Strategic Report

Contents

The Veterinary Perspective

Read more about us at:
www.dechra.com

Our Marketplace

Market Overview

The animal health market is large, highly resilient and benefits from a number of long term structural growth drivers.

There is a wide range of estimates for the size of the global animal health market, likely due to the inclusion (or not, as the case may be) of certain areas of the market such as food, veterinary services and testing/diagnostics.

Grand View Research estimates that the total market, including key segments such as vaccines, pharmaceuticals, diagnostics, medical devices and feed additives along with other smaller revenue streams was worth over $58 billion in 2022. Within this, pharmaceuticals is the largest product segment representing over 40% share, and it is here where Dechra mostly competes.

Animal Types

Animal health globally is generally described as comprising two segments of animals, with approximately two thirds of revenue generated from the Food producing Animal Products (FAP) segment and the remaining one third derived from Companion Animal Products (CAP), which also typically includes horses.

Our Global Markets

The geographical breakdown of the market differs between the FAP and CAP segments, but North America is the largest animal health market in the world, comprising over 30% of the global market overall.

Territory	Market trends	Our response	Outlook
North America **43.5%** of Group revenue	Well developed CAP markets, with an acceleration in pet ownership supported by widespread adoption of hybrid working patterns.	Key focus area for future growth as we extend the reach of our portfolio through new product launches and a growing sales team.	Market has normalised against the heightened growth rates seen during the pandemic but is expected to remain in growth.
Europe **45.1%** of Group revenue	Large numbers of livestock with an emphasis on increasing productivity.	Continue to leverage our heritage in markets where we already have a strong, established position.	Within Europe, pet ownership is becoming increasingly common in Eastern countries.
Rest of the World **11.4%** of Group revenue	Emerging markets such as South America, Asia Pacific, the Middle East and Africa have a greater bias towards FAP revenues, with the companion animal market still maturing.	Steadily grow brand awareness and presence in selected countries, typically through FAP initially. Pursue registrations of existing products in new territories.	CAP markets are expected to develop at varying rates as the status of pets increases, whilst FAP growth will likely remain strong due to burgeoning populations.

Competitors

Over the past 25 years, the global animal health market has become characterised by a small group of large international businesses that have emerged via a series of mega mergers and together now account for over half of the overall market.

Beyond this concentration of large players, the market is very fragmented with a long tail of smaller sized companies operating on either a global or more localised basis and typically with an expertise in specific product segments and/or species.

Dechra is positioned within the top ten in terms of total market share, despite not operating in the high value 'blockbuster' categories such as regular flea, tick and worm treatments. Instead, the Dechra portfolio consists of a very broad range of products in niche therapy areas with an increasing emphasis on offering veterinarians novel treatments for a variety of conditions and with a strong bias towards prescription only medicines.

Routes to Market

In addition to manufacturers supplying direct to veterinary practices, the market is also serviced by a relatively small number of large veterinary wholesalers who play an important role within the animal health value chain.

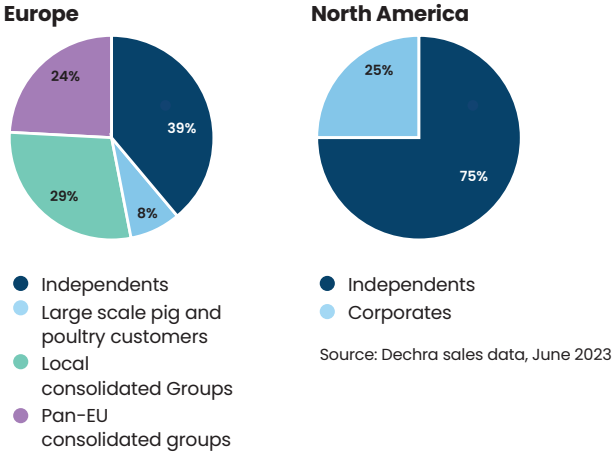
This wholesaler channel is the main route to market for Dechra, particularly in the US, Australia, New Zealand and many Western European countries, although there are instances where we supply direct or via pharmacies. Within less developed markets, international distributors act as a vital interface between the manufacturer and veterinary practice or farmer. These distributors can be both smaller, local players as well as larger conglomerates.

