

\*\*\*\*\*

**Brakke Consulting's  
Animal Health News & Notes for October 22, 2004**  
*Copyright © Brakke Consulting, Inc.*

\*\*\*\*\*

IN THE NEWS:

earnings news:

ABAXIS  
Elanco  
Fort Dodge  
Hill's  
IDEXX  
ImmuCell  
Intervet  
Nestle  
Novartis  
Pfizer  
Schering-Plough  
Swift & Co.

other news:

ConAgra  
Crucell  
Heska  
Iams  
Merial  
Schering-Plough  
Smithfield  
Teco Diagnostics

\*\*\*\*\*

**COMPANY EARNINGS RELEASES**

> **Pfizer** reported third quarter 2004 revenues for its animal health division were \$475 million, an increase of 9% compared to the third quarter of 2003. Results were driven by strong performances by livestock products and the companion animal products Revolution and Rimadyl, and favorable exchange rates. Also contributing to performance was the US launch of Excede. Revenues for the first nine months of 2004 were \$1,387 million, compared to \$1,090 million in the first nine months of 2003. (*company website*)

> Akzo Nobel reported third quarter results for **Intervet**. Intervet's turnover in the quarter was 252 million euros (\$311 million), a decrease of 2% compared to the third quarter of 2003. The division turned in an improved performance, especially in Europe, although business in Asia remains somewhat under pressure due to avian influenza. (*company website*)

> Wyeth reported results for its animal health division, **Fort Dodge Animal Health**, for the third quarter of 2004. Sales for the quarter were \$198 million, a decrease of 5% compared to the third quarter of 2003. Excluding the impact of foreign exchange, sales for the third quarter decreased 7%. Third quarter results were impacted by the voluntary recall of ProHeart 6 in the US market in September. (*company website*)

- > Eli Lilly reported results for the third quarter of 2004 for its animal health division **Elanco**. Sales of animal health products were \$185 million, an increase of 6% compared to the third quarter of 2003. *(company website)*
- > **Novartis** reported results for its animal health division for the third quarter of 2004. Sales for the animal health division were \$194 million, an increase of 19% compared to the third quarter of 2003. Sales were mainly driven by recently launched products in the companion animal franchise in the US and Europe. Deramaxx, Milbemax, and Atopica continued their strong expansion, while Fortekor and Interceptor again delivered strong double-digit growth. Sales for the first nine months of 2004 were \$547 million, an increase of 9% compared to the first nine months of 2003. *(company website)*
- > **Schering-Plough** reported results for the third quarter of 2004. Sales for the animal health division were \$183 million, an increase of 8% compared to the third quarter of 2003. Sales for the first nine months of 2004 were \$539 million, an increase of 12% compared to the first nine months of 2003. *(company website)*
- > **IDEXX Laboratories**, Inc. reported that net income increased 23% to \$19.7 million for the quarter ended September 30, 2004, from \$16.0 million for the same period in the prior year. Revenue for the third quarter of 2004 increased 12% to \$134 million from \$120 million for the third quarter of 2003. Companion Animal Group (CAG) revenue for the third quarter of 2004 increased 12% to \$109 million from \$97 million for the third quarter of 2003. This increase resulted primarily from increased sales of laboratory services, rapid assays, instruments and consumables, and pharmaceutical products. The increase in laboratory services revenue was due in part to veterinary laboratory acquisitions in late 2003 and early 2004. *(company website)*
- > Colgate-Palmolive reported results for **Hill's Pet Nutrition** for the third quarter of 2004. Sales for the quarter were \$351 million, an increase of 9% compared to the third quarter of 2003. Healthy results both domestically and internationally contributed to 3.5% global unit volume growth in the quarter. New products driving growth in the US specialty retail channel include Science Diet Advanced Protection and new Science Diet Large Breed Light and Large Breed Senior. Internationally, strong volume growth was achieved in Australia, Spain, South Africa, Switzerland, France, Hong Kong, Russia and Japan. *(company press release)*
- > **Nestle** reported results for the first nine months of 2004. The Petcare division reported turnover of CHF 7.4 billion (\$5.9 billion), an increase of 7% compared to the comparable prior-year period. *(company website)*
- > **ABAXIS**, Inc. reported record financial results for the second fiscal quarter ended September 30, 2004. For the second fiscal quarter, ABAXIS reported record revenues of \$13.6 million, compared with revenues of \$11.5 million for the comparable period last year, an increase of 18%. The Company reported net income attributable to common shareholders of \$1.3 million, compared to \$879,000 for the same period last year; an increase of 53%. During the quarter, the Company sold 706,000 medical and veterinary reagent discs, an increase of 29% compared to the same period last year. The Company sold 3,873 veterinary hematology reagent kits during the quarter, up 42% compared to the same period last year. *(company press release)*
- > **Immucell** Corporation announced the results of its operations for the three month period ended September 30, 2004. Product sales increased by 8% to \$808,000, in comparison to the same period in 2003. The Company recognized a net loss of \$(5,000) for the three months ended September 30, 2004, compared to a net loss of \$(38,000) during the same period in 2003. *(company press release)*

