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CVS Group plc
('CVS' or 'the Company' or 'the Group')

INITIAL PUBLIC OFFERING
£105.7 MILLION FLOTATION ON AIM, RAISING £92.7 MILLION AT 205 PENCE PER SHARE

- CVS, one of the UK's leading providers of veterinary services, announces its successful Placing to raise £92.7 million for Selling Shareholders and its application for its Ordinary Shares to be admitted to trading on AIM

- Panmure Gordon & Co, the Nominated Adviser and Broker to the issue, has placed 45,205,800 shares (representing 87.7% of the Company's issued share capital) at 205 pence per share, raising £92.7 million for Selling Shareholders and valuing the whole of CVS at £105.7 million

- The Placing was comfortably over-subscribed, with high quality demand at the Placing Price

- The purpose of the flotation is to raise the public profile of the Group, to help drive new business and to increase awareness of the Group within the veterinary profession. It has also provided an opportunity for Nash Sells Limited Partnership II, a fund managed by Sovereign Capital Partners LLP, to realise its investment after eight years of support

- The Company's three recently appointed non-executive directors have agreed to buy a total of £100,000 worth of shares at the Placing price

- Dealings are expected to commence on AIM on 10 October 2007 under the ticker symbol 'CVSG', ISIN GB00B2863827

KEY POINTS

- CVS was established in August 1999, with financial backing from funds managed by Sovereign Capital Partners LLP, to acquire and operate veterinary practices which were well established within their local community and had a reputation for high quality service.

- Based in Diss, Norfolk, the Group operates two divisions: the practice division composed of 45 small animal practices and one equine specialist practice (128 individual surgeries throughout the UK) and the diagnostic division made up of three veterinary diagnostic laboratories which provide services to CVS and to third parties.

- The current management team of Simon Innes, Chief Executive since 2004, and Paul Coxon, Finance Director since 2003, has increased sales from £12.8m in 2005 to £39.0m in 2007 (year end 30 June), a compound annual growth rate ('CAGR') of 75%. EBITDA has increased from £1.3m to £5.1m over the same period, a CAGR of 98%.

- CVS currently employs 1,214 staff, including 271 vets, as well as using additional locums, and is the largest national consolidator of veterinary practices.

- The provision of central services by the Group enables individual surgeries to focus on the provision of clinical care. The services provided bring cost and revenue synergies to the Group as a whole when compared to operating as individual practices.

- CVS also enjoys further benefits from the increasing scale of the Group including favourable buying terms from suppliers, growing efficiencies across the cost base, and increasing intra-Group referrals.

- The Company strategy recognises that the value of veterinary businesses lies in the quality of their staff and the relationship they enjoy with the existing clients. Support management expertise and other services are therefore provided centrally to all Group practices, relieving them of the administrative burden and enabling local staff to concentrate on clinical care.

- Several factors are currently contributing to a growth in the market for veterinary services in the UK - a growing and ageing pet population, advances in veterinary medical science, changes in the demographic profile of the human population and growth in the pet insurance industry.

On announcing the flotation, Simon Innes, Chief Executive of CVS, said

"I am delighted to announce our flotation on AIM. I believe that CVS has now reached a stage in its development where its strategy for growth, both organically and through acquisition, can be more readily achieved as a quoted company. PLC status will enhance our awareness and reputation in the industry, help drive business and attract potential acquisitions. It has also provided an opportunity for Sovereign Capital to realise its investment after eight very supportive years."

For further information contact :

CVS Group plc	
Simon Innes, Chief Executive	01379 644 288
Paul Coxon, Finance Director	
Panmure Gordon (Nominated Adviser and Broker)	020 7459 3600
Richard Gray	
Andrew Godber	
Chris Bucknall	
Buchanan Communications	020 7466 5000
Richard Oldworth	
Mark Edwards	
Suzanne Brocks	
Sovereign Capital	020 7828 6944
Kevin Whittle	

Notes to Editors

SOVEREIGN CAPITAL (www.sovereigncapital.co.uk)

Sovereign Capital is a leading UK private equity buy & build specialist, with a strong track record and specific expertise in sectors including healthcare services, education and training, financial services outsourcing and various sub-sectors within the support services sector. Founded in 1988 and with £450m under management, Sovereign Capital is focused on investing in lower mid-market UK companies requiring £5m-£20m of equity.

Sovereign Capital Partners LLP is regulated and authorised by the FSA

KEY INFORMATION

Introduction

CVS is one of the leading veterinary service providers in the UK, operating 45 veterinary practices (consisting of 128 individual surgeries) nationwide and three veterinary diagnostic laboratories. It is the UK's largest employer of vets with 271 employed, representing 2.2 per cent. of all vets estimated to be registered and practising in the UK. CVS was founded in 1999 with financial backing from funds managed by Sovereign Capital Partners LLP with the objective of consolidating the fragmented UK veterinary services market, and has completed acquisitions for consideration of approximately £32.1 million to date.