Types of Veterinary Practice

Most veterinary practices tend to specialise in either companion animals or food producing animals; however, there are numerous practices that are classified as mixed and service all species. There is also an increasing number of specialist equine practices and referral hospitals.

The veterinary profession continues to see a degree of consolidation as large corporate groups are increasing their share of companion animal practices. This has been a well established trend within the UK, but is also being seen in other developed markets such as the US and Western Europe, albeit from a relatively fragmented starting position. As such, our relationships with these corporate groups are becoming increasingly important and we continue to increase our focus through experienced key account managers and technical support services.

Dechra sales by type of Veterinary Practice

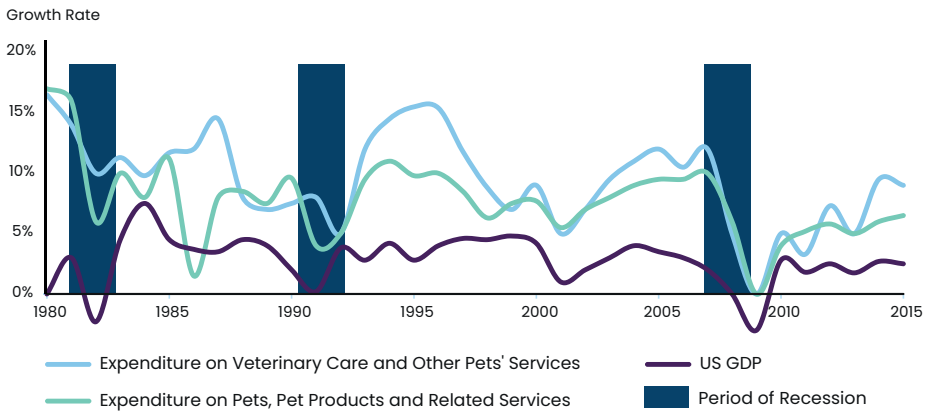


Source: Dechra sales data, June 2023

A Resilient Animal Health Market

Total veterinary care has proven itself to be highly resilient over a multi-decade time horizon.

The Dechra product portfolio is positioned at the most resilient end of this resilient market, given the largely non-discretionary nature of our prescription only medicines.



Market Growth Drivers and Outlook

There has been growth in the CAP market for many years driven by a number of well established trends:

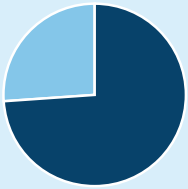
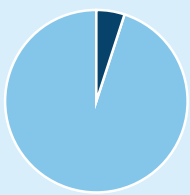
- **Increasing pet population** in both developed and developing markets driven by positive demographic trends, widespread adoption of hybrid working arrangements, improved pet nutrition and increased pet life expectancy
- **Humanisation of pets** by owners who are increasingly willing to spend on the wellbeing of their pet, regarding them as a member of the family
- **Growing awareness and knowledge** allows veterinarians to manage increasingly complex conditions through improved diagnosis and treatment
- **Greater medical innovation** providing an increasing choice of treatments available to veterinarians and pet owners

The FAP market also remains robust given the ongoing rise in the global population, which the United Nations predicts will reach 10 billion by 2050, and the growing awareness of animal welfare. This creates a corresponding need to ensure that food supply is capable of keeping pace through the heightened production of animal based food products, but in a responsible way.

Given these trends, the global animal health market is regarded as being highly resilient and able to overcome any short term challenges. Although growth of the market has normalised following the heightened levels seen during the COVID-19 pandemic, when increasing pet ownership fuelled exceptional levels of growth in the CAP market, the market is expected to remain in growth over the coming years. This expectation, despite the current macroeconomic uncertainties, is supported by the historical performance of the market through periods of recession during which spend on animal health remained robust, as illustrated above. Against that context, Grand View Research expects the market overall to grow at a high single digit CAGR over the coming years.