> **Swift and Co.** reported results for the first quarter of fiscal year 2005 ended August 29, 2004. Net sales for the quarter rose 6%, or \$148.5 million, to a total of \$2.63 billion versus \$2.48 billion in the same period one year ago. Higher selling prices across the board supported the increase in net sales. (*company website*)

\*\*\*\*\*

**BRAKKE CONSULTING, INC.  
TRANSACTION ASSISTANCE**

Transactions between companies are a substantial part of business activity. Unfortunately, that means an increasing burden on corporate staff personnel. Brakke Consulting, Inc. can provide expertise that reduces the workload and improves the process. We have represented both buyers and sellers in transactions that have included whole companies, product lines and technologies. In addition, we have performed due diligence activities prior to completion of transactions. Our experienced consultants can carry out your project with utmost confidentiality.

For more information on how Brakke Consulting can help you, visit our website at [www.BrakkeConsulting.com](http://www.BrakkeConsulting.com) or call 972-243-4033.

\*\*\*\*\*

**COMPANY NEWS RELEASES**

> **Crucell N.V.** and **Merial** announced that they have entered into a license agreement for the utilization of Crucell's PER.C6(r) technology for the development and commercialization of veterinary vaccines for foot-and-mouth disease. Under the terms of the agreement, Crucell will receive an upfront payment, milestone payments, annual maintenance fees, and royalties on sales of vaccines. Further financial details were not disclosed. (*AnimalNet - Primezone*)

> **Schering-Plough Animal Health** announced that the FDA has approved Banamine (flunixin meglumine) for use in lactating dairy cattle for controlling fever associated with acute mastitis, pneumonia and endotoxemia, as well as controlling the inflammation in endotoxemia such as that caused by coliform mastitis. Banamine is the only non-steroidal anti-inflammatory drug approved for lactating dairy cattle, and has a 36-hour withdrawal period. (*company press release*)

> **Heska** Corporation announced the launch of two new intranasal vaccines. Feline UltraNasal Vaccines provide protection against the most prevalent causes of feline upper respiratory disease and feline panleukopenia without the use of needles. The Feline UltraNasal FVRCP Vaccine protects against rhinotracheitis virus, calicivirus and panleukopenia; the Feline UltraNasal FVRC Vaccine protects against rhinotracheitis virus and calicivirus. Test data on file have shown that Heska's Feline UltraNasal Vaccines provide immunity within 2-4 days for upper respiratory disease. (*PRNewswire*)

> **The Iams Company** announced the launch of a full line of Eukanuba Natural Lamb & Rice Formulas with Added Vitamins and Minerals. The new formulas are made with 100% real New Zealand lamb meat, and contain no lamb meal, which may include some bone and internal organs. The food has no artificial colors or flavors, and the lamb meat has no added growth hormones and no added steroids. (*company press release*)

> **Smithfield Beef Group**, a subsidiary of **Smithfield Foods**, announced the acquisition of three feedlots in Colorado and another in Idaho from **ConAgra Foods**. ConAgra had announced earlier that following the spin-off of its meatpacking operations into Swift and Co., it planned to sell off its other cattle operations "in an orderly manner." Financial terms were not released. (*Meating Place*)

> **Teco Diagnostics** announced the launch of its Vet-9 and Vet-BUN diagnostic test strips for the veterinary market. The Vet-9 offers a complete range of parameters for urine reagent analysis, while the Vet-BUN detects urea nitrogen in whole blood. (*Veterinary Forum*)

\*\*\*\*\*

**BRASSE CONSULTING, INC.  
EXECUTIVE AND SALES FORCE RECRUITING**

Since 1986 Brasse Consulting, Inc. has successfully assisted many clients acquire exceptional employees at all levels, in the many departments of animal health, pet, veterinary and specialty chemical companies. We strive to pre-qualify candidates, allowing clients to choose from a few of the best applicants for a position. Our approach increases the efficiency and effectiveness of the Human Resources Departments of client companies.

