Financial Review

Paul Sandland | Chief Financial Officer

"The Group delivered excellent year on year organic revenue and profit growth supplemented by the product acquisitions of *Mirataz* and *Osurnia*."

Glossary

IFRSs: International Financial Reporting Standards as adopted by the EU

CER: Constant Exchange Rates

AER: Actual Exchange Rates

CAP: Companion Animal Products

FAP: Food producing Animal Products

bps: basis points

Cash Conversion: cash generated from operating activities before interest and taxation as a percentage of underlying operating profit

Net Debt: cash and cash equivalents less borrowings and lease liabilities

Working Capital: inventory plus trade and other receivables less trade and other payables

Overview of Reported Financial Results

To assist with understanding our reported financial performance, the consolidated results below are split between existing and acquired businesses; acquisition includes the incremental effect of those businesses acquired in the current and prior year, reported on a 'like-for-like' basis. Additionally, the following table shows the growth at both reported actual exchange rates (AER), and constant exchange rates (CER) to identify the impact of foreign exchange movements. The acquisition operating loss includes underlying operating profit of £12.3 million and non-underlying charges of £14.9 million. These non-underlying charges comprise amortisation of acquired intangibles of £13.6 million and acquisition costs of £1.3 million.

Including non-underlying items, the Group's consolidated operating profit increased by 63.0% at CER (60.9% at AER) whilst consolidated profit before tax increased by 81.4% at CER (80.9% at AER), benefiting from a reduction in net finance costs. Diluted EPS growth was restricted to 56.1% at CER (55.8% at AER) primarily reflecting the impact of the increase in the Netherlands and UK tax rates on deferred tax balances.

As Reported	2021 Existing £m	2021 Acquisition £m	2021 Consolidated £m	2020 £m	Growth at AER Consolidated %	*Growth at CER Consolidated %*
Revenue	584.0	24.0	608.0	515.1	18.0%	*21.0%*
Gross profit	331.6	14.3	345.9	291.6	18.6%	*21.3%*
Gross profit %	56.8%	59.6%	56.9%	56.6%	30bps	*20bps*
Operating profit/(loss)	86.6	(2.6)	84.0	52.2	60.9%	*63.0%*
EBIT %	14.8%	(10.8%)	13.8%	10.1%	370bps	*360bps*
Profit/(loss) before tax	77.1	(3.1)	74.0	40.9	80.9%	*81.4%*
Diluted EPS (p)			51.03	32.76	55.8%	*56.1%*

Overview of Underlying Financial Results

When presenting our financial results, we use a number of adjusted measures which are considered by the Board and management in reporting, planning and decision making. Underlying results reflect the Group's trading performance excluding non-underlying items. A reconciliation of underlying results to reported results in the year to 30 June 2021 is provided in the table below. In the commentary which follows, all references will be to CER movement unless otherwise stated.

		Non-underlying Items			
	2021 Underlying Results £m	Amortisation and related costs of acquired intangibles £m	Acquisition, impairments and restructuring costs £m	Tax rate changes and finance expenses £m	2021 Reported Results £m
Revenue	608.0	–	–	–	608.0
Gross profit	345.9	–	–	–	345.9
Selling, general and administrative expenses	(151.3)	(70.8)	(3.0)	–	(225.1)
R&D expenses	(32.4)	(4.4)	–	–	(36.8)
Operating profit	162.2	(75.2)	(3.0)	–	84.0
Net finance costs	(11.7)	–	–	2.8	(8.9)
Share of associate profit	(0.4)	(0.7)	–	–	(1.1)
Profit before tax	150.1	(75.9)	(3.0)	2.8	74.0
Taxation	(32.5)	16.5	2.7	(5.2)	(18.5)
Profit after tax	117.6	(59.4)	(0.3)	(2.4)	55.5
Diluted EPS (p)	108.14				51.03

In the year, Dechra delivered consolidated revenue of £608.0 million, representing an increase of 21.0% on the prior year. This included £584.0 million from its existing business, an increase of 16.2%, and a £24.0 million contribution from acquired businesses.

Consolidated underlying operating profit of £162.2 million represents a 29.2% increase on the prior year. This included £149.9 million from Dechra's existing business, an increase of 19.5% on a like-for-like basis, and a £12.3 million contribution from acquired businesses.