Our Marketplace

Product Market Dynamics

Our Products		Description of market
Companion Animal Products (CAP)  **73.8%** **of Group revenue**	**Species:** Dogs and cats. **Key therapeutic sectors:** Endocrinology, dermatology, analgesia and anaesthesia, cardiovascular and internal medicine. **Products:** The majority of products in our portfolio are Prescription Only Medicines (POMs) that are prescribed, administered and dispensed by veterinarians working in companion animal practices. We also have a range of associated non-prescription products which complement the licensed pharmaceuticals, such as ear cleaners, dermatologically active shampoos and other topical and nutritional supplements, which together create a broad offering within each therapeutic area.	The market has historically been orientated around developed countries such as Western Europe, North America, Australia and Japan. However, with increasing wealth in several developing regions, the companion animal market is now also emerging in new territories.
Food producing Animal Products (FAP)  **11.7%** **of Group revenue**	**Species:** Poultry, pigs and an increasing presence in cattle. **Key therapeutic sectors:** Water soluble antibiotics, vaccines, locomotion (lameness) and pain management. **Products:** Our products are predominantly POMs that are prescribed by veterinarians who work in either specialist veterinary practices or professional farming units.	With approximately two thirds of all global animal health sales being FAP, Dechra is underweight relative to the overall market and many competitors.
Equine  **8.6%** **of Group revenue**	**Species:** Horses and ponies. **Key therapeutic sectors:** Lameness and pain management. **Products:** Dechra offers a wide range of products supporting the equine veterinarian, from pain management to products for anaesthesia, dermatology, critical care, reproduction, euthanasia and vaccines.	Veterinarians that specialise in horses operate out of either mixed practices or, increasingly, specialist equine centres. Compared to companion and food producing animals, the number of horses in the world is relatively small and as such, the market potential is limited. The market can be divided roughly into high performance sports horses, leisure horses and ponies.
Nutrition  **5.1%** **of Group revenue**	**Species:** Dogs and cats. **Key therapeutic sectors:** Our specialist pet diets are available to support the wellbeing of animals with numerous therapeutic conditions. **Products:** Our range of pet foods is predominantly focused on high quality nutrition to support therapeutic conditions in dogs and cats such as allergies, obesity, heart disease and kidney disease.	The global pet food market is huge and dwarfs the animal pharmaceuticals market. The veterinarian's recommendation is highly respected and valued by their client, the pet owner, which allows specialist nutrition products to take a small but significant part of the overall pet food market.

Key trends and our response	Our position and growth opportunity
The principal driver of growth in companion animal markets is increasing pet ownership, particularly among younger demographics, and the pet owners' compassion for their animals. Expenditure on companion animals continues to grow due to advances in nutrition, increased competence in managing complex conditions by veterinarians, and increasing options for preventative healthcare and wellness.	The CAP market was where Dechra established its market position and continues to be by far our main sector. Dechra has developed a strong reputation for providing specialist and clinically necessary novel products. We also supply a range of complementary generic products in key therapeutic sectors where we are seen as the company of choice by many veterinarians. We will continue to invest in R&D to develop our portfolio in key areas of therapeutic specialisations. We are also expanding our geographical footprint and investing in product registrations in developing markets to extend the reach of both novel and generic treatments.
The key driver for growth in this sector is a huge increase in the global demand for high quality animal protein and dairy products due to the rise in world population. Vaccines are the biggest growth sector of the veterinary market and are anticipated to continue to outgrow therapeutic treatments. There is also increasing awareness of the need for better animal welfare standards, such as pain control during procedures such as pig castration and tail docking in sheep.	Dechra entered the FAP sector through the acquisition of Eurovet in 2012 and it currently represents 11.7% of Group revenue. The majority of our FAP sales are our market leading swine and poultry water soluble antibiotics sold mainly into Europe. We also have a growing vaccines portfolio, where we continue to seek marketing authorisations in new territories, particularly in those countries where livestock numbers are significant.
The market is variable and can be linked to the economy; however, high value, insured, sports horses will be treated at almost any cost.	This is a sector in which few animal health companies specialise due to the relatively small number of horses in the world and the fact that in the majority of European countries the horse is classed as a food producing species, which adds complexity to the licensing process. Dechra has developed a strong position in lameness and pain management with unique products that have superior efficacy compared to historical treatments.
Expenditure on companion animals continues to grow due to increasing pet ownership, willingness to spend on the pet's health, advances in nutrition and increased competence in managing complex conditions in dogs and cats such as allergies, joint disorders, obesity, heart disease and kidney disease.	Dechra's focus lies in therapeutic diets sold under the *Specific* brand, which are not available for self-selection through supermarkets and require advice from the veterinarian. Despite the highly competitive nature of the pet food market, we are able to differentiate our position through the use of higher quality ingredients, innovation and the complementary nature of our pharmaceuticals.

Business Model

We Operate Across the Entire Animal Health Value Chain

Our objectives are to innovate, develop, register, manufacture, supply and market high quality products to the veterinary profession worldwide. We also offer high levels of service, technical support and educational training to promote the Dechra brand and to develop a strong relationship with, and be recognised as an important partner to, veterinarians worldwide.

Our Key Assets and Resources

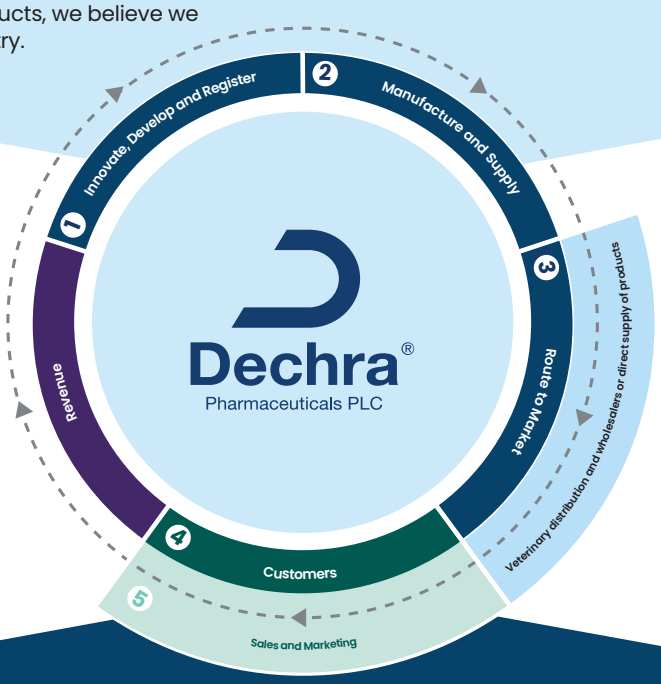
Values and Culture
As a relatively small business in a very large market, the agile and entrepreneurial way in which we operate gives us a competitive edge against companies several times larger than ourselves.

Technology
We are increasingly investing in technology to underpin our future growth aspirations. Embracing new technologies also extends to the way in which we engage with our end customer, the veterinarian.

The Best People
From research and development teams through to the sales representatives who educate veterinarians on the clinical benefits of our products, we believe we have the very best in the industry.

Financial Discipline
Our high profit margins and strong cash generation allow us to pay down debt quickly, resulting in a robust balance sheet. This enables us to adhere to our capital allocation policy by investing in organic growth, paying a dividend and pursuing opportunistic acquisitions.

Sustainable Mindset
We are a Purpose driven organisation, and this long term, sustainable way of thinking extends across the Group. We have made significant progress over recent years in developing an ambitious Sustainability strategy, increasing awareness within the business and driving genuine change.



Read more about **Our Strategy** on pages 32 to 35

Read more about **Our Products** on pages 26 and 27

Our Impact and Value Creation

Veterinary professionals
109,691
Dechra Academy users

People
602
New employees

Suppliers
15 Number of quality audits

Shareholders
3,471%
Total shareholder return from IPO to 12 April 2023

Communities
£432k
Cash donations

Environment
13%
Reduction in GHG emissions intensity ratio

Our Key Activities

1

Innovate, Develop and Register

Our development pipeline is spread across novel entities, differentiated generics, generics and lifecycle management projects in all species.