Business Description

The CVS business model is to offer to owner-vets operating under a partnership structure the chance to realise the value of their asset in a market where demographic and other changes are creating a situation whereby new younger vets are now no longer able or inclined to buy into partnerships themselves. The CVS structure offers to remove the administrative burden from the veterinary practices it acquires through the provision of central services such as finance, human resources, marketing, health and safety, information technology and purchasing, allowing the practice to concentrate on the provision of clinical care.

CVS now operates 128 surgeries which were acquired in the following periods.

	July 99 – June 04	July 04 – June 05	July 05 – June 06	July 06 – June 07	July 07 - present
Surgeries Acquired	17	12	30	62	7

CVS has also acquired three veterinary diagnostic laboratories, which provide laboratory services to CVS practices and to third parties. The laboratory services represent a key saving and growth opportunity to the Group as additional acquired practices drive incremental diagnostic revenues through the CVS laboratories. Further scale benefits are accessed through the ability to obtain favourable terms from suppliers and wholesalers of veterinary supplies, intra-Group referrals and the operational leverage that the centralised administration structure brings to the Group as it continues to grow.

Investment Highlights

1. Leading market position

CVS operates 128 individual surgeries across the UK, which is more than twice the number operated by the nearest competitor. The Directors believe that the Group has built a reputation in the veterinary profession as the leading national consolidator, without sacrificing its reputation for working alongside the profession as a consolidator and not as a predatory competitor.

2. Nationwide Infrastructure

CVS's nationwide network of 128 veterinary surgeries is capable of significant operational leverage. Efficiency is improved as more administrative services can be delivered by the head office. Scale also brings benefits in the buying of drugs and equipment.

3. Organic profit growth

CVS (UK) Limited has demonstrated the ability to extract organic profit growth from the practices it acquires in the post-acquisition period, over and above the profit growth attributable to the immediate contribution of those acquisitions. This is driven by scale efficiencies,operational leverage, pricing management, collective buying power, and growth in the underlying market for veterinary care.

4. Growth through acquisition
Consolidation in the UK veterinary market is being driven by demographic changes in the profession which are creating an opportunity to acquire more practices as the industry moves from a fragmented partnership structure towards a more corporate-owned structure. CVS has made 40 separate acquisitions and is therefore well proven in its ability to assess the attractiveness of potential new acquisitions and successfully integrate and operate them thereafter.

5. Financially robust
The CVS business model is highly cash generative, with the last three financial years of trading each benefiting from cash generation through working capital as a result of strong cash receipts at the point of sale, favourable credit terms with suppliers and low levels of stock. In addition, property rental costs are low at under 5 per cent. of revenues, and capital expenditure is also relatively low. No new money has been raised on Admission through the sale of shares. The Directors anticipate that the acquisition pipeline will be adequately funded through a combination of debt finance and internally generated cash flows.

Acquisitive Growth Strategy

The Group intends to continue its strategy of growth through acquisition in the fragmented UK veterinary market. The Group will consider any individual practice acquisition on its own merits, but in general will focus on veterinary practices with a minimum of four vets employed and a turnover of at least £500,000 per annum. For laboratory acquisitions the principal criteria is that they must be complementary to existing laboratory facilities in terms of the diagnostic services provided. No new money for the Company is being raised in the Placing. Acquisitions are intended to be funded through a £12 million undrawn debt facility that has been agreed with Royal Bank of Scotland and Barclays and internally generated cash. A two year capital repayment holiday from draw down has been agreed, which will enable the Group to commit more of its own internally generated cash flow towards making further acquisitions.

CVS continues to be approached by veterinary practices and laboratory service providers seeking to sell to the Group and is currently evaluating in excess of 15 potential practice acquisition opportunities (30 surgeries). Opportunities to acquire larger practices are being presented more frequently, as a result of direct contact, word of mouth, supplier referrals and correspondence.

Organic Growth

In addition to growth by acquisition the Group is able to grow significantly the performance of the practices that are already part of the Group as a result of growth in the underlying veterinary market combined with the benefits that CVS ownership brings to its practices. Improvements in revenues are brought about through changes in pricing and marketing as well as an increase in intra-Group referrals of patients and the channelling of diagnostic services through the CVS laboratories. Margins are improved by providing access to Group discounts with suppliers and through the provision of central administrative services by CVS's head office.

The Veterinary Services Market

The Directors believe that several factors are contributing to the growth of the market for veterinary services in the UK. The pet population in the UK is growing, in particular the cat population which has grown steadily from 7.5 million in 2002 to 9.9 million in 2007 (Euromonitor August 2007). The Directors believe that the ageing human population has increased the demand for pets as a companion in old age, whilst the phenomenon of 'empty nesters' is also driving demand for pets amongst couples who are yet to have children or older couples whose children have left home and who are seeking a companion as a replacement. The Directors believe that an ageing pet population combined with the increasing incidence and sophistication of medical interventions and diagnostic services that are available for animals is leading to an increase in the frequency of visits to vets and to an increase in average spend per treatment. A further driver of this trend is the growth of the pet insurance industry which has led to an increase in both the frequency of visits and the complexity of treatments undertaken.

Key Financial Information

	12 month period ended 30 June		
	2005 £000	2006 £000	2007 £000
Revenue	12,851	20,169	38,972
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	1,304	2,362	5,088
Cash generated from operations	1,420	3,163	6,509
Unaudited financial information			
Like-for-like practice EBITDA growth	23%	19%	17%

Current Trading and Prospects

Since 30 June 2007 the Group has continued to grow through a combination of strong like for like improvements and the acquisition of seven further veterinary surgeries.

Existing CVS practices have continued to perform strongly since the year end. Like for like sales in the practice division in the months of July and August saw increases of 9.1 per cent. versus the same period in the financial year to 30 June 2007. The diagnostic division has continued to produce healthy returns and sales growth, as it continues to benefit from the incremental business generated from newly acquired veterinary surgeries. The acquisition pipeline is buoyant and the Group has experienced an increased level of interest from veterinary practices approaching the Group. Discussions are ongoing with a number of veterinary surgeries. The Directors are confident of the growth opportunities ahead and look forward to continuing to execute their buy and build strategy throughout the remainder of the financial year to 30 June 2008.

Dividends

The initial focus post-Admission will be upon the delivery of capital growth for Shareholders. However, the Board intends, subject inter alia to the Group's operating performance and ongoing cash requirements and prospects, that the payment of dividends to Shareholders will commence as and when it is appropriate and practicable.

Reasons for Placing and Admission

The Directors believe that the Placing and Admission will raise the public profile of the Group, helping to drive new business and increase awareness of the Group within the veterinary services sector. The Placing provides liquidity for existing Shareholders both at the point of listing and in secondary market trading following Admission. Access to the public capital markets that will be provided by admission to AIM will give the Group access to further capital if required, or the ability to offer publicly traded shares in the Group as part of the consideration for future acquisitions, although debt facilities and internally generated cash are anticipated to be adequate for the purposes of funding acquisitions for the foreseeable future. No new money has been raised by the Company through the sale of new Ordinary Shares. Admission of the Company's shares to AIM will also allow management to utilise equity linked employee incentive schemes to incentivise current and future employees.

Board of Directors

Simon Innes, (47), Chief Executive
Mr. Innes was appointed as Chief Executive of CVS (UK) Limited in January 2004. Prior to this he was Chief Executive of Vision Express from 2000 to 2004, over which time he built the business up to £220 million of turnover, and reversed a loss making position to create one of the most profitable corporate optical operators in the UK. The buy and build strategy that was successful at Vision Express is now being implemented in the veterinary industry by CVS. Prior to Vision Express, Mr. Innes was on the board of Hamleys PLC as Operations Director, where amongst other responsibilities he was involved in opening 60 concession stores in just 3 months for Hamleys in conjunction with Debenhams. Before Hamleys, Mr. Innes gained ten years of management experience at Marks & Spencer, and now has a total of 17 years of experience in the retail sector.

Paul Coxon, (42), Finance Director
Mr. Coxon was appointed as Finance Director of CVS (UK) Limited in August 2003. He has a total of 19 years of experience in finance and accounting. He qualified as a chartered accountant with KPMG Peat Marwick in 1991. Prior to working at CVS, Mr. Coxon was the Finance Director of Allied Grain (South), a £160 million turnover subsidiary of ABF PLC.

Mark Finn, (48), Group Operations Director
Mr. Finn joined CVS in 2006. Prior to this, from 2003 – 2006 he was head of operations and acquisitions for Co-op Group Pharmacy which represents directly relevant experience for working with clinicians. He has also held positions as a Regional Business Manager at J Sainsbury plc, where he was responsible for 18 Sainsbury's supermarkets, as a Category General Manager at Asda, a Divisional Sales Manager at the Royal Mail and as a National Sales Development Manager at Estee Lauder Cosmetics.

Richard Connell, (52), Non-Executive Chairman
Mr. Connell has been involved in the financial sector for more than 25 years and has worked with 3i Group, Amvescap, and HSBC. He is a Chartered Accountant and has held executive positions in marketing and general management. In addition to working with the Group, he is Chairman of Dignity plc, Ideal Stelrad Group, and Unifeeder A/S. Richard has a degree from Oxford University.

David Timmins, (54), Non-Executive Director
Mr. Timmins recently left Genus plc where he was Group Finance Director for over 3 years. He played a prominent role in the reverse acquisition of Sygen International plc, an Official List company, which involved a significant institutional fund raising. He has veterinary sector experience through a Genus plc business division. He is a graduate and Chartered Accountant with more than 15 years of experience as CFO of listed companies.

Christopher Marsh, (63), Non-Executive Director
Mr. Marsh is a corporate broker by background, having joined Phillips & Drew in 1968 and headed the Small Cap broking team at UBS Limited (London) from 1993 until his retirement from UBS Limited (London) in 1998. From 1999 until 2004 he was part of a corporate finance advisory team at the now quoted Benfield Group, specialising in insurance related deals. Mr Marsh is currently a non-executive director of Hilton Food Group plc, non-executive Chairman of Framlington AIM VCT 2 PLC, and non-executive Chairman of Alexandra plc.