For more information on how Brasse Consulting can help you find the right candidates, visit our website at [www.BrasseConsulting.com](http://www.BrasseConsulting.com) or call 972-243-4033.

\*\*\*\*\*

**ANIMAL HEALTH NEWS**

> **JAPAN - BSE** A four year old cow found dead in a field in the town of Shikaoi tested positive for BSE, becoming Japan's 14th reported case of BSE. The rest of the herd has been isolated and will be tested, and officials are attempting to trace the feed given to the animal, as well as details about its behavior before its death. This is the second case identified in less than a month in the country, and its discovery could cause the government to slow down its plan to end mandatory universal testing of cattle under 20 months of age entering the food chain. That in turn would slow any plans to end the ban on imports of American beef products, which totaled \$1.3 billion in 2003. The ban took effect in January of this year. (*Meating Place*)

> **VIETNAM - AVIAN INFLUENZA** A new avian influenza outbreak has reportedly surfaced in southern Vietnam. Authorities in the southern province of Long An have culled more than 2,300 chickens after about 250 birds from two farms in a village there died from the disease on September 30. The entire village has been disinfected and the provincial government has banned the sale and transportation of poultry to or from the affected district for 30 days. (*Wattnet Meatnews*)

> **EU - BRITISH BEEF BAN** The European Commission's embargo on British beef could be lifted next year, following a sharp fall in recorded cases of BSE in Britain. According EU health commissioner David Byrne, the number of cases of BSE has dropped by 95% in the past 3 1/2 years in Britain, to 6.49 cases per 10,000 animals tested between January and July 2004. This is lower than the average number of cases in Portugal, which saw an embargo on beef exports lifted last month. A decade after the BSE crisis in Britain, the country is still barred from exporting beef from any animal aged over 30 months, and all meat exports must be deboned. British meat destined for export must also be handled by a specially-equipped slaughter plant. Only one such plant exists in the UK. (*Wattnet Meatnews*)

> **US - FOOD SAFETY RESEARCH** Researchers at USDA's Agricultural Research Service developed an agar gel that may help quality assurance technicians in meat processing company laboratories isolate and count microscopic organisms that cause food-borne illnesses, specifically *Campylobacter*. The researchers have found that exposing *Campylobacter* to low levels of a chemical called triphenyltetrazolium chloride was not detrimental to bacterial growth, yet imparted a deep-red to magenta color to the *Campylobacter* colonies. The new agars used for *Campylobacter* growth are translucent, resulting in a contrast of dark colonies on a translucent background. This contrast makes it easier for researchers to isolate and count the bacterial

colonies. The new technology also allows researchers to count the bacteria on light boxes or electronically. The new testing technique, available for licensing, can be used in laboratories to conduct diagnostic testing. (*Wattnet Meatnews*)

\*\*\*\*\*

## **BRASSE CONSULTING VIEWPOINT**

If my calculations are correct, the average growth for those companies reporting third quarter results in this newsletter was 8%. This is excellent performance and we'd expect that those yet to report might even increase the average.

I've just returned from the Midwest, where record soybean and corn crops are being harvested. This should keep feed grain costs in line. When expected feed grain prices are combined with strong beef and swine cash or contract prices, we should see continued strength over the next few months for animal health products and services.

The veterinary and OTC companion animal markets remain strong, and it appears that the politicians cannot dampen consumer purchasing. All this, combined with some new technologies, provides for some rosy forecasts for 2005.

Last weekend in South Dakota, the final score was hunters 49, pheasants 101. That means there are still plenty of birds for future hunts.

Have a great weekend.

*Ron Brasse*

\*\*\*\*\*

*This electronic newsletter is the sole property of Brasse Consulting, Inc.  
Any use of the contents herein should be approved by and appropriately attributed to Brasse Consulting, Inc.*

For more information about Brasse Consulting's services and syndicated studies, visit our website at [www.brasseconsulting.com](http://www.brasseconsulting.com).

Brasse Consulting, Inc.  
2735 Villa Creek, Suite 140  
Dallas, TX 75234 USA