How Ideas are Generated:

- regular cross functional meetings where all senior staff are encouraged to bring new ideas from their experience in the marketplace.
- networking with key opinion leaders, especially in our focus therapeutic areas, to identify and develop ideas.
- our talented veterinary scientists extensively screen scientific papers looking for new human medicine-related technologies that might have an application in animal health.

Innovative Products that Treat a Range of Conditions

A number of our key products are novel or have clear advantages over competitor products. This allows veterinarians to offer a high standard of care to animals that they treat and positions Dechra as a market leader within our chosen therapeutic areas.

In-house Product Development vs External Partnership

Our R&D laboratories are located at our manufacturing sites, allowing us to emulate the manufacturing processes and making the in-house R&D cycle more effective. In addition, we also pursue opportunities to partner with select third parties to develop new products in areas where we do not necessarily have the required expertise.

Global Registration Process

Once all the studies are concluded, if the product reaches the required safety, efficacy and stable chemical formula, regulatory dossiers are prepared for registration and filing with the relevant regulatory authorities. This is an ongoing process in territories where we already hold marketing authorisations and also new international markets we are looking to enter.

2

Manufacture and Supply

The principal objective of our Manufacturing & Supply division is to deliver safe, efficacious, cost effective, high quality products on time and in full every time. Batch runs for veterinary medicines are often relatively small compared to human medicines, making manufacturing a key competency of the Group and an important barrier to entry.

Our Range of Competencies

We have a wide range of competencies across our eight manufacturing sites including tablets, creams, liquids, ointments, powders, vaccines and sterile injections that can be packed in a multitude of different presentations.

In-house vs Third Party Manufacturing

We currently manufacture around 50% of our products in-house. To complement our in-house production, we also have a network of third party Contract Manufacturing Organisations (CMOs) that is an important part of our business. This network is utilised where there are competencies and dosage forms that we do not have, or where we have long term agreements that prevent in-house manufacturing of some products. However, we have a long term strategy to migrate more products into our own production facilities through an ongoing process of technical transfers.

An International Supply Chain

Our European and International markets are serviced from our own logistics facilities based in Uldum, Denmark, and Somersby, Australia. North America and Brazil are supplied out of third party logistics providers.

3

Route to Market

Our products are distributed from our major logistics sites via wholesalers, distributors or direct supply.

Specialised Veterinary Wholesalers

The majority of veterinary practices worldwide are supplied through specialised veterinary wholesalers that operate as one-stop shops. They stock the majority of items veterinary practices need such as pharmaceuticals, equipment and consumables, and offer high levels of service, often with a next day delivery. These wholesalers are generally passive in selling product; they predominantly supply to demand where the demand is driven by Dechra's own sales activities within veterinary practices.

As such, although our customer is the veterinarian, in most major markets it is the wholesaler who we actually generate direct revenue from.

International Distribution Partners

We have a presence in 62 countries where we do not have our own sales and marketing organisation and instead sell through international distribution partners. This network provides a valuable entry point to emerging markets where we look to establish a presence.

Country Specific Exceptions

There are a few markets, such as Germany and the Netherlands, that are not fully supported by veterinary wholesalers and where we therefore offer direct supply.

There are also some instances where legislation enforces all pharmaceuticals to be sold through pharmacies, such as Denmark, Italy, Norway and Sweden.

Our Key Activities

4

Customers

Our customers are veterinary professionals operating in veterinary practices and major farming units. It is they who our products and sales and marketing activities are mainly targeted at, and is why the Dechra brand is deliberately positioned as 'The Veterinary Perspective'.

The majority of veterinarians prescribe and dispense pharmaceuticals, although there are a few territories in the world where the veterinarian writes a prescription and the drugs are purchased by the animal owner at a pharmacy.

The majority of our products are prescription only medicines (POMs); however, we also have a range of complementary non-prescription products. Our product range includes novel, generic-plus (or differentiated generic) and generic products in key therapeutic areas, in particular endocrinology and anaesthesia and analgesia.

5

Sales and Marketing

Our relationship with veterinarians is crucial and, to this end, we provide added value services to complement our broad product portfolio. Our customer channels involve our telephone sales representatives, field based representatives, educational programmes and technical support programmes.

Sales Representatives

Dechra operates its own sales force and provides in-house marketing and technical support in 26 countries, predominantly in Europe, North America, Brazil and ANZ. In all of these countries we have highly skilled field based representatives who make regular calls to all major veterinary practices. The representatives' brief is to sell the product on a technical basis, outlining the beneficial aspects of our products and to provide educational support on how best to treat animals in our key therapeutic areas.

Customer Support

We also provide high levels of technical support and pharmacovigilance through helplines in every country in which we operate. These helplines provide veterinarians with support on how to best use our products and free advice on any difficult or complex cases that may be encountered.

Educational and Training Programmes

We offer high level educational programmes focused on the diagnosis and treatment of conditions in our key therapeutic areas. We deliver this education through many channels, including major conferences, regional groups, individual practices and increasingly through digital channels.

We help to improve the knowledge and education of veterinarians. These programmes are certified to offer veterinarians and veterinary nurses the continuing professional development hours they require to maintain their professional qualification.

View our website for more details: **dechra.com/about/our-business**

Our Key Strengths

We have a number of key strengths that supplement our business model, support the delivery of our strategy and help us to impact animal health and welfare globally.

1

Well Recognised Brand

We are recognised as a global animal health company with a strong and growing reputation as a provider of high quality, specialist veterinary medicines and related products in our chosen therapeutic areas. This has been underpinned further this year by the launch of our new brand positioning, the Veterinary Perspective.

2

Breadth of Products

We are a global leader in veterinary endocrinology and topical dermatology and have a broad portfolio of analgesia, anaesthetics and products for the treatment of pain. We are also recognised as innovators in other specialisations such as the treatment of equine lameness and specialist nutrition. We have a highly diversified portfolio covering novel, generic and generic plus products that are typically non-discretionary prescription only medicines.

3

Weighting Towards CAP and Innovation

Although we have a presence across different product categories, we are deliberately focused on bringing innovation to the higher margin CAP market that is proven to be highly resilient and set to benefit from numerous long term structural growth drivers.

4

Strong Industry Relationships

Our relationships with all key stakeholders are very important to the Group. Our sales approach revolves around partnership with key practice groups, individual veterinarians, key opinion leaders and distributors. Furthermore, our networking within the industry is a key driver in finding new product development and acquisition opportunities. We also have an important network of third party CMOs who produce around half of all our products.

5

Successful Acquisition History

In January 2008 we made our first major acquisition which, at the time, was transformational to our EU Pharmaceuticals business. We have successfully replicated the model since then on several occasions and have consistently delivered pre-acquisition strategic and financial expectations on significant transactions.

Delivering Our Strategy

Since 2013, our priorities for each Strategic Growth Driver and Enabler have been clearly defined and communicated and are outlined in the table below. In this section of the Annual Report we describe the progress we have made towards achieving our strategic objectives.

Our Purpose

The sustainable improvement of animal health and welfare globally

Our Strategic Growth Drivers

Pipeline Delivery

Our pipeline is a key driver of organic growth. Over the last few years we have focused on increasing the number of novel products in development and have successfully identified a number of exciting candidates.

Our Objective

Deliver our pipeline on time, at the right costs and with the expected returns. Refill the pipeline so that we get a constant flow of new products in future years.

Link to our KPIs

1 2 3 4 5

Link to our risks

2 3 4 5 9

Portfolio Focus

We are a specialist veterinary pharmaceuticals business focused on Companion Animal Products, Food producing Animal Products, Equine and Nutrition. Our portfolio is well positioned in our therapeutic focus sectors to maximise returns.

Our Objective

Maximise our net revenue by increasing market penetration and market development, focusing on targeted therapeutic sectors within CAP, Equine, FAP and Nutrition.

Link to our KPIs

1 2 3 4 5

Link to our risks

1 2 4 5 8 9

Geographical Expansion

The animal health market in emerging countries is growing rapidly due to the demand for high quality protein and the increase in pet ownership. We have identified a number of markets that present both volume and profit opportunities in the medium to long term and we are considering various entry strategies.

Our Objective

Leverage our product portfolio into new geographic regions through distribution partners, in-country presence and new country product registrations.

Link to our KPIs

1 2 3 4 5

Link to our risks

2 5 7 8

Acquisition

We recognise acquisitions could accelerate our expansion by providing entry into new geographies, enhancing our portfolio and giving access to new technologies. We have established well-defined criteria through which potential acquisition targets can be screened.

Our Objective

Expand our geographical footprint and/or enhance our product portfolio through acquisitions.

Link to our KPIs

2 3 4 5

Link to our risks

6 7

Our Strategic Enablers

Manufacturing & Supply Chain
Our manufacturing and supply chain organisation is focused on running our operations efficiently and to high quality standards to maintain or improve margins.

Link to our KPIs
6

Link to our risks
4

Technology
We are implementing a strong IT platform to enable us to operate efficiently and are exploring how IT can provide a source of competitive advantage.

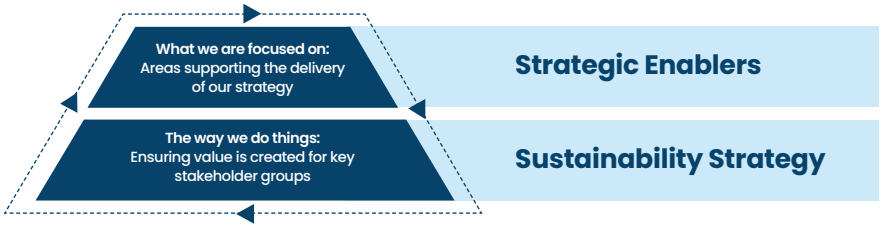
Link to our KPIs
3

Link to our risks
10

People
Our people strategy underpins everything we do in the business. We have a well-defined plan to build talent, develop people and strengthen the Dechra Culture.

Link to our KPIs
6 7

Link to our risks
7 9



Our Sustainability Strategy

Our Business
Provide sustainable products, education and technical support to veterinarians

Our Environment
Minimise our impact on the environment

Our People
Be a great and safe place to work

Our Community
Give back to the communities in which we operate

Key to KPIs

1. Existing Revenue Growth
2. Underlying Diluted EPS Growth
3. Underlying Return on Capital Employed
4. Cash Conversion
5. New Product Revenue
6. Lost Time Accident Frequency Rate
7. Employee Turnover

Key to Risks

1. Market Risk
2. Competitor Risk
3. Product Development and Launch Risk
4. Supply Chain Risk
5. Regulatory Risk
6. Acquisition Risk
7. People Risk
8. Antimicrobials Regulatory Risk
9. Climate Risk
10. Cyber Security and IT Failure Risk

View our sustainability website:
dechra.sustainabilityreport2023.com/

Delivering Our Strategy

Our Strategic Growth Drivers

Pipeline Delivery

Our Achievements

2019

- Entered into a number of licensing agreements, including a novel canine sedative and an equine gastrointestinal product
- A number of novel and generic registrations in EU, Mexico and rest of world
- 15 Le Vet pipeline product launches

2020

- Marboquin® tablets, a CAP antibiotic, approved in USA
- *Cosacthen* approved in 23 EU territories and Canada
- Akston proof of concept study commenced

2021

- Favourable results on Akston dog and cat proof of concept studies
- Entered into licensing and supply agreement for Akston cat
- Mirataz® launched in EU and registered in Canada

2022

- Launch of *Zenalpha*, a novel therapeutic product that is safe and effective for sedation in dogs, in the US
- Equine Strangles vaccine launched in the EU
- Amoxi-Clav suspension launched in the US market

Our Progress in 2023

- Invested a record £57.5 million into R&D in the year, representing 7.6% of revenue
- *Zenalpha* rolled out across Europe
- Launched *Zycosan* in the US market

Portfolio Focus

Our Achievements

2019

- Moved key Le Vet products from distributors to Dechra companies to generate significant synergies through retention of full margin and enhancing sales focus
- FAP growth accelerating against a backdrop of declining antibiotic markets

2020

- Delivered growth across all key therapeutic sectors through educational focus
- Continued to generate significant synergies from AST Farma and Le Vet acquisition

2021

- Completed Le Vet disintermediation with final products brought back in-house in Belgium
- Second consecutive year of strong growth in all key therapeutics areas

2022

- All product categories delivered strong growth
- Strong organic performance in key markets driven by market growth and product penetration

Our Progress in 2023

- Entered the US FAP market for the first time through acquired Med-Pharmex portfolio
- Launched new brand positioning 'The Veterinary Perspective'

Geographical Expansion

Our Achievements

2019

- Expanded into Latin America via the acquisition of Laboratorios Vencofarma do Brasil Ltda (Venco)
- 43 product registrations across Israel, South Korea, Macau, Macedonia, Malaysia, Malta, Namibia, Serbia, Ukraine, UAE and Zambia

2020

- 34 product registrations across Indonesia, South Korea, Myanmar, Nicaragua, Oman, Tanzania, Thailand, UAE, Uruguay and Vietnam
- Key endocrine brands *Vetoryl*, Felimazole® and Zycortal® being brought back in-house in Australia and progressing through the fast track process in Brazil

2021

- Internationally received 38 approvals for key brands in new countries
- Tri-Solfen® provides a meaningful FAP presence in the Australian market

2022

- Launched Osphos® and *Zycortal* in Brazil
- Established a new legal entity in South Korea

Our Progress in 2023

- Commenced trading in South Korea
- Established own sales and marketing organisation in Switzerland

Acquisition

Our Achievements

2019

- Acquisition and successful integration of Venco
- Acquisition of trade and assets of Caledonian Holdings Ltd in New Zealand strengthening market position in Equine

2020

- Acquisition of an additional 15% of Medical Ethics Pty Ltd
- Acquisition of Ampharmco LLC in Fort Worth, Texas, a FDA registered facility
- Acquisition of worldwide rights and assets of *Miratax*, a transdermal medication for cats

2021

- Acquisition of worldwide rights and assets of Osurnia®, a long acting treatment of otitis externa in dogs
- Acquisition of the Australian and New Zealand marketing rights for Tri-Solfen®, completing our global rights to this novel product
- Acquisition of an additional 1.5% of Medical Ethics Pty Ltd taking our holding to 49.5%

2022

- Acquisition of six main products for North American market
- Acquisition of the worldwide rights to Verdinexor, branded Laverdia®, a new treatment for all forms and stages of canine lymphoma

Our Progress in 2023

- Acquired Piedmont Animal Health, Inc, a product development company in the US
- Acquired Med-Pharmex Holdings, Inc, an established platform business with a number of products already approved and established in the US market

Our Strategic Enablers

Manufacturing & Supply Chain

Technology

People

Our Achievements

2019

- Appointment of additional Non-Executive Director and Group Manufacturing & Supply Director
- Investment in manufacturing and packaging at Skipton, a new solid dose facility in Zagreb and an upgrade to the Bladel sterile facility
- Oracle ERP embedded in DVP EU

2020

- Appointment of Non-Executive Director and Chief Financial Officer
- Restructured Product Development team and created new position of Chief Scientific Officer
- Remedied internal supply issues

2021

- Appointment of Non-Executive Director, Group Manufacturing & Supply Director and Group Sustainability Director
- Improvements to supply chain and ongoing technical transfer of Dechra products into Zagreb facility
- Academy for veterinarians and veterinary nurses voted best in class in industry
- Received accreditation from Great Place to Work as 'best place to work'
- Committed to Business Ambition for 1.5 degrees centigrade reduction and the development of Science Based Targets
- Roll out of our global employee wellbeing programme branded THRIVE

2022

- Supply chain robust and supporting high level of growth
- Expanded Danish distribution centre, opened in April 2022
- Alison Platt appointed Chair of the Board
- Appointment of Non-Executive Director, Chief Scientific Officer and Chief Information Officer
- