ANIMALCARE GROUP PLC

INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2018

Financial Highlights

- Pro-forma revenue growth of 6.4% at AER (4.8% CER) to £47.8m (2017: £44.9m)
- Pro-forma underlying* EBITDA (excluding non-underlying items) increased by 5.1% to £6.3m (2017: £6.0m) reflecting improved translation of revenue growth through to profit through both focus on gross margin and cost control
- £1.6m net cash generated from operations including a cash outflow from non-underlying items totaling £0.8m
- 76.7% increase in statutory net profit to £3.7m (2017: £2.1m) from total operations, resulting in basic underlying EPS of 6.2 pence (2017: 8.9 pence)
- Proposed interim dividend of 2.0 pence per share, recognising the need to transition to a payment structure that reflects the change of year end to December
  - Total dividends per share since the reverse acquisition to 8.7 pence per share

Operational Highlights (including post-period)

- Completed sale of Medini NV, Animalcare's wholesaling company, to Vetdis Holding for a total consideration of up to approximately £2.65 million
  - Sale consistent with Group's goal to focus on higher-margin veterinary pharmaceuticals business
  - Proceeds to be used initially to improve the Group's debt position and provide further support for product development, both organically and through strategic acquisitions
- Strengthened management team with appointment of Jenny Winter as Chief Executive Officer of the Group from 1st October 2018
- Restructured UK commercial team, in response to corporate consolidation of veterinary clinics in the UK, with greater focus on supporting larger corporate customers as well as continuing to provide strong service levels to independent practices.
- Received positive opinion from the Committee for Medicinal Products for Veterinary European Medicines for a centralised registration for a new product (Cortacare), which will be launched in the UK in Q4 2018
- Decentralised procedures for four new products submitted during the period with a further two planned in H2 2018. These six new products expected to be launched across a number of territories in 2019

*underlying measures are before the effect of non-underlying items which include fair value adjustments on acquired inventory, amortisation of acquired intangibles and acquisition and integration costs

Animalcare Group plc

CHAIRMAN'S STATEMENT

Animalcare has made good progress over the first half of 2018 towards delivering the integration of our operations and improving the profitability of the Group, in line with the Board's expectations. Our rationale behind this transformational merger remains: to create a growing and successful pan European animal health business. The divestment of the wholesale business post-period end allows Animalcare to solely focus on developing and growing our higher margin veterinary pharmaceuticals business and combined with the recent appointment of Jenny Winter as Chief Executive Officer, we believe we have a strong foundation from which to create long-term shareholder value.

Financial Review

The Group completed the reverse acquisition of Ecuphar NV ("Ecuphar") on 13th July 2017. Accordingly, our statutory results for the half year to 30th June 2018 reflect six months trading of Ecuphar and Animalcare Group plc as previously constituted. The 2017 comparatives are for the Ecuphar business only. Following the divestment of the Wholesale business both the 2018 and 2017 half year financial information have been presented to show the Pharmaceuticals segment as continuing operations separately from the Wholesale segment, which has been classified as discontinued.

In order to help shareholders assess like-for-like performance, a pro-forma consolidated income statement has been prepared, which reflects six months trading from both Animalcare and Ecuphar for both 2018 and 2017 (including wholesale). On this pro-forma basis, the Group has delivered revenue growth of 6.4% at AER (4.8% CER) to £47.8m (2017: £44.9m). Underlying EBITDA (which excludes non-underlying items) increased by 5.1% to £6.3m (2017: £6.0m), demonstrating progress in improving the translation of revenue growth through to profit through both focus on gross margin and cost control. Our pharmaceuticals segment was the key driver of both the growth in revenue and in particular, underlying EBITDA.

The Group generated £1.6m net cash from operations in the first half which includes a cash outflow from non-underlying items totaling £0.8m. We have continued to invest in our product pipeline which is important to our future growth. Spend during the period was £1.8m and we remain on track to launch six new products across several territories during 2019.

On a statutory basis, Group revenue in our Pharmaceuticals segment increased by 40.1% to £35.3m (2017: £25.2m) driven by organic growth in the Ecuphar business which contributed £27.9m and £8.0m from the original Animalcare operations. Underlying EBITDA (which excludes non-underlying items as detailed in note 3) increased by 54.7% to £6.3m (2017: £4.0m) with £1.5m contributed by the Animalcare business which incorporates additional central costs including the enlarged Board of £0.2m. Including non-underlying items, which increased by £1.9m largely as a result of amortisation of acquired intangibles, the Group's profit after tax decreased to £0.7m (2017: £1.0m).

Further details on the financial performance, together with the impact of the sale of our wholesales business, can be found in the Business Review.

Board

We announced on 3rd August 2018 that Jenny Winter will join the Group as Chief Executive Officer from 1st October 2018. Jenny succeeds Chris Cardon, who will transition to Chief Strategy Officer, also effective from 1st October 2018. Jenny joins Animalcare from AstraZeneca with over twenty years' experience working in the pharmaceutical sector in various senior commercial roles. Jenny's wealth of experience will be pivotal in refining and executing Animalcare's post-acquisition strategy with a focus on creating a strong platform to drive growth. I would like to take the opportunity again to welcome Jenny to the Board and thank Chris for his significant achievements as Chief Executive Officer.

Dividend

The Board is proposing an interim dividend of 2.0 pence per share, recognising the need to transition to a payment structure that reflects the change of year end to December. This brings total dividends per share since the reverse acquisition to 8.7 pence per share. The Board intends to closely monitor the current dividend policy to ensure an appropriate balance between investment for future growth and dividend flow to deliver overall value to our shareholders.

Summary and Outlook

The Board is pleased with the continued revenue growth of the Group during the period and improving translation through to profit. Our ability to capitalise on growth in the wider market has now been improved by the divestment of the wholesale business, which will enable us to focus our resources on our higher-margin veterinary pharmaceuticals business. More broadly, management continues to work hard in continuing to deliver the integration of Animalcare and Ecuphar, which has created critical scale for the Group within the European animal health market and continues to progress. With Jenny joining the Company in October, it is our intention to present a further update on our integration and growth strategy at the time of the Group's full year trading update in January 2019.

This is an exciting time for Animalcare and with our strengthened leadership team, we are well placed to continue building Animalcare into a leading pan-European Animal Health company and delivering long-term value for our shareholders.

JAN BOONE
CHAIRMAN

Animalcare Group plc

BUSINESS REVIEW

Introduction

The Group completed the reverse acquisition of Ecuphar NV ("Ecuphar") on 13th July 2017. Accordingly, the Group's financial results for the six months period ended 30th June 2018 comprise the consolidated results of the Group with comparatives for the six months ended 30th June 2017 comprising the results of Ecuphar NV only.

In addition, following the divestment of our Wholesale business on 4th September 2018, both the 2018 and 2017 half year financial information have been presented to show the Pharmaceuticals segment as continuing operations separately from the Wholesale segment which has been classified as discontinued.

To help Shareholders to assess the Group, a Pro forma Consolidated Income Statement has been provided, which reflects six months of trading from both entities for 2018 and 2017. On this basis the Group has delivered revenue growth of 6.4% at AER (4.8% at CER) to £47.8m (2017: £44.9m) and underlying EBITDA growth of 5.1% to £6.3m (2017: £6.0m).

FINANCIAL REVIEW

Underlying financial results

A summary of the underlying financial results, which the Directors believe provides a clearer understanding of business performance, is shown below:

Six Months to 30 June	**2018 Continuing Operations £'000**	**2018 Discontinued Operations £'000**	**2018 Total £'000**	2017 Continuing Operations £'000	2017 Discontinued Operations £'000	2017 Total £'000	% Change at AER Continuing Operations %
Revenue	**35,340**	**12,429**	**47,769**	25,224	11,758	36,982	40.1%
Gross Profit	**19,262**	**1,197**	**20,459**	13,937	1,173	15,110	38.2%
Gross Margin %	**54.5%**	**9.6%**	**42.8%**	55.3%	10.0%	40.8%	(0.8%)
Underlying Operating Profit	**5,155**	**80**	**5,235**	3,157	101	3,258	63.3%
Underlying EBITDA	**6,227**	**110**	**6,337**	4,026	161	4,187	54.7%
Underlying EBITDA margin %	**17.6%**	**0.9%**	**13.3%**	16.0%	1.4%	11.3%	1.6%
Underlying Profit after tax	**3,684**	**36**	**3,720**	2,047	58	2,105	80.0%
Basic Underlying EPS (p)	**6.1p**	**0.1p**	**6.2p**	8.6p	0.3p	8.9p	(29.1%)

Revenue

The Group delivered total revenue from continuing operations of £35.3m, an increase of 40.1% versus the prior year. This included £27.3m from the Ecuphar business, an increase of 8.5% (6.0% at CER) and £8.0m contribution from the acquired Animalcare operations. Revenue in all of our major markets in which we operate has shown growth, with the exception of Spain which has been adversely impacted by lower sales in productions animals.

Revenue by Product Category

Six Months to 30 June	**2018 £'000**	2017 £'000	% Change at AER %
Companion Animals	**23,566**	13,889	69.7%
Production Animals	**8,911**	9,028	(1.3%)
Equine & other	**2,863**	2,307	24.1%
Total	**35,340**	25,224	40.1%

Companion Animals revenue increased by 69.7% to £23.6m, 57.6% of which was driven by the acquired Animalcare business with the balance of 12.1% delivered by the Ecuphar operations. Organic growth was primarily driven by strong annualised growth of rabbit vaccines launched in Germany in H1 2017 supported by growth of our key products including Orozyme (oral hygiene).

Production Animals revenue declined by 1.3% on prior period largely driven by a 11.4% decline in sales of antibiotics to £3.1m (2017: £3.5m). This was offset by higher sales of in particular Dinalgen (anti-inflammatory) within our export business.

Equine sales increased by 24.1% to £2.9m due to phasing differences of export sales into the UK.

Animalcare Group plc

FINANCIAL REVIEW CONTINUED

Operating results

Six Months to 30 June	2018 £'000	2017 £'000	% Change at AER %
Underlying EBITDA	**6,227**	4,026	54.7%
Depreciation and amortisation	**(1,072)**	(869)	–
Underlying Operating Profit	**5,155**	3,157	63.3%
Non-underlying items	**(3,753)**	(1,627)	–
Reported Operating Profit	**1,402**	1,530	(8.4%)
Underlying EBITDA margin %	**17.6%**	16.0%	1.6%
Basic underlying EPS (p)	**6.1p**	8.6p	(29.1%)
Basic EPS (p)	**1.2p**	4.0p	(70.0%)

Underlying EBITDA from continuing operations (which excludes non-underlying items as described below and detailed in note 3) increased by 54.7% to £6.2m (2017: £4.0m) with £1.5m contributed by the Animalcare business which incorporates additional central costs including the enlarged Board of £0.2m. Ecuphar's underlying EBITDA increased by 17.4% to £4.7m driven by strong growth in Spain and Germany partially offset by decline in both our Benelux and Italian operations.

Underlying EBITDA margin improved to 17.6% (2017:16.0%) reflecting the higher margin Animalcare business together with a 0.9% increase in the Ecuphar operations, largely driven by positive sales mix towards companion animal products and cost control. The latter is reflected in our operating costs, which have increased by £3.4m to £13.3m (2017: £9.9m) however have declined as a % of sales to 36.9% (2017:39.3%).

Non-underlying items

Non-underlying items incurred in the period are detailed in note 3 and primarily relate to acquisition related amortisation of £3.0m and integration and reorganisation costs of £0.7m (all figures are pre-tax).

Discontinued business

The sale of our wholesale division, announced on 4th September 2018, is consistent with our goal to focus on our higher-margin veterinary pharmaceuticals business. Of the £2.65m estimated total consideration, the Group has received an initial cash consideration of £2.05m including £1.72m in respect of intercompany loan balances due from the Wholesale Division to other Animalcare group companies. A further £0.37m payable to the Group on 30th June 2019 in relation to the remaining intercompany balance owed. The balance of approximately £0.23m is subject to achieving specific revenue targets between 1st July 2019 and 30th June 2020 and payable in July 2020.

We believe that the consideration is a fair valuation for our wholesaling business and see Vetdis Holding as an ideal company to take the business forward. The proceeds of the disposal will be used initially to improve the Group's debt position, but also provide further support for product development, both organically and through strategic acquisitions.

The disposed business has been accounted for as discontinued and the results of the wholesaling business are shown as loss on discontinued operations. This loss includes a £0.7m non-recurring impairment to the net asset value of the wholesaling business as at 30th June 2018 in order to account for such assets at their fair value, being the estimated total consideration of £2.65m noted above.

Animalcare Group plc

FINANCIAL REVIEW CONTINUED

Earnings per share and dividend

The Group delivered a 76.7% increase in net profit to £3.7m (2017: £2.1m) from total operations, which, after taking into account the significant increase in the weighted average number of shares resulting from the reverse acquisition (see note 5), resulted in basic underlying EPS of 6.2 pence (2017: 8.9 pence).

The reported basic EPS, which incorporates non-underlying items, decreased to 0.1 pence (2017: 4.3 pence).