Underlying EBIT margin increased by 170 bps to 26.7%, principally due to leverage from the acquisitions and also a reduction in Selling, General and Administrative expenses (SG&A) spend as a percentage of revenue.

Underlying diluted EPS grew by 19.4% to 108.14 pence reflecting the profit growth from the existing and acquired businesses offset by higher net finance costs, tax charges and the full year impact of the equity placing in June 2020.

A more detailed explanation of our non-underlying items is detailed further in this Financial Review.

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Underlying	2021 Existing £m	2021 Acquisition £m	2021 Consolidated £m	2020 £m	Growth at CER Existing %	Growth at CER Consolidated %
Revenue	584.0	24.0	608.0	515.1	16.2%	21.0%
Gross profit	331.6	14.3	345.9	291.6	16.3%	21.3%
Gross profit %	56.8%	59.6%	56.9%	56.6%	10bps	20bps
Underlying Operating profit	149.9	12.3	162.2	128.3	19.5%	29.2%
Underlying EBIT %	25.7%	51.3%	26.7%	24.9%	70bps	170bps
Underlying EBITDA	165.3	12.4	177.7	142.5	18.6%	27.4%
Underlying Diluted EPS (p)			108.14	92.19		19.4%
Dividend per share (p)			40.50	34.29		18.1%

Reported Segmental Performance

Reported segmental performance is presented in note 2 on pages 175 to 176. The effect of acquisitions in the year was material; the reported segmental performance is analysed between existing and acquired businesses, and at AER and CER in the table below. The acquisition elements capture the additional base business coming into the Group up to the first anniversary of their acquisition, including the growth Dechra generated in them during the year, and the synergies that have already been realised by the Group since acquisition. This analysis becomes less definitive the further in time from the completion of the acquisition, as the acquired business is progressively integrated with the existing business.

Reported	2021 Existing £m	2021 Acquisition £m	2021 Consolidated £m	2020 £m	Growth at AER Existing %	Growth at AER Consolidated %	Growth at CER Existing %	Growth at CER Consolidated %
Revenue by segment								
EU Pharmaceuticals	374.4	14.1	388.5	323.5	15.7%	20.1%	15.9%	20.2%
NA Pharmaceuticals	209.6	9.9	219.5	191.6	9.4%	14.6%	16.7%	22.2%
Total	584.0	24.0	608.0	515.1	13.4%	18.0%	16.2%	21.0%
Operating profit/(loss) by segment								
EU Pharmaceuticals	120.2	7.6	127.8	100.0	20.2%	27.8%	19.4%	26.9%
NA Pharmaceuticals	71.2	4.7	75.9	63.7	11.8%	19.2%	19.6%	27.5%
Pharmaceuticals Research and Development	(32.4)	–	(32.4)	(28.4)	(14.1%)	(14.1%)	(17.3%)	(17.3%)
Segment operating profit	159.0	12.3	171.3	135.3	17.5%	26.6%	20.0%	29.2%
Corporate and unallocated costs	(9.1)	–	(9.1)	(7.0)	(30.0%)	(30.0%)	(28.6%)	(28.6%)
Underlying operating profit	149.9	12.3	162.2	128.3	16.8%	26.4%	19.5%	29.2%
Non-underlying operating items	(63.3)	(14.9)	(78.2)	(76.1)				
Reported operating profit	86.6	(2.6)	84.0	52.2	65.9%	60.9%	67.6%	63.0%

Underlying Segmental Performance

European Pharmaceuticals

Revenue in European (EU) Pharmaceuticals grew by 20.2%. The existing business grew by 15.9%; excluding third party contract manufacturing, which is being reduced in line with our strategy and replaced with own product manufacturing, revenues increased by 16.7%. This growth was driven by a strong performance across all established European markets and also in the key International businesses in ANZ and Brazil. The acquisitions of *Mirataz* and *Osurnia* contributed a combined £14.1 million to revenue for the Period where there is no comparative.

Operating Profit from existing business increased by 19.4%, with operating margin increasing to 32.1% and consolidated operating margin increasing to 32.9%. This improvement was due to strong in market delivery as the demand for CAP products increased, whilst the rate of SG&A spend was lower as a result of COVID-19.

