieved for development projects and that those projects are commercially viable. This enables management to ascertain whether the criteria for the capitalisation of development costs have been met.

Post retirement benefit obligations and employee benefits

The surplus or deficit relating to the group's defined benefit plans is assessed annually in accordance with IAS 19 and after taking independent actuarial advice. The amount of the deficit is dependent on plan asset and liability values and the actuarial assumptions used.

The assumptions include asset growth rates, pension and salary increases, price inflation, discount rates used to measure actuarial liabilities and mortality rates.

Other employee benefits include jubilee and early retirement benefits. Such benefits are calculated by an independent actuary based on similar principles as for pension obligations.

(b) Foreign Currency Translation

(i) Functional and Presentational Currency

The consolidated financial statements are presented in Euros, which is the Group's presentational currency and are rounded to the nearest thousand. Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency).

(ii) Foreign Currency Translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(iii) Foreign Operations

The assets and liabilities of foreign operations are translated into Euros at the closing rate at the reporting date. The income and expenses are translated into Euros at the average rate for the period being reported. Foreign currency differences are recognised in other comprehensive income in the foreign currency translation reserve, a separate component of equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. On disposal of a foreign entity, accumulated exchange differences previously recognised in other comprehensive income are recognised in the income statement in the same period in which the gain or loss on disposal is recognised.

(c) Accounting for Financial Assets and Derivative Financial Instruments

The Group classifies its financial assets into the following categories: held for trading financial assets and loans and receivables. The classification depends on the purpose for which the assets are held.

Management determine the classification of its financial assets at initial recognition in accordance with IAS 39 Financial Instruments: Recognition and Measurement and re-evaluates this designation at every reporting date for financial assets other than those held at fair value through the income statement.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Gains and losses (both realised and unrealised) arising from changes in the value of financial assets held

at fair value through the income statement are included in the income statement in the period in which they arise.

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

Derivative Financial Instruments

The Group uses derivative financial instruments to manage its exposure to foreign exchange risks. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for speculative purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are remeasured to fair value at each reporting date.

Trade Receivables

Trade receivables are recognised and carried at original invoice amount less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is recognised in the income statement in operating expenses.

Trade and Other Payables

Trade and other payables are initially recognised at fair value and subsequently at amortised cost.

Borrowings and Borrowing Costs

Borrowings are recognised initially at fair value net of directly attributable transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(d) Property, Plant and Equipment

Owned Assets

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see accounting policy (h)).

Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful life of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

Freehold buildings	20-25 years
Plant and fixtures	3-10 years

The residual value, if not insignificant, is reassessed annually.

(e) Intangible Assets

Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries, associates and joint ventures. In respect of business acquisitions that have occurred since 1 January 2009, goodwill represents the difference between the cost of the acquisition and the fair value of the separable assets, liabilities and contingent liabilities acquired.

In respect of acquisitions prior to this date, goodwill is included on the basis of its deemed cost, which represents the amount recorded under previous GAAP. The classification and accounting treatment of business combinations that occurred prior to 1 January 2009 were not reconsidered in preparing the Group's opening IFRS balance sheet at 1 January 2009.

For acquisitions prior to 1 January 2009, costs directly attributable to business combinations formed part of the consideration payable when calculating goodwill.

Acquisitions after this date fall under the provisions of 'Revised IFRS 3 Business Combinations (2009)'. For these acquisitions, transaction costs, other than share and debt issue costs, are expensed as incurred and subsequent adjustments to the fair value of consideration payable are recognised in the income statement.

Research and Development Costs

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense is incurred.

The Group is also engaged in development activity with a view to bringing new pharmaceutical products to market. Internally generated costs of development are capitalised in the consolidated statement of financial position unless those costs cannot be measured reliably or it is not probable that future economic benefits will flow to the Group, in which case the relevant costs are expensed to the income statement as incurred. Due to the strict regulatory process involved, there is inherent uncertainty as to the technical feasibility of development projects often until regulatory approval is achieved, with the possibility of failure even at a late stage. The Group considers that this uncertainty means that the criteria for capitalisation are not met unless it is highly probable that regulatory approval will be achieved and the project is commercially viable.

Where development costs are capitalised, the expenditure includes the cost of materials, direct labour and an appropriate proportion of overheads.

Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses.

Other Intangible Assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses. Expenditure on internally generated goodwill and other intangibles is recognised in the income statement as an expense is incurred.

Subsequent Expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date that they are available for use. The estimated useful lives are as follows:

Software	5 years
Capitalised development costs	5-10 years or period of patent

(f) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of inventories includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

(g) Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(h) Impairment

The carrying amounts of the Group's assets are reviewed at each consolidated statement of financial position date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount of assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each consolidated statement of financial position date and when there is an indication that the asset is impaired.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating units (group of units), and then to reduce the carrying amount of the other assets in the units (group of units) on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(i) Employee Benefits Pensions

The group's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods.

That benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. The liability discount rate is the yield at the Statement of Financial Position date using AA rated corporate bonds that have maturity dates approximating to the terms of the group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

All actuarial gains and losses that arise in calculating the group's obligation in respect of a scheme are recognised immediately in reserves and reported in the consolidated Statement of Comprehensive Income. Where the calculation results in a benefit to the group, the asset recognised is limited to the present value of any future refunds from the plan or reductions in future contributions to the plan.

(j) Revenue recognition

Revenue comprises the fair value of goods sold to external customers, net of value added tax, rebates, promotions and returns. Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. This is normally when the buyer takes delivery of the goods.

For services provided, revenue is recognised when the contractual service has been provided to the customer. No revenue is recognised where the recovery of the consideration is not probable or where there are significant uncertainties regarding associated costs or the possible return of goods.

(k) Leases

Operating Leases

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement evenly over the period of the lease, as an integral part of the total lease expense.

(l) Net Financing Costs

Net financing costs comprise interest payable on borrowings, interest receivable on funds invested, gains and losses on hedging instruments that are recognised in the income statement (see accounting policy (c)) and gains or losses on the retranslation of financial assets and liabilities denominated in foreign currencies. Interest income is recognised in the income statement as it accrues.

(m) Basis of Charge for Taxation

Income tax expense comprises current and deferred tax. Current and deferred taxes are recognised in the income statement except to the extent that it relates to a business combination or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantively enacted at the consolidated statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the consolidated statement of financial position liability method and represents the tax payable or recoverable on most temporary differences which arise between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes (the tax base). Temporary differences are not provided on: goodwill that is not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and do not arise from a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, and is based upon tax rates enacted or substantively enacted at the consolidated statement of financial position date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is not probable that the related tax benefit will be realised against future taxable profits. The carrying amounts of deferred tax assets are reviewed at each consolidated statement of financial position date.

2. Finance income

	2009 €000	2010 €000	2011 €000
Recognised in profit or loss			
Finance income arising from:			
Cash and cash equivalents	1	8	22
Derivatives at fair value	43	39	–
Expected return on pension scheme assets	55	90	121
Other	–	7	76
Finance income	<u>99</u>	<u>144</u>	<u>219</u>

3. Finance expense

	2009 €000	2010 €000	2011 €000
Recognised in profit or loss			
Finance expense arising from:			
Financial liabilities at amortised cost	178	118	24
Derivatives at fair value	–	–	42
Interest on pensions scheme obligations	62	96	131
Related party borrowings	574	554	608
Finance expense	<u>814</u>	<u>768</u>	<u>805</u>

4. Profit before taxation

The following items have been included in arriving at profit before taxation:

	2009 €000	2010 €000	2011 €000
Cost of inventories recognised as an expense	30,873	35,243	37,891
Impairment of inventories included in above figure	417	635	929
Depreciation of property, plant and equipment:			
Owned assets	1,095	1,256	1,357
Amortisation of intangible assets	1,203	1,090	1,247
Professional fees associated with business combinations	–	141	–
Impairment of intangible assets	–	164	–
Loss on disposal of property, plant and equipment	–	9	13
Impairment of receivables	–	12	2
Operating lease rentals payable	956	972	1,081
Research expenditure	1,414	1,157	875
Auditor's remuneration	75	89	91
Analysis of total fees paid to the auditor:			
Audit of financial statements	71	83	87
Other services pursuant to legislation	1	1	1
Other services relating to taxation	3	5	3
	<u>75</u>	<u>89</u>	<u>91</u>

The table below reconciles operating profit before parent company management charges to the equivalent earnings before interest, tax, depreciation, amortisation and impairment (EBITDA)

	2009 €000	2010 €000	2011 €000
Operating profit before parent company management recharges	9,545	9,050	10,161
Depreciation	1,095	1,256	1,357
Amortisation and impairment	1,203	1,254	1,247
EBITDA before parent company management charges	<u>11,843</u>	<u>11,560</u>	<u>12,765</u>

5. Employees

The average number of staff employed by the Group (including directors) during the year, analysed by category, was as follows:

	<i>Number of employees</i>		
	2009	2010	2011
Manufacturing	100	103	110
Distribution	58	65	72
Administration	36	40	47
	<u>194</u>	<u>208</u>	<u>229</u>

The aggregate payroll costs of these persons were as follows:

	2009 €000	2010 €000	2011 €000
Wages and salaries	11,301	13,191	14,945
Social security costs	1,361	1,599	1,837
Other pension costs	353	292	251
	<u>13,015</u>	<u>15,082</u>	<u>17,033</u>

6. Income tax expense

	2009 €000	2010 €000	2011 €000
Current tax			
Dutch corporation tax	1,012	723	740
Overseas tax at prevailing local rates	1,151	1,383	1,721
Adjustment in respect of prior years	–	76	88
Total current tax expense	<u>2,163</u>	<u>2,182</u>	<u>2,549</u>
Deferred tax			
Origination and reversal of temporary differences	96	87	(22)
Adjustment in respect of prior years	–	–	–
Total deferred tax charge/(credit)	<u>96</u>	<u>87</u>	<u>(22)</u>
Total income tax expense in the income statement	<u>2,259</u>	<u>2,269</u>	<u>2,527</u>

The tax on the Group's profit before tax differs from the standard rate of corporation tax in the Netherlands of 25.4 per cent. (2010: 25.4 per cent.; 2009: 25.4 per cent.). The differences are explained below:

	2009 €000	2010 €000	2011 €000
Profit before taxation	7,730	7,293	8,159
Tax at 25.4% (2010: 25.4%; 2009: 25.4%)	1,963	1,852	2,072
Effect of:			
Capital allowances versus depreciation	(6)	(16)	–
Permanent differences	23	11	11
Tax losses not utilised	97	151	137
Differences on overseas tax rates	182	195	219
Adjustments in respect of prior years	–	76	88
Total income tax expense	<u>2,259</u>	<u>2,269</u>	<u>2,527</u>

Tax recognised directly in equity

	2009 €000	2010 €000	2011 €000
Deferred tax relating to employee benefits	(55)	(30)	25
	<u>(55)</u>	<u>(30)</u>	<u>25</u>

7. Dividends

The aggregate amount of dividends comprises:

	2009 €000	2010 €000	2011 €000
Final dividend paid in respect of prior years but not recognised as a liability in that year	2,504	–	2,810
	<u>2,504</u>	<u>–</u>	<u>2,810</u>

Not further dividends have been proposed in respect of 2011 or earlier years.

8. Intangible fixed assets

	<i>Goodwill</i>	<i>Development</i>		<i>Total</i>
	<i>€000</i>	<i>Software</i>	<i>costs</i>	<i>€000</i>
		<i>€000</i>	<i>€000</i>	
Cost				
At 1 January 2009	7,020	534	11,340	18,894
Additions	–	42	1,799	1,841
At 31 December 2009 and 1 January 2010	7,020	576	13,139	20,735
Additions	2,717	401	2,600	5,718
Impairment	–	–	(164)	(164)
At 31 December 2010 and 1 January 2011	9,737	977	15,575	26,289
Additions	–	386	1,413	1,799
Disposal	–	–	(50)	(50)
At 31 December 2011	<u>9,737</u>	<u>1,363</u>	<u>16,938</u>	<u>28,038</u>
Amortisation				
At 1 January 2009	–	432	6,513	6,945
Charged in year	–	83	1,120	1,203
At 31 December 2009 and 1 January 2010	–	515	7,633	8,148
Charged in year	–	49	1,041	1,090
At 31 December 2010 and 1 January 2011	–	564	8,674	9,238
Charged in year	–	42	1,205	1,247
On disposal	–	–	(49)	(49)
At 31 December 2011	<u>–</u>	<u>606</u>	<u>9,830</u>	<u>10,436</u>
Net book value				
At 31 December 2009	<u>7,020</u>	<u>61</u>	<u>5,506</u>	<u>12,587</u>
At 31 December 2010	<u>9,737</u>	<u>413</u>	<u>6,901</u>	<u>17,051</u>
At 31 December 2011	<u>9,737</u>	<u>757</u>	<u>7,108</u>	<u>17,602</u>
		<i>2009</i>	<i>2010</i>	<i>2011</i>
		<i>€000</i>	<i>€000</i>	<i>€000</i>
Contracted capital commitments		123	503	100
Software assets in the course of construction included above		–	380	658
		<u>123</u>	<u>883</u>	<u>758</u>

Goodwill is allocated across cash-generating units that are expected to benefit from that business combination. These cash-generating units are the lowest level at which goodwill is monitored.

The aggregate carrying amounts of goodwill allocated to each unit are as follows :

	<i>Country</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>
		<i>€000</i>	<i>€000</i>	<i>€000</i>
Albrecht GmbH	Germany	7,020	7,020	7,020
Scanimal Group	Denmark	–	2,717	2,717
		<u>7,020</u>	<u>9,737</u>	<u>9,737</u>

9. Property, plant and equipment

	<i>Freehold land and buildings €000</i>	<i>Plant and fixtures €000</i>	<i>Total €000</i>
Cost			
At 1 January 2009	13,359	6,984	20,343
Additions	54	540	594
Disposals	–	(67)	(67)
	<hr/>	<hr/>	<hr/>
At 31 December 2009 and 1 January 2010	13,413	7,457	20,870
Additions	65	932	997
Disposals	(310)	(43)	(353)
	<hr/>	<hr/>	<hr/>
At 31 December 2010 and 1 January 2011	13,168	8,346	21,514
Additions	71	958	1,029
Disposals	–	(1,223)	(1,223)
	<hr/>	<hr/>	<hr/>
At 31 December 2011	<u>13,239</u>	<u>8,081</u>	<u>21,320</u>
Depreciation			
At 1 January 2009	3,464	3,997	7,461
Charge for the period	529	566	1,095
Disposals	–	(67)	(67)
	<hr/>	<hr/>	<hr/>
At 31 December 2009 and 1 January 2010	3,993	4,496	8,489
Charge for the period	583	673	1,256
Disposals	(301)	(43)	(344)
	<hr/>	<hr/>	<hr/>
At 31 December 2010 and 1 January 2011	4,275	5,126	9,401
Charge for the period	558	799	1,357
Disposals	–	(1,210)	(1,210)
	<hr/>	<hr/>	<hr/>
At 31 December 2011	<u>4,833</u>	<u>4,715</u>	<u>9,548</u>
Net book value			
At 31 December 2009	<u>9,420</u>	<u>2,961</u>	<u>12,381</u>
At 31 December 2010	<u>8,893</u>	<u>3,220</u>	<u>12,113</u>
At 31 December 2011	<u>8,406</u>	<u>3,366</u>	<u>11,772</u>
	<hr/>	<hr/>	<hr/>
	<i>2009</i>	<i>2010</i>	<i>2011</i>
	<i>€000</i>	<i>€000</i>	<i>€000</i>
Contracted capital commitments	192	334	73
Assets in the course of construction included above	59	279	692
	<hr/>	<hr/>	<hr/>
	<u>251</u>	<u>613</u>	<u>765</u>
	<hr/>	<hr/>	<hr/>

10. Impairment reviews

Goodwill and intangible assets not yet available for use are tested for impairment annually, or more frequently if there are indications that amounts might be impaired. The impairment test involves determining the recoverable amount of the relevant asset or cash-generating unit, which corresponds to the higher of the fair value less costs to sell or its value in use.

Value in use calculations are performed by forecasting the future cash flows attributable to the asset being tested (or the relevant cash-generating unit in respect of goodwill). The forecast cash flows are discounted at an appropriate rate as described below.

Projected future cash flows have been derived from the rolling five years strategic plan extrapolated by applying a growth rate of 0 per cent. (2010: 1 per cent., 2009: 1 per cent.) per annum into perpetuity which is considered to be consistent with the long term average growth rate for the industry.

The business plan has been formulated based on various factors, including market growth forecasts, the experience of the impact of previous recessions and existing product growth. These factors reflect past experience of the Group and where applicable are consistent with external sources of information.

The pre-tax discount rates have been estimated using the Group's weighted average cost of capital, which is adjusted for consideration of market information, and risk adjusted dependent upon the specific circumstances of each asset or cash-generating unit. The discount rate used in the impairment testing was 10.6 per cent. (2010: 11.0 per cent., 2009: 12 per cent.).

During the 3 years ended December 2011 an annual impairment test was performed. No impairment charge resulted.

In all cases there was significant headroom between the carrying value and the value in use and no impairment provision is therefore required. An increase in the pre-tax discount rate of 1 per cent. would still not result in the requirement for an impairment provision.

11. Deferred taxes

(a) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets			Liabilities			Net		
	2009 €000	2010 €000	2011 €000	2009 €000	2010 €000	2011 €000	2009 €000	2010 €000	2011 €000
Intangible assets	–	–	–	(212)	(424)	(636)	(212)	(424)	(636)
Property, plant and equipment	–	–	–	(977)	(968)	(1,037)	(977)	(968)	(1,037)
Inventories	196	238	433	–	–	–	196	238	433
Derivatives	–	–	–	(1)	(11)	–	(1)	(11)	–
Trading losses	–	35	80	–	–	–	–	35	80
Employee benefits tax assets/(liabilities)	–	–	74	(22)	(3)	–	(22)	(3)	74
	196	273	587	(1,212)	(1,406)	(1,673)	(1,016)	(1,133)	(1,086)
Set off of tax	(196)	(238)	(433)	196	238	433	–	–	–
	–	35	154	(1,016)	(1,168)	(1,240)	(1,016)	(1,133)	(1,086)

Deferred tax assets and liabilities are offset to the extent that there is a legally enforceable right to offset current tax assets against current tax liabilities.

(b) Unrecognised deferred tax

Deferred tax assets are recognised to the extent that they are considered recoverable against the future profits of the group. No deferred tax asset has been recognised in relation to losses in the UK amounting to €341,000 (2010: €167,000; 2009: €18,000).

(c) Movements during the year

	<i>Balance at 1 January 2009 €000</i>	<i>Recognised in income €000</i>	<i>Recognised in equity €000</i>	<i>Balance at 31 December 2009 €000</i>
Intangible assets	–	(212)	–	(212)
Property, plant and equipment	(1,054)	77	–	(977)
Inventories	178	18	–	196
Derivatives	10	(11)	–	(1)
Trading losses	–	–	–	–
Employee benefits	1	32	(55)	(22)
	<u>(865)</u>	<u>(96)</u>	<u>(55)</u>	<u>(1,016)</u>
	<i>Balance at 1 January 2010 €000</i>	<i>Recognised in income €000</i>	<i>Recognised in equity €000</i>	<i>Balance at 31 December 2010 €000</i>
Intangible assets	(212)	(212)	–	(424)
Property, plant and equipment	(977)	9	–	(968)
Inventories	196	42	–	238
Derivatives	(1)	(10)	–	(11)
Trading losses	–	35	–	35
Employee benefits	(22)	49	(30)	(3)
	<u>(1,016)</u>	<u>(87)</u>	<u>(30)</u>	<u>(1,133)</u>
	<i>Balance at 1 January 2011 €000</i>	<i>Recognised in income €000</i>	<i>Recognised in equity €000</i>	<i>Balance at 31 December 2011 €000</i>
Intangible assets	(424)	(212)	–	(636)
Property, plant and equipment	(968)	(69)	–	(1,037)
Inventories	238	195	–	433
Derivatives	(11)	11	–	–
Trading losses	35	45	–	80
Employee benefits	(3)	52	25	74
	<u>(1,133)</u>	<u>22</u>	<u>25</u>	<u>(1,086)</u>

12. Inventories

	2009 €000	2010 €000	2011 €000
Raw materials and consumables	2,081	3,894	2,824
Finished goods and goods for resale	8,150	10,765	10,191
	<u>10,231</u>	<u>14,659</u>	<u>13,015</u>

13. Trade and other receivables

	2009 €000	2010 €000	2011 €000
Trade receivables	5,176	6,055	6,306
Derivative financial instruments	3	42	–
Prepayments and accrued income	315	904	297
Amounts receivable from related parties	647	607	829
	<u>6,141</u>	<u>7,608</u>	<u>7,432</u>

14. Cash and cash equivalents

	2009 €000	2010 €000	2011 €000
Cash at bank and in hand	<u>7,088</u>	<u>4,380</u>	<u>5,298</u>

15. Trade and other payables

	2009 €000	2010 €000	2011 €000
Trade payables	5,431	7,852	5,653
Other payables	2,680	1,663	2,076
Other taxation and social security	1,284	1,279	987
Accruals and deferred income	651	1,287	1,475
Amounts payable to related parties	452	440	182
	<u>10,498</u>	<u>12,521</u>	<u>10,373</u>

16. Current tax liabilities

	2009 €000	2010 €000	2011 €000
Current tax payable	<u>97</u>	<u>238</u>	<u>463</u>

17. Borrowings

	2009 €000	2010 €000	2011 €000
Current liabilities:			
Bank loans	1,500	–	–
Mezzanine loan	1,447	–	–
Borrowings from related parties	1,160	1,788	2,564
	<u>4,107</u>	<u>1,788</u>	<u>2,564</u>
Non current liabilities:			
Bank loans	–	–	–
Mezzanine loan	–	–	–
Borrowings from related parties	9,968	12,239	9,675
	<u>9,968</u>	<u>12,239</u>	<u>9,675</u>
Total borrowings	<u>14,075</u>	<u>14,027</u>	<u>12,239</u>

At the year end, the Group had the following unutilised borrowing facilities:

	2009 €000	2010 €000	2011 €000
Bank overdraft facility	1,175	1,100	1,100
Revolving credit facility	–	1,000	500
	<u>1,175</u>	<u>2,100</u>	<u>1,600</u>

The maturity of borrowings is as follows:

	2009 €000	2010 €000	2011 €000
Payable:			
Within one year	4,107	1,788	2,564
Between one and two years	1,160	2,564	1,762
Between two and five years	2,308	9,338	7,576
Due after five years	6,500	337	337
	<u>14,075</u>	<u>14,027</u>	<u>12,239</u>

18. Pension

The Company sponsors defined benefit arrangements, the most material arrangement being a defined benefit pension plan in the Netherlands. This is a funded career average pay arrangement, where pensionable salary is subject to a cap. The arrangement is financed through an insurance contract.