The Board is proposing an interim dividend of 2.0 pence per share, recognising the need to transition to a payment structure that reflects the change of year end to December. This brings total dividends per share since the reverse acquisition to 8.7 pence per share. The Boards intends to continue the current dividend policy, ensuring an appropriate balance between investment for future growth and dividend flow to deliver overall value to our shareholders.

Cash flow, net debt and borrowing facilities

	£'000
Net debt at 1st January 2017	**(25,908)**
Net cash generated from operations	1,558
Net capital expenditure	(1,968)
Receipts from issue of share capital	111
Net finance expenses	(246)
Other cash movements	458
Foreign exchange on cash and borrowings	11
Net debt at 30th June 2018	**(25,984)**

The Group generated £1.6m net cash from operations (2017: £2.4m) which includes a cash outflow from non-underlying items totalling £0.8m. Working capital increased by £3.2m. This firstly reflects higher stocks in Belgium and Southern Europe, the latter reflecting a transition period of localising distribution facilities in Italy and Portugal. The balance primarily relates to decreased trade payables largely due to the unwind of supplier payables in relation to strategic stock build towards the end of 2017.

Net capital expenditure of £2.0m largely comprises investment in our product development pipeline of £1.8m from which six new products launches are expected in 2019.

The net borrowing position at the end of the period of £26.0m was in line with the previous FY17 year end, representing net debt to underlying EBITDA banking covenant leverage of 2.2 times (maximum covenant ratio is 3.5 times). At 30th June 2018, total facilities were £45.6m, of which £31.3m, net of cash balances, was being utilised leaving headroom of £14.3m. These bank facilities, together with the Group's operational cash flow, indicate that the Group has sufficient facilities available to fund its operations and allow for future expansion.

Animalcare Group plc

OPERATIONAL REVIEW

Product development

The product pipeline has continued to progress in line with expectations over the first half. In June we received a positive opinion from the Committee for Medicinal Products for Veterinary European Medicines for a centralised registration for a new product (Cortacare), which will be launched in the UK late 2018. During the Period, decentralised procedures for four new products were submitted and a further two are planned in the second half of the year. It is expected that these six new products will be launched across a number of territories in 2019.

New products through strategic partnerships

We continue to seek to broaden our product portfolio through strategic partnerships and there are a number of opportunities we are exploring. Several new launches were due to take place in the first half of 2018 however these have been subject to delays by distribution partners. We expect to launch these products during H1 2019.

In June we commenced distribution of Cosequin from US-based Nutramax, a nutritional supplement which promotes canine joint health. Sales to date have been above expectations. In July we signed an agreement with Assisi Animal Health for the distribution of "The Assisi Loop® or "Euro-loop 2.0" in Europe. This product is currently in pre-marketing phase with a modest impact expected in 2019.

People

We announced on 3rd August 2018 that Jenny Winter will join the Group as Chief Executive Officer from 1st October 2018. This will see Chris Cardon transition to Chief Strategy Officer, also effective from 1st October 2018, who will work with Jenny on delivering the Group's strategic objectives including new product introduction and identifying selective value-accretive acquisitions. We believe these changes create an optimal executive structure to take the business forward.

We continue to review and assess the roles required to deliver the integration of our operations and remain focused on, in particular, the optimal structure to manage and deliver benefits across the Group's increasingly complex supply chain.

Market changes

The Corporate consolidation of veterinary clinics in the UK is continuing at pace and is emerging across Northern Europe. Our UK business has recently restructured its commercial team to put more focus on supporting the larger corporate customers as well as continuing to provide strong service levels to independent practices. We expect this trend to continue and will closely monitor and adapt our operations accordingly.

Integration

As noted above, we completed the sale of our wholesale division post-period end. The sale of our wholesale division is consistent with our goal to focus on our higher-margin veterinary pharmaceuticals business including the integration of our pharma operations. More specifically, we have commenced work on the implementation of SAP within the UK, which we expect to complete in H1 2019, delivering a common IT platform across the group to leverage benefits and efficiencies including more automation of the financial consolidation process.

We remain on track to deliver the first meaningful cross-selling commercial benefits during 2019. We also continue to closely monitor our cost base and focus on efficiencies as we deliver the integration.

Brexit

The outcome of ongoing Brexit negotiations remains unclear. However, the Company continues to assess the potential impact of all eventualities on its business with a view to being fully prepared post March 2019. Our priority is to maintain commercial supply of product to our customers. The acquisition enables the new Group to transfer its UK registered Marketing Authorisations for products sold in the EU to an existing legal entity within the Group. We will continue to closely monitor the Brexit situation and take the necessary actions to ensure business continuity.

Summary and outlook

The Group has delivered continued revenue growth in the period and translation through to profit is beginning to improve. The Board remains confident in the Group's ability to deliver revenue and profit growth compared to H2 FY17 in the second half in line with expectations, despite the delays in the launch of certain new products from our distribution partners.

Strategically and operationally it continues to be a transformational time for the Group with the continuing integration of our businesses, the divestment of our wholesale operation together with the changes in Executive personnel and structure. Such changes, we believe, will allow greater focus on our pharmaceutical operations and application of our strategic objectives to deliver growth and long-term value creation for our shareholders. With Jenny Winter joining on 1st October 2018, the Board and management team will provide a more in-depth update on the integration and growth strategy in January 2019.

Animalcare Group plc

PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

As noted previously, to help Shareholders to assess the Group, a Pro forma Consolidated Income Statement has been produced, which reflects six months of trading from both entities as below. Pro forma information has been prepared in a manner consistent with the accounting policies adopted by the Group in preparing the audited financial statements for the year ended 31st December 2017.

Pro forma Consolidated Income Statement

Six Months to 30 June	Animalcare 2018 £'000	Ecuphar 2018 £'000	Total 2018 £'000	Animalcare 2017 £'000	Ecuphar 2017 £'000	Total 2017 £'000
Revenue	**8,007**	**39,762**	**47,769**	7,990	36,892	44,882
Gross Profit	**4,271**	**16,188**	**20,459**	4,360	15,110	19,470
Operating expenses	**(4,875)**	**(14,844)**	**(19,719)**	(3,399)	(13,479)	(16,878)
Operating (loss)/profit	**(604)**	**1,344**	**740**	961	1,631	2,592
Depreciation, amortisation & impairment	**31**	**1,073**	**1,104**	180	929	1,109
Non-underlying items	**2,079**	**2,414**	**4,493**	702	1,627	2,329
Underlying EBITDA	**1,506**	**4,831**	**6,337**	1,843	4,187	6,030
Net financial (expenses)/income	**(26)**	**(220)**	**(246)**	8	(287)	(279)
(Loss)/profit before tax	**(630)**	**1,124**	**494**	969	1,344	2,313
Taxation	**180**	**(617)**	**(437)**	(83)	(311)	(394)
Net (loss)/profit	**(450)**	**507**	**57**	886	1,033	1,919
Underlying net profit	**1,220**	**2,500**	**3,720**	1,500	2,105	3,615
Underlying basic EPS (p)	**–**	**–**	**6.2p**	–	–	6.0p

Compared to the statutory results, the unaudited pro forma consolidated income statement includes six months of Animalcare Group plc's results in the 2017 comparatives.

On a pro forma basis, revenue increased by 6.4% at AER (4.8% at CER) to £47.8m. Revenue growth was balanced across both our pharmaceuticals and (now divested) wholesale operations. Growth in our pharmaceuticals segment was principally driven by a 7% increase in Companion Animals revenue to £23.6m offset by a 1.3% decline in Productions Animals revenue to £8.9m.

Gross margins have declined by 0.6% to 42.8%, in line with our expectations and demonstrating progress when compared to the 1.5% decline for the full year 2017. The gross margin fall in the first half is principally driven by maintaining market share in the competitive environment at expense to margins, notably in the UK, together with lower margin sales mix within our companion animals and equine category, the latter in particular reflecting higher export sales.

Underlying EBITDA increased by 5.1% to £6.3m (2017: £6.0m), the growth being delivered by our pharmaceuticals segment which improved profitability by 6.5% at AER to £6.2m (2017: £5.8m).

The Group will continue to focus on improving the translation of revenue growth through to profit through both focus on gross margin and cost control. The pro-forma results are yet to reflect the full benefits from leveraging the Group's enlarged platform which include commercial synergies, operating efficiencies and optimisation of the R&D function. We will continue to maintain our focus on delivering the wide-ranging integration to deliver more meaningful value creation from 2019.

Animalcare Group plc

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Underlying 2018 £'000	Non-Underlying (note 3) 2018 £'000	Total 2018 £'000	Underlying 2017 (Restated) £'000	Non-Underlying (note 3) 2017 (Restated) £'000	Total 2017 (Restated) £'000
		For the six months ended 30 June					
Revenue		**36,057**	**–**	**36,057**	26,265	–	26,265
Cost of sales		**(16,766)**	**–**	**(16,766)**	(12,281)	–	(12,281)
Gross profit		**19,291**	**–**	**19,291**	13,984	–	13,984
Research and development expenses		**(1,598)**	**(647)**	**(2,245)**	(967)	(143)	(1,110)
Selling and marketing expenses		**(6,591)**	**–**	**(6,591)**	(5,355)	–	(5,355)
General and administrative expenses		**(5,974)**	**(2,387)**	**(8,361)**	(4,525)	(1,160)	(5,685)
Net other operating income / (expenses)		**26**	**(719)**	**(693)**	20	(324)	(304)
Operating profit/(loss)		**5,155**	**(3,754)**	**1,402**	3,157	(1,627)	1,530
Financial expenses		**(475)**	**–**	**(475)**	(317)	–	(317)
Financial income		**250**	**–**	**250**	33	–	33
Profit/(loss) before tax		**4,930**	**(3,754)**	**1,177**	2,873	(1,627)	1,247
Income tax		**(1,246)**	**809**	**(437)**	(826)	553	(273)
Net profit/(loss) from continuing operations		**3,684**	**(2,945)**	**740**	2,047	(1,074)	974
Result from discontinued operations	8	**36**	**(719)**	**(683)**	58	–	58
Net Profit/(loss)		**3,720**	**(3,664)**	**57**	2,105	(1,074)	1,032
Net profit/(loss) attributable to:							
The owners of the parent		**3,720**	**(3,664)**	**57**	2,105	(1,074)	1,032
Earnings per share attributable to ordinary owners of the parent							
Basic		**6.2p**		**0.1p**	8.9p		4.3p
Diluted		**6.2p**		**0.1p**	8.9p		4.3p

In order to aid understanding of underlying business performance, the Directors have presented underlying results before the effect of exceptional and other items. These exceptional and other items are analysed in note 3.

Animalcare Group plc

CONDENSED CONSOLIDATED INCOME STATEMENT

		For the year ended 31 December 2017		
	Notes	Underlying (Restated) £'000	Non-Underlying (note 3) (Restated) £'000	Total (Restated) £'000
Revenue		62,291	–	62,291
Cost of sales		(29,966)	(401)	(30,367)
Gross profit		32,325	(401)	31,924
Research and development expenses		(2,048)	(751)	(2,799)
Selling and marketing expenses		(12,592)	–	(12,592)
General and administrative expenses		(10,214)	(3,591)	(13,805)
Net other operating income / (expenses)		89	(1,801)	(1,713)
Operating profit/(loss)		7,560	(6,544)	1,016
Financial expenses		(735)	–	(735)
Financial income		96	–	96
Profit/(loss) before tax		6,921	(6,544)	377
Income tax		(1,746)	1,454	(292)
Net profit/(loss) from continuing operations		5,175	(5,090)	85
Result from discontinued operations	8	109	(10)	99
Net Profit/(loss)		5,284	(5,100)	184
Net profit/(loss) attributable to:				
The owners of the parent		5,284	(5,100)	184
Earnings per share attributable to ordinary owners of the parent				
Basic		12.6p		0.4p
Diluted		12.5p		0.4p

In order to aid understanding of underlying business performance, the Directors have presented underlying results before the effect of exceptional and other items. These exceptional and other items are analysed in note 3.

Animalcare Group plc

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June		For the year ended 31 December
	2018 £'000	2017 £'000	2017 £'000
Net profit for the period	**57**	1,032	184
Other comprehensive income			
Cumulative translation differences *	**(20)**	648	664
Other comprehensive income, net of tax	**(20)**	648	664
Total comprehensive income for the period, net of tax	**37**	1,680	848
Total comprehensive income attributable to:			
The owners of the parent	**37**	1,680	848

* May be reclassified subsequently to profit & loss

Animalcare Group plc

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2018 £'000	30 June 2017 £'000	31 December 2017 £'000
Assets				
Non-current assets				
Goodwill		**51,294**	10,273	51,413
Intangible assets		**51,866**	20,780	54,037
Property, plant & equipment		**564**	669	825
Deferred tax assets		**2,158**	1,408	1,603
Other financial assets		**58**	76	72
Total non-current assets		**105,940**	33,206	107,950
Current assets				
Inventories		**15,536**	15,807	16,795
Trade receivables		**12,612**	11,822	16,680
Available-for-sale financial assets		**–**	470	464
Other current assets		**1,453**	821	1,934
Cash and cash equivalents		**7,719**	2,127	7,579
Assets classified as Held for Sale	8	**4,853**	–	–
Total current assets		**42,173**	31,047	43,452
Total assets		**148,113**	64,253	151,402
Liabilities				
Current liabilities				
Borrowings		**(360)**	(637)	(633)
Trade payables		**(10,038)**	(13,145)	(14,128)
Tax payables		**(2,442)**	(1,269)	(2,741)
Accrued charges & deferred income		**(1,931)**	(518)	(2,116)
Other current liabilities		**(1,144)**	(2,089)	(1,980)
Liabilities associated with assets classified as held for sale	8	**(1,926)**	–	–
Total current liabilities		**(17,841)**	(17,658)	(21,598)
Non-current liabilities				
Borrowings		**(33,343)**	(24,594)	(32,854)
Deferred tax liabilities		**(6,224)**	(275)	(6,454)
Deferred income		**(813)**	–	(780)
Provisions		**(72)**	(191)	(72)
Total non-current liabilities		**(40,452)**	(25,060)	(40,160)
Total Liabilities		**(58,293)**	(42,718)	(61,758)
Net Assets		**89,820**	21,535	89,644
Equity				
Share capital		**12,004**	4,244	11,983
Share premium		**132,678**	6,687	132,588
Reverse acquisition reserve		**(56,762)**	5,146	(56,762)
Retained earnings		**(1,262)**	2,290	(1,347)
Other reserves		**3,160**	3,166	3,180
Equity attributable to the owners of the parent		**89,818**	21,533	89,642
Non-controlling interest		**2**	2	2
Total equity		**89,820**	21,535	89,644

Animalcare Group plc

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Attributable to the owners of the parents							
	Share capital £'000	Share premium £'000	Retained earnings £'000	Reverse acquisition reserve £'000	Other reserve £'000	Total £'000	Non-controlling interest £'000	**Total equity £'000**
At 1 January 2017	4,244	6,687	1,258	5,146	2,518	19,853	2	**19,855**
Net profit	–	–	1,032	–	–	1,032	–	**1,032**
Other comprehensive income	–	–	–	–	648	648	–	**648**
Total comprehensive income	–	–	1,032	–	648	1,680	–	**1,680**
At 30 June 2017	**4,244**	**6,687**	**2,290**	**5,146**	**3,166**	**21,533**	**2**	**21,535**

	Attributable to the owners of the parents							
£'000	Share capital £'000	Share premium £'000	Retained earnings £'000	Reverse acquisition reserve £'000	Other reserve £'000	Total £'000	Non-controlling interest £'000	**Total equity £'000**
At 1 January 2017	4,244	6,687	1,258	5,146	2,518	19,853	2	**19,855**
Net profit	–	–	184	–	–	184	–	**184**
Other comprehensive income	–	–	–	–	662	662	–	**662**
Total comprehensive income	–	–	184	–	662	846	–	**846**
Dividends paid	–	–	(2,816)	–	–	(2,816)	–	**(2,816)**
Shares issued as consideration	5,750	94,880	–	–	–	100,630	–	**100,630**
Exercise of share options	275	3,953	–	–	–	4,228	–	**4,228**
Share issue cost	–	(1,218)	–	–	–	(1,218)	–	**(1,218)**
Arising on reverse acquisition	–	–	–	(61,908)	–	(61,908)	–	**(61,908)**
Issue of new shares	1,714	28,286	–	–	–	30,000	–	**30,000**
Share-based payments	–	–	27	–	–	27	–	**27**
At 31 December 2017	**11,983**	**132,588**	**(1,347)**	**(56,762)**	**3,180**	**89,642**	**2**	**89,644**

	Attributable to the owners of the parents							
£'000	Share capital £'000	Share premium £'000	Retained earnings £'000	Reverse acquisition reserve £'000	Other reserve £'000	Total £'000	Non-controlling interest £'000	Total equity £'000
At 1 January 2018	**11,983**	**132,588**	**(1,347)**	**(56,762)**	**3,180**	**89,642**	**2**	**89,644**
Net profit	**–**	**–**	**57**	**–**	**–**	**57**	**–**	**57**
Other comprehensive expense	**–**	**–**	**–**	**–**	**(20)**	**(20)**	**–**	**(20)**
Total comprehensive income / (expense)	**–**	**–**	**57**	**–**	**(20)**	**37**	**–**	**37**
Share-based payments	**–**	**–**	**28**	**–**	**–**	**28**	**–**	**28**
Share capital issued	**21**	**90**	**–**	**–**	**–**	**111**	**–**	**111**
At 30 June 2018	**12,004**	**132,678**	**(1,262)**	**(56,762)**	**3,160**	**89,818**	**2**	**89,820**

Animalcare Group plc

CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

		For the six months ended 30 June		For the year ended 31 December
		2018 £'000	2017 £'000	2017 £'000
Operating activities				
Profit before tax from continuing operations		**1,177**	1,247	377
Profit before tax from discontinued operations	8	**(683)**	96	167
Profit before tax		**494**	1,343	544
Adjustments for:				
Depreciation of property, plant & equipment		**180**	145	327
Amortisation of intangible assets		**3,961**	2,099	6,053
Share-based payment expense		**28**	–	27
Loss/(gain) on disposal of property, plant & equipment		**(1)**	2	2
Non-cash impairment on assets held for sale		**664**	–	–
Movement in allowance for bad debt and inventories		**234**	317	652
Financial income		**(238)**	(37)	(91)
Financial expense		**484**	324	747
Impact of foreign currencies		**–**	–	25
Other		**(9)**	(50)	(30)
Movements in working capital				
Decrease/(increase) in trade receivables		**1,938**	(356)	(2,079)
Increase in inventories		**(1,627)**	(2,460)	(1,359)
(Decrease)/increase in payables		**(3,618)**	1,598	(2,115)
Income tax paid		**(932)**	(190)	(278)
Net cash flow from operating activities		**1,558**	2,734	2,425
Investing activities				
Purchase of property, plant & equipment		**(147)**	(78)	(184)
Purchase of intangible assets		**(1,825)**	(969)	(2,379)
Proceeds from the sale of property, plant & equipment (net)		**4**	30	31
Payments to acquire subsidiaries		**–**	–	(33,145)
Cash and cash equivalents acquired under reverse acquisition		**–**	–	6,293
Sale/(purchase)of available for sale financial investments		**459**	(33)	(45)
Net cash flow used in investing activities		**(1,509)**	(1,050)	(29,429)

Animalcare Group plc

CONDENSED CONSOLIDATED CASH FLOW STATEMENTS CONTINUED

		For the six months ended 30 June		For the year ended 31 December
		2018 £'000	2017 £'000	2017 £'000
Financing activities				
Proceeds from loans & borrowings and convertible debt		**521**	43	8,298
Repayment of loans & borrowings		**(287)**	(319)	(649)
Receipts from issue of share capital		**111**	–	29,402
Dividends paid		**–**	–	(2,816)
Interest paid		**(356)**	(246)	(528)
Other financial expense		**110**	(40)	(129)
Net cash flow from financing activities		**99**	(562)	33,578
Net increase of cash & cash equivalents		**148**	1,122	6,574
Cash & cash equivalents at beginning of period		**7,579**	951	951
Exchange rate differences on cash & cash equivalents		**2**	54	54
Cash & cash equivalents reclassified as held for sale	8	**(10)**	–	–
Cash & cash equivalents at end of period		**7,719**	2,127	7,579
Reconciliation of net cash flow to movement in net debt				
Net increase in cash and cash equivalents in the period		**148**	1,122	6,574
Cash flow from (increase)/decrease in debt financing		**(234)**	276	(7,649)
Foreign exchange differences on cash and borrowings		**11**	(720)	(1,051)
Movement in net debt in the period		**(75)**	678	(2,126)
Net debt at the start of the period		**(25,908)**	(23,782)	(23,782)
Net debt reclassified as held for sale	8	**(1)**	–	–
Net debt at the end of the period		**(25,984)**	(23,104)	(25,908)

Animalcare Group plc

NOTES TO THE CONSOLIDATED INTERIM REPORT

1 General Information

Animalcare Group plc ("the Company") is a company incorporated in England and Wales under the Companies Act 2006 and is domiciled in the United Kingdom. The condensed consolidated financial information as at, and for, the six months ended 30th June 2018 comprises the Company and its subsidiaries (together referred to as the "Group"). The nature of the Group's operations and its principal activities are set out in the latest Annual Report.

2 Basis of preparation and significant accounting policies

Basis of preparation and accounting policies

The condensed consolidated financial information for each of the six month periods ended 30th June 2018 and 30th June 2017 has not been audited and does not constitute statutory accounts as defined in Section 435 of the Companies Act 2006. The comparative information for the year ended 31st December 2017 does not constitute statutory accounts however is based on the statutory accounts for that year, on which the Group's auditors issued an unqualified report and which have been filed with the Register of Companies.

The prior year comparatives represent the substance of the reverse acquisition and are those of Ecuphar NV. More detailed information was set out in the latest Annual Report on page 52.

The condensed consolidated financial information for the six months ended 30th June 2018 was approved by the Board of Directors and authorised for issue on 25th September 2018.

Except as described below, the condensed consolidated financial information for the six months ended 30th June 2018 has been prepared using accounting policies consistent with those of the Company's annual accounts for the year ended 31st December 2017 which were prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("adopted IFRSs"), and which will form the basis of the 2018 Annual Report.

Taxes on income in the interim periods are accrued using the estimated tax rate that would be applicable for the full financial year.

The following standards and amendments were adopted from 1st January 2018, the start of the new financial year. None of them have a material impact on the results of the Group:

- IFRS 9 "Financial Instruments" introduces new requirements for classification and measurement of financial assets and liabilities, impairment methodology and hedge accounts;
- IFRS 15 "Revenue from contracts with customers" provides a single, principles-based five-step model for measuring and recognising revenue arising from contracts with customers.

Restatement of comparative information – Six months ended 30 June 2017

On 4th September 2018, the Group announced and completed the disposal of its wholesaling business Medini NV registered in Belgium, Legeweg 157i, 8020 Oostkamp.

In accordance with IFRS 5, the income statement for the six months ended 30 June 2017 has been restated to show continuing operations separately from discontinued operations. Both continuing and discontinued operations were restated to include elements relating to transactions between entities which were previously eliminated in the consolidation as intra-group.

Going Concern

The principal risks and uncertainties facing the Group remain those set out in the latest Annual Report on pages 24 and 25.

For the purposes of their assessment of the appropriateness of the preparation of the condensed consolidated financial information on a going concern basis, the Directors have considered the current cash position and forecasts of future trading including working capital and investment requirements.

The Group meets its day-to-day general corporate and working capital requirements through existing cash and bank facilities.

The Group's forecasts and projections, taking account of reasonable possible changes in trading performance, show that the Group should be able to operate within the level of its current facilities for at least the next 12 months. Accordingly, the adoption of the going concern basis in preparing the condensed consolidated financial information remains appropriate.

Animalcare Group plc

NOTES TO THE CONSOLIDATED INTERIM REPORT CONTINUED

3 Non-Underlying items

	For the six months ended 30 June		For the year ended 31 December
£'000	**2018**	2017	2017 (Restated)
Amortisation of acquisition related intangibles			
Classified within Research and development expenses	**647**	143	751
Classified within General and administrative expenses	**2,387**	1,160	3,590
Total amortisation of acquisition related intangibles	**3,034**	1,303	4,341
Acquisition and integration costs	**156**	270	1,454
Fair value uplift of inventory acquired through reverse acquisition	**–**	–	401
Other non-underlying items	**563**	54	348
Total non-underlying items before taxes	**3,754**	1,627	6,544
Tax impact	**(809)**	(553)	(1,454)
Total non-underlying items after taxes from continuing operations	**2,945**	1,074	5,090
Other non-underlying items from discontinued operations	**55**	–	10
Impairment on disposal	**664**	–	–
Total non-underlying items after taxes	**3,664**	1,074	5,100

The amortisation charge of acquisition related intangibles largely relates to the Esteve acquisition £1,012k (31 December 2017: £2,017k; 30 June 2017: £991k) and the reverse acquisition of the Animalcare Group £1,838k (31 December 2017: £1,685k; 30 June 2017: £0k).

The impairment charge relating to discontinued operations of £664k represents the difference between the fair value of the consideration either received or receivable (as described in note 8) and the original book value of assets including allocated goodwill.

Animalcare Group plc

NOTES TO THE CONSOLIDATED INTERIM REPORT CONTINUED

4 Segment information – From continuing operations

For management purposes, the Group is organised into 2 segments: the Pharmaceuticals and the Wholesale segments. From 2018 onwards, the Group will only report one segment, being Pharmaceuticals, due to the sale of its Wholesaling business.

The Pharmaceutical segment is active in the development and marketing of innovative pharmaceutical products that provide significant benefits to animal health.

The Wholesale segment focussed on the sale of veterinary pharmaceuticals, supplies and instruments in the Belgian market and is presented under discontinued operations in the condensed consolidated interim financial information.

The measurement principles used by the Group in preparing this segment reporting are also the basis for segment performance assessment. The Board of Directors of the Group acts as the Chief Operating Decision Maker. As a performance indicator, the Chief Operating Decision Maker controls performance by the Group's revenue, gross margin, Underlying EBITDA and EBITDA. EBITDA is defined by the Group as net profit plus finance expenses, less financial income, plus income taxes and deferred taxes, plus depreciation, amortisation and impairment. Underlying EBITDA equals EBITDA plus non-underlying items.

The following table summarises the segment reporting from continuing operations for each of the reportable periods. As management's controlling instrument is mainly revenue-based, the reporting information does not include assets and liabilities by segment and is as such not presented per segment.

£'000	Pharma	Wholesale	Total segments	Adjustments & eliminations	Consolidated
For the six months ended 30 June 2018					
Revenues	**36,057**	**–**	**36,057**	**–**	**36,057**
Gross Margin	**19,281**	**–**	**19,281**	**–**	**19,281**
Gross Margin %	**53%**	**–**	**53%**	**–**	**53%**
Segment underlying EBITDA	**6,227**	**–**	**6,227**	**–**	**6,227**
Segment underlying EBITDA %	**17%**	**–**	**17%**	**–**	**17%**
Segment EBITDA	**5,508**	**–**	**5,508**	**–**	**5,508**
Segment EBITDA %	**15%**	**–**	**15%**	**–**	**15%**
For the six months ended 30 June 2017					
Revenues	26,265	–	26,265	–	26,265
Gross Margin	13,984	–	13,984	–	13,984
Gross Margin %	53%	–	53%	–	53%
Segment underlying EBITDA	4,026	–	4,026	–	4,026
Segment underlying EBITDA %	15%	–	15%	–	15%
Segment EBITDA	3,703	–	3,703	–	3,703
Segment EBITDA %	14%	–	14%	–	14%
For the year ended 31 December 2017					
Revenues	62,291	–	62,291	–	62,291
Gross Margin	31,924	–	31,924	–	31,924
Gross Margin %	51%	–	51%	–	51%
Segment underlying EBITDA	9,698	–	9,698	–	9,698
Segment underlying EBITDA %	16%	–	16%	–	16%
Segment EBITDA	7,496	–	7,496	–	7,496
Segment EBITDA %	12%	–	12%	–	12%

Animalcare Group plc

NOTES TO THE CONSOLIDATED INTERIM REPORT CONTINUED

4 Segment information – From continuing operations (continued)

Revenue by product category can be found below:

	For the six months ended 30 June		For the year ended 31 December
£'000	**2018**	2017	2017
Companion animals	**23,924**	14,563	33,670
Production animals	**9,270**	9,395	23,680
Horses	**2,821**	2,221	4,682
Petfood, Instrumentation and Services	**42**	86	259
Total	**36,057**	26,265	62,291

A geographical analysis of revenue is provided below:

	For the six months ended 30 June		For the year ended 31 December
£'000	**2018**	2017	2017
Belgium	**3,801**	3,704	8,781
The Netherlands	**716**	471	1,142
United Kingdom	**8,879**	1,365	9,459
Germany	**5,052**	4,156	8,907
Spain	**9,953**	10,624	20,909
Italy	**2,500**	2,007	4,458
Portugal	**2,549**	2,372	4,514
European Union – other	**2,145**	1,229	3,254
Asia	**197**	159	471
Middle East Africa	**22**	23	45
Other	**243**	155	351
Total	**36,057**	26,265	62,291

Animalcare Group plc

NOTES TO THE CONSOLIDATED INTERIM REPORT CONTINUED

5 Earnings per share

Basic earnings per share amounts are calculated by dividing the net profit for the period attributable to ordinary equity holders of the parent company by the weighted average number of ordinary shares outstanding during the year.

The weighted average number of ordinary shares outstanding during the first half of 2017 has been calculated by multiplying the existing Ecuphar NV ordinary shares of 13,957,720 by the merger ratio of 63:37 Ecuphar/Animalcare (after taking into account dilution from the exercise of certain Animalcare share incentive arrangements) giving a total adjusted weighted average of 23,765,858 shares.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holder of the parent company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all potential dilutive ordinary shares.

The following income and share data was used in the earnings per share computations:

	For the six months ended 30 June				For the year ended 31 December	
£'000	**Underlying 2018**	Underlying 2017	**Total 2018**	Total 2017	Underlying 2017	Total 2017
Net profit attributable to ordinary equity holders of the parent for basic earnings	**3,720**	2,105	**57**	1,032	5,284	184
Dilutive effects	**–**	–	**–**	–	–	–
Net profit attributable to ordinary equity holders of the parent adjusted for the effect of dilution	**3,720**	2,105	**57**	1,032	5,284	184

	For the six months ended 30 June				For the year ended 31 December	
	Underlying 2018	Underlying 2017	**Total 2018**	Total 2017	Underlying 2017	Total 2017
Weighted average number of ordinary shares for basic earnings per share	**59,986,095**	23,765,848	**59,986,095**	23,765,858	41,998,692	41,998,692
Effect of dilution:						
Dilutive potential ordinary shares	**43,241**	–	**43,241**	–	178,191	178,191
Weighted average number of ordinary shares adjusted for effect of dilution	**60,029,336**	23,765,848	**60,029,336**	23,765,858	42,176,883	42,176,883

Earnings per share are as follows:

	For the six months ended 30 June				For the year ended 31 December	
	Underlying 2018	Underlying 2017	**Total 2018**	Total 2017	Underlying 2017	Total 2017
Earnings per share attributable to ordinary owners of the parent						
Basic	**6.2p**	8.9p	**0.1p**	4.3p	12.6p	0.4p
Diluted	**6.2p**	8.9p	**0.1p**	4.3p	12.5p	0.4p

6 Dividends

The final dividend for the year ended 31st December 2017 of 2.0 pence per share was paid by the Company on 6th July 2018 hence the cash out is not included in the results for the six months ended 30th June 2018.

The directors have declared an interim dividend of 2.0 pence per share (2017: 4.7 pence per share) costing £1.2m (31 December 2017: £2,815k). It is payable on 23rd November 2018 to shareholders whose names are on the Register of Members at close of business on 26th October 2018. The ordinary shares will become ex-dividend on 25th October 2018.

As the dividend was declared after the end of the period being reported, it has not been included as a liability as at 30th June 2018 in accordance with IAS 10 'Events after the Balance Sheet date'.

Animalcare Group plc

NOTES TO THE CONSOLIDATED INTERIM REPORT CONTINUED

7 Related party transactions

There have been no new related party transactions that have taken place in the six months ended 30th June 2018.

8 Subsequent events

On 4th September 2018, the Group announced and completed the disposal of its Wholesaling business Medini NV registered in Belgium, Legeweg 157i, 8020 Oostkamp.

The Group is expected to recognise an impairment loss including expenses in relation to the disposal of approximately £0.7 million during the year ending 31st December 2018 which has been largely reflected in this interim financial information as shown in note 3. This is based on the total estimated consideration of £2.7 million and unaudited net asset value of £3.4 million, excluding intercompany debt, based on information as at 3rd of September 2018. The Group has received an initial cash consideration of £0.33 million together with a further £1.72 million in respect of intercompany loan balances due from the Wholesale Division to other Animalcare group companies. A further £0.37 million is payable to on 30th June 2019 in relation to the remaining intercompany balance owed. The balance of approximately £0.23 million is subject to achieving specific revenue targets between 1st July 2019 and 30th June 2020 and payable in July 2020.

In accordance with IFRS 5, the income statement for both the six months ended 30 June 2017 and the twelve months ended 31 December 2017 have been restated to show continuing operations separately from discontinued operations. Both continuing and discontinued operations were restated to include elements relating to transactions between entities which were previously eliminated in the consolidation as intra-group. The effect of including these elements is shown as consolidation adjustments.

For the six months ended 30 June 2018:

£'000	Continuing operations 2018	Discontinued operations 2018	Consolidation adjustments 2018	Total continuing and discontinued operations 2018
Revenue	36,057	12,429	(718)	47,769
Cost of sales	(16,766)	(11,232)	689	(27,309)
Gross Profit	**19,291**	**1,197**	**(29)**	**20,459**
Research and development expenses	(2,245)	–	–	(2,245)
Selling and marketing expenses	(6,591)	(833)	46	(7,378)
General and administrative expenses	(8,361)	(290)	(18)	(8,669)
Net other operating income / (expenses)	(693)	(736)	1	(1,427)
Operating profit/(loss)	**1,402**	**(662)**	**–**	**740**
Financial expenses	(475)	(29)	20	(484)
Financial income	250	7	(20)	238
Profit/(loss) before tax	**1,177**	**(683)**	**–**	**494**
Income tax	(437)	–	–	(437)
Net profit/(loss)	**740**	**(683)**	**–**	**57**

Animalcare Group plc

NOTES TO THE CONSOLIDATED INTERIM REPORT CONTINUED

8 Subsequent events (continued)

For the six months ended 30 June 2017:

£'000	Continuing operations 2017	Discontinued operations 2017	Consolidation adjustments 2017	As reported last year 2017
Revenue	26,265	11,758	(1,041)	36,982
Cost of sales	(12,281)	(10,585)	993	(21,872)
Gross Profit	**13,984**	**1,173**	**(48)**	**15,110**
Research and development expenses	(1,110)	–	–	(1,110)
Selling and marketing expenses	(5,355)	(762)	16	(6,101)
General and administrative expenses	(5,685)	(313)	42	(5,956)
Net other operating income / (expenses)	(304)	1	(10)	(313)
Operating profit/(loss)	**1,530**	**99**	**–**	**1,630**
Financial expenses	(317)	(13)	6	(324)
Financial income	33	10	(6)	37
Profit/(loss) before tax	**1,247**	**96**	**–**	**1,343**
Income tax	(273)	(38)	–	(311)
Net profit/(loss)	**974**	**58**	**–**	**1,032**

For the year ended 31 December 2017:

£'000	Continuing operations 2017	Discontinued operations 2017	Consolidation adjustments 2017	As reported last year 2017
Revenue	62,291	23,938	(2,553)	83,676
Cost of sales	(30,367)	(21,523)	2,477	(49,413)
Gross Profit	**31,924**	**2,415**	**(76)**	**34,263**
Research and development expenses	(2,799)	–	–	(2,799)
Selling and marketing expenses	(12,592)	(1,594)	88	(14,098)
General and administrative expenses	(13,805)	(625)	26	(14,404)
Net other operating income / (expenses)	(1,713)	(12)	(38)	(1,762)
Operating profit/(loss)	**1,016**	**184**	**–**	**1,200**
Financial expenses	(735)	(30)	18	(747)
Financial income	96	13	(18)	91
Profit/(loss) before tax	**377**	**167**	**–**	**544**
Income tax	(292)	(68)	–	(360)
Net profit/(loss)	**85**	**99**	**–**	**184**

Animalcare Group plc

NOTES TO THE CONSOLIDATED INTERIM REPORT CONTINUED

8 Subsequent events (continued)

The net cash flow by discontinued operations can be found below:

£'000	For the six months ended 30 June 2018	For the six months ended 30 June 2017	For the year ended 31 December 2017
Net cash flow from operating activities	**133**	24	107
Net cash flow used in investing activities	**(94)**	(19)	(83)
Net cash flow from financing activities	**(28)**	(9)	(30)
Net increase of cash & cash equivalents	**11**	(4)	(6)

The major classes of assets and liabilities of the Wholesaling business at the end of the reporting period are as follows:

£'000	30th June 2018
Assets	
Non-current assets	
Goodwill	**105**
Intangible assets	**2**
Property, plant & equipment	**243**
Total non-current assets	**350**
Current assets	
Inventories	**2,649**
Trade receivables	**2,431**
Other current assets	**77**
Cash and cash equivalents	**10**
Total current assets	**5,167**
Allowance for reduction of assets held for sale	**(664)**
Total assets classified as held for sale	**4,853**
Liabilities	
Current liabilities	
Borrowings	**(9)**
Trade payables	**(1,681)**
Tax payables	**(53)**
Accrued charges & deferred income	**(11)**
Other current liabilities	**(167)**
Total current liabilities	**(1,921)**
Non-current liabilities	
Deferred tax liabilities	**(5)**
Total non-current liabilities	**(5)**
Liabilities associated with assets classified as held for sale	**(1,926)**
Total net assets	**2,927**

Animalcare Group plc

NOTES TO THE CONSOLIDATED INTERIM REPORT CONTINUED

9 Cautionary statement

This Interim Management Report ("IMR") consists of the Chairman's Statement and the Business Review, which have been prepared solely to provide additional information to shareholders to assess the Group's strategies and the potential for those strategies to succeed. The IMR should not be relied upon by any other party or for any other purpose.

The IMR contains a number of forward looking statements. These statements are made by the Directors in good faith based upon the information available to them up to the time of their approval of this report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward looking information.

This IMR has been prepared for the Group as a whole and therefore emphasises those matters which are significant to Animalcare Group plc and its subsidiaries when viewed as a whole.

10 Interim report

The Group's Interim Report for the six months ended 30th June 2018 was approved and authorised for issue on 25th September 2018. Copies will be available to download on the Company's website at: www.animalcaregroup.co.uk.