Underlying	2021 Existing £m	2021 Acquisition £m	2021 Consolidated £m	2020 £m	*Growth at CER* *Existing* *%*	*Growth at CER* *Consolidated* *%*
Revenue	374.4	14.1	388.5	323.5	*15.9%*	*20.2%*
Operating Profit	120.2	7.6	127.8	100.0	*19.4%*	*26.9%*
Operating Profit %	32.1%	53.9%	32.9%	30.9%	*90bps*	*170bps*

North American Pharmaceuticals

Revenue from North American (NA) Pharmaceuticals grew by 22.2% to £219.5 million. The existing business grew by 16.7% reflecting strong demand for our CAP products in the US, Canada and Mexico. The acquisitions of *Osurnia* and *Mirataz* added £9.9 million to revenue for the period.

Operating Profit from existing business grew 19.6% with operating margin increasing to 34.0% and consolidated operating margin increasing to 34.6%.

Underlying	2021 Existing £m	2021 Acquisition £m	2021 Consolidated £m	2020 £m	*Growth at CER* *Existing* *%*	*Growth at CER* *Consolidated* *%*
Revenue	209.6	9.9	219.5	191.6	*16.7%*	*22.2%*
Operating Profit	71.2	4.7	75.9	63.7	*19.6%*	*27.5%*
Operating Profit %	34.0%	47.5%	34.6%	33.2%	*90bps*	*150bps*

Pharmaceuticals Research and Development

Pharmaceuticals Research and Development (R&D) expenses increased by 17.3% from £28.4 million to £32.4 million representing 5.5% of existing revenue with some project spend being delayed due to COVID-19. This spend included £3.9 million in relation to Akston which remains on track for launch in 2026.

	2021 Existing £m	2021 Acquisition £m	2021 Consolidated £m	2020 £m	*Growth at CER* *Existing* *%*	*Growth at CER* *Consolidated* *%*
R&D expenses	(32.4)	–	(32.4)	(28.4)	*(17.3%)*	*(17.3%)*
% of Revenue	5.5%	–	5.3%	5.5%		

Research and Development Spend

£32.4m

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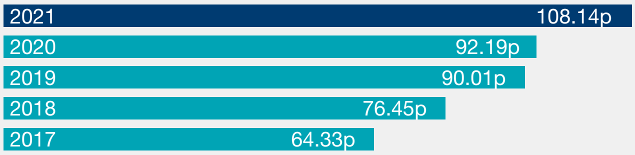
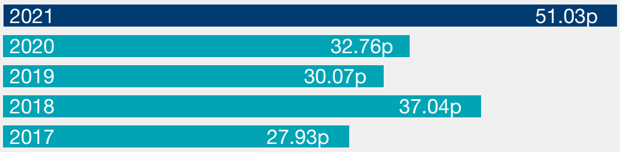
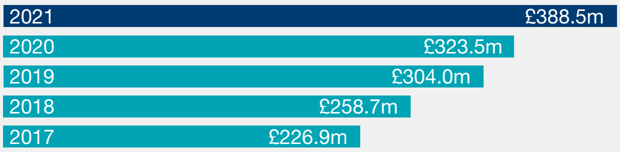
Underlying Diluted Earnings Per Share
108.14p



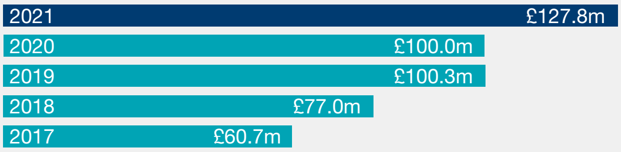
Reported Diluted Earnings Per Share
51.03p



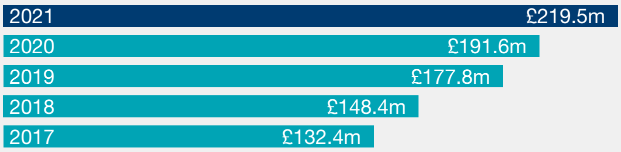
EU Pharmaceuticals Revenue
£388.5m



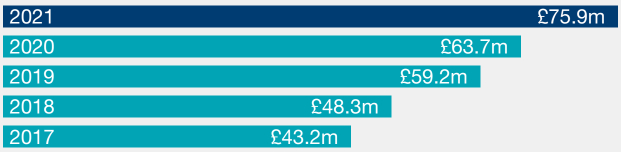
EU Pharmaceuticals Underlying Operating Profit
£127.8m



NA Pharmaceuticals Revenue
£219.5m



NA Pharmaceuticals Underlying Operating Profit
£75.9m



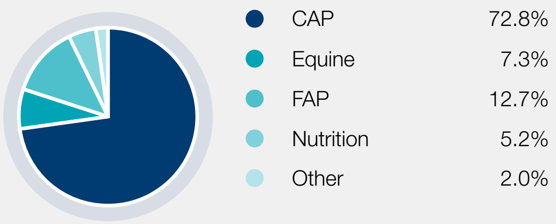
Revenue by Product Category

CAP revenue continues to be the largest proportion of Dechra's business at 72.8%, up from 70.1% in the prior year. CAP grew 25.9% in the year from market penetration, product launches and the additions of *Osurnia* and *Mirataz*. Equine revenue grew by 25.5% in the year with all key portfolio products performing well. FAP revenue growth slowed to 4.7% with demand in some of our markets impacted by COVID-19 restrictions, African Swine Fever and Avian Influenza. Nutrition revenue improved by 9.4% on the prior year reflecting the execution of our strategy with key customers in our key markets.

Other revenue reduced by 8.1% to £11.9 million, now representing only 2.0% of the business as we continue our planned exit from third party contract manufacturing in line with our manufacturing strategy, to improve the production efficiency of Dechra's own products.

	2021 £m	2020 £m	% Change at AER	**% Change at CER**
CAP	**442.6**	361.6	22.4%	***25.9%***
Equine	**44.8**	36.4	23.1%	***25.5%***
FAP	**77.0**	74.8	2.9%	***4.7%***
Subtotal Pharmaceutical	**564.4**	472.8	19.4%	***22.5%***
Nutrition	**31.7**	28.6	10.8%	***9.4%***
Other	**11.9**	13.7	(13.1%)	***(8.1%)***
Total	**608.0**	515.1	18.0%	***21.0%***

Revenue by Product Category (at AER)



Gross Profit

Gross Profit for the existing business increased by 10 bps to 56.8% and the consolidated Gross Profit increased by 20 bps to 56.9%, reflecting the greater proportion of CAP sales.

Underlying Selling, General and Administrative Expenses (SG&A)

SG&A costs grew from £134.9 million in the prior year to £151.3 million in the current year, an increase of 12.2% (at AER). This growth principally represents investment in our people costs following the review of compensation across the Group, higher delivery of bonus targets and increased related bonus payments and additional cost incurred as a result of improved vesting conditions across the Group's employee share schemes. Despite these increases, the Group did benefit from lower than expected SG&A costs as a result of COVID-19, particularly in relation to sales and marketing activities and travel and entertainment.

Non-underlying Items

Non-underlying items incurred in the year are fully described in note 5 on page 178. In summary, they relate to the following:

- Amortisation of acquired intangibles of £75.2 million: the amortisation of the acquired intangibles has increased from £69.6 million in 2020 principally due to new charges relating to the *Osurnia* and *Mirataz* acquisitions and a reducing charge from the AST Farma and Le Vet acquisition;
- Expenses relating to acquisition and subsequent integration activities of £1.4 million (2020: £4.3 million): this includes the transaction and integration costs associated with the acquisitions made in recent years and principally relates to *Osurnia* acquisition costs;
- Rationalisation of manufacturing organisation of £1.6 million (2020: £2.2 million): this comprises the final costs associated with this strategic programme which has now been concluded;
- Finance credit of £2.8 million (2020: charge of £2.5 million): this represents the net credit arising on the unwind of the discount relating to the contingent consideration liability and associated foreign exchange gain; and
- Taxation credit of £14.0 million (2020: £17.7 million): this represents the tax impact of the above items (£16.6 million), as well as the revaluation of deferred tax balance sheet items (£4.8 million charge) following changes in corporate tax rates, including a further revision to the Netherlands rate (which will now remain at 25%) and the UK rate which will increase to 25% in 2023, offset by the release of certain fair value provisions relating to previous acquisitions (£2.2 million).