The other defined benefit arrangements operated by the company are unfunded; Jubilee awards for employees in the Netherlands and Germany and early retirement pensions in Germany.

The pension cost relating to the defined benefit pension arrangement in the Netherlands is assessed in accordance with the advice of an independent qualified actuary using the projected unit method.

The major actuarial assumptions used by the actuary were:

	2009	2010	2011
Discount rate	5.35%	5.15%	4.60%
Expected return on assets	5.35%	5.15%	4.60%
Inflation assumption	2.00%	2.00%	1.90%
Salary growth	2.50%	2.50%	2.40%
Rate of increase in accrued pensions of active members	2.00%	2.00%	1.90%
Rate of increase in pensions in payment	0.00%	0.00%	0.00%
Rate of increase in pensions in deferment	2.00%	2.00%	1.90%

In valuing the liabilities of the pension scheme at 31 December 2011, mortality assumptions have been made as indicated below.

The mortality assumption follows the AG Prognosetafel 2010-2060 mortality tables with an experience adjustment in line with the ES-P2 tables as published by the Dutch Alliance of Insurers (2010 and 2009: as for 2011).

The assumptions used by the company are the best estimates chosen by the directors from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

	2009 €000	2010 €000	2011 €000
Present value of funded defined benefit obligations	(1,297)	(1,988)	(3,053)
Fair value of scheme assets	1,384	2,001	2,764
Surplus/(deficit) in the scheme	87	13	(289)
Deferred tax	(22)	(3)	74
Net pension scheme surplus/(deficit)	65	10	(215)

Movements in present value of defined benefit obligation

	2009 €000	2010 €000	2011 €000
Defined benefit obligation at beginning of period	662	1,297	1,988
Service cost	309	396	438
Interest cost	62	96	131
Employee contributions	84	93	109
Actuarial loss	180	106	387
Defined benefit obligation at end of the period	1,297	1,988	3,053

Movements in fair value of scheme assets

	2009 €000	2010 €000	2011 €000
Fair value of scheme assets at beginning of period	659	1,384	2,001
Expected return on scheme assets	55	90	121
Actuarial gains	397	225	289
Additional charges	(250)	(277)	(324)
Employer contributions	439	486	568
Employee contributions	84	93	109
Fair value of scheme assets at end of the period	1,384	2,001	2,764

Analysis of the amount charged to the income statement

	2009 €000	2010 €000	2011 €000
Service cost	309	396	438
Expected return on assets	(55)	(90)	(121)
Interest on liabilities	62	96	131
Insurer charges	250	277	102
Premium correction	–	–	222
Net pension expense	566	679	772

Analysis of amounts recognised in the Statement of Comprehensive income

	2009 €000	2010 €000	2011 €000
Gain on scheme assets	397	225	289
Experience loss on liabilities	160	34	256
Change in assumptions	(340)	(140)	(643)
Actuarial gain/(loss)	217	119	(98)

Cumulative actuarial losses reported in the statement of recognised gains and losses for accounting periods ending on or after 1 January 2009 and subsequently amount to €238,000 in 2011 (2010: €336,000; 2009: €217,000).

Scheme assets

The Company's defined benefit pension scheme in the Netherlands is financed through an insurance contract. Under this contract, a market price for the assets in respect of this insurance contract is not available. In accordance with IAS 19 for such insurance policies, an asset value has been calculated by discounting expected future cash flows. The discount rate used for this calculation reflects the risk associated with the scheme assets and the maturity or expected disposal date of those assets.

The fair value of the scheme's assets are as follows:

	2009 €000	2010 €000	2011 €000
Discount rate used to value assets	5.35%	5.15%	4.60%
Total fair value of assets	1,384	2,001	2,764
Actual return on scheme assets	452	315	410

The long-term rate of return on pension plan assets is determined by aggregating the expected return for each asset class over the strategic asset allocation as at 31 December 2011. This rate of return is then adjusted for any expected profit sharing based on market related returns on notional loans.

The scheme's assets do not include any of the company's own financial instruments or any property occupied by or other assets used by the company.

The employer contributions expected to be paid into the scheme for the next financial period amount to €595,000.

History of amounts in the current period and previous periods

	2009 €000	2010 €000	2011 €000
Present value of funded defined benefit obligations	(1,297)	(1,988)	(3,053)
Fair value of scheme assets	1,384	2,001	2,764
Deficit in the scheme	87	13	(289)
Experience (gain)/loss on assets	(397)	(225)	(289)
Experience (gain)/loss on liabilities	(160)	(34)	(256)

In addition, the company recognises liabilities in respect of Jubilee awards in the Netherlands and Germany of €227,000 on the balance sheet as at 31 December 2011 (2010: €218,000, 2009: €201,000). In respect of the early retirement plan in Germany, a liability of €17,000 is also recognised at 31 December 2011 (2010: €56,000, 2009: €94,000).

19. Financial Instruments and Related Disclosures

The Group's financial instruments comprise cash deposits, related party borrowings, bank loans and overdrafts, derivatives used for hedging purposes and trade receivables and payables.

Treasury Policy

The Group reports in Euro and pays dividends out of Euro profits. The role of the Group's treasury activities is to manage and monitor the Group's external and internal funding requirements and financial risks in support of the Group's corporate activities.

The Group uses a variety of financial instruments, including derivatives, to finance its operations and to manage market risks from these operations. Derivatives, comprising forward foreign currency contracts, are used to hedge against changes in foreign currencies.

The Group does not hold or issue derivative financial instruments for speculative purposes. All transactions in financial instruments are undertaken to manage the risks arising from underlying business activities, not for speculation.

Capital Management

The capital structure of the Group consists of net borrowings and Shareholders' equity. At 31 December 2011, net borrowings were €6,941,000 (2010: €9,647,000; 2009: €6,987,000) whilst shareholder equity was €30,669,000 (2010: €27,944,000; 2009: €22,831,000).

The Group operates globally, primarily through subsidiary companies established in the markets in which the Group trades. The Group's operating subsidiaries are generally cash generative and none are subject to externally imposed capital requirements.

Operating cash flow is used to fund investment in the development of new products as well as to make the routine outflows of capital expenditure, tax, dividends and repayment of debt.

Throughout the period the Groups parent company, AUV Holdings BV, provided debt finance to the Group.

Financial Risk Management

The Group has exposure to the following risks from its use of financial instruments:

- liquidity risk
- market risk
- credit risk

This note presents information about the Group's exposure to each of the above risks, and the Group's objectives, policies and processes for measuring and managing risk.

Liquidity Risk

Liquidity risk is the risk that the Group will not have sufficient funds to meet liabilities as they fall due.

The Group manages its funding requirements through the following lines of credit:

- Related party loans
- Bank overdrafts

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates or interest rates, will affect the Group's income or the value of its holding of financial instruments.

Interest Rate Risk Management

Throughout the three years ending 31 December 2011 interest rate risk was managed by the parent company, AUV Holdings BV.

Foreign Exchange Risk Management

Foreign currency transaction exposure arising on normal trade flows is not hedged. The Group matches receipts and payments in the relevant foreign currencies as far as possible. To this end, bank accounts are maintained for all the major currencies in which the Group trades. Translational exposure in converting the income statements of foreign subsidiaries into the Group's presentational currency of Euro is not hedged.

The Group economically hedges selectively expected currency cash flows of raw material purchases, principally using forward contracts.

Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Group considers its maximum credit risk to be €7,135,000 (2010: €6,662,000; 2009 €5,823,000) which is the total carrying value of the Group's loans and receivables.

Cash is only deposited with highly rated banks.

The Group offers trade credit to customers in the normal course of business. Trade and bank references are obtained prior to extending credit. Customers outside the home markets are insured, or orders prepaid by customers.

The principal customers of the Group are European wholesalers and veterinarians. The failure of a large wholesaler could have a material adverse impact on the Group's financial results.

The largest customer of the Group accounted for approximately 9 per cent. of gross trade receivables at 31 December 2011 (2010: 20 per cent.; 2009: 19 per cent.).

Receivables are written off against the impairment provision when management considers the debt to be no longer recoverable.

Fair Value of Financial Assets and Liabilities

The following table presents the carrying amounts and the fair values of the Group's financial assets and liabilities at 31 December 2009, 31 December 2010 and 31 December 2011.

The following assumptions were used to estimate the fair values:

- Cash and cash equivalents – approximates to the carrying amount.
- Forward exchange contracts – based on market price and exchange rates at the balance sheet date.
- Receivables and payables – approximates to the carrying amount.
- Bank loans and related party borrowings – based upon discounted cash flows using discount rates based upon facility rates renegotiated after the 2010 year end.

Analysis of Financial Instruments

The financial instruments of the Group are analysed as follows:

	2009		2010		2011	
	Carrying value €000	Fair value €000	Carrying value €000	Fair value €000	Carrying value €000	Fair value €000
Financial assets						
Cash and cash equivalents	7,088	7,088	4,380	4,380	5,298	5,298
Held for trading financial assets:						
Derivatives	3	3	42	42	–	–
	3	3	42	42	–	–
Loans and receivables:						
Trade receivables	5,176	5,176	6,055	6,055	6,306	6,306
Amounts receivable from related parties	647	647	607	607	829	829
	5,823	5,823	6,662	6,662	7,135	7,135
Total financial assets	12,914	12,914	11,084	11,084	12,433	12,433
Financial liabilities						
Bank loans and overdrafts	(1,500)	(1,433)	–	–	–	–
Mezzanine loan	(1,447)	(1,438)	–	–	–	–
Related party borrowings	(11,128)	(10,866)	(14,027)	(13,702)	(12,239)	(12,012)
Trade payables	(5,431)	(5,431)	(7,852)	(7,852)	(5,653)	(5,653)
Amounts payable to related parties	(452)	(452)	(440)	(440)	(182)	(182)
Total financial liabilities	(19,958)	(19,620)	(22,319)	(21,994)	(18,074)	(17,847)
Net financial liabilities	(7,044)	(6,706)	(11,235)	(10,910)	(5,641)	(5,414)

Fair Value Hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1 – quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

31 December 2009

	Level 1 €000	Level 2 €000	Level 3 €000	Total €000
Derivative financial liabilities	–	3	–	3

31 December 2010

	Level 1 €000	Level 2 €000	Level 3 €000	Total €000
Derivative financial liabilities	42	–	–	42

31 December 2011

	Level 1 €000	Level 2 €000	Level 3 €000	Total €000
Derivative financial liabilities	–	–	–	–

Credit Risk – Overdue Financial Assets

The following table shows financial assets which are overdue and for which no impairment provision has been made:

	2009 €000	2010 €000	2011 €000
Overdue by:			
Up to one month	684	737	1,500
Between one and two months	38	–	127
Between two and three months	13	13	–
Over three months	–	30	–
	<u>735</u>	<u>780</u>	<u>1,627</u>

The movement in the impairment provision was as follows:

	2009 €000	2010 €000	2011 €000
At beginning of period	44	37	49
Impairment provision recognised	–	12	2
Impairment provision utilised	(7)	–	–
At end of period	<u>37</u>	<u>49</u>	<u>51</u>

Liquidity Risk – Contracted Cash Flows of Financial Liabilities

The following table shows the cash flow commitments of the Group in respect of financial liabilities, excluding derivatives, at 31 December 2009, 31 December 2010 and 31 December 2011. Where interest is at floating rates, the future interest payments have been estimated using current interest rates:

At 31 December 2009

	Bank loans and overdrafts €000	Mezzanine Loan €000	Related party borrowings €000	Trade payables €000	Amounts payable to related parties €000	Total €000
Carrying value	(1,500)	(1,447)	(11,128)	(5,431)	(452)	(19,958)
Future interest	(10)	(68)	(2,068)	–	–	(2,146)
Total committed cash flow	(1,510)	(1,515)	(13,196)	(5,431)	(452)	(22,104)
Payable:						
Within 6 months	(1,510)	(366)	(850)	(5,431)	(452)	(8,609)
Between 6 months and one year	–	(1,149)	(835)	–	–	(1,984)
Between one and two years	–	–	(1,627)	–	–	(1,627)
Between two and three years	–	–	(1,569)	–	–	(1,569)
Between three and four years	–	–	(1,500)	–	–	(1,500)
Between four and five years	–	–	(6,815)	–	–	(6,815)
Over five years	–	–	–	–	–	–
	(1,510)	(1,515)	(13,196)	(5,431)	(452)	(22,104)

At 31 December 2010

	Bank loans and overdrafts €000	Mezzanine Loan €000	Related party borrowings €000	Trade payables €000	Amounts payable to related parties €000	Total €000
Carrying value	–	–	(14,027)	(7,852)	(440)	(22,319)
Future interest	–	–	(2,095)	–	–	(2,095)
Total committed cash flow	–	–	(16,122)	(7,852)	(440)	(24,414)
Payable:						
Within 6 months	–	–	(1,521)	(7,852)	(440)	(9,813)
Between 6 months and one year	–	–	(1,502)	–	–	(1,502)
Between one and two years	–	–	(2,476)	–	–	(2,476)
Between two and three years	–	–	(2,211)	–	–	(2,211)
Between three and four years	–	–	(7,494)	–	–	(7,494)
Between four and five years	–	–	(491)	–	–	(491)
Over five years	–	–	(427)	–	–	(427)
	–	–	(16,122)	(7,852)	(440)	(24,414)

At 31 December 2011

	<i>Bank loans and overdrafts</i>	<i>Mezzanine Loan</i>	<i>Related party borrowings</i>	<i>Trade payables</i>	<i>Amounts payable to related parties</i>	<i>Total</i>
	€000	€000	€000	€000	€000	€000
Carrying value	–	–	(12,239)	(5,653)	(182)	(18,074)
Future interest	–	–	(1,489)	–	–	(1,489)
Total committed cash flow	–	–	(13,728)	(5,653)	(182)	(19,563)
Payable:						
Within 6 months	–	–	(1,959)	(5,653)	(182)	(7,794)
Between 6 months and one year	–	–	(1,145)	–	–	(1,145)
Between one and two years	–	–	(2,211)	–	–	(2,211)
Between two and three years	–	–	(7,494)	–	–	(7,494)
Between three and four years	–	–	(491)	–	–	(491)
Between four and five years	–	–	(18)	–	–	(18)
Over five years	–	–	(410)	–	–	(410)
	–	–	(13,728)	(5,653)	(182)	(19,563)

Foreign Currency Exposure

The Euro equivalents of financial assets and liabilities denominated in foreign currencies at 31 December 2009, 31 December 2010 and 31 December 2011 were:

31 December 2009

	<i>Danish Krone</i>	<i>GB pounds</i>	<i>US Dollar</i>
	€000	€000	€000
Financial assets			
Trade receivables	–	40	–
Cash balances	–	17	160
	–	57	160
Financial liabilities			
Trade payables	(1)	(101)	(925)
	(1)	(101)	(925)
Net balance sheet exposure	(1)	(44)	(765)

31 December 2010

	<i>Danish Krone</i>	<i>GB pounds</i>	<i>US Dollar</i>
	€000	€000	€000
Financial assets			
Trade receivables	542	453	14
Cash balances	19	130	30
	561	583	44
Financial liabilities			
Trade payables	(426)	(72)	(1,187)
	(426)	(72)	(1,187)
Net balance sheet exposure	135	511	(1,143)

31 December 2011

	<i>Danish Krone</i> €000	<i>GB pounds</i> €000	<i>US Dollar</i> €000
Financial assets			
Trade receivables	1,233	788	–
Cash balances	70	148	443
	<u>1,303</u>	<u>936</u>	<u>443</u>
Financial liabilities			
Trade payables	(82)	(157)	(638)
	<u>(82)</u>	<u>(157)</u>	<u>(638)</u>
Net balance sheet exposure	<u>1,221</u>	<u>779</u>	<u>(195)</u>

Sensitivity Analysis

Interest Rate Risk

A 2 per cent. increase in interest rates compared to those ruling at 31 December would reduce Group profit before taxation by €75,000 (2010: €41,000; 2009: €nil).

Foreign Currency Risk

The Group has significant cash flows and net financial assets and liabilities in Danish Krone, US Dollar and Sterling.

The following table shows the impact on the Group's profit before taxation and net assets of a 10 per cent. appreciation of Euro against each of these currencies:

	<i>Profit before taxation</i> €000	<i>Net assets</i> €000
Danish Krone	71	(110)
US Dollar	453	18
GB Pounds	<u>115</u>	<u>(71)</u>

20. Share capital

	<i>2009</i> €000	<i>Number</i>	<i>2010</i> €000	<i>Number</i>	<i>2011</i> €000	<i>Number</i>
Ordinary shares of €50 each						
Allotted, called up and fully paid at beginning and end of period	<u>31</u>	<u>610</u>	<u>31</u>	<u>610</u>	<u>31</u>	<u>610</u>

21. Operating leases

At the balance sheet date the Group had outstanding commitments for future minimum rentals payable under non-cancellable operating leases as follows:

	<i>Land and buildings</i>			<i>Other assets</i>			<i>Total</i>		
	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>
	<i>€000</i>	<i>€000</i>	<i>€000</i>	<i>€000</i>	<i>€000</i>	<i>€000</i>	<i>€000</i>	<i>€000</i>	<i>€000</i>
Within one year	45	78	83	577	597	639	622	675	722
Between one and five years	64	23	113	857	949	937	921	972	1,050
	<u>109</u>	<u>101</u>	<u>196</u>	<u>1,434</u>	<u>1,546</u>	<u>1,576</u>	<u>1,543</u>	<u>1,647</u>	<u>1,772</u>

22. Foreign exchange rates

The following exchange rates have been used in the translation of the results of foreign operations

	<i>At</i>	<i>Average</i>	<i>At</i>	<i>Average</i>	<i>At</i>	<i>Average</i>
	<i>31 December</i>	<i>rate</i>	<i>31 December</i>	<i>rate</i>	<i>31 December</i>	
	<i>2009</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>	<i>2011</i>	<i>rate</i>
	<i>€000</i>	<i>€000</i>	<i>€000</i>	<i>€000</i>	<i>€000</i>	<i>€000</i>
Danish Krone	–	–	7.45470	7.44675	7.43390	7.45018
Sterling	0.89500	0.9000	0.85680	0.85830	0.83800	0.86780

23. Business combinations

On 1 January 2010, the Group acquired 100 per cent. of the share capital of the Scanimal Group, comprising of ScanimalHealth ApS and Scanovel ApS. The companies are engaged in the import and sale of pharmaceuticals products.

The acquisition of the Scanimal Group provided Eurovet with a presence in Denmark.

	<i>Book and fair value</i>
	<i>€000</i>
Identifiable assets	
Property, plant and equipment	16
Inventories	866
Trade and other receivables	874
Cash	19
Identifiable liabilities	
Trade and other payables	<u>(1,420)</u>
Net identifiable assets	355
Goodwill	<u>2,717</u>
Total consideration	<u>3,072</u>
Satisfied by:	
Cash	<u>3,072</u>
Total consideration transferred	<u>3,072</u>
Net cash outflow arising on acquisition	
Cash consideration	3,072
Less acquired cash	<u>(19)</u>
	<u>3,053</u>

The goodwill of €2,717,000 arising from the acquisition represents the increased geographical presence in the EU and access to new markets.

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION OF EUROVET

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The Directors
Dechra Pharmaceuticals PLC
Dechra House
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Talke Pits
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25 April 2012

Dear Sirs

Eurovet Animal Health BV

We report on the financial information set out on pages 80 to 111 of the combined Class 1 circular and prospectus dated 25 April 2012 of Dechra Pharmaceuticals PLC for the three year period ended 31 December 2011. This financial information has been prepared for inclusion in the Class 1 circular relating to the acquisition of Eurovet Animal Health BV on the basis of the accounting policies set out in note 1 to the financial information. This report is required by paragraph 13.5.21R of the Listing Rules and is given for the purpose of complying with that paragraph and for no other purpose.

Responsibilities

The Directors of Dechra Pharmaceuticals PLC are responsible for preparing the financial information on the basis of preparation set out in note 1 to the financial information and in accordance with IFRS (International Financial Reporting Standards) as adopted by the EU that were effective for the year ended 31 December 2011.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Save for any responsibility arising under Prospectus Rule 5.5.3R (2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Listing Rule 13.4.1R(6) and paragraph 23.1 of Annex I of the Prospectus Directive Regulation, consenting to its inclusion in the combined Class 1 circular and prospectus.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion on financial information

In our opinion, the financial information gives, for the purposes of the combined Class I circular and prospectus dated 25 April 2012, a true and fair view of the state of affairs of Eurovet Animal Health BV as at 31 December 2011, 31 December 2010 and 31 December 2009 of its profits, cash flows and changes in equity for the three years ended 31 December 2011 in accordance with the basis of preparation set out in note 1 and in accordance with IFRS (International Financial Reporting Standards) as adopted by the EU that were effective for the year ended 31 December 2011 and has been prepared in a form that is consistent with the accounting policies adopted in Dechra Pharmaceuticals plc's latest annual accounts.

Declaration

For the purposes of Prospectus Rule 5.5.3R (2)(f) we are responsible for this report as part of the prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the prospectus in compliance with paragraph 1.2 of Annex I of the Prospectus Directive Regulation.

Yours faithfully

KPMG Audit Plc

PART IX

UNAUDITED PRO FORMA FINANCIAL INFORMATION

PRO FORMA STATEMENT OF NET ASSETS

The unaudited combined pro forma statement of net assets set out below has been prepared to illustrate how the Rights Issue, the refinancing of bank debt and the acquisition of Eurovet might have affected the financial position of Dechra had such transactions taken place as at 31 December 2011.

The information, which is produced for illustrative purposes only, because of its nature addresses a hypothetical situation and therefore does not represent the Enlarged Group's actual financial position or results as at 31 December 2011.

The unaudited pro forma Enlarged Group balance sheet has been prepared on the basis set out in the accompanying notes below and in accordance with paragraph 13.3.3R of the Listing Rules.

	<i>Dechra at 31 December 2011 £'000 (1)</i>	<i>Rights Issue £'000 (2)</i>	<i>Sub-total £'000</i>	<i>Eurovet at 31 December 2011 £'000 (3)</i>	<i>Debt £'000 (4)</i>	<i>Acquisition Adjustments £'000 (5)</i>	<i>Enlarged Group Proforma as at 31 December 2011 £'000</i>
ASSETS							
Non-current assets							
Intangible assets	116,835	–	116,835	14,751	–	81,614	213,200
Property, plant & equipment	7,344	–	7,344	9,865	–	–	17,209
Deferred tax asset	–	–	–	129	–	–	129
Total non-current assets	124,179	–	124,179	24,745	–	81,614	230,538
Current assets							
Inventories	48,398	–	48,398	10,907	–	–	59,305
Trade and other receivables	64,712	–	64,712	6,228	–	–	70,940
Cash and cash equivalents	15,131	58,200	73,331	4,440	55,800	(117,572)	15,999
Total current assets	128,241	58,200	186,441	21,575	55,800	(117,572)	146,244
Total assets	252,420	58,200	310,620	46,320	55,800	(35,958)	376,782
LIABILITIES							
Current liabilities							
Borrowings	(8,474)	–	(8,474)	(2,149)	(2,000)	2,149	(10,474)
Trade and other payables	(64,213)	–	(64,213)	(8,693)	–	–	(72,906)
Deferred and contingent consideration	(300)	–	(300)	–	–	–	(300)
Current tax liabilities	(4,632)	–	(4,632)	(388)	–	–	(5,020)
Total current liabilities	(77,619)	–	(77,619)	(11,230)	(2,000)	2,149	(88,700)
Non-current liabilities							
Borrowings	(52,728)	–	(52,728)	(8,108)	(58,000)	8,108	(110,728)
Deferred and contingent consideration	(13,593)	–	(13,593)	–	–	–	(13,593)
Employee benefits	–	–	–	(242)	–	–	(242)
Deferred tax liabilities	(11,896)	–	(11,896)	(1,039)	–	–	(12,935)
Total non-current liabilities	(78,217)	–	(78,217)	(9,389)	(58,000)	8,108	(137,498)
Total liabilities	(155,836)	–	(155,836)	(20,619)	(60,000)	10,257	(226,198)
NET ASSETS	96,584	58,200	154,784	25,701	(4,200)	(25,701)	150,584

Notes

- (1) The financial information in respect of Dechra Pharmaceuticals PLC has been extracted, without material adjustment, from the unaudited published interim results of Dechra.
- (2) The adjustment represents the fully underwritten rights issue proceeds of approximately £58.2 million after taking account of underwriting commissions of approximately £1.8 million. The net proceeds received will be used to partially fund the Acquisition.
- (3) The financial information in respect of the Eurovet Group has been extracted, without material adjustment, from the financial information contained in Part VIII of this document, translated into Sterling at a rate of €1: £0.838.

(4)	The adjustments for cash and cash equivalents and borrowings are calculated as follows;		
	Cash and cash equivalents	£'000	£'000
	Increase in Dechra Group borrowings	60,000	
	Transaction fees	(4,200)	
		<u> </u>	55,800
			<u> </u>
	Current liabilities		
	Increase in Dechra Group borrowings		(2,000)
			<u> </u>
	Non current liabilities		
	Increase in Dechra Group borrowings		(58,000)
			<u> </u>
(5)	(i) The adjustment for goodwill and intangibles arising on the Acquisition has been calculated as follows;		
	Consideration for 100% of the share capital of Eurovet (€135 million) (converted at €1: £0.838)		£'000
	Net assets of Eurovet		113,132
	Adjustment for net borrowings as Acquisition debt free/cash free (analysis below in 5 (ii))		(25,701)
			<u> </u>
	Goodwill and intangible assets arising on acquisition		(5,817)
			<u> </u>
			81,614
			<u> </u>
	(ii) The adjustments for cash and cash equivalents and borrowings are calculated as follows;		
	Cash and cash equivalents:	£'000	£'000
	Net proceeds from the fully underwritten rights issue and refinancing	(113,132)	
	Eurovet cash and cash equivalents not acquired* (converted at €1: £0.838)	(4,440)	
		<u> </u>	(117,572)
			<u> </u>
	Current liabilities:		
	Eurovet current borrowings not acquired* (converted at €1: £0.838)		2,149
			<u> </u>
	Non current liabilities:		
	Eurovet non current borrowings not acquired* (converted at €1: £0.838)		8,108
			<u> </u>
	* Sum total of Eurovet net cash/borrowings not acquired = £5,817,000 (see note 5(i)).		
(6)	The accounting policies in relation to the net assets in the proforma statement of Eurovet are consistent with those of the Dechra Group.		
(7)	No assessment of any fair value adjustments which may be made to the net assets of Eurovet following completion of the Acquisition has been reflected within the unaudited proforma statement. Actual goodwill and intangible assets following completion of the Acquisition may be different to that shown in the proforma statement.		
(8)	No adjustment has been made to the unaudited proforma statement to reflect the trading results of the Dechra Group or Eurovet since the balance sheet dates shown, nor to reflect any other event save as disclosed above.		

ACCOUNTANT'S REPORT ON PRO FORMA FINANCIAL INFORMATION

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The Directors
Dechra Pharmaceuticals PLC
Dechra House
Jamage Industrial Estate
Talke Pits
Stoke-on-Trent
ST7 1XW

25 April 2012

Dear Sirs

Dechra Pharmaceuticals PLC

We report on the pro forma financial information (the 'Pro forma financial information') set out in Part IX of the combined Class 1 circular and prospectus dated 25 April 2012 which has been properly prepared on the basis described in the notes to such *pro forma* information, for illustrative purposes only, to provide information about how the proposed acquisition of Eurovet Animal Health BV by Dechra Pharmaceuticals PLC might have affected the financial information presented on the basis of the accounting policies adopted by Dechra Pharmaceuticals PLC in preparing the financial statements for the period ended 31 December 2011. This report is required by paragraph 13.3.3R of the Listing Rules of the Financial Services Authority and paragraph 20.2 of Annex 1 of the Prospectus Directive Regulation and is given for the purpose of complying with those paragraphs and for no other purpose.

Responsibilities

It is the responsibility of the directors of Dechra Pharmaceuticals PLC to prepare the Pro forma financial information in accordance with paragraph 13.3.3R of the Listing Rules of the Financial Services Authority and paragraph 20.2 of Annex I of the Prospectus Directive Regulation.

It is our responsibility to form an opinion, as required by paragraph 7 of Annex II of the Prospectus Directive Regulation, as to the proper compilation of the Pro forma financial information and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Save for any responsibility arising under Prospectus Rule 5.5.3R (2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Listing Rule 13.4.1R(6) and paragraph 23.1 of Annex I of the Prospectus Directive Regulation, consenting to its inclusion in the combined Class 1 circular and prospectus.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro forma financial information with the directors of Dechra Pharmaceuticals PLC.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of Dechra Pharmaceuticals PLC.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

- the Pro forma financial information has been properly compiled on the basis stated; and
- such basis is consistent with the accounting policies of Dechra Pharmaceuticals plc.

Declaration

For the purposes of Prospectus Rule 5.5.3R (2)(f) we are responsible for this report as part of the prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the prospectus in compliance with paragraph 1.2 of Annex I of the Prospectus Directive Regulation.

Yours faithfully

KPMG Audit Plc

PART X

ADDITIONAL INFORMATION

1. Responsibility

The Company and its Directors (whose names appear in paragraph 8 of this Part X of this document) accept responsibility for the information contained in this document. To the best of the knowledge of the Company and its Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect its import.

2. Incorporation and registered office

- 2.1 The Company was incorporated and registered in England and Wales on 13 May 1997 with registered number 03369634 under the 1985 Act as a private limited company with the name Broomco (1283) Limited. On 18 July 1997, it changed its name to Dechra Holdings Limited. On 30 June 2000, it re-registered as a public limited company and changed its name to Dechra Pharmaceuticals PLC. The principal legislation under which the Company operates, and under which its securities have been created (and under which the New Ordinary Shares will be created), is the Companies Act.
- 2.2 The registered office and the principal place of business in the United Kingdom of the Company is at Dechra House, Jamage Industrial Estate, Talke Pits, Stoke-on-Trent ST7 1XW (telephone number 01782 771100 or, if dialing from outside the United Kingdom, +44 1782 771100).

3. Share capital

- 3.1 The issued Ordinary Share capital of the Company (i) as at 24 April 2012, being the latest practicable date prior to the date of publication of this document, and (ii) as it is expected to be following the proposed increase in the share capital of the Company and immediately following the completion of the Rights Issue (ignoring any Ordinary Shares which may be issued on the exercise of options under the Share Option Schemes) is as follows:

Ordinary Share capital as at 24 April 2012

	<i>Issued and fully paid</i>	
	<i>Number</i>	<i>Amount (£)</i>
<i>Ordinary Shares</i>	66,802,179	668,021.79

Expected Ordinary Share capital immediately following completion of the Rights Issue

	<i>Issued and fully paid</i>	
	<i>Number</i>	<i>Amount (£)</i>
<i>Ordinary Shares</i>	86,842,832	868,428.32

- 3.2 20,040,653 New Ordinary Shares will be issued at a price of 300 pence per New Ordinary Share pursuant to the Rights Issue. This will result in the issued Ordinary Share capital of the Company increasing by approximately 30 per cent. If a Qualifying Shareholder does not take up in full the offer of New Ordinary Shares under the Rights Issue, such Qualifying Shareholder will suffer an immediate dilution, as a result of the Rights Issue, of 23 per cent. in the proportion of the issued share capital of the Company which they hold. Qualifying Shareholders who take up their rights in full will suffer no dilution to their interests in the Company.
- 3.3 Save as disclosed in paragraph 4 below, since 30 June 2011, there has been no issue of share capital by the Company, fully or partly paid, either in cash or for other consideration and, other than in connection with the Rights Issue, and the exercise of options under the Share Option Schemes, no such issues are proposed. Other than in connection with the Share Option Schemes, no share capital of Dechra or any of its subsidiaries is under option or agreed conditionally or unconditionally to be put under option.

4. History of share capital

4.1 During the three financial years ended 30 June 2011 there have been the following changes in the share capital of the Company:

(a)

	<i>Number of shares</i>	<i>Nominal value £'000</i>
As at 1 July 2008	65,241,909	652
Allotment of Ordinary Shares pursuant to exercise of options	340,015	4
As at 30 June 2009	65,581,924	656
Allotment of Ordinary Shares pursuant to exercise of options	508,151	5
As at 30 June 2010	66,090,075	661
Allotment of Ordinary Shares pursuant to exercise of options	359,584	3
As at 30 June 2011	<u>66,449,659</u>	<u>664</u>

4.2 The New Ordinary Shares will have a nominal value of 1 pence each. Following the Rights Issue, the Company will continue to have one class of ordinary shares. Details of the rights attached to Ordinary Shares in relation to attendance and voting at general meetings, entitlements on a winding-up of the Company and transferability of Ordinary Shares are set out in the summary of the Articles of Association in paragraph 5 of this Part X.

4.3 As at 24 April 2012, being the last business day prior to the date of publication of this document, the Company held no treasury shares. No Ordinary Shares have been issued other than fully paid.

5. Summary of the Articles of Association

5.1 The 2006 Act states that unless a company's articles provide otherwise, a company's objects are unrestricted. This abolishes the need for companies to have object clauses. For this reason, the Company has removed its objects clause together with all other provisions of its Memorandum of Association which, by virtue of the 2006 Act, are to be treated as forming part of the Company's Articles of Association.

5.2 The Articles contain provisions, *inter alia*, to the following effect:

(a) *Voting rights in respect of Ordinary Shares*

- (i) Subject to any rights or restrictions for the time being attached to any class or classes of shares and to any other provisions of the Articles or the Statutes, at any general meeting, a resolution put to the vote of the meeting shall be decided by a show of hands unless before the show of hands, or before or immediately following the declaration of the result of the show of hands, a poll is duly demanded.
- (ii) In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. Seniority shall be determined by the order in which the names of the joint holders stand in the register.
- (iii) Unless the Board otherwise determines, no Shareholder shall be entitled (in respect of any share held by him) to be present or to vote, either in person or by proxy, at any general meeting or at any separate meeting of the holders of any class of shares or on any poll, or to exercise any other rights conferred on shareholders in relation to any such meeting or poll, if any calls or other monies due and payable in respect of such share remain unpaid. Such restrictions shall cease to apply on payment of the amount outstanding and all costs, charges and expenses incurred by the Company by reason of such non-payment.

(b) *Variation of class rights*

If at any time the share capital is divided into different classes of shares, the rights attached to any class or any of such rights may, subject to the provisions of the Companies Acts, be abrogated or varied with the consent in writing of the holders of at least three-quarters in nominal value of the issued shares of that class (excluding any shares of that class held as treasury shares), or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class.

(c) *Alteration of capital*

- (i) The Company may by ordinary resolution increase its share capital, consolidate all or any of its share capital into shares of larger amount, sub-divide all or any of its shares into shares of smaller amount and cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person.
- (ii) Subject to the provisions of the Companies Acts, the Company may by special resolution reduce its share capital, any capital redemption reserve and any share premium account in any way.
- (iii) Subject to the provisions of the Companies Acts, the Company may purchase its own shares (including any redeemable shares).

(d) *Transfer of shares*

- (i) Subject to paragraph 5.2(d)(ii) below, the instrument of transfer of a certificated share shall be signed by or on behalf of the transferor (and, in the case of a share which is not fully paid, by or on behalf of the transferee) and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register in respect thereof. All transfers of certificated shares shall be effected by instrument in writing in any usual or common form or any other form which the Directors may approve. The Directors may, in their absolute discretion and without giving any reason, refuse to register the transfer of a share which is not fully paid (whether certificated or uncertificated) provided that where such shares are admitted to the Official List of the Financial Services Authority or admitted to AIM, such discretion may not be exercised in a way which the FSA or London Stock Exchange regards as preventing dealings in the shares of the relevant class or classes from taking place on an open and proper basis. The Directors may likewise refuse to register any transfer of a share (whether certificated or uncertificated) in favour of more than four persons jointly. In relation to certificated shares, the Directors may decline to recognise any instrument of transfer unless it is left at the registered office of the Company or such other place as the Directors may determine, accompanied by the relevant certificate and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer (and, if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do), and unless the instrument is in respect of only one class of share.
- (ii) Notwithstanding any other provision of the Articles to the contrary, unless otherwise determined by the Directors, any shares in the Company may be held in uncertificated form and title to shares may be transferred by means of a relevant system (in each case as defined in the Regulations).

(e) *General meetings*

- (i) The Board may convene a general meeting of the Company whenever it thinks fit.
- (ii) If, at any time, there are not sufficient directors within the United Kingdom capable of acting to form a quorum, the Directors in the United Kingdom capable of acting may convene a general meeting in the same manner as nearly as possible as that in which meetings may be convened by the Board.
- (iii) If the Board, in its absolute discretion, considers that it is impractical or undesirable for any reason to hold a general meeting on the date or at the time or place specified in the notice calling the general meeting, it may postpone the meeting to another date, time and place. When a meeting is so postponed, notice of the date, time and place of the postponed

meeting shall be placed in at least one national newspaper in the United Kingdom. Notice of the business to be transacted at such postponed meeting shall not be required.

- (iv) The accident omission to give any notice of a meeting, or to send or supply any document or other information relating to any meeting, to any person entitled to receive the notice, document or other information, or the non-receipt for any reason of any such notice, document or other information by that person shall not invalidate the proceedings at that meeting.
 - (v) The quorum for a general meeting shall, for all purposes, be two Shareholders present in person or by proxy and entitled to vote.
- (f) *Directors*
- (i) Unless and until otherwise determined by the Company by ordinary resolution, the number of directors (other than alternate directors) shall not exceed 10 but shall not be less than two.
 - (ii) Any director (other than an alternate director) may, by notice sent to or received at the office or at an address specified by the Company for the purpose of communication by electronic means, or in any other manner approved by the board, appoint any other director or any other person who is approved by the Board and is willing to act to be his alternate. No appointment of an alternate director who is not already a director shall be effective until his consent to act as a director has been received at the office or at an address specified by the Company for the purpose of communication by electronic means and his appointment has been approved by the board.
 - (iii) Subject to the provisions of the Companies Acts, a director shall (in the absence of some other interest than is set out below) be entitled to vote, and be counted in the quorum, in respect of any resolution concerning any contract, transaction or arrangement, or any other proposal:
 - (A) in which he has an interest of which he is not aware;
 - (B) in which he has an interest which cannot reasonably be regarded as likely to give rise to a conflict of interest;
 - (C) in which he has an interest only by virtue of interests in shares, debentures or other securities of the Company, or by reason of any other interest in or through the Company;
 - (D) which involves the giving of any guarantee, security or indemnity in respect of:
 - (1) money lent or obligations incurred by him or by any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings; or
 - (2) a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part, either alone or jointly with others, under a guarantee or indemnity or by the giving of security;
 - (E) concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiary undertakings in which offer he is or may be entitled to participate as a holder of securities; or in the underwriting or sub-underwriting of which the director is to participate;
 - (F) concerning any other body corporate in which he (and any person connected with him) has a direct or indirect interest of any kind (including an interest by holding any position, or by holding an interest in shares, in that body corporate), provided that he (and any person connected with him) does not hold an interest in shares (within the meaning set out in sections 820-825 of the 2006 Act) representing one per cent. or more of either any class of equity share capital, or the voting rights, in such body corporate (excluding any shares of that class, or any voting rights attached to shares, which are held as treasury shares);

- (G) relating to an arrangement for the benefit of the employees or former employees of the Company or any of its subsidiary undertakings which does not award him any privilege or benefit not generally awarded to the employees or former employees to whom such arrangement relates; or
 - (H) concerning:
 - (1) insurance which the Company proposes to maintain or purchase for the benefit of directors or for the benefit of persons including directors; or
 - (2) indemnities in favour of directors; or
 - (3) the funding of expenditure by one or more directors on defending proceedings against such director or them or doing anything to enable such director or directors to avoid incurring such expenditure.
 - (I) Where proposals are under consideration concerning the appointment (including fixing or varying the terms of appointment or its termination) of two or more directors to offices or places of profit with the Company or any company in which the Company is interested, such proposals may be divided and a separate resolution considered in relation to each director. In such case, each of the directors concerned (if not otherwise debarred from voting under article 103) shall be entitled to vote (and be counted in the quorum) in respect of each resolution, except that concerning his own appointment.
 - (J) If any question arises at any meeting as to whether any interest of a director prevents him from voting or being counted in a quorum, and such question is not resolved by his voluntarily agreeing to abstain from voting or being counted in the quorum, such question shall be referred to the chairman of the meeting. The chairman of the meeting's ruling in relation to the director concerned (other than himself) shall be final and conclusive (except where it subsequently becomes apparent that the nature or extent of the interests of the director concerned have not been fairly disclosed).
 - (K) If any question arises at any meeting as to whether any interest of the chairman of the meeting prevents him from voting or being counted in a quorum, and such question is not resolved by his voluntarily agreeing to abstain from voting or being counted in the quorum, such question shall be decided by resolution of the directors or committee members present at the meeting (excluding the chairman). The majority vote of the directors or committee members shall be final and conclusive (except where it subsequently becomes apparent that the nature or extent of the interests of the chairman of the meeting have not been fairly disclosed).
- (g) *Borrowing powers*
- (i) Subject to the provisions of the Companies Acts, the Board may exercise all the powers of the Company:
 - (A) to borrow money;
 - (B) to mortgage or charge all or any part of the undertaking, property and assets (present or future) and uncalled share capital of the Company;
 - (C) to issue debentures and other securities; and
 - (D) to give security, either outright or as collateral security for any debt, liability or obligation of the Company or of any third party.
 - (ii) The Board shall restrict the borrowings of the Company and shall exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiary undertakings (if any) so as to procure (but as regards such subsidiary undertakings, only in so far as it can procure by such exercise) that the aggregate principal amount outstanding in respect of all borrowings by the group (exclusive of any borrowings which are owed by one group company to another and after deducting cash deposited) shall not, at any time,

without an ordinary resolution of the Company, exceed a sum equal to three times the adjusted total of capital and reserves.

(h) *Dividends and distributions on liquidation to Shareholders*

- (i) Subject to the provisions of the Companies Acts and of the Articles, the Company may by ordinary resolution declare a dividend to be paid to the shareholders according to their respective rights and interests in the profits of the Company, but no dividend shall exceed the amount recommended by the board.
- (ii) Subject to the provisions of the Companies Acts, the Board may, if it considers that the profits of the Company available for distribution justify such payments:
 - (A) declare and pay interim dividends on shares of any class of such amounts and on such dates and for such periods as it determines; and
 - (B) declare and pay the fixed dividend on any class of shares carrying a fixed dividend on the dates prescribed for the payment of such dividends.
- (iii) If the share capital is divided into different classes, the Board may pay interim dividends on shares which rank after shares conferring preferred rights with regard to dividend as well as on shares with preferred rights, unless at the time of payment any preferential dividend is in arrears.
- (iv) Except as otherwise provided by the rights attached to shares, all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid on the record date determined by the Board in respect of that dividend.
- (v) No amount paid up on a share in advance of a call shall be treated for the purpose of article 124 as paid up on the share.
- (vi) Subject to article 124.2, all dividends shall be apportioned and paid proportionately to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid.
- (vii) The Board may deduct from any dividend or other monies payable to any person on or in respect of a share all such sums as may be due from him to the Company on account of calls or otherwise in relation to shares of the Company. Monies deducted in this way may be used to pay such amounts owed to the Company in relation to such shares.
- (viii) All unclaimed dividends, interest or other sums payable may be invested or otherwise made use of by the board for the benefit of the Company until claimed. All dividends unclaimed for a period of 12 years after having been declared or becoming due for payment shall be forfeited and cease to remain owing by the Company. The payment of any unclaimed dividend, interest or other sum payable by the Company on or in respect of any share into a separate account shall not constitute the Company a trustee, and the Company shall not be liable to pay interest, in respect of it.
- (ix) Without prejudice to any other provision of these articles, the Board may, with the prior authority of an ordinary resolution of the Company, offer holders of a particular class of ordinary shares the right to elect to receive further shares of that class, credited as fully paid, instead of cash in respect of all or part of any dividend or dividends specified by the ordinary resolution.
- (x) In a winding-up, the liquidator may, with the authority of a special resolution of the Company and any other sanction required by law, divide among the members in kind the whole or any part of the assets of the Company and may value any assets and determine how the division shall be carried out as between the members of different classes of members. The liquidator may, with the same authority, transfer any part of the assets of the Company to trustees on such trust for the benefit of members as he may determine. The liquidator may, with the same authority, transfer any part of the asset of the Company to

trustees on such trust for the benefit of members as he may determine. The liquidator shall not, however (except with the consent of the member concerned) distribute to a member any asset to which there is attached a liability or potential liability for the owner.

(i) *Non-United Kingdom Shareholders*

There are no limitations in the Articles on the rights of non-United Kingdom Shareholders to hold, or to exercise voting rights attached to, the Ordinary Shares. Subject to provisions of the Acts, the Board may exercise powers conferred on the Company with regard to keeping of an overseas branch register. However, non-United Kingdom shareholders are not entitled to receive notices unless they have given an address in the United Kingdom to which such notices may be sent.

6. Employees

The following table details the average number of Group employees as at 30 June 2011, 30 June 2010 and 30 June 2009.

	<i>2011</i>	<i>2010</i>	<i>2009</i>
Manufacturing	221	238	237
Distribution	409	432	438
Administration	375	351	337
TOTAL	<u>1,005</u>	<u>1,021</u>	<u>1,012</u>

As at 29 February 2012 (being the last practicable date prior to the publication of this document) the Group had 1,016 employees, of which 220 are in manufacturing, 468 in distribution and 328 in administration.

7. Dechra Share Option Schemes

7.1 The Company operates four Dechra Share Option Schemes namely the Approved Share Option Scheme, the Unapproved Share Option Scheme, the SAYE Scheme (together the **“Share Schemes”**) and the Long Term Incentive Plan, key terms of which are summarised below. As at the date of this document, options under the Dechra Share Option Schemes exist in relation to 1,659,157 Ordinary Shares.

(a) *The SAYE Scheme*

The principal features of the SAYE Scheme are as follows:

(i) Eligibility

Any UK full-time director and any UK employee (full-time or part-time) of any company within the Company’s group of companies (“Group”) who has been with the Group for a period of six months or such other period as the Board may from time to time stipulate, is eligible to participate (a “Participant”). Invitations to participate, as well as the options themselves, are personal to the Participant and may not be assigned.

(ii) Savings contract

Each Participant who applies for an option must enter into a savings contract (the “Contract”) approved by the Board for a period of 3, 5 or 7 years. The Participant will make monthly savings under the Contract of an amount, decided by him, up to the maximum specified by the Board. This will not exceed the maximum from time to time permitted by the legislation and will have regard to institutional guidelines.

(iii) Application for options

If the Board receives applications for options over more shares than are available, the applications shall be scaled down on a *pro rata* basis as specified in the rules of the SAYE

Scheme to the minimum savings level. If there are still insufficient shares available after such scaling down, then successful applicants will be chosen by lot.

(iv) Exercise of options

The exercise price will be the higher of the nominal value of the shares or the average middle market quotation of the shares, as derived from the Daily Official List, for the three dealing days immediately prior to the date of issue of invitations to apply for options. The Board has discretion to offer a discount of up to 20 per cent. of the middle market price or such other percentage as may from time to time be permitted by the legislation but having regard to institutional guidelines.

The number of shares over which a Participant will be granted an option will be the number of shares which, taking into account the price payable on exercise of the option, can be purchased with the amount expected to be saved under the Contract (which will normally include a bonus payable under the Contract).

Except in the event of the Participant's death, no option may be exercised later than six months after the maturity date of the Contract ("the Maturity Date"). In the event of death, the option may be exercised by the Participant's personal representatives within 12 months of the Participant's death but no later than 12 months after the Maturity Date.

Options will normally lapse if the Participant ceases to be employed within the Group. Exceptionally, if the reason for ceasing to be so employed is the injury, disability, or redundancy of the Participant or his retirement at the age of 65 or the age specified in his contract of employment, options may generally be exercised within six months after such cessation. In addition, if the Company is the subject of a takeover or a proposed liquidation or if the Participant's employing company or business ceases to be within the Group options may generally be exercised within six months after such event.

In addition, if a Participant ceases to be employed within the Group more than three years after the date of grant of the option, and the reason for cessation is early retirement with the agreement of the employer, wrongful or unfair dismissal, then the option may generally be exercised within six months of his so ceasing.

Except as mentioned in the paragraphs above, options may not be exercised later than six months after the Maturity Date.

(v) SAYE Scheme limits

The SAYE Scheme imposes a limit on the number of shares over which options may be granted. The total number of shares over which options to subscribe for shares may be granted under all option schemes of the Company when aggregated with shares issued or issuable under all profit sharing schemes of the Company shall not, in any consecutive ten year period, exceed 10 per cent. of the shares in issue from time to time. When considering this limit, lapsed and surrendered options shall be disregarded.

(b) *The Approved Share Option Scheme*

The principal features of the Approved Share Option Scheme are as follows:

(i) Eligibility

Any full-time Director and any employee of the Group (regardless of the number of hours served) is eligible to participate (a "Participant"). Actual participation is at the discretion of the Remuneration Committee. Options are personal to the Participant and may not be assigned. Options shall be granted by deed for no consideration.

(ii) Individual participation limit

The aggregate subscription price of all outstanding options granted to any one Participant under the Approved Share Option Scheme and under any other approved share option scheme adopted or operated by the Company (but excluding options granted under a savings related share option scheme) may not exceed £30,000.

(iii) Exercise of options

Options may normally be exercised only within the period of three to ten years after the date of grant (save in certain circumstances when a Participant ceases to be employed by the Group).

All options generally lapse upon the Participant ceasing to be employed by the Group (unless the Remuneration Committee determines otherwise). Exceptionally, options may be exercised where employment ceases due to death, injury, disability, redundancy, the Participant's retirement, or on the Participant's employing company or business ceasing to be within the Group or, at the discretion of the Remuneration Committee, on the Participant in question leaving employment for any other reason.

In the event that the Participant ceases to be employed by the Group on death, options can generally be exercised within 12 months of death. There is also a pro-rating of the number of shares over which the option may be exercised – such pro-rating occurring over a three year period, depending upon the amount of time from the date of grant of the option to the date of death (for example, if the Participant dies two years after the date of grant, he will be entitled to exercise his option over two thirds of the shares). Such pro-rating can be overruled by the Remuneration Committee.

In the event that the Participant ceases to be employed by the Group through injury, disability, redundancy, the Participant's retirement, or on the Participant's employing company or business ceasing to be within the Group, the Participant's ability to exercise will be made subject to any performance targets (and so will be delayed until the expiry of the performance target measurement period) and will in addition be subject to a pro-rating mechanism which pro-rates the number of shares over which the Participant is entitled to exercise his option – such pro-rating occurring over a three year period, depending upon the amount of time from the date of grant of the option that the Participant has remained with the Group (for example, if the Participant leaves employment two years after the date of grant, he will be entitled to exercise his option over two thirds of the shares, subject to the relevant performance target being met at the end of the relevant measurement period). Such pro-rating and requirement to meet the performance target can be overruled by the Remuneration Committee.

A one year cliff vesting provision applies for leavers (for example, if the Participant leaves employment six months after the date of grant, his option lapses).

The Remuneration Committee shall impose objective conditions as to the performance of the Group (which must be set having regard to institutional guidelines) which must normally be satisfied before options can be exercised. Having granted options and set a performance target, the Remuneration Committee can vary the performance target provided that the Remuneration Committee reasonably considers that the performance target set no longer represents a fair measure of performance and provided that any new conditions are no more difficult nor easy to satisfy.

The performance target is, until the Remuneration Committee in its discretion decides otherwise, based on the growth in the earnings per share of the Group and will require that the percentage increase in the Group's earnings per share over a consecutive three-year period (commencing at the start of the accounting period during which the option is granted) is greater than the percentage increase in the Retail Prices Index for the same period plus 12 per cent. Any change in the performance target will be notified to Shareholders through the Company's Annual Report and Accounts.

The exercise price will be the higher of the nominal value of the shares at the time of grant of the option and the average middle market quotation of the shares for the three dealing days immediately prior to the date on which the option is granted.

(iv) *Approved Share Option Scheme limits*

The total number of shares over which options to subscribe for shares may be granted under all executive option schemes of the Company shall not, in any consecutive ten year period, exceed 7.5 per cent. of the shares in issue from time to time. The limit was increased from 5 per cent. to 7.5 per cent. in 2008 and received Shareholder approval at the Annual General Meeting that year. Following careful management of the grant of options under the LTIP 2008 and Approved and Unapproved Share Option Schemes, the headroom limit currently stands at 5.5 per cent.

The total number of shares over which options to subscribe for shares may be granted under all option schemes of the Company and issued or issuable under all profit sharing schemes of the Company shall not, in any consecutive ten year period, exceed 10 per cent. of the shares in issue from time to time.

In each case, lapsed and surrendered options shall be disregarded.

(c) *The Unapproved Share Option Scheme*

The principal features of the Unapproved Share Option Scheme are the same as the Approved Share Option Scheme, save for the following exceptions:

The £30,000 individual participation limit does not apply.

In the case of employment ceasing prior to the third anniversary of the date of grant for whatever reason the exercisability of an option is entirely at the discretion of the Remuneration Committee. In exercising its discretion, the Remuneration Committee will take into account the reason for the cessation of employment and the performance of the Company since the date the option was granted.

(d) *Features common to all the Share Schemes*

(i) *Grant of options*

Options may normally be granted under each Share Scheme within 42 days after the announcement of the Company's yearly or half-yearly results. The Share Scheme rules permit a grant outside of the 42 day period in exceptional circumstances.

(ii) *Ordinary Shares issued on exercise of options*

Ordinary shares allotted under each scheme rank equally with the Company's existing issued Ordinary Shares (save that they will not qualify for any dividends or other distributions by reference to a record date prior to the options exercise).

(iii) *Takeovers*

In the event of the takeover, amalgamation or reconstruction of the Company, options may, with the agreement of the acquiring company, be exchanged for options over shares in the acquiring company or a company associated with the acquiring company.

(iv) *Variation of share capital*

In the event of a variation of share capital by way of capitalization, rights issue, sub division, consolidation or reduction of share capital, then the number of Ordinary Shares subject to a subsisting option and the price payable on exercise may be adjusted. Except in the case of a capitalisation issue, no adjustment may be made without the prior confirmation in writing of the Auditors of the Company that the adjustment is in their opinion fair and reasonable. No adjustment can be made without HM Revenue & Customs approval (save in relation to the Unapproved Share Option Scheme) and no adjustment can be made which would cause the aggregate amount payable on the exercise of an option in full to be increased nor, in the case of the SAYE Scheme, if the amount payable on exercise would be materially changed or increased beyond the expected repayment date under the Savings Contract.

(v) Alterations to the Schemes

The Remuneration Committee may alter the Share Schemes, but no alteration can have effect without HM Revenue and Customs approval (save in relation to the Unapproved Plan). Certain alterations cannot take effect without Shareholder approval (unless they are amendments to comply with or take account of applicable legislation or statutory regulations or any change therein or any requirements of HM Revenue and Customs for the approval of the Share Schemes or to obtain or maintain favorable taxation treatment for the Company or Participants), being the limits on the number of shares which can be offered under the relevant Share Scheme, the category of persons who may participate (or, in the case of the SAYE Scheme, who must be allowed to participate as of right), the price at which options may be granted (or, under the SAYE Scheme offered), the number of shares over which an employee may hold an option, the maximum amounts which can be saved under a contract under the SAYE Scheme, the period during which options may be offered and exercised, the rights attaching to shares subject to an option, the provisions for altering share capital and for altering the terms of the relevant Share Scheme and the provisions which apply on a winding-up of the Company.

(vi) Pension rights

None of the benefits which may be received under any of the schemes shall be pensionable.

(e) *Long Term Incentive Plan (LTIP 2008)*

(i) Operation

The Remuneration Committee of the Directors (the “**Committee**”) will supervise the operation of the LTIP 2008.

(ii) Eligibility

Any employee (including an Executive Director) of the Company and its subsidiaries will be eligible to participate in the LTIP 2008 at the discretion of the Committee.

(iii) Grant of awards

The Committee may grant awards to acquire Ordinary Shares in the Company within six weeks following the Company’s announcement of its results for any period. The Committee may also grant awards within six weeks of shareholder approval of the LTIP 2008 or at any other time when the Committee considers there are exceptional circumstances which justify the granting of awards.

The Committee may grant awards as a conditional award of shares or as a nil (or nominal) cost option with a short exercise period. The Committee may also decide to grant cash-based awards of an equivalent value to share-based awards or to satisfy share-based awards in cash, although it does not currently intend to do so.

An award may not be granted more than 10 years after shareholder approval of the LTIP 2008.

No payment is required for the grant of an award. Awards are not transferable, except on death. Awards are not pensionable.

(iv) Individual limit

An employee may not receive awards in any financial year over Ordinary Shares having a market value in excess of 150 per cent. of his annual base salary in that financial year. In exceptional circumstances, such as recruitment or retention, this limit is increased to 200 per cent. of an employee’s annual base salary.

(v) Performance conditions

The vesting of awards are subject to performance conditions set by the Committee. The performance conditions for the awards to be made to senior executives are determined by reference to the Company’s diluted Earnings Per Share (“EPS”) growth and its Total

Shareholder Return (“TSR”) relative to the other constituent companies of the FTSE Small Cap Index over a three-year performance period.

The EPS condition acts as an “underpin” condition so that unless the Company’s EPS has exceeded the increase in the Retail Prices Index by at least 3% per year over the performance period (on a simple basis), no awards will vest.

Assuming the EPS “underpin” condition is satisfied, vesting is determined by the Company’s TSR performance over the performance period compared to the other constituents of the FTSE Small Cap Index at the start of the performance period.

TSR is to be calculated by comparing average performance over three months prior to the start and end of the performance period (except in the event of a takeover of the Company prior to the end of the performance period, in which case the final TSR measurement will be taken by reference to the TSR on the day before the takeover occurs). Vesting is on the basis outlined below:

<i>TSR performance</i>	<i>Percentage of Shares subject to an Award which vest</i>
Below Median	0%
Median	25%
Upper Quartile	100%
Intermediate performance	Pro-rata vesting based on the Company’s ranking in the group

The Committee can set different performance conditions from those described above for future awards provided that, in the reasonable opinion of the Committee, the new targets are not materially less challenging in the circumstances than those described above.

The Committee may also vary the performance conditions applying to existing awards if an event has occurred which causes the Committee to consider that it would be appropriate to amend the performance conditions, provided the Committee considers the varied conditions are fair and reasonable and not materially less challenging than the original conditions would have been but for the event in question.

(vi) Vesting of awards

Awards normally vest three years after grant to the extent that the applicable performance conditions (see above) have been satisfied and provided the participant is still employed in the Company’s group at the end of the performance period.

The Committee may decide that participants will receive a payment (in cash and/or Ordinary Shares) on or shortly following the vesting of their awards of an amount equivalent to the dividends that would have been paid on those Ordinary Shares between the time when the awards were granted and the time when they vest. Alternatively, participants may have their awards increased as if dividends were paid on the Shares subject to their award and then reinvested in further Ordinary Shares.

(vii) Leaving employment

An award will lapse upon a participant ceasing to hold employment or be a director within the Company’s group for any reason within the first twelve months of the performance period applicable to an award.

However, if a participant ceases to be an employee or a director after twelve months of the relevant performance period have elapsed but before the end of the performance period because of his death, ill-health, injury, disability, retirement, redundancy, his employing company or the business for which he works being sold out of the Company’s Group or in other circumstances at the discretion of the Committee, then his award will vest on the date when it would have vested if he had not ceased such employment or office. The extent to which an award will vest in these situations will depend upon two factors: (i) the extent to which the performance conditions have been satisfied at the end of the original

performance period; and (ii) the pro-rating of the award to reflect the reduced period of time between the beginning of the performance period and the date of the participant's cessation of employment. If a participant leaves for any other reason during this period, his award will lapse on his cessation of employment.

If a participant ceases to be an employee or Director in the Company's Group for one of the "good leaver" reasons specified above, the Committee can decide that his award will vest when he leaves, subject to: (i) the performance conditions measured at that time; and (ii) pro-rating by reference to the time of cessation as described above.

If a participant ceases to be an employee or Director in the Company's Group for any reason after the end of the performance period his award will not lapse but will continue to subsist subject to the LTIP 2008.

(viii) Corporate events

In the event of a takeover or winding up of the Company (not being an internal corporate reorganisation) all awards will vest early subject to: (i) the extent that the performance conditions have been satisfied at that time; and (ii) the pro-rating of the awards to reflect the reduced period of time between the beginning of the performance period and the vesting of the awards, although the Committee can decide not to pro-rate an award if it regards it as inappropriate to do so in the particular circumstances.

In the event of an internal corporate reorganisation awards will be replaced by equivalent new awards over shares in a new holding company unless the Committee decides that awards should vest on the basis which would apply in the case of a takeover.

If a demerger, special dividend or other similar event is proposed which, in the opinion of the Committee, would affect the market price of Ordinary Shares to a material extent, then the Committee may decide that awards will vest on the basis which would apply in the case of a takeover as described above.

(ix) Participants' rights

Awards of conditional shares and options will not confer any shareholder rights until the awards have vested or the options have been exercised and the participants have received their Ordinary Shares.

(x) Rights attaching to Shares

Any Ordinary Shares allotted when an award vests or is exercised will rank equally with Ordinary Shares then in issue (except for rights arising by reference to a record date prior to their allotment).

(xi) Variation of capital

In the event of any variation of the Company's share capital or in the event of a demerger, payment of a special dividend or similar event which materially affects the market price of the Ordinary Shares, the Committee may make such adjustment as it considers appropriate to the number of Ordinary Shares subject to an award and/or the exercise price payable (if any).

(xii) Overall limits

The LTIP 2008 may operate over new issue Ordinary Shares, treasury shares or Ordinary Shares purchased in the market.

In any ten calendar year period, the Company may not issue (or grant rights to issue) more than:

- (a) 10 per cent. of the issued ordinary share capital of the Company under the LTIP 2008 and any other employee share plan adopted by the Company; and
- (b) 7.5 per cent. of the issued ordinary share capital of the Company under the LTIP 2008 and any other executive share plan adopted by the Company.

Treasury Shares will count as new issue Ordinary Shares for the purposes of these limits unless institutional investors decide that they need not count.

Shares issued or to be issued under awards or options granted before the Company was listed on the London Stock Exchange will not count towards these limits.

(xii) Alterations to the LTIP 2008

The Committee may, at any time, amend the LTIP 2008 in any respect, provided that the prior approval of Shareholders is obtained for any amendments that are to the advantage of participants in respect of the rules governing eligibility, limits on participation, the overall limits on the issue of Ordinary Shares or the transfer of treasury shares, the basis for determining a participant's entitlement to, and the terms of, the Ordinary Shares or cash to be acquired and the adjustment of awards.

The requirement to obtain the prior approval of Shareholders will not, however, apply to any minor alteration made to benefit the administration of the LTIP 2008, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for any company in the Company's group. Shareholder approval will also not be required for any amendments to any performance condition applying to an award.

(xiv) Overseas plans

The Directors are able to establish further plans for overseas territories, any such plan to be similar to the LTIP 2008, but modified to take account of local tax, exchange control or securities laws, provided that any Ordinary Shares made available under such further plans are treated as counting against the limits on individual and overall participation in the LTIP 2008.

7.2 **Outstanding options and awards under the Dechra Share Options Schemes**

7.2.1 Under the Dechra Share Option Schemes, options to subscribe for a total of 1,659,157 Ordinary Shares were outstanding as at 24 April 2012 (being the latest practicable date prior to the publication of this document) as listed below:

<i>Date of Grant</i>	<i>Exercise price (pence)</i>	<i>Date from which exercisable</i>	<i>Expiry Date</i>	<i>Number of Ordinary Shares</i>
Unapproved share option scheme				
11 April 2003	58.5	11 April 2006	10 April 2013	2,500
19 March 2007	289	19 March 2010	18 March 2017	16,364
2 April 2008	366	2 April 2011	1 April 2018	30,830
10 October 2008	397	10 October 2011	9 October 2018	31,000
30 March 2009	415	30 March 2012	29 March 2019	52,121
1 March 2010	456	1 March 2013	29 February 2020	48,064
28 February 2011	503	28 February 2014	27 February 2021	57,688
TOTAL				<u><u>238,567</u></u>

<i>Date of Grant</i>	<i>Exercise price (pence)</i>	<i>Date from which exercisable</i>	<i>Expiry Date</i>	<i>Number of Ordinary Shares</i>
Approved share option scheme				
2 April 2004	134.50	2 April 2007	1 April 2014	10,000
5 April 2005	202.5	5 April 2008	4 April 2015	21,000
15 March 2006	252	15 March 2009	14 March 2016	27,000
19 March 2007	289	19 March 2010	18 March 2017	51,512
2 April 2008	366	2 April 2011	1 April 2018	34,333
10 October 2008	397	10 October 2011	9 October 2018	2,500
30 March 2009	415	30 March 2012	29 March 2019	19,879
1 March 2010	456	1 March 2013	29 February 2020	30,936
28 February 2011	503	28 February 2014	27 February 2021	20,312
TOTAL				<u><u>217,472</u></u>
Long Term Incentive Plan				
24 September 2009	—	See Note 1	6 months from vesting	277,758
22 December 2010	—	See Note 1	6 months from vesting	235,841
7 September 2011	—	See Note 1	6 months from vesting	279,263
TOTAL				<u><u>792,862</u></u>
SAYE option scheme				
13 October 2006	195.74	1 December 2009	See Note 2	3,591
12 October 2007	280	1 December 2010	See Note 2	69,291
13 October 2008	343	1 December 2011	See Note 2	41,864
12 October 2009	332	1 December 2012	See Note 2	109,382
13 December 2010	409	1 January 2013	See Note 2	87,304
17 October 2011	398	1 December 2014	See Note 2	95,824
TOTAL				<u><u>407,256</u></u>

Note 1: Vesting is the later of the date on which: (a) the Committee determines whether or not any Performance Condition and any other condition imposed on the Vesting of the Award has been satisfied (in whole or in part); and (b) the third anniversary of the Grant Date.

Note 2: Schemes expire six months from exercisable date. The exercisable date set out in the above table is that of the three year scheme but there is also a five and seven year scheme.

7.2.2 All options in the above table were granted for nil consideration.

7.2.3 The number of Ordinary Shares subject to outstanding options and/or the subscription price per share shall be subject to adjustment following the Rights Issue in accordance with the rules of the Dechra Share Option Schemes.

7.2.4 Save as disclosed in paragraph 7 and 16 of this Part X, no share or loan capital of Dechra or any of its subsidiaries is under option or is agreed, conditionally or unconditionally, to put under option.

7.3 **Directors' and Senior Manager's share options**

As at 24 April 2012 (being the latest practicable date prior to the date of publication of this document) the following Directors had share options in the Company under the Dechra Share Option Schemes, which had not been exercised and Senior Managers. The number of Ordinary Shares over which options are held is:

<i>Optionholder</i>	<i>Share plan/scheme</i>	<i>Date of grant/award</i>	<i>No of Shares</i>	<i>Exercise Price/Share Price at date of award (pence)</i>	<i>Date from which exercisable</i>	<i>Expiry Date</i>
Ian Page	Long Term Incentive Plan	24 September 2009	86,861	404.10	See Note	See Note
Ian Page	Long Term Incentive Plan	22 December 2010	72,241	514.00	See Note	See Note
Ian Page	Long Term Incentive Plan	7 September 2011	85,241	455.50	See Note	See Note
Simon Evans	Long Term Incentive Plan	24 September 2009	54,599	404.10	See Note	See Note
Simon Evans	Long Term Incentive Plan	22 December 2010	45,409	514.00	See Note	See Note
Simon Evans	Long Term Incentive Plan	7 September 2011	53,580	455.50	See Note	See Note
Ed Torr	Long Term Incentive Plan	24 September 2009	52,117	404.10	See Note	See Note
Ed Torr	Long Term Incentive Plan	22 December 2010	43,344	514.00	See Note	See Note
Ed Torr	Long Term Incentive Plan	7 September 2011	51,145	455.50	See Note	See Note
Ian Page	SAYE	13 October 2008	4,883	343	December 2013	June 2014
Simon Evans	SAYE	13 October 2008	4,883	343	December 2013	June 2014
Ed Torr	SAYE	12 October 2009	1,640	332	December 2012	June 2013
Ed Torr	SAYE	17 October 2011	904	398	December 2014	June 2015
Michael Redmond	N/A	N/A	N/A	N/A	N/A	N/A
Neil Warner	N/A	N/A	N/A	N/A	N/A	N/A
Bryan Morton	N/A	N/A	N/A	N/A	N/A	N/A
Dr Chris Richards	N/A	N/A	N/A	N/A	N/A	N/A
Zoe Goulding	Long Term Incentive Plan	24 September 2009	9,927	404.10	See Note	See Note
Zoe Goulding	Long Term Incentive Plan	22 December 2010	8,256	514	See Note	See Note
Zoe Goulding	Long Term Incentive Plan	7 September 2011	11,590	455.50	See Note	See Note
Dr Susan Longhofer	Long Term Incentive Plan	24 September 2009	13,650	404.10	See Note	See Note
Dr Susan Longhofer	Long Term Incentive Plan	22 December 2010	13,923	514	See Note	See Note
Dr Susan Longhofer	Long Term Incentive Plan	7 September 2011	15,797	455.50	See Note	See Note
Martin Riley	Long Term Incentive Plan	24 September 2009	16,131	404.10	See Note	See Note
Martin Riley	Long Term Incentive Plan	22 December 2010	13,416	514	See Note	See Note
Martin Riley	Long Term Incentive Plan	7 September 2011	15,830	455.50	See Note	See Note

<i>Optionholder</i>	<i>Share plan/scheme</i>	<i>Date of grant/award</i>	<i>No of Shares</i>	<i>Exercise Price/Share Price at date of award (pence)</i>	<i>Date from which exercisable</i>	<i>Expiry Date</i>
Mike Eldred	Long Term Incentive Plan	24 September 2009	14,984	404.10	See Note	See Note
Mike Eldred	Long Term Incentive Plan	22 December 2010	13,926	514	See Note	See Note
Mike Eldred	Long Term Incentive Plan	7 September 2011	16,265	455.50	See Note	See Note
Mike Annice	Long Term Incentive Plan	24 September 2009	12,603	404.10	See Note	See Note
Mike Annice	Long Term Incentive Plan	22 December 2010	10,481	514	See Note	See Note
Mike Annice	Long Term Incentive Plan	7 September 2011	12,367	455.50	See Note	See Note
Dr Peter Graham	Long Term Incentive Plan	24 September 2009	11,066	404.10	See Note	See Note
Dr Peter Graham	Long Term Incentive Plan	22 December 2010	9,153	514	See Note	See Note
Dr Peter Graham	Long Term Incentive Plan	7 September 2011	10,800	455.50	See Note	See Note
Zoe Goulding	Approved Share Option Scheme	2 April 2008	3,000	366	2 April 2011	1 April 2018
Barbara Johnson	Approved Share Option Scheme	30 March 2009	3,000	415	30 March 2012	29 March 2019
Barbara Johnson	Approved Share Option Scheme	1 March 2010	3,000	456	1 March 2013	28 February 2020
Barbara Johnson	Approved Share Option Scheme	28 February 2011	769	503	28 February 2014	27 February 2021
Paul Sandland	Approved Share Option Scheme	1 March 2010	5,000	456	1 March 2013	28 February 2020
Paul Sandland	Approved Share Option Scheme	28 February 2011	1,431	503	28 February 2014	27 February 2021
Barbara Johnson	Unapproved Share Option Scheme	28 February 2011	2,231	503	28 February 2014	27 February 2021
Paul Sandland	Unapproved Share Option Scheme	28 February 2011	3,569	503	28 February 2014	27 February 2021
Martin Riley	SAYE	17 October 2007	6,000	280	December 2012	June 2013
Zoe Goulding	SAYE	12 October 2009	546	332	December 2012	June 2013
Zoe Goulding	SAYE	13 December 2010	880	409	February 2014	August 2014
Zoe Goulding	SAYE	17 October 2011	904	398	December 2014	June 2015
Paul Sandland	SAYE	13 December 2010	3,863	409	February 2018	August 2019
Mike Annice	SAYE	12 October 2009	1,873	332	December 2014	June 2015
Mike Annice	SAYE	13 December 2010	2,317	409	December 2017	June 2018
Dr Peter Graham	SAYE	12 October 2009	874	332	December 2012	June 2013
Dr Peter Graham	SAYE	13 December 2010	792	409	February 2014	August 2014
Dr Peter Graham	SAYE	17 October 2011	723	398	December 2014	June 2015

Note: The Long Term Incentive Plan performance period starts on the 1 July in the year of grant and ends at 30 June three years later. The options shall be exercisable in respect of the Vested Shares for a period of 6 months beginning with the date on which the options vest, excluding any closed periods.

8. Directors

8.1 Directors' details

(a) *Non-Executive Chairman*

Michael Redmond – Non-Executive Chairman

Aged 68. Michael joined the Group as a Non-Executive Director in April 2001, and was appointed Chairman in July 2002. He has extensive pharmaceutical industry experience having begun his career with Glaxo and through senior positions with Schering Plough Corporation. In 1991, he joined Fisons plc and in 1993 was appointed to the Board as Managing Director of the Group's Pharmaceuticals Division. Michael left Fisons in 1995 following its takeover by RPR. In November 2009, Michael was appointed Chairman of Abcam PLC, an AIM listed company, where he had previously held the post of Deputy Chairman (appointed February 2009).

(b) *Executive Directors*

Ian Page – Chief Executive

Aged 51, Ian joined *MVS* at its formation in 1989. He was also part of the MBO in 1997. In 1998, he was appointed Managing Director at *MVS*. He joined the Board in 1997 and became Chief Executive in November 2001. Ian has played a key role in the development of the Group's growth strategy. Prior to joining the Company, he gained extensive knowledge and experience through various positions he held within the pharmaceutical and veterinary arena. In October 2010 he was appointed Non-Executive Chairman of Sanford DeLand Asset Management Limited.

Simon Evans BCom, ACA – Group Finance Director

Aged 48, Simon qualified as a Chartered Accountant in 1988 and spent seven years at KPMG. He joined *MVS* in 1992 and was appointed Group Finance Director in 1997 following the MBO. He played a major role in the management buy-out of the Group from Lloyds Chemists in 1997 and its subsequent listing on the London Stock Exchange in 2000.

Ed Torr – Managing Director of Dechra Veterinary Products Europe

Aged 51, Ed joined *MVS* as Sales Director in 1997 and was appointed Managing Director of Arnolds and *Dales* in 1998. He was appointed Development Director in 2003 and Managing Director of Dechra Veterinary Products Europe in January 2008, following completion of the acquisition of *VetXX*. Prior to joining the Group, he worked within the animal healthcare sector for a number of companies including ICI, Wellcome and Alfa Laval Agri.

(c) *Non-Executive Directors*

Neil Warner BA, FCA, MCT – Senior Independent Non-Executive Director

Aged 59, Neil joined the Board in May 2003. He was Finance Director at Chloride Group PLC, a position he held for 14 years until its acquisition by Emerson Electric Co. Prior to this, Neil spent six years at Exel PLC (formerly Ocean Group PLC and acquired by Deutsche Post in December 2005) where he held a number of senior posts in financial planning, treasury and control. He has also held senior positions in Balfour Beatty PLC (formerly BICC Group plc), Alcoa and PricewaterhouseCoopers. In February 2011 Neil was appointed Non-Executive Director and Chair of the Audit Committee of Vectura Group plc, a product development company focused on the development of a range of inhaled therapies, principally for the treatment of respiratory diseases. He is also Non-Executive Chairman of Enteq Upstream plc, a specialist reach and recovery products and technologies provider to the upstream oil and gas services market, a post he has held since 26 May 2011.

Bryan Morton BSc, MBA – Non-Executive Director

Aged 56, Bryan joined the Board in January 2010. Bryan has extensive experience in the pharmaceutical industry, largely with Merck & Co. Inc. and Bristol Myers Squibb where he has held positions of responsibility within marketing, sales, business development and general management. He was previously the CEO of Zeneus Pharma, which he founded in 2003 and which was subsequently sold in late 2005. Bryan is the President and Chief Executive Officer of EUSA Pharma, a specialist pharmaceutical company, which he founded in 2006. He is Chairman of the stem cell company ReNeuron, as well as Chairman of the medical device

business Aircraft Medical Ltd and sits on the Global Advisory Board at Pilgrim Software Inc. which is focused on the life sciences sector.

Dr Chris Richards MA, D Phil – Non-Executive Director

Aged 58, Chris joined the Group as a Non-Executive Director in December 2010. He is Chairman of Arysta LifeScience Corporation, having been appointed its President and Chief Executive Officer from 2004 to 2009. Arysta is a Japan-domiciled international company, developing and marketing crop protection products in more than 125 countries worldwide. Before joining Arysta, Chris spent 20 years in international management and leadership roles with Syngenta Crop Protection and its predecessor companies. Chris also holds a number of non-executive directorships including Bio Products Laboratory Ltd (appointed February 2011) and Cibus Global Limited (appointed November 2011). He was appointed Chairman of Oxitec Limited in January 2012.

(d) *Senior Managers*

Zoe Goulding, LLB (Hons) – Company Secretary and Solicitor

Aged 38, Zoe was appointed as Company Secretary in July 2007. She qualified as a solicitor in April 2000. Prior to joining the Group she worked at Eversheds LLP and Brammer plc.

Dr Susan Longhofer, DVM, MS, DipACVIM – Product Development and Regulatory Affairs Director

Aged 54, Susan joined the Group in June 2005. She has 22 years' industry experience in development and worldwide registration of animal health pharmaceuticals, having worked for multinational corporations including Virbac Corporation, Heska Corporation and Merck Research Laboratories. Her veterinary degree is from Texas A&M University and her MS is from the University of Wisconsin, Madison. She was awarded Diplomate status in the American College of Veterinary Internal Medicine in 1992. She has held a number of Academic and Professional Honours including membership on the Board of Directors of the American Heartworm Society and the Executive Council of the American Academy of Veterinary Pharmacology and Therapeutics ("**AAVPT**"). She is currently the Secretary of AAVPT.

Barbara Johnson, Chartered MCIPD – Group HR Director

Aged 51, Barbara joined the Group in April 2008. Prior to this she gained 19 years' human resources management experience within the food and drink industry covering manufacturing, retail, wholesale and distribution. Barbara has previously worked for Allied Domecq plc, Geest plc and Nicholl Food Packaging Limited. Prior to joining private industry, Barbara served for 10 years in the British Army.

Paul Sandland, MAAT FCCA – Group Financial Controller

Aged 33, Paul was appointed as Group Financial Controller of Dechra and Finance Director of Dechra Laboratory Services and Dechra Specialist Laboratories in January 2010. He qualified as a Chartered Certified Accountant in 2005. Paul spent five years post qualification at KPMG, during which time he was part of the team which advised the Group on its acquisition of VetXX in 2008.

Martin Riley – Managing Director, National Veterinary Services

Aged 48, Martin was appointed Managing Director of MVS in 2005. A graduate of the Welsh Agricultural College in Aberystwyth, Martin has extensive knowledge of the animal healthcare and veterinary sectors. Before joining the Group, he previously held several senior positions over an 18 year period with the pharmaceutical manufacturer Merial Animal Health.

Mike Eldred, BA, MBA – President, US Operations, Dechra Veterinary Products

Aged 42, Mike was appointed in November 2004 to head up the Group's sales and marketing drive in the United States. He has over 17 years' professional experience in the US animal health sector, having held senior positions in business development, sales and operations at Virbac Corporation, and international marketing and operational positions at Fort Dodge Animal Health. Mike began his career with Sanofi Animal Health where he managed the pharmaceutical and biological production planning activities.

Mike Annice, BSc (Hons), MRPharmS – Managing Director, Dales Pharmaceuticals

Aged 52, Mike graduated from The School of Pharmacy at Aston University in 1980. Prior to joining *Dales* in 1990 as Site Manager, he worked within the Hospital Pharmacy Service, Glaxo and SSS International (formerly Cupal Pharmaceuticals). He was appointed Technical Director at the time of the Group's MBO. Mike was appointed Managing Director at *Dales* in March 2002.

Dr Peter Graham BVMS, PhD, CertVR, DipECVCP, MRCVS – Managing Director of Dechra Laboratory Services and Dechra Specialist Laboratories

Aged 44, Peter was appointed Managing Director of Dechra Laboratory Services and Dechra Specialist Laboratories in 2003. Peter graduated from the University of Glasgow Vet School in 1989, where he remained as Small Animal House Physician and Research Scholar until 1995. During this period he was awarded the RCVS Certificate in Veterinary Radiology and a PhD on the Epidemiology and Management of Canine Diabetes Mellitus. He contributed to the initial commercialisation of biochemistry and endocrinology lab services at the University of Glasgow. Between 1995 and 2002, Peter was Assistant Professor at the world's largest specialist veterinary endocrinology laboratory in Michigan State University, USA, leading it as Section Chief from 2000. He was awarded Diplomate of the European College of Veterinary Clinical Pathologists in 2002.

The current business address of each of the Directors and the Senior Managers is Dechra House, Jamage Industrial Estate, Talke Pits, Stoke-on-Trent ST7 1XW.

8.2 **External directorships and interests in transactions**

- (a) Save as set out below, none of the Directors or Senior Managers has been a member of the administrative, management or supervisory bodies or partner, of any company or partnership (other than the Company and other members of the Group), at any time in the previous five years, preceding the date of this document:

<i>Director</i>	<i>Current directorships and partnerships</i>	<i>Previous directorships and partnerships in the previous five years</i>
Ian Page	Sanford DeLand Asset Management Limited	None
Michael Redmond	Abcam PLC Orion Manufacturing Limited Perch Investments Scotia Holdings Plc	Cathedral Meadows Management Company Limited Synexus Clinical Research PLC Synexus Limited
Neil Warner	Enteq Upstream plc Vectura Group plc	Bardic Emergency Systems Limited CHC Holding Corporation Chloride Electronics Limited Chloride Espana S.A.V Chloride Group Public Limited Company Chloride Holdings UK Limited Chloride Holdings Limited Chloride Pension Trust Limited Chloride Power Electronics Incorporated Chloride Quest Trustees Limited Chloride S.p.a Chloride Supplies Coalba Energia S.A.V Continuous Power International Limited Masterpower Electronics Limited Oneac Corporation Oneac Holding Corporation Power & Electronic Services Limited UP Systems Incorporated

<i>Director</i>	<i>Current directorships and partnerships</i>	<i>Previous directorships and partnerships in the previous five years</i>
Bryan Morton	Aircraft Medical Limited EUSA Pharma ReNeuron Pilgrim Software Inc	Orchard Farm Enterprises LLP Protherics PLC (nka BTG Management Services Limited) Zeneus Pharma
Dr Chris Richards	Arysta LifeScience UK Limited Bio Products Laboratory Limited Cibus Global Limited Oxitec Limited Richards Underwriting Limited Talestris Limited	None

- (b) None of the Directors or Senior Managers has, within the previous five years received any official public incrimination and/or sanction by any statutory or regulatory authorities (including designated professional bodies) and have not been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of a company.
- (c) In respect of any Director or Senior Manager there are no actual or potential conflicts of interest between any duties they have to the Company, either in respect of the Acquisition or the Rights Issue or otherwise, and the private interests and/or duties they may also have.
- (d) None of the Directors or Senior Managers have convictions relating to fraudulent offences within the last five years.
- (e) No Director or Senior Manager has, or had during the year ended 30 June 2011, a material interest in any significant contract with Dechra or any of its subsidiaries.
- (f) None of the Directors or Senior Managers was selected to be a director or senior manager pursuant to any arrangement or understanding with any major shareholders, customer, supplier or other person have a business connection with the Group.
- (g) No restrictions have been agreed by any Director or Senior Manager on the disposal within a certain period of time of his holding in Dechra securities.
- (h) There are no family relationships between any of the Directors or Senior Managers.

8.3 **Directors' service contracts and letters of appointment and remuneration**

Executive Directors

(a) Service contracts

- (i) The following Directors have service contracts with the Company on the following terms:

<i>Name</i>	<i>Date of agreement</i>	<i>Basic salary (£)</i>
Ian Page	1 September 2008	375,064
Simon Evans	6 February 2009	235,755
Ed Torr	6 February 2009	225,039

In addition to their basic salary, each of the Executive Directors is entitled to fully expensed car, medical cover and life assurance. Each service contract can be terminated on six months' notice given at any time by the Executive Director and on 12 months' notice given by Dechra.

The Company may, in its absolute discretion at any time after written notice has been given by either party, lawfully terminate the service contract by paying to the Director an amount equal to his basic salary entitlement for the unexpired period of notice (subject to a deduction at source of income tax and National Insurance contributions). In the event that the service contract is

terminated before the end of any financial year, the Director shall not be entitled to any bonus in respect of that financial year.

(ii) Each of the Executive Directors is entitled to an annual pension allowance of:

<i>Name</i>	<i>Percentage contribution of basic salary (%)</i>
Ian Page	14
Simon Evans	14
Ed Torr	14

All Executive Directors were members of the Dechra Pharmaceuticals PLC Group Stakeholder personal pension scheme. From 6 April 2011, the annual allowance for tax relief on pension savings for individuals reduced to £50,000, since this became effective Ian Page has elected to receive a salary supplement in lieu of the employer contribution over and above the £50,000 limit.

(b) Emoluments

An analysis of the Directors including their salary and/or fees, bonus, pension and other benefits (other than share options) for the year to 30 June 2011 is shown below:

	<i>Salaries & Fees</i>	<i>Bonuses</i>	<i>Other Benefits</i>	<i>Total 2011</i>	<i>2011 pension</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	
Executive Directors					
Ian Page	368	221	30	619	51
Simon Evans	231	139	26	396	32
Ed Torr	221	132	15	368	31
Non-Executive Directors					
Michael Redmond	82	—	—	82	—
Bryan Morton	40	—	—	40	—
Dr. Chris Richards	22	—	—	22	—
(appointed 1 December 2010)					
Neil Warner	40	—	—	40	—
	<u>1,004</u>	<u>412</u>	<u>71</u>	<u>1,567</u>	<u>114</u>

An analysis of the Senior Managers aggregate salaries, bonus, pension and other benefits (other than share options) for the year to 30 June 2011 is shown below:

	<i>Salaries & Fees</i>	<i>Bonuses</i>	<i>Other Benefits</i>	<i>Total 2011</i>	<i>2011 pension</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>	
Senior Managers	<u>848,359</u>	<u>197,811</u>	<u>139,389</u>	<u>1,185,559</u>	<u>75,864</u>

Non-Executive Directors

(c) Letters of appointment and details of fees

The Chairman and each of the other independent Non-Executive Directors have letters of appointment with Dechra. The appointments are for an initial 12 month period which is thereafter terminated by either party giving 12 months' notice. The independent Non-Executive Directors' are entitled to compensation on termination of their appointment confined to 12 months' remuneration.

9. Corporate Governance

9.1 The Company is committed to the principles of corporate governance contained in the UK Corporate Governance Code and aims to comply with established best practice, whenever possible and where it is the Company's best interest. As at the date of this document the Company is in compliance with the provisions of the UK Corporate Governance Code.

9.2 The Board has established Nomination, Remuneration and Audit Committees, with formally delegated duties and responsibilities, and written terms of reference. From time to time, separate committees may be set up by the Board to consider specific issues should the need arise.

9.3 Details of: (i) the composition of the Board; (ii) the roles of Board members; (iii) matters reserved for a decision of the Board; (iv) the Group's corporate governance framework; (v) the Group's social responsibility policy and practices; and (vi) the independence and appointment of Non-Executive Directors are outlined in the Company's Directors' Report on page 42 to 49 (inclusive) of the Company's 2011 Annual Report and Accounts which is incorporated by reference into this document.

9.4 **Audit Committee**

9.4.1 The members of the Company's Audit Committee are Neil Warner, Bryan Morton and Dr Chris Richards. The Chairman is Neil Warner.

9.4.2 The Audit Committee terms of reference include:

- (a) Financial Reporting
 - (i) monitoring the integrity of the financial statements of the Company, including its annual and half-yearly reports, interim management statements, and any other formal announcements relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain;
 - (ii) reviewing and challenging where necessary:
 - (A) the consistency of, and any changes to, accounting policies both on a year on year basis and across the Company;
 - (B) the methods used to account for significant or unusual transactions where different approaches are possible;
 - (C) whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
 - (D) the clarity of disclosure in the Company's financial reports and the context in which statements are made; and
 - (E) all material information presented with the financial statements, such as the business review and corporate governance statements insofar as it relates to the audit and risk management.
- (b) Internal controls and risk management systems
 - (i) assessing the scope and effectiveness of the systems established by management to identify, assess, manage and monitor the Company's internal financial controls and internal control and risk management systems; and
 - (ii) reviewing and approving the Company's statement in the annual report and accounts of the Group's system of internal control and risk management prior to endorsement by the Board
- (c) Compliance, whistleblowing and fraud
 - (i) reviewing the adequacy and security of the Company's procedures for handling allegations from whistleblowers. Ensuring that these arrangements allow proportionate and independent investigations of allegations and appropriate follow up action; and
 - (ii) reviewing the Company's procedure for detecting, monitoring and managing the risk of fraud; and
 - (iii) reviewing the Company's systems and controls for the prevention of bribery and receiving reports on non-compliance
- (d) Internal audit
 - (i) reviewing annually the need for an internal audit function

- (e) External audit
 - (i) considering and making recommendations to the Board on the appointment, reappointment and removal of the external auditors. Overseeing the selection process for a new auditor and if an auditor resigns investigating and deciding whether any action is required;
 - (ii) overseeing the Company's relations with the external auditors including (but not limited to);
 - (A) approving the terms of engagement and remuneration to be paid to the external auditors in respect of audit services provided and to satisfy itself that the level of fee payable in respect of the audit services provided is appropriate and that an effective audit can be conducted for that fee;
 - (B) assessing annually the qualifications, expertise and resources, effectiveness and independence of the external auditors and effectiveness of the audit process, which shall include a report from the external auditor on their own internal quality procedures;
 - (C) develop and recommend to the Board the Company's policy in relation to the provision of non-audit services provided by the external auditors and to ensure that the provision of such services does not impair their independence or objectivity;
 - (D) satisfying itself that there are no relationships between the external auditor and the Company other than in the ordinary course of business;
 - (E) agreeing with the Board a policy on the employment of former employees of the Company's external auditors, then monitoring the implementation of this policy;
 - (F) monitoring the external auditor's compliance with the relevant ethical and professional guidance on the rotation of audit partner, the levels of fees paid by the Company compared to the overall fee income of the firm, office and partner and other related requirements;
 - (iii) meeting regularly with the external auditor, including once before the audit commences to discuss the nature and scope of the audit and once after the audit at the reporting stage. Meeting the external auditor at least once a year, without management being present, to discuss the auditor's remit and any issues arising from the audit;
 - (iv) reviewing and approving the annual audit plan and ensure that it is consistent with the scope of the audit engagement;
 - (v) discussing problems and reservations arising from the half-year and final audits, and any matters the auditors may wish to discuss;
 - (vi) reviewing the external auditor's management letter and management's response;
 - (vii) reviewing, the external auditor representation letter before consideration by the Board, giving particular consideration to non-standard issues.

9.5 **Nomination Committee**

9.5.1 The members of the Dechra's Nomination Committee are the Non-Executive Directors. The Chairman is Michael Redmond.

9.5.2 The Nomination Committee's terms of reference include:

- (a) regularly reviewing the structure, size and composition (including the skills, knowledge, experience and diversity) required of the Board and make recommendations to the Board with regard to any changes;
- (b) satisfying itself, with regards to succession planning, that processes and plans are in place for Board (and Senior Management) appointments, taking into account the challenges and opportunities facing the Company and what skills and expertise are needed on the Board in the future;

- (c) evaluating the balance of skills, knowledge, experience and diversity on the board and in light of this evaluation prepare a description of the role and capabilities required for a particular Board appointment;
- (d) identifying and nominating for the approval of the Board candidates to fill Board vacancies as and when they arise;
- (e) ensuring that a candidate, on appointment and thereafter, has sufficient time to undertake the role and periodically review his commitments and any changes to the chairman's commitment should be reported to the Board as they arise;
- (f) ensuring that on appointment to the Board, Non-Executive Directors receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitment, committee service and involvement outside Board meetings;
- (g) keeping under review the leadership needs of the organisation, both Executive and Non-Executive, with a view to ensuring the continued ability of the Company to compete effectively in the marketplace;
- (h) keeping up-to-date and fully informed about strategic issues and commercial changes affecting the Company and the market in which it operates;
- (i) reviewing the results of the board performance evaluation process that relate to the composition of the board; and
- (j) reviewing annually the time required to fulfil the role of Chairman, Senior Independent Director and Non-Executive Director, and to assist in the annual performance evaluation to ensure that the Non-Executive Director have devoted sufficient time to their duties.

9.6 **Remuneration Committee**

9.6.1 The members of the Directors' Remuneration Committee are the Non-Executive Directors. The Chairman is Bryan Morton. Ian Page is also present at remuneration committee meetings. Ian Page does not attend any meetings regarding his own remuneration.

9.6.2 The Remuneration Committee terms of reference include

- (a) determining and agreeing with the Board the Company's policy for remuneration of the Company's Chairman, executive directors, and senior management (including the Company Secretary);
- (b) reviewing the on-going appropriateness and relevance of the remuneration policy;
- (c) determining the total individual remuneration package of the chairman, each executive director, company secretary and other senior executives including bonuses, incentive payments and share options or other share awards;
- (d) obtaining reliable, up-to-date information about remuneration in other companies;
- (e) establishing the selection criteria, selecting, appointing and setting the terms of reference for any recruitment consultants who advise the Committee;
- (f) reviewing the design of and to set performance targets for all share incentive plans, to confirm achievement of performance targets and awards to be made under the schemes;
- (g) determining the policy for and scope of any pension arrangements for each executive director and other senior executives;
- (h) ensuring that the contractual terms in the event of early termination of any executive, and any payments made, are fair to the individual and the company, that failure is not rewarded and that the duty to mitigate loss is fully recognised;
- (i) overseeing any major changes in employee benefit structures throughout the group;
- (j) agreeing the policy for authorising claims for expenses from the directors.

10. Directors' and other significant interests

10.1 As at 24 April 2012 (being the latest practicable date prior to the date of publication of this document), the interests (all of which are beneficial unless otherwise stated) of the Directors (as well as their immediate families) in the share capital of Dechra or (so far as is known or could with reasonable due diligence be ascertained by the relevant Director) interests of a person connected (within the meaning of section 252 of the 2006 Act) with a Director and the existence of which was known to or could, with reasonable diligence, be ascertained by the Directors as at 24 April 2012 together with such interests as are expected to be held immediately following completion of the Rights Issue are as follows:

<i>Director</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of voting rights (%)</i>	<i>Number of Ordinary Shares immediately following the Rights Issue</i>	<i>Percentage of voting rights immediately following the completion of the Rights Issue</i>
Michael Redmond	56,475	0.1%	73,417	0.1%
Ian Page	757,955	1.1%	848,732	1.0%
Simon Evans	924,075	1.4%	1,017,871	1.2%
Ed Torr	412,500	0.6%	460,865	0.5%
Neil Warner	4,191	0.0%	5,448	0.0%
Bryan Morton	2,804	0.0%	3,645	0.0%
Dr Chris Richards	4,000	0.0%	5,200	0.0%

Note: The number of Ordinary Shares issued assumes that (i) each Director takes up his entitlements under the Rights Issue as set out in paragraph 19 of Part I, and (ii) no Ordinary Shares are issued pursuant to the exercise of options under the Share Option Schemes in the period between 24 April 2012 (being the latest practicable date prior to the date of publication of this document) and completion of the Rights Issue.

10.2 Save as disclosed in this paragraph 10, none of the Directors has any interest (beneficial or non-beneficial) in the share capital of the Company or any of its subsidiaries.

10.3 For details of Directors' share options, see paragraph 7.3 of this Part X regarding the Dechra Share Option Schemes.

10.4 As at 24 April 2012 (being the latest practicable date prior to the date of publication of this document), and as expected to be held immediately following completion of the Rights Issue (assuming full take up by each person described below of their rights to New Ordinary Shares under the Rights Issue) and so far as is known to the Company by virtue of the notifications made pursuant to the Companies Act/and or Chapter 5 of the Disclosure and Transparency Rules, the name of each person (other than a Director) who directly or indirectly, is interested in three per cent. or more of the voting rights in the Company, and the amount of such person's interest, is as follows:

<i>Shareholder</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of voting rights (%)</i>	<i>Number of Ordinary Shares immediately following the Rights Issue</i>	<i>Percentage of voting rights immediately following the completion of the Rights Issue</i>
Schroders plc	10,542,416	15.8%	13,705,140	15.8%
FMR LLC	3,355,614	5.0%	4,362,298	5.0%
Legal & General Group plc	3,321,930	5.0%	4,318,509	5.0%
Standard Life	3,215,298	4.8%	4,179,887	4.8%
Rathbone Brothers PLC	3,212,712	4.8%	4,176,525	4.8%
BlackRock, Inc.	3,086,592	4.6%	4,012,569	4.6%
Norges Bank	2,645,179	4.0%	3,438,732	4.0%
Artemis Investment Management LLP	2,351,629	3.5%	3,057,117	3.5%

Notes:

- (1) The number of Ordinary Shares issued assumes that each Shareholder takes up in full its entitlement to New Ordinary Shares under the Rights Issue.
- (2) Save as set out in this paragraph, the Company is not aware of any person who has or will immediately following Admission have a notifiable interest in three per cent. or more of the issued share capital of the Company.

10.5 The Company is not aware of any person who either as at the date of this document or immediately following Admission exercises, or could exercise, directly or indirectly, jointly or severally, control over the Company nor is it aware of any arrangements, the operation of which may at a subsequent date result in a change of control of the Company.

10.6 None of the major Shareholders of the Company set out above has different voting rights from any other holder of Ordinary Shares in respect of any Ordinary Share held by them.

11. Mandatory bids, squeeze-out and sell-out rules in relation to Ordinary Shares

Other than as provided by the City Code and Chapter 28 of the 2006 Act, there are no rules or provisions relating to mandatory bids and/or squeeze-out and sell-out rules relating to the Company.

11.1 *Mandatory bid*

The City Code applies to the Company. Under the City Code, if an acquisition of interests in Ordinary Shares were to increase the aggregate holding of the acquirer and its concert parties to interests in Ordinary Shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer and, depending on circumstances, its concert parties would be required (except with the consent of the Panel on Takeovers and Mergers) to make a cash offer for the outstanding shares in the Company at a price not less than the highest price paid for interests in Ordinary Shares by the acquirer or its concert parties during the previous 12 months. This requirement would also be triggered by any acquisition of interests in Ordinary Shares by a person holding (together with its concert parties) shares carrying between 30 per cent. and 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase that person's percentage of the total voting rights in the Company.

11.2 *Squeeze-out*

Under the 2006 Act, if an offeror were to make an offer to acquire all of the Ordinary Shares in the Company not already owned by it and was to acquire 90 per cent. of the Ordinary Shares to which such offer related it could then compulsorily acquire the remaining ten per cent. The offeror would do so by sending a notice to outstanding Shareholders telling them that it will compulsorily acquire their Ordinary Shares and then, six weeks later, it would deliver a transfer of the outstanding Ordinary Shares in its favour to the Company which would execute the transfers on behalf of the relevant Shareholders, and pay the consideration to the Company which would hold the consideration on trust for outstanding Shareholders. The consideration offered to the Shareholders whose Ordinary Shares are compulsorily acquired under this procedure must in general, be the same as the consideration that was available under the original offer unless a Shareholder can show that the offer value is unfair.

11.3 *Sell-out*

The 2006 Act would also give minority Shareholders in the Company a right to be bought out in certain circumstances by an offeror who has made a takeover offer. If a takeover offer related to all the Ordinary Shares in the Company and, at any time before the end of the period within which the offer could be accepted, the offeror held or had agreed to acquire not less than 90 per cent. of the Ordinary Shares, any holder of Ordinary Shares to which the offer related who had not accepted the offer could by a written communication to the offeror require it to acquire those Ordinary Shares.

The offeror would be required to give any Shareholder notice of his right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of minority Shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period or, if later, three months from the date on which notice is served on Shareholders notifying them of their sell-out rights. If a Shareholder exercises his rights, the offeror is entitled and bound to acquire those Ordinary Shares on the terms of the offer or on such other terms as may be agreed.

11.4 *Public takeover bids occurring in the last and current financial year*

There have been no public takeover bids by third parties in respect of the share capital of the Company in the last or current financial year.

12. United Kingdom taxation

The following statements are intended as a general guide only to certain UK tax considerations and do not purport to be a complete analysis of all potential UK tax consequences of acquiring, holding or disposing of New Ordinary Shares, Nil Paid Rights or Fully Paid Rights. The following statements are based on current United Kingdom tax legislation and on what is understood to be the current practice of the HMRC and may not apply to certain classes of Shareholder. They relate only to Qualifying Shareholders who are resident and, in the case of individuals, ordinarily resident in the United Kingdom for tax purposes (except where otherwise stated) and who hold their Ordinary Shares beneficially as investments and who are absolute owners of the dividends received pursuant to those shares. They are not addressed to certain categories of Shareholders who are subject to special rules, such as dealers in securities or those who have acquired (or are deemed for tax purposes to have acquired) their Ordinary Shares and/or New Ordinary Shares by reason of employment.

Any person who is in any doubt as to his tax position or who is subject to tax in a jurisdiction other than the United Kingdom is strongly recommended to consult his professional advisers immediately.

12.1 *Taxation of chargeable gains*

(a) *Rights Issue*

For the purposes of UK tax on chargeable gains, the issue of New Ordinary Shares up to the amount of his pro-rata entitlement to a Qualifying Shareholder (whether corporate or individual) should be regarded as a reorganisation of the share capital of the Company. As the issue of New Ordinary Shares under the Rights Issue is treated as a reorganisation, a shareholder who subscribes for New Ordinary Shares up to the amount of his pro-rata entitlement will not be treated as making any disposal of his Existing Ordinary Shares. Instead, for CGT purposes, the New Ordinary Shares and the Existing Ordinary Shares in respect of which they are issued will be treated as the same asset, and the New Ordinary Shares will be treated as having been acquired at the same time as the Existing Ordinary Shares were acquired. The amount paid for the New Ordinary Shares will be added to the base cost of the Existing Ordinary Shares when computing any gain or loss on any subsequent disposal. The base cost is used to calculate the gain or loss that arises on the disposal of Ordinary shares.

(b) *Disposal or lapse of rights to acquire New Ordinary Shares*

If a Qualifying Shareholder disposes of all or some of his or her rights to acquire New Ordinary Shares, or if a Qualifying Shareholder allows or is deemed to have allowed his or her rights to lapse and receives a cash payment in respect of them, he or she may, depending on his or her circumstances, incur a liability to tax on any chargeable gain realised. However, if the proceeds resulting from the disposal or lapse of those rights are “small” as compared with the value of the Existing Ordinary Shares in respect of which the rights arose, the proceeds will instead be deducted from the base cost of the Qualifying Shareholder’s holding of Existing Ordinary Shares for the purposes of computing any chargeable gain or allowable loss on a subsequent disposal of Existing Ordinary Shares to which the rights related. HMRC will normally treat proceeds as “small” if the amount of the proceeds either does not exceed 5 per cent. of the market value of the Existing Ordinary Shares held (measured immediately before disposal or lapse) or does not exceed £3,000.

(c) *Cashless Take Up*

If a Qualifying Shareholder effects a Cashless Take Up, his/her holding of Existing Ordinary Shares and his/her New Ordinary Shares acquired pursuant to that Cashless Take Up should be treated as the same asset, acquired at the same time he/she acquired his/her Existing Ordinary Shares, and the moneys paid to acquire New Ordinary Shares raised through the disposal of Nil Paid Rights (effected pursuant to the Cashless Take Up) should be added to the base cost of his/her Existing Ordinary Shares. Such Qualifying Shareholder’s base cost in his/her Existing Ordinary Shares may be reduced to the extent that the proceeds resulting from the disposal of Nil Paid Rights (effected pursuant to the Cashless Take Up) are “small” (determined in accordance with the test referred to in the paragraph above). If such proceeds are not “small”, such Qualifying Shareholder may, depending on his/her circumstances, incur a liability to taxation on any chargeable gains realised.

(d) *Disposal of New Ordinary Shares*

In the case of Qualifying Shareholders who are individuals resident or ordinarily resident and domiciled in the UK, capital gains tax may be payable (or an allowable loss may arise) on a disposal of New Ordinary Shares, depending on the circumstances and subject to any available exemption or relief. Capital gains tax for individuals is payable (subject to certain reliefs) at 18 per cent. to the extent the individual is a basic rate taxpayer with total taxable income and capital gains below £34,371 and (subject to certain reliefs) at 28 per cent. on all gains above that level and on all gains of individuals who pay income tax at the higher or additional rate. For Qualifying Shareholders who are individuals, any gain which arises can be reduced by the annual exemption provided that it has not already been used to cover other gains. The annual exemption for the 2012/ 2013 tax year is £10,600.

A company resident in the UK for corporation tax purposes will be liable for corporation tax in respect of a chargeable gain (or an allowable loss may arise) on the disposal of New Ordinary Shares, depending on the circumstances and subject to indexation allowance and any other available exemption or relief. It should be noted for the purposes of calculating an indexation allowance available on a disposal of New Ordinary Shares that generally the expenditure incurred in acquiring the New Ordinary Shares will be treated as incurred only when the Qualifying Shareholder made, or became liable to make, payment, and not at the time those shares are otherwise deemed to have been acquired.

12.2 **Taxation of dividends**

(a) *Company*

Under current UK tax legislation, the Company is not required to withhold tax from dividend payments that it makes.

(b) *United Kingdom resident Shareholders*

A Shareholder who is an individual resident only in the UK and who receives a dividend (the amount received being the "net dividend") will normally be entitled to a tax credit equal to one ninth of the amount of the net dividend. The individual will be subject to income tax on the aggregate of the net dividend and the related tax credit (the gross dividend), which will be regarded as the top slice of the individual's income. The individual will be liable to income tax in respect of the dividend at the basic rate, the higher rate (to the extent the individual has taxable income above £34,370) or the additional rate (to the extent the individual has taxable income above £150,000).

For an individual subject to the basic rate on a dividend the tax credit will be treated as discharging the individual's liability to income tax in respect of that dividend. Where the tax credit exceeds the individual's tax liability the individual is not entitled to claim repayment of the tax credit from HMRC.

An individual subject to the higher rate on a dividend will be liable to income tax on the gross dividend at the rate of 32.5 per cent. to the extent such sum falls above the threshold for the higher rate. After taking into account the tax credit, a higher rate taxpayer will be liable to further income tax of 22.5 per cent. of the gross dividend, equal to 25 per cent. of the net dividend, to the extent that the gross dividend falls above the threshold for the higher rate.

An individual subject to the additional rate on a dividend will be liable to income tax on the gross dividend at the rate of 42.5 per cent. (for 2012/2013) to the extent such sum falls above the threshold for the additional rate. After taking into account the tax credit, an additional rate taxpayer will (for 2012/2013) be liable to further income tax of 32.5 per cent. of the gross dividend, equal to 36.1 per cent. of the net dividend, to the extent that the gross dividend falls above the threshold for the additional rate.

Subject to certain exceptions, a UK corporate shareholder that receives a dividend in respect of non-redeemable Ordinary shares will normally be exempt from UK corporation tax on the receipt of such dividend. The exemption is not comprehensive and is subject to anti-avoidance rules. Corporate shareholders will not be entitled to the repayment of the tax credit relating to that dividend.

Shareholders who are not liable to tax on dividends, including pension funds and charities (to the extent that income is applied for charitable purposes), are not entitled to claim repayment of the tax credit.

(c) *Non-United Kingdom resident Shareholders*

A Shareholder who is not resident in the United Kingdom for tax purposes should consult his own tax adviser concerning his liabilities on dividends received, whether he is entitled to claim any part of the tax credit and, if he is so entitled, the procedure for doing so. A Shareholder resident outside the United Kingdom may also be subject to foreign taxation on dividend income under the law of the relevant jurisdiction.

12.3 **Stamp duty and SDRT**

The statements below summarise the current position and are intended as a general guide only to stamp duty and SDRT. Special rules apply to agreements made by broker dealers and market makers in the ordinary course of their business and to certain categories of person who may be liable to stamp duty or SDRT at a higher rate. Paragraph (d) below considers in more detail the current situation in relation to depositaries and clearance services.

(a) *The Rights Issue*

No stamp duty or SDRT will generally be payable on the issue of Provisional Allotment Letters or split Provisional Allotment Letters or on the issue of definitive share certificates or crediting of CREST member accounts with Nil Paid Rights. Similarly, no stamp duty or SDRT will be payable on the registration of Provisional Allotment Letters, whether by the original holders or their renounees.

A purchase of Nil Paid Rights or Fully Paid Rights, whether represented by a Provisional Allotment Letter or in CREST on or before the last time for registration of renunciation will not be liable to stamp duty but will be liable to SDRT, generally at the rate of 0.5 per cent. of the amount or value of the consideration payable.

Stamp duty is normally paid by, and SDRT is a liability of, the purchaser or transferee (although where such purchase is effected through a stockbroker or other financial intermediary, that person should normally account for the liability to SDRT and should indicate this has been done in any contract note issued to a buyer). In the case of transfers within CREST, any SDRT due will be collected through CREST in accordance with the CREST rules.

(b) *Subsequent transfers*

A transfer for value of Ordinary Shares will generally be subject to stamp duty or SDRT. Stamp duty will arise on the execution of an instrument to transfer Ordinary Shares and SDRT will arise on the entry into of an agreement to sell such Ordinary Shares.

The amount of stamp duty or SDRT payable on the transfer is generally calculated at the rate of 0.5 per cent. of the amount of value of the consideration given (in the case of stamp duty, rounded up to the nearest £5). No stamp duty is chargeable on an instrument transferring Ordinary Shares where the amount or value of the consideration is £1,000 or less, and it is certified on the instrument that the transaction effected by the instrument does not form part of a larger transaction or series of transactions for which the aggregate consideration exceeds £1,000. A liability to SDRT will be cancelled and any SDRT already paid will be repaid, generally with interest, where an instrument of transfer is executed and stamp duty is paid on that instrument within six years of the date on which the liability to SDRT arises.

(c) *Shares held through CREST*

Paperless transfers of Ordinary Shares within the CREST system are generally liable to SDRT, rather than stamp duty, at the rate of 0.5 per cent. of the amount or value of the consideration payable. SDRT on relevant transactions is generally settled within the CREST system. Deposits of shares into CREST will generally not be subject to SDRT, unless the transfer into CREST is itself for consideration.

(d) *Shares held through Clearance Systems or Depositary Receipt Arrangements*

On 1 October 2009 the European Court of Justice (ECJ) issued its decision relating to the validity of the higher rate charge to stamp duty or SDRT under EU law. HMRC stated that, with immediate effect, they would not seek to apply a 1.5 per cent. SDRT charge on the issue of shares into a clearance service within the EU to which a 1.5 per cent. charge would have previously applied. Therefore, there will be no 1.5 per cent. SDRT charge on the issue of the New Ordinary Shares into a clearance service within the EU.

It is considered that the reasoning of the ECJ should apply equally to the 1.5 per cent. charge on issues of the New Ordinary Shares into depositary receipt systems and to transfers of the New Ordinary Shares into clearance services and depositary receipt systems and this is supported by the First-Tier Tribunal judgment released on 28 February 2012 of the case *HSBC Holdings PLC and The Bank of New York Mellon Corporation v Commissioners for HMRC*, though that judgment may be appealed. Until the ECJ's decision, where shares were (a) transferred to, or to a nominee for, a person whose business is or includes the provision of clearance services or (b) issued or transferred to, or to a nominee or agent for, a person whose business is or includes issuing depositary receipts, stamp duty or SDRT would generally have been payable at the higher rate of 1.5% of the amount or value of the consideration payable or, in certain circumstances, the value of the shares (rounded up to the next multiple of £5 in the case of stamp duty). ***Prospective investors to whom this might apply are directed to the final paragraph of this section.***

It was the case that transfers within the clearance service, and transfers of depositary receipts, were then generally made free of SDRT or stamp duty. Clearance services could have opted, provided certain conditions were satisfied, for the normal rate of stamp duty or SDRT (0.5 per cent. of the amount or value of consideration given) to apply to transfers of shares into, and to transactions within, such services, instead of the higher rate of 1.5 per cent. described above.

Transfers from one clearance service or depositary receipt system and another are generally subject to a relief but this relief is restricted in the case of a transfer from such a system within the EU to a system outside the EU.

These paragraphs are intended as a general guide only. Each prospective investor is urged to consult its own tax adviser about possible stamp duty and SDRT charges in relation to shares held through Clearance Systems or Depositary Receipt Arrangements.

13. Underwriting Agreement

On 4 April 2012 Dechra and Investec entered into a conditional underwriting agreement relating to the Rights Issue. The key terms of the Underwriting Agreement are as follows:

- (a) pursuant to the terms of the Underwriting Agreement Investec agrees to underwrite the Rights Issue and, in relation to any New Ordinary Shares not taken up pursuant to the Rights Issue, ("**Remaining Shares**") Investec will use its reasonable endeavors to procure persons to subscribe for the Remaining Shares. To the extent that Investec fails to procure subscribers for some or all of the Remaining Shares, Investec shall itself, as principal, subscribe for such Remaining Shares.
- (b) Investec's obligations pursuant to the terms of the Underwriting Agreement are conditional upon certain matters, including, *inter alia*, Admission, the performance by Dechra of its obligations under the Underwriting Agreement, the Acquisition Agreement not being terminated or rescinded prior to Admission.
- (c) Dechra indemnifies Investec in respect of certain losses arising from, *inter alia*, the Rights Issue, the Acquisition and Admission.
- (d) Dechra provides warranties in favour of Investec in relation to, *inter alia*, compliance with laws, documents connected to the Rights Issue, accounting information (including interim results, the position since the interim results, financial procedures and working capital), tax, litigation, capacity, insolvency, pensions,

information provided, verification notes, directors' responsibilities, FSA/London Stock Exchange, options and warrants, environmental matters, insurances, licences, intellectual property, conflicts of interest, Acquisition Agreement, Facilities Agreement, employment and US selling restrictions.

- (e) Fees payable to Investec by Dechra pursuant to the Underwriting Agreement are as follows:
- (i) an underwriting commission of 2.1 per cent. of the aggregate value at the Issue Price of all of the Underwritten Shares;
 - (ii) a commitment commission of up to 1 per cent. of the aggregate value at the Issue Price of those Underwritten Shares that are sub-underwritten; and
 - (iii) the Standby Letter fee of EURO 337,500.

The Underwriting Agreement does not give Investec the express right to terminate its underwriting obligations after the commencement of dealings in the Nil Paid Rights.

14. Material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company or a member of the Group or the Eurovet Group (a) in the two years immediately preceding the date of this document and are, or may be, material or (b) contain provisions under which any member of the Group has any obligation or entitlement which is material to the Group or the Eurovet Group as at the date of this document:

Dechra

14.1 *DermaPet Inc Agreement*

DermaPet Inc, a Florida based dermatological business, was acquired in October 2010 for a potential total consideration of US\$64.0 million. The acquisition strengthened Dechra's position as a leader in the worldwide veterinary dermatological market. As a result, Dechra has been able to significantly increase its US sales and marketing capabilities. *DermaPet* Inc has now been fully integrated into DVP US and expected sales and cost synergies are beginning to be realised. Dechra has modernised the packaging and are presenting it in Dechra livery. The Group has also identified opportunities to increase sales and geographical coverage of this range within Europe.

14.2 *Genitrix Limited Agreement*

In December 2010 Dechra completed the acquisition of *Genitrix* Limited, a privately owned veterinary company with a range of products complementary to Dechra's, for a potential total consideration of £6.4 million. The *Genitrix* Limited brands are currently sold exclusively within the United Kingdom. The rationalisation of the business was completed at the end of January 2011 with the closure of the *Genitrix* Limited warehouse and office facility. A number of the *Genitrix* Limited sales team have been appointed within the Group and cost synergies are now being realised.

14.3 *Underwriting Agreement*

Details of the Underwriting Agreement are set out in paragraph 13 of this Part X.

14.4 *Facility Agreement*

On 4 April 2012 the following parties entered into the Facility Agreement:

- (a) Dechra Pharmaceuticals PLC as the "Parent", "Original Borrower" and "Original Guarantor";
- (b) Dechra Investments Limited and Dechra Limited as "Original Borrowers" and "Original Guarantors";
- (c) North Western Laboratories Limited, Cambridge Specialist Laboratory Services Limited, Leeds Veterinary Laboratories Limited, Anglian Pharma Limited, Anglian Pharma Manufacturing Limited, Veneto Limited, National Veterinary Services Limited, Arnolds Veterinary Products Limited, Dales Pharmaceuticals Limited and Dechra Veterinary Products Limited as "Original Guarantors";
- (d) Lloyds TSB Bank plc, Barclays Bank PLC, Svenska Handelsbanken AB (publ) and HSBC Bank plc as "Mandated Lead Arrangers";

- (e) Lloyds TSB Bank plc, Barclays Bank PLC, Svenska Handelsbanken AB (publ) and HSBC Bank plc as “Original Lenders”; and
- (f) Lloyds TSB Bank plc as “Agent”, “Security Trustee” and “Bookrunner”.

The Lenders are to make available subject to satisfaction of the relevant conditions precedent:

- (a) a £55,000,000 term loan facility (“**Facility A**”) available to the Parent to be available to refinance existing financial indebtedness, fund the Acquisition and refinance existing financial indebtedness of the Eurovet Group; and
- (b) a £65,000,000 revolving facility (“**Facility B**”) available to the Original Borrowers for the general corporate and working capital purposes of the Group, to refinance existing financial indebtedness and to fund the Acquisition

(Facility A and Facility B being together, the “**Facilities**”).

Facility A will be available for drawdown from the date of the Facilities Agreement up to and including 29 June 2012 and Facility B will be available for drawdown from the date of the Facilities Agreement up to and including 30 September 2016.

The interest rate on the Facilities is the total of the margin (2.5%, subject to a margin ratchet which works to reduce or increase the margin in accordance with performance under certain financial covenants). The margin is increased by 0.3% per annum in respect of drawings made in US\$. The default interest rate is 1% above that rate.

Certain fees are payable, including as follows:

- (a) Arrangement Fee of 1.5% of the total Facilities;
- (b) Commitment Fee of 40% of the margin applicable to the Facilities from time to time, of the available undrawn amounts under the facilities.

Facility A shall be repaid in instalments every six months with effect from 31 March 2013, each instalment being £5,000,000 up to 30 September 2015, from which date each instalment increases to £7,500,000. The final instalment of £7,500,000 is due on 31 October 2016.

Any funds drawn under Facility B shall be repaid on the last day of its Interest Period.

The Facilities will become immediately payable upon a change of control of the Parent.

The Facilities Agreement contains representations and warranties which are common to this type of facilities agreement, certain of which are repeated in accordance with market practice for facilities of this kind.

The Facilities Agreement contains covenants which are common to this type of facilities, including: provision of key financial information, to perform material obligations, to comply with laws (including tax laws), maintenance of its corporate structure, the protection of its intellectual property, environmental protection and compliance; and also negative covenants including not to sell, lease, transfer or otherwise dispose of any of its assets and generally not to incur other indebtedness or give other security or make unauthorised disposals (subject to certain de minimis exceptions).

Certain of both the positive and negative covenants are qualified by materiality or material adverse effect.

The Facilities Agreement contains the following financial covenants to be complied with by the Group: Cashflow Cover, Interest Cover, Leverage, Consolidated Net Worth.

14.5 **Acquisition Agreement**

The Acquisition Agreement provides that:

- (a) The aggregate consideration payable in cash on Completion is €126,450,000 (“**Base Purchase Price**”) plus an amount (“**Additional Amount**”) equal to:

- (i) 6% per annum, calculated over an amount equal to the Base Purchase Price over the period from and including 1 January 2012 up to and including the earlier of 7 May 2012 or the date of Completion on the basis of a 365 day year;
- (ii) 12% per annum, calculated over an amount equal to the Base Purchase Price over the period from and including 8 May 2012 up to and including the date of Completion on the basis of a 365 day year.

The Base Purchase Price and the Additional Amount shall together be the **“Purchase Price”**.

- (b) The Seller shall pay to Dechra a sum equal to any Leakage Amount notified to the Seller within 18 months of Completion (Leakage being more particularly defined in the Acquisition Agreement, and generally being certain specified payments from Eurovet or a member of the Eurovet Group to the Seller).
- (c) On Completion Dechra shall procure that the relevant Pharma Companies are put in funds so that all third party debt owed by the Pharma Companies is satisfied in full on Completion. As at 31 December 2011 the aggregate amount of such third party debt was €8.55m.
- (d) Completion is conditional upon:
 - (i) no court of competent jurisdiction having rendered a decision which precludes AUV from selling and/or transferring the Pharma Shares pursuant to Acquisition Agreement and no legal proceedings which seek the same result having been initiated against AUV in respect of which no final decision has been taken;
 - (ii) the passing at a general meeting of Dechra of the Transaction Resolution; and
 - (iii) Admission,
 (together the **“Conditions”**, and those at (ii) and (iii) above together the **“Purchaser Conditions”**)
- (e) If the Conditions are not fulfilled or waived on or before 1 June 2012 (or such later date as the Seller and Dechra may agree in writing), the Agreement shall terminate automatically.
- (f) If the Acquisition Agreement is terminated owing to the Purchaser Conditions not being fulfilled, Dechra shall pay a lump sum break fee of an amount equal to one per cent. of the Base Purchase Price (being €1,264,500), payable within 5 Business Days after the date the termination notice is given, by wire transfer to an account designated in writing by the Seller.
- (g) The Seller provides customary warranties in favour of Dechra. The cap on liability of the Seller is €10m with such sum being held in a retention account as security for the Seller’s obligations.

14.6 **HY-50®**

The worldwide rights (excluding Canada) to *HY-50* were acquired in January 2012 from Bexinc Limited for a cash consideration of 8.03 million Canadian dollars. The consideration was funded from the Group’s existing cash resources. *HY-50* is used for intra-articular or intravenous treatment of lameness in horses caused by joint dysfunction.

Eurovet

14.7 **ScanimalHealth**

In September 2010 Eurovet completed the acquisition of Scanimal Holdings ApS (**“Scanimal”**) for consideration of DKK 22,860,630. Scanimal is a Danish company specialising in the sales and marketing of veterinary medicinal products for both farm and companion animals. Scanimal Holdings ApS had two wholly owned subsidiaries, ScanimalHealth ApS and Scanovel ApS, and prior to the acquisition was one of the largest non-multinational veterinary firms active in Denmark. The acquisition extended Eurovet’s network allowing it to offer its products in Denmark.

15. Litigation

Dechra

15.1 There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have, or have had during the 12 months prior to the date of this document, a significant effect on the Company's or the Group's financial position or profitability.

Eurovet

15.2 There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have, or have had during the 12 months prior to the date of this document, a significant effect on Eurovet's or the Eurovet Group's financial position or profitability.

16. Subsidiaries

The Company acts as the holding company of the Group, the principal activities of which are as set out in the table below. As at 24 April 2012 (the latest practicable date prior to the date of publication of this document), the Company had the following significant subsidiary undertakings all of which are, save as described below, private limited companies, wholly owned, incorporated in England and Wales.

<i>Name</i>	<i>Country of incorporation</i>	<i>Proportion of ownership</i>	<i>Principal activity</i>
Dechra Limited§	England & Wales	100%	Wholesaler, marketer and manufacturer of pharmaceuticals; Wholesaler and marketer of veterinary products, instruments and equipment; Provider of veterinary laboratory services
Dechra Development LLC**	USA	100%	Product Development
Dechra Veterinary Products A/S	Denmark	100%	Marketer and manufacturer of veterinary pharmaceuticals and pet diets
Dechra Veterinary Products Limited¶	England & Wales	100%	Marketer of veterinary pharmaceuticals and pet diets
Dechra Veterinary Products OY¶	Finland	100%	Marketer of veterinary pharmaceuticals and pet diets
Dechra Veterinary Products SAS¶	France	100%	Marketer of veterinary pharmaceuticals and pet diets
Dechra Veterinary Products AS¶	Norway	100%	Marketer of veterinary pharmaceuticals and pet diets
Dechra Veterinary Products SLU¶	Spain	100%	Marketer of veterinary pharmaceuticals and pet diets
Dechra Veterinary Products AB¶	Sweden	100%	Marketer of veterinary pharmaceuticals and pet diets
Dechra Veterinary Products BV¶	the Netherlands	100%	Marketer of veterinary pharmaceuticals and pet diets
Dechra Veterinary Products LLC**	USA	100%	Distributor of veterinary products
Other Subsidiaries			
Anglian Manufacturing Chemists Limited#	England & Wales	100%	Non-trading
Anglian Pharma Manufacturing Limited ‡	England & Wales	100%	Holding Company
Anglian Pharma Limited	England & Wales	100%	Holding Company
Arnolds Veterinary Products Limited*	England & Wales	100%	Non-trading
Cambridge Specialist Laboratory Services Limited†	England & Wales	100%	Non-trading
Dales Pharmaceuticals Limited+	England & Wales	100%	Non-trading

<i>Name</i>	<i>Country of incorporation</i>	<i>Proportion of ownership</i>	<i>Principal activity</i>
Dechra Investments Limited ^Ω	England & Wales	100%	Holding Company
Genitrix Limited	England & Wales	100%	In liquidation
Leeds Veterinary Laboratories Limited	England & Wales	100%	Non-trading
National Veterinary Services Limited*	England & Wales	100%	Non-trading
North Western Laboratories Limited	England & Wales	100%	Holding Company
Veneto Limited	England & Wales	100%	Holding Company
DermaPet, Inc. ††	USA	100%	Non-trading

Except where indicated the share capital held by the Company consists of ordinary shares only.

* 100% of ordinary share capital held by Veneto Limited. Voting preference shares held by Dechra Pharmaceuticals PLC Employee Benefit Trust.

Ω 100% of both ordinary and preference share capital is held by Dechra Pharmaceuticals PLC.

§ 100% of ordinary share capital held by Dechra Investments Limited

† 100% of ordinary share capital held by North Western Laboratories Limited

‡ 100% of ordinary share capital held by Anglian Pharma Limited

10% of ordinary share capital held by Anglian Pharma Manufacturing Limited

¶ 100% of ordinary share capital held by Dechra Veterinary Products A/S.

** 100% of ordinary share capital held by Dechra Limited.

†† 100% of ordinary share capital held by Dechra Veterinary Products LLC.

17. Environmental Issues

As far as the Directors are aware, there are no material environmental issues that may affect the Group or the Group's utilisation of its tangible assets.

As far as the Directors are aware, there are no pending or likely remediation and compliance costs which may have a material adverse effect on the Group or its property, plant and equipment.

18. Intellectual Property

Many of Dechra's products are patent protected and/or licensed, which confers significant benefits to Dechra in its ability to market and sell to its customers.

The Group believes that the patents, trade names, trademarks and other types of intellectual property used in its operating subsidiaries and divisions are adequately protected and, where required, validly licensed. Wherever possible and necessary, Dechra will seek protection of its valuable intellectual property.

19. Insurance

The Group maintains insurance coverage which is mostly negotiated on a Group wide basis. Coverage includes employer's liability, property damage and business interruption, public and product liability, motor vehicle liability.

See Part XI of this document for further details about the information that has been incorporated by reference into this document.

20. Working capital

The Company is of the opinion that, taking into account its available bank facilities and the net proceeds of the Rights Issue, it has sufficient working capital for its present requirements, that is, for at least the next 12 months from the date of this document.

The Company is of the opinion that the Enlarged Group, taking into account the net proceeds of the Rights Issue, the Facility Agreement and the bank and other facilities available to the Enlarged Group, has

sufficient working capital for its present requirements, that is, for at least the next 12 months from the date of this document.

21. No significant change

Dechra

21.1 There has been no significant change in the financial or trading position of the Group since 31 December 2011, being the date of the Company's published unaudited interim financial statements, which have been incorporated by reference into this document.

Eurovet

21.2 There has been no significant change in the financial or trading position of the Eurovet Group since 31 December 2011, being the date of the last audited published financial statements of the Eurovet Group.

22. Related party transactions

Save as set out in the audited consolidated financial statements of the Group for the financial years ended 30 June 2009, 2010 and 2011 (which have been incorporated herein by reference), there have been no related party transactions during the financial years ended 30 June 2009, 2010 and 2011. The Company confirms that there have been no related party transactions entered into by the Company in the period between 31 December 2011 and 24 April 2012 (being the latest practicable date prior to the date of publication of this document).

23. Miscellaneous

23.1 The total costs and expenses of, and incidental to, the Rights Issue and the Acquisition payable by the Company is estimated to amount to approximately £6.0 million (excluding VAT).

23.2 Investec has given and has not withdrawn its written consent to the issue of this document with the inclusion herein of references to its name in the form and context in which they appear.

23.3 KPMG Audit Plc has given and has not withdrawn its consent to the inclusion in this document of its reports set out in Part VIII and Part IX in the form and context in which they appear, and has authorised the contents of those reports for the purposes of Prospectus Rule 5.5.3R(2)(f).

23.4 Certain information in this document has, where indicated, been sourced from third parties. This information has been accurately reproduced and, so far as Dechra is aware and able to ascertain from information published by the applicable third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

23.5 The financial information contained in this document does not constitute statutory accounts within the meaning of section 434 of the 2006 Act. KPMG of One Snowhill, Snow Hill Queensway, Birmingham B4 6GH audited the statutory accounts of the companies comprising the Group for the years ended 30 June 2009, 30 June 2010 and 30 June 2011 and gave reports under section 495 of the 2006 Act on such accounts which were not qualified and did not contain any such statement under section 498(2) or (3) of the 2006 Act.

23.6 Certain information has been obtained from external publications and is sourced in this document where the information is included. The Company confirms that this information has been accurately reproduced and, so far as the Company is aware and is able to ascertain from information published by third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. Unless otherwise stated, such information has not been audited.

23.7 The New Ordinary Shares will, when issued, be in registered form and will, on Admission, be capable of being held in certificated and uncertificated form. Title to the certificated New Ordinary Shares will be evidenced by entry in the Register of Members of the Company and title to uncertificated New Ordinary Shares will be evidenced by entry in the operator register maintained by Euroclear UK (which forms part of the Register of Members of the Company). The Fully Paid Rights will be admitted with

the ISIN GB00B7WF4K95. The Nil Paid Rights will be admitted with the ISIN GB00B7WF4H66. The New Ordinary Shares will trade with the same ISIN as the existing Ordinary Shares once issued.

23.8 The Ordinary Shares are in registered form and are capable of being held in certificated form and uncertificated form (that is, in CREST). The Register of Members is maintained by the Company's Registrars.

23.9 Save in respect of the Rights Issue, none of the New Ordinary Shares have been marketed or are available in whole or in part to the public in conjunction with the application for the New Ordinary Shares to be admitted to the Official List.

23.10 The Company will make appropriate announcements to a Regulatory Information Service giving details of the results of the Rights Issue and details of the sale of the New Ordinary Shares not taken up by Qualifying Shareholders on or about 15 May 2012.

23.11 The Company remains subject to the continuing obligations of the Listing Rules with regard to the issue of securities for cash and the provisions of Section 561 of the 2006 Act (which confers on Shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash).

12.13 Trademarks appear throughout this document in italics. Dechra and the Dechra 'D' logo are registered trademarks of Dechra Pharmaceuticals PLC.

24. Documents available for inspection

Copies of the following documents will be available for inspection during normal business hours on any weekday (Saturday, Sundays and public holidays excepted) at the offices of DLA Piper UK LLP, 3 Noble Street, London EC2V 7EE until Admission and will also be available for inspection at the General Meeting for at least 15 minutes prior to and during the meeting:

- (a) the Articles of Association;
- (b) the 2009 Annual Report, the 2010 Annual Report and the 2011 Annual Report;
- (c) the 2012 Interim Report;
- (d) the Directors' service contracts and letters of appointment referred to in paragraph 8.3 above;
- (e) the letters of consent referred to in paragraph 23 above;
- (f) this document; and
- (g) the Acquisition Agreement.

Dated: 25 April 2012

PART XI

DOCUMENTS INCORPORATED BY REFERENCE

This document should be read and construed in conjunction with the following documents, which have been previously published, filed with or notified to the FSA, which were sent to Shareholders at the relevant time and which are available for inspection in accordance with paragraph 24 of Part X “Additional Information” of this document.

The table below sets out the various sections of those documents which are incorporated by reference into the Historical Financial Information of the Group in Part VI of this document and the Operating and Financial Review and Financial Information on Dechra in Part V of this document so as to provide the information required under the Prospectus Rules and to ensure that Shareholders and others are aware of all information which, according to the particular nature of Dechra, Nil Paid Rights, Fully Paid Rights and the New Ordinary Shares, is necessary to enable Shareholders and others to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of Dechra and of the rights attaching to the New Ordinary Shares.

<i>Reference document</i>	<i>Information incorporated by reference</i>	<i>Page number in the reference document</i>
Annual Report and Accounts for the year ended 30 June 2009	Audited consolidated financial statements for the year ended 30 June 2009, together with the audit opinion thereon	
	● Independent Auditors' Report	66
	● Consolidated Statement of Financial Position for the year ended 30 June 2009	69
	● Consolidated Income Statement for the year ended 30 June 2009	68
	● Consolidated Statement of Cash Flows for the year ended 30 June 2009	71 – 72
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<i>Reference document</i>	<i>Information incorporated by reference</i>	<i>Page number in the reference document</i>
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Except as set forth above, no other portion of these documents is incorporated by reference into this document and those portions which are not specifically incorporated by reference in this document are either not relevant for prospective investors or the relevant information is included elsewhere in this document.

Copies of the documents of which part or all are incorporated herein are available free of charge in electronic format through Dechra's website at www.dechra.com or in printed format for inspection as referred to in paragraph 24 of Part X of this document.

Except to the extent expressly set out in this Part XI, neither the content of Dechra's website (or any other website) nor the content of any website accessible from hyperlinks of Dechra's website (or any other website) is incorporated into, or forms part of, this document.

Information that is itself incorporated by reference in the above documents is not incorporated by reference into this document. It should be noted that, except as set forth above, no other part of the above documents is incorporated by reference into this document.

Any information which is incorporated by reference in this document shall be modified or superseded for the purposes of this document to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly or by implication).

PART XII

DEFINITIONS AND GLOSSARY

The following expressions have the following meaning throughout this document, unless the context otherwise requires:

“1985 Act”	the Companies Act 1985, as amended;
“2006 Act”	the Companies Act 2006, as amended;
“Acquisition” or “Transaction”	the proposed acquisition by the Company of the entire issued and to be issued share capital of Eurovet by way of the Acquisition Agreement;
“Acquisition Agreement”	the conditional share sale and purchase agreement dated 4 April 2012 between (1) Dechra and (2) AUV regarding the sale and purchase of the entire issued share capital of Eurovet;
“Admission”	the admission of the New Ordinary Shares (nil paid) to the Official List becoming effective in accordance with the Listing Rules and the admission of such shares (nil paid) to trading on the London Stock Exchange’s main market for listed securities becoming effective in accordance with the Admission and Disclosure Standards;
“Admission” and “Disclosure Standards”	the Admission and Disclosure Standards of the London Stock Exchange containing, among other things, the admission requirements to be observed by companies seeking admission to trading on the London Stock Exchange’s main market for listed securities;
“Approved Share Option Scheme”	the approved share option scheme operated by the Company for the benefit of the employees of the Company other than the executive directors;
“Articles of Association” or “Articles”	the articles of association of the Company, details of which are set out in paragraph 5 of Part X of this document;
“Audit Committee”	the audit committee established by the Board;
“Board”	the board of directors of the Company;
“business day”	any day (excluding Saturdays and Sundays or public holidays in England and Wales) on which banks are generally open in London for the transaction of normal banking business;
“CSLS”	Cambridge Specialist Laboratory Services;
“Cashless Take Up”	the facility provided by the Receiving Agent enabling Qualifying Shareholders to sell a sufficient number of Nil Paid Rights to raise money to take up the remainder of such Qualifying Shareholders’ Nil Paid rights, as more fully described in the rights issue guide accompanying the Provisional Allotment Letter;
“CCSS” or “CREST Courier and Sorting Service”	the CREST Courier and Sorting Service established by Euroclear UK to facilitate, amongst other things, the deposit and withdrawal of securities;
“certified” or “in certificated form”	where a share or other security is not in uncertificated form;
“City Code”	the UK City Code on Takeovers and Mergers;

“Closing Price”	464p, being the closing mid-market price of an Ordinary Share on 4 April 2012;
“Communications Host”	a network provider’s communication host (as defined in the CREST Glossary of Terms promulgated by Euroclear UK on 15 July 1996 and as amended since);
“Companies Act” or “Companies Acts”	means together, the 1985 Act and the 2006 Act or either of them as the context so requires;
“Company” or “Dechra”	Dechra Pharmaceuticals PLC;
“Completion”	Completion of the Acquisition in accordance with the terms of the Acquisition Agreement;
“Computershare” or “Registrars”	Computershare Investor Services PLC;
“Computershare Dealing Facility”	the share dealing service described in Part II of this document provided by the Receiving Agent;
“CREST”	the relevant system, as defined in the CREST Regulations, for paperless settlement of share transfers and the holding of shares in uncertificated form (in respect of which Euroclear UK is the operator as defined in the CREST Regulations);
“CREST Manual”	the rules governing the operation of CREST consisting of the CREST Reference Manual, the CREST International Manual, the CREST Central Counterparty Service Manual, the CREST Rules, the Registrars Service Standards, the Settlement Discipline Rules, the CCSS Operations Manual, the Daily Timetable, the CREST Application Procedure and the CREST Glossary of Terms (all as defined in the CREST Glossary of Terms promulgated by Euroclear UK on 15 July 1996 and as amended since);
“CREST member”	a person who has been admitted to Euroclear UK as a system member (as defined in the CREST Regulations);
“CREST participant”	a person who is, in relation to CREST, a system participant (as defined in the CREST Regulations);
“CREST Regulations” or “Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001 No. 01/378), as amended;
“CREST sponsor”	a CREST participant admitted to CREST as a CREST sponsor;
“CREST sponsored member”	a CREST member admitted to CREST as a sponsored member;
“Daily Official List”	the daily record setting out the prices of all trades in shares and other securities conducted on the London Stock Exchange;
“Dales”	<i>Dales</i> ® Pharmaceuticals;
“dealing day”	any day on which the London Stock Exchange is open for business in the trading of securities admitted to the Official List;
“Dechra Share Option Schemes”	the Approved Share Option Scheme, the Unapproved Share Option Scheme, the SAYE Scheme and the Long Term Incentive Plan;
“Directors”	the current directors of the Company whose names are set out on page 18 of this document;

“Disclosure and Transparency Rules”	the rules made by the FSA under Part VI of FSMA relating to the disclosure of information (as amended from time to time);
“DVP EU”	Dechra Veterinary Products Europe;
“DVP US”	Dechra Veterinary Products US;
“EBIT”	earnings before interest and tax (may be defined differently in the documents incorporated by reference);
“EBITDA”	earnings before interest, taxes, depreciation and amortisation (may be defined differently in the documents incorporated by reference);
“Enlarged Group”	the post-Acquisition new enlarged group of Dechra;
“Enlarged Share Capital”	the issued ordinary share capital of the Company following the issue of the New Ordinary Shares pursuant to the Rights Issue;
“EU” or “European Union”	the European Union first established by the treaty made at Maastricht on 7 February 1992;
“EUR” or “Euro” or “€”	the lawful currency of the European Union;
“EURIBOR”	the Euro interbank offered rate;
“Euroclear UK”	Euroclear UK and Ireland Limited (formerly CRESTCO Limited), the operator of CREST;
“European Economic Area”	the European Union, Iceland, Norway and Liechtenstein;
“Eurovet”	Eurovet Animal Health B.V.;
“Eurovet Group”	Eurovet and its subsidiaries;
“Excluded Territories” and each an “Excluded Territory”	the US, Republic of Ireland, Germany, the Netherlands, Belgium, France, Spain, Switzerland, Australia, New Zealand and Malaysia and any other jurisdiction where the extension or availability of the Rights Issue (and any other transaction contemplated thereby) would breach any applicable law or regulation;
“Executive Directors”	Ian Page, Simon Evans and Ed Torr;
“Existing Ordinary Shares”	the fully paid Ordinary Shares in issue at the Rights Issue Record Date;
“Ex-Rights Date”	the date on which the New Ordinary Shares are expected to commence trading ex-rights, being 30 April 2012;
“General Meeting”	the General Meeting of Dechra to be held at Dechra House, Jamage Industrial Estate, Talke Pits, Stoke-on-Trent ST7 1XW on 14 May 2012 at 9.00 a.m., notice of which is set out at the end of this document;
“Facilities Agreement”	the facility agreement entered into on 4 April 2012 and between those parties set out in paragraph 14.4 of Part X
“Financial Services Authority” or “FSA”	the Financial Services Authority of the UK in its capacity as the competent authority for the purposes of Part VI of FSMA and in the exercise of its functions in respect of admission to the Official List otherwise than in accordance with Part VI of FSMA;

“Form of Proxy”	form of proxy accompanying this document for use by Shareholders in relation to the General Meeting;
“FSMA”	the Financial Services and Markets Act 2000, as amended from time to time;
“Fully Paid Rights”	right to acquire the New Ordinary Shares, fully paid;
“Group” or “Dechra Group”	the Company and each of its subsidiaries and subsidiary undertakings from time to time;
“HMRC”	Her Majesty’s Revenue and Customs and, where relevant, any predecessor body which carried out part of its functions and references to any approval by Her Majesty’s Revenue and Customs shall, where appropriate, include approval by an officer thereof;
“IAS”	International Accounting Standards;
“IASB”	the International Accounting Standards Board;
“IFRS”	International Financial Reporting Standards as issued by the International Accounting Standards Board;
“Investec”	Investec Bank plc;
“Issue Price”	300 pence per New Ordinary Share;
“ISIN”	the international securities identifying number;
“LIBOR”	the London interbank offered rate;
“Listing Rules”	the listing rules made by the FSA under Part VI of FSMA (as amended from time to time);
“London Stock Exchange”	London Stock Exchange plc;
“member account ID”	the identification code or number attached to any member account in CREST;
“Model Code”	the Model Code published by the UKLA at Annex I of Listing Rule 9 of the Listing Rules;
“Money Laundering Regulations”	the Money Laundering Regulations 2007 as amended from time to time;
“MTM instruction”	a Many to Many instruction;
“New Ordinary Shares”	the new Ordinary Shares to be issued by the Company pursuant to the Rights Issue;
“NWL”	NationWide Laboratories;
“Nil Paid Rights”	rights to acquire New Ordinary Shares, nil paid, provisionally allotted to Qualifying Shareholders pursuant to the Rights Issue;
“Nominations Committee”	the nominations committee established by the Board;
“Non-CREST Shareholder”	a Shareholder who does not hold his Ordinary Shares in CREST;
“Non-Executive Directors”	Michael Redmond, Neil Warner, Bryan Morton and Dr Chris Richards;

“North America”	the United States of America and Canada;
“Notice of the General Meeting”	the notice of the General Meeting which is set out at the end of this document;
“NVS®”	National Veterinary Services;
“Official List”	the Official List of the UK Listing Authority;
“Ordinary Shares”	ordinary shares of one pence each in the capital of the Company;
“Overseas Shareholders”	Shareholders who have registered addresses outside the UK or who are located or resident in, countries outside the UK;
“Part VI Rules”	the rules contained in Part VI of the FSMA;
“participant ID”	the identification code or membership number used in CREST to identify a particular CREST member or other CREST participant;
“Pharma Companies”	Eurovet, Albrecht GmbH, Eurovet Animal Health Ltd, Eurovet NV, Scanimalhealth ApS, Scanovet ApS and Farvet Laboratories B.V.;
“Prospectus” or “this document”	this document dated 25 April 2012 comprising a circular and a prospectus relating to the Company for the purpose of the Rights Issue (together with any supplements or amendments thereto);
“Prospectus Rules”	the rules made by the FSA under Part VI of FSMA in relation to offers of transferable securities to the public and admission of transferable securities to trading on a regulated market;
“Provisional Allotment Letter” or “PAL”	the renounceable provisional allotment letter for use by Qualifying Non-CREST Shareholders by the Company in respect of the New Ordinary Shares (nil paid) provisionally allotted to them pursuant to the Rights Issue and expected to be dispatched to Qualifying non-CREST Shareholders (other than, subject to certain exceptions, Restricted Shareholders) on 27 April 2012;
“Qualifying CREST Shareholders”	Qualifying Shareholders holding Ordinary Shares on the Rights Issue Record Date in uncertificated form;
“Qualifying Non-CREST Shareholders”	Qualifying Shareholders holding Ordinary Shares on the Rights Issue Record Date in certificated form;
“Qualifying Shareholders”	holders of Ordinary Shares on the register of members of the Company at the Rights Issue Record Date;
“Receiving Agent”	Computershare Investor Services Limited;
“Regulation S”	Regulation S under the US Securities Act;
“Regulatory Information Service”	one of the regulatory information services authorised by the UK Listing Authority to receive, process and disseminate regulatory information in respect of listed companies;
“Remuneration Committee”	the remuneration committee established by the Board;
“Resolutions”	the ordinary resolutions and special resolutions to be proposed at the General Meeting;
“Restricted Shareholders”	Qualifying Shareholders having registered addresses in, or resident or located in, any of the Excluded Territories;

“Rights Issue”	the offer by way of rights of the New Ordinary Shares to Qualifying Shareholders at the Issue Price on the terms and subject to the conditions set out in this document and, in the case of Qualifying Non-CREST Shareholders only (other than, subject to certain exceptions, Restricted Shareholders), the Provisional Allotment Letter;
“Rights Issue Record Date”	close of business on 2012;
“Rights Issue Resolutions”	the Resolutions to be proposed at the General Meeting;
“RTGS”	real time gross entitlement;
“SAYE Scheme”	Save As You Earn Share Option Scheme operated by the Company;
“SDRT”	UK stamp duty reserve tax;
“Seller” or “AUV”	A.U.V. Holding B.V.
“Senior Managers”	Zoe Goulding, Dr Susan Longhofer, Martin Riley, Mike Eldred, Mike Annice, Dr Peter Graham, Barbara Johnson and Paul Sandland
“Shareholders”	holders of Ordinary Shares;
“Shares”	Ordinary Shares, or the New Ordinary Shares to be issued pursuant to the Rights Issue, as the context may require;
“Sterling” or “£” or “pence”	the lawful currency of the UK;
“stock account”	an account within a member account in CREST to which a holding of a particular share or other security in CREST is credited;
“subsidiary”	a subsidiary, as that term is defined in section 1159 of the 2006 Act;
“subsidiary undertaking”	a subsidiary undertaking, as that term is defined in section 1162 of the 2006 Act;
“Transaction Resolution”	the third Resolution to be proposed at the General Meeting;
“UK Corporate Governance Code”	the UK Corporate Governance Code published in June 2010 by the Financial Reporting Council;
“UK Listing Authority” or “UKLA”	the FSA in its capacity as the competent authority for the purposes of Part VI of FSMA and in the exercise of its functions in respect of the admission to the Official List otherwise than in accordance with Part VI of FSMA;
“Unapproved Share Option Scheme”	the unapproved share option scheme operated by the Company for the benefit of the employees of the Company other than the Executive Directors;
“uncertificated” or “in uncertificated form”	recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST;
“Underwriter”	Investec;
“Underwriting Agreement”	the agreement between the Company and the Underwriter dated 4 April 2012, the principal terms of which are summarised in paragraph 13 of Part X of this document;
“United Kingdom” or “UK”	the United Kingdom of Great Britain and Northern Ireland;

“United States” or “US”	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia;
“US Securities Act”	the United States Securities Act of 1933, as amended;
“US Securities and Exchange Commission”	the US government agency having primary responsibility for enforcing the federal securities laws and regulating the securities industry/stock market; and
“US\$” or “\$” or “Dollar” or “USD”	the lawful currency of the United States of America.

NOTICE OF GENERAL MEETING

DECHRA PHARMACEUTICALS PLC

(Incorporated in England and Wales under the Companies Act 1985 with registered number 03369634)

Notice is hereby given that a GENERAL MEETING of Dechra Pharmaceuticals PLC (the "Company") will be held at 9.00 a.m. on 14 May 2012 at Dechra House, Jamage Industrial Estate, Talke Pits, Stoke-on-Trent ST7 1XW to consider and, if thought fit, pass the following resolutions. Resolutions 1 and 3 will be proposed as ordinary resolutions and Resolution 2 will be proposed as a special resolution.

THAT:

1. Pursuant to section 551 of the 2006 Act the Directors be and are generally and unconditionally authorised to exercise all powers of the Company to allot Relevant Securities
 - 1.1 comprising equity securities (as defined in section 560(1) of the 2006 Act) up to an aggregate nominal amount of £578,952 (such amount to be reduced by the aggregate nominal amount of Relevant Securities allotted pursuant to paragraph 1.2 of this Resolution) in connection with a rights issue (as defined in the Listing Rules published by the Financial Services Authority):
 - 1.1.1 to holders of ordinary shares in the capital of the Company in proportion (as nearly as practicable) to the respective numbers of ordinary shares held by them; and
 - 1.1.2 to holders of other equity securities in the capital of the Company, as required by the rights of those securities or, subject to such rights, as the Directors otherwise consider necessary, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates or any legal or practical problems under the laws of any territory of the requirements of any regulatory body or stock exchange; and
 - 1.2 otherwise than pursuant to paragraph 1.1 of this Resolution, up to an aggregate nominal amount of £289,476 (such amount to be reduced by the aggregate nominal amount of Relevant Securities allotted pursuant to paragraph 1.1 of this Resolution in excess of £289,476), provided that (unless previously revoked, varied or renewed) these authorities shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this Resolution, save that, the Company may make an offer or agreement before the authority expires which would or might require Relevant Securities to be allotted after the authority expires and the Directors may allot Relevant Securities pursuant to any such offer or agreement as if the authority had not expired.

In this Resolution, "Relevant Securities" means shares in the Company or rights to subscribe for or to convert any such security into shares in the Company; a reference to the allotment of Relevant Securities includes the grant of such a right; and a reference to the nominal amount of a Relevant Security which is a right to subscribe for or to convert any security into shares in the Company is to the nominal amount of the shares which may be allotted pursuant to that right.

These authorities are in substitution for and shall replace all existing authorities (which, to the extent unused at the date of this resolution, are revoked with immediate effect).

2. Subject to the passing of Resolution 1 above, and pursuant to section 570 of the 2006 Act, the Directors be and are generally empowered to allot equity securities (within the meaning of section 560 of the 2006 Act) for cash pursuant to the authorities granted by Resolution 1 as if section 561(1) of the 2006 Act did not apply to any such allotment, provided that this power shall be limited:
 - 2.1 to the allotment of equity securities in connection with and offer of equity securities (but, in the case of an allotment pursuant to the authority granted by paragraph 1.1 of Resolution 1, such power shall be limited to the allotment of equity securities in connection with a rights issue (as defined in the Listing Rules published by the Financial Service Authority));

- 2.1.1 to holders of ordinary shares in the capital of the Company in proportion (as nearly as practicable) to the respective numbers of ordinary shares held by them; and
- 2.1.2 to holders of other equity securities in the capital of the Company, as required by the rights of those securities or, subject to such rights, as the Directors otherwise consider necessary but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates or any legal or practical problems under the laws of any territory or the requirements of any regulatory body or stock exchange; and
- 2.2 in the case of an allotment pursuant to the authority granted by paragraph 1.2 of Resolution 1, to the allotment of equity securities (otherwise than pursuant to paragraph 2.1 of this Resolution) up to an aggregate nominal amount of £43,421 and (unless previously revoked, varied or renewed) this power shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this Resolution, save that the Company may make an offer or agreement before this power expires which would or might require equity securities to be allotted for cash after this power expires and the Directors may allot equity securities for cash pursuant to any such offer or agreement as if this power had not expired.

This power is in substitution for and shall replace all existing powers (which, to the extent, unused at the date of this resolution, are revoked with immediate effect).

3. That the proposed acquisition of Eurovet by the Company, as described in the circular to Shareholders dated 25 April 2012, of which this notice forms part, on the terms and subject to the conditions of the agreements relating to the Acquisition, be and here is approved, subject to such amendment, variation or waiver (provided such amendments, variations or waivers are not of a material nature) of the terms and conditions thereof as the Directors (or a committee consisting of one or more Directors which is duly constituted under the Company's Articles of Association ("**Committee**")), shall, in their absolute discretion, think fit and subject to the foregoing, that the Directors (or the Committee as applicable) be and are hereby authorised to take all necessary steps and to execute all documents and deeds as they may consider to be necessary, desirable or expedient to conclude, implement and give effect to the Acquisition or in connection therewith.

By order of the Board:

Zoe Goulding
Company Secretary
25 April 2012

Registered office: Dechra House, Jamage Industrial Estate, Talke Pits, Stoke-on-Trent ST7 1XW

Notes:

1. Only holders of Ordinary Shares are entitled to attend and vote at this meeting. A member is entitled to appoint another person as his proxy to exercise all or any of his rights to attend to speak and to vote at the meeting. A member may appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by him. A proxy need not be a member of the Company. Forms of proxy need to be deposited with the Company's Registrars, Computershare Investor Services PLC at The Pavilions, Bridgwater Road, Bristol BS99 6ZY not later than 48 hours before the time of the meeting (excluding any non working days). Completion of a Form of Proxy will not preclude a member attending and voting in person at the meeting.
2. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that in order to have the right to attend and vote at the meeting (and also for the purpose of determining how many votes a person entitled to attend and vote may cast), a person must be entered on the Register of Members of the Company at 6.00 p.m. on 10 May 2012 or, in the event of any adjournment, at 6.00 p.m. on the date which is two days before the day of the adjourned meeting. Changes to entries on the register of members after this time shall be disregarded in determining the rights of any person to attend or vote at the meeting.
3. The appointment of a proxy must be in writing in any usual or common form or in any other form, which the Directors may approve and (i) in the case of an individual must either be signed by the appointor or his attorney, and (ii) in the case of a corporation must be either given under its common seal or be signed on its behalf by an attorney or a duly authorised officer of the corporation. Any signature on or authentication of such appointment need not be witnessed. Where an appointment of a proxy is signed on behalf of the appointor by an attorney, the power of attorney or a copy thereof certified notarially or in some other way approved by the Directors must (failing previous registration with the Company) be submitted to the Company's Registrars, failing which the appointment may be treated as invalid.
4. To be effective, the instrument appointing a proxy, and any power of attorney or other authority under which it is executed (or a duly certified copy of any such power or authority), must either be (a) sent in hard copy form by post, by courier or by hand to the Company's Registrars, Computershare Investor Services PLC at The Pavilions, Bridgwater Road, Bristol BS99 6ZY or; (b) lodged using the CREST Proxy Voting Service-see Note 6 below, in each case, so as to arrive no later than 9.00 a.m. on 10 May 2012 or, if the General Meeting is adjourned 48 hours before the time fixed for the adjourned General Meeting (excluding any non working days).
5. As an alternative to completing the hard copy proxy form, a Shareholder may appoint a proxy or proxies electronically by lodging a Form of Proxy at www.eproxyappointment.com. For an electronic proxy appointment to be valid, the appointment must be received by Computershare Investor Services PLC no later than 9.00 a.m. on 10 May 2012 (or, if the Meeting is adjourned, no later than 48 hours before the time of any adjourned meeting). Any electronic communication sent by a Shareholder to the Company or Computershare which is found to contain a virus will not be accepted by the Company.
6. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the General Meeting to be held on 14 May 2012 and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message (regard less of whether it constitutes the appointment of a proxy, the revocation of a proxy appointment or an amendment to the instruction given to a previously appointed proxy) must, in order to be valid, be transmitted so as to be received by the issuer's agent (3RA50) by the latest time(s) for receipt of proxy appointments specified in Note 4 above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to a proxy appointed through CREST should be communicated to him by other means. CREST members (and, where applicable, their CREST sponsors or voting service providers) should note that Euroclear UK does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider takes) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members (and, where applicable, their CREST sponsors or voting service providers) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
7. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.
8. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the General Meeting.
9. In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the Chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote

(or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the Chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate Shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives—<http://www.icsa.org.uk>—for further details of this procedure. The guidance includes a sample form of representation letter if the Chairman is being appointed as described in (i) above.

10. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a “Nominated Person”) may have a right, under an agreement between him/her and the member by whom he/she was nominated, to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may have a right, under such an agreement, to give instructions to the member as to the exercise of voting rights. The statement of the above rights of the members in relation to the appointment of proxies does not apply to Nominated Persons. Those rights can only be exercised by members of the Company.
11. As 24 April 2012 (being the last practicable date prior to the publication of this notice) the Company’s issued share capital consists of 66,802,179 Ordinary Shares, carrying one vote each. Therefore, the total voting rights in the Company as at that date were 66,802,179.
12. You may not use any electronic address (within the meaning of section 333(4) of the Companies Act 2006) provided in this notice (or in any related documents including the Chairman’s letter and Form of Proxy) to communicate with the Company for any purposes other than those expressly stated.
13. Shareholders have the right to ask questions at the meeting relating to the business being dealt with at the meeting relating to the business being dealt with at the meeting in accordance with section 319A of the 2006 Act. The Company must answer any such question unless:
 - 13.1 to do so would interfere unduly with the preparation for the meeting or would involve the disclosure of confidential information;
 - 13.2 the answer has already been given on a website in the form of an answer to a question; or
 - 13.3 it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
14. The information required by section 311A of the 2006 Act to be published in advance of the meeting, which includes the matters set out in this notice and information relating to the voting rights of Shareholders, is available at www.dechra.com.