Taxation

The reported effective tax rate (ETR) for the year is 25.0% (2020: 17.1%) and includes the one-off impact of the substantively enacted increase in corporate tax rates in the Netherlands (from 21.7% to 25%) and the UK (from 19% to 25% effective 1 April 2023) on deferred tax balances. On an underlying basis the ETR is 21.7% (2020: 20.6%); the main differences to the UK corporation tax rate applicable of 19.0% (2020: 19.0%) relate to differences in overseas tax rates and non-deductible expenses offset by patent box allowances.

The underlying ETR is expected to increase to within a range of 22.5% to 23% in the current year, due to a reduction in the patent box allowance following the expiry of certain patents.

We continue to monitor relevant tax legislation internationally as it may affect our future ETR.

Reported Profit

Reported profit before tax increased by 80.9% at AER reflecting the reported operating profit growth of 60.9% at AER and the reduction in net finance costs which include a foreign exchange gain on the remeasurement of the contingent consideration liability.

Earnings per Share and Dividend

Underlying diluted EPS for the year was 108.14 pence, a 19.4% growth on the prior year reflecting the underlying EBIT growth of 29.2% offset by higher net finance costs and the full year impact of the equity placing in June 2020. The weighted average number of shares for the year was 108.8 million (2020: 103.5 million).

The reported diluted EPS for the year was 51.03 pence (2020: 32.76 pence). This represents an increase of 55.8% (at AER) in reported EPS which is lower than the reported EBIT growth of 60.9% (at AER) and reflects an increase in the reported tax charge due to the impact of the revaluation of deferred tax balances for the Netherlands and the UK, as noted above.

The Board is proposing a final dividend of 29.39 pence per share (2020: 24.00 pence), added to the interim dividend of 11.11 pence, the total dividend per share for the year ended 30 June 2021 is 40.50 pence. This represents 18.1% growth over the prior year. Dividend cover based on underlying diluted EPS is 2.7 times (2020: 2.7 times). The Board continues to operate a progressive dividend policy, recognising investment opportunities as they arise.

Currency Exposure

The average rate for £/€ decreased by 1.0%, and the £/$ rate increased by 6.9% during the financial year. The effect in the Consolidated Income Statement and Statement of Financial Position is analysed in the above paragraphs of this review between performance at AER and CER. CER analysis compares the performance of the business on a like-for-like basis applying constant exchange rates.

	Average rates		
	2021	2020	***% Change***
£/€	1.1287	1.1396	***(1.0%)***
£/$	1.3466	1.2601	***6.9%***

Currency Sensitivity

Euro €: a 1% variation in the £/€ exchange rate affects underlying diluted EPS by approximately +/- 0.4%.

US Dollar $: a 1% variation in the £/$ exchange rate affects underlying diluted EPS by approximately +/- 0.4%.

Current exchange rates are £/€ 1.1646 and £/$ 1.3763 as at 1 September 2021. If these rates had applied throughout the year, the underlying diluted EPS would have been approximately 2.5% lower.

Statement of Financial Position

The Statement of Financial Position is summarised in the table below.

- Non-current assets (excluding deferred tax) increased from £786.0 million to £819.9 million and includes the intangible assets recognised on the acquisitions of *Osurnia* and the marketing rights for Tri-Solfen® in ANZ, partly offset by amortisation of acquired intangibles.
- Working capital has increased from £116.5 million to £142.7 million (£26.2 million at AER, £36.0 million cash flow impact) mainly due to an increase in inventory due to the growth of the Group, including stockholdings for *Osurnia* and *Mirataz*, and also to maintain service levels during a period of uncertainty.
- Net debt has increased in the year by £72.6 million from £127.6 million to £200.2 million; this includes cash generation from operations at £141.2 million, an outflow of £106.5 million relating to the acquisition of *Osurnia,* net capital expenditure of £19.8 million, interest/tax outflows of £51.6 million and £37.9 million in dividends. Exchange rate variations positively impacted the net debt position by £15.5 million.

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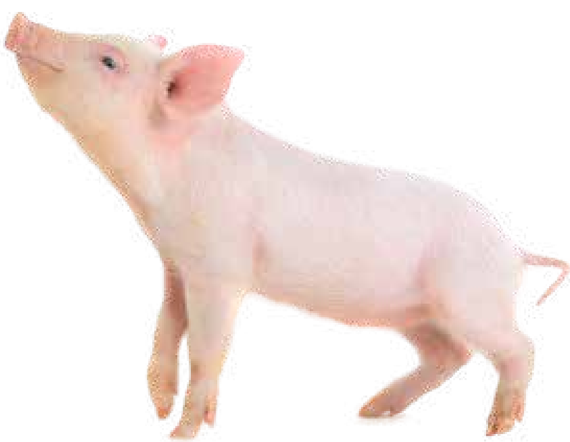
- Current and deferred tax has reduced from £78.7 million to £45.8 million principally due to the realisation of deferred tax liabilities relating to the amortisation of acquired intangibles.

	2021 £m	2020 £m
Non-current assets	819.9	786.0
Working capital	142.7	116.5
Net debt	(200.2)	(127.6)
Current and deferred tax	(45.8)	(78.7)
Other liabilities	(83.7)	(58.7)
Total net assets	632.9	637.5

Cash Flow, Financing and Liquidity

The Group enjoyed good cash generation during the year, with a strong Underlying EBITDA margin of 29.2% (2020: 27.7%). However, as mentioned above, working capital has increased by £36.0 million, mainly due to increases in inventory as a result of additional stock cover due to growth of the Group's trading activities, including the acquisitions of *Mirataz* and *Osurnia*. This resulted in net cash generated from operations of £141.2 million, representing cash conversion of 87.1% of underlying operating profit.

	2021 £m	2020 £m
Underlying operating profit	162.2	128.3
Depreciation and amortisation	15.5	14.2
Underlying EBITDA	177.7	142.5
Underlying EBITDA %	29.2%	27.7%
Working capital movement	(36.0)	(8.7)
Other	2.5	1.0
Cash generated from operations before interest, taxation and non-underlying items	144.2	134.8
Non-underlying items	(3.0)	(7.3)
Cash generated from operations before interest and taxation	141.2	127.5
Cash conversion (%)	87.1%	99.4%



Net Debt Bridge

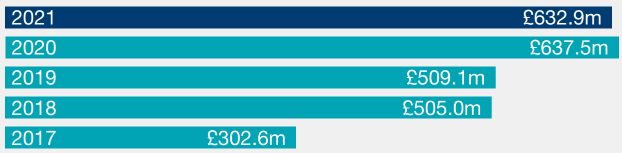
Notable cash items are listed below in the net debt reconciliation table:

- Net capital expenditure on tangible assets increased to £19.8 million (2020: £14.2 million), representing 1.8 times depreciation.
- Acquisitions of subsidiaries, intangible assets and investment in associates of £116.3 million includes the acquisition of *Osurnia* (£106.5 million), the additional investment in Medical Ethics (£0.8 million) and capitalised development expenditure including milestones on licensing arrangements. Further details are provided in notes 6 and 29.
- The net debt/underlying EBITDA leverage ratio per the borrowing facilities' leverage covenant, which includes the proforma adjustment to full year EBITDA for the acquisitions, was 1.1 times (2020: 0.8 times) versus a covenant of 3 times.

	£m
Net Debt 30 June 2020	(127.6)
Net cash generated from operations before non-underlying items	144.2
Non-underlying items	(3.0)
Net capital expenditure	(19.8)
Acquisition of intangible assets	(114.6)
Investment in associates	(0.8)
Acquisition of subsidiary	(0.9)
New lease liabilities	(5.8)
Interest and tax	(51.6)
Dividend paid	(37.9)
Other movements	2.3
Other non-cash movements	(0.2)
Foreign exchange on net debt	15.5
Net Debt 30 June 2021	(200.2)

Net Assets

£632.9m



Borrowing Facilities

As reported in preceding Annual Reports, the Group completed a refinancing and entered into a multi-currency facilities agreement in July 2017 (the Facility Agreement), with a group of banks comprising Bank of Ireland (UK) plc, BNP Paribas, Fifth Third Bank, HSBC Bank plc, Lloyds Bank plc (replaced by Credit Industriel et Commercial, London branch (CIC) in August 2019), Raiffeisen Bank International AG and Santander UK plc (the Banks). The Facility agreement has a revolving credit facility (the RCF) of £340.0 million, which is committed until July 2024.

In January 2020 the Group undertook a Private Placement raising €50.0 million and USD 100.0 million (under seven and ten year new senior secured notes respectively), the proceeds of which were used to repay existing debt. The placement achieved the Group's aims of diversifying the sources of debt financing and extending the debt maturity profile.

On 4 June 2020 the Group successfully completed a share placing of 5,132,500 new ordinary shares, representing approximately 5% of the existing issued share capital of the Company, at a price of 2600 pence per placing share, raising gross proceeds of £133.4 million which were largely deployed to fund the *Osurnia* acquisition upon its completion on 27 July 2020.

Covenants

There are two covenants governing the RCF and the Private Placement:

- Leverage: Net Debt to underlying EBITDA not greater than 3:1 for the RCF and 3.5:1 for the Private Placement (30 June 2021: 1.1:1); and
- Interest Cover: underlying EBITDA to Net Finance Charges not less than 4:1 (30 June 2021: 22.8:1).

The above ratios are calculated excluding the impact of IFRS16 and having adjusted for the pro-forma impact of acquisitions in accordance with the terms of the RCF and Private Placement arrangements.

The current RCF is committed and has a non-utilisation fee of 35.0% of the applicable margin. The margin over LIBOR (or equivalent) ranges from 1.3% for leverage below 1.0 times, up to 2.2% for leverage above 2.5 times.

The weighted average coupon of the Private Placement fixed rate notes will equate to 2.8%.

Return on Capital Employed (ROCE)

ROCE increased to 18.8% in the year (2020: 15.4%) reflecting the increased contribution from the Group's existing businesses.

Acquisitions

The Group has made several acquisitions in recent years. The incremental performance during the first year of ownership of the acquisitions made during the 2020 and 2021 financial years is separately summarised compared to the existing business in the sections above.

In July 2020, the Group completed the acquisition of the worldwide product rights to *Osurnia* from Elanco for consideration of £106.5 million. The addition of *Osurnia* significantly enhances the Dechra portfolio and complements the existing product offering to veterinarians. The acquisition was financed from the equity placing in June 2020.

In February 2021 the Group acquired the Australian and New Zealand marketing rights for Tri-Solfen® from Animal Ethics Pty Ltd, a related party, for a total consideration of £17.2 million with an upfront payment of £2.8 million made on signing and the balance paid on the first commercial sale by Dechra in July 2021. This acquisition allows us to create a meaningful FAP presence in these markets. The acquisition was financed from the Group's existing working capital resources.

In February 2021, the Group also acquired an additional 1.5% of the shares of Medical Ethics Pty Ltd for a consideration of £0.8 million. This takes the Dechra Group shareholding to 49.5%. The acquisition was financed from the Group's existing working capital resources.

Accounting Standards

The accounting policies adopted are outlined in note 1 to the Accounts. There are no accounting policy changes which have materially impacted the 2021 financial year.

Going Concern

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing these annual financial statements.

In reaching this conclusion, the Directors have given due regard to the following:

- The Group's business activities together with factors likely to impact the future growth and operating performance;
- The financial position of the Group, its cash flows, available debt facilities and compliance with the financial covenants associated with the Group's borrowings, which are described in the financial statements; and
- The cash generated from operations, available cash resources and committed bank facilities and their maturities, which taken together, provide confidence that the Group will be able to meet its obligations as they fall due.

As at 30 June 2021, the Group had net debt of £200.2 million (2020: net debt of £127.6 million), and had available cash balances and unutilised committed borrowing facilities of £281.9 million. Further information on available resources and committed bank facilities is provided in notes 18 and 21 to the financial statements.

Summary

Our business has benefited from strong market fundamentals which accelerated growth in our existing business. This excellent revenue performance has been facilitated by a much improved supply chain and supplemented by healthy incremental contributions from our global product acquisitions of *Mirataz* and *Osurnia*.

We have again increased our R&D expenditure and invested heavily in our people, although certain SG&A costs were lower in the year as a result of COVID-19.

The Group's balance sheet is strong, enabling us to continue to consider further relevant acquisition and investment opportunities as they arise.

Paul Sandland
Chief Financial Officer
6 September 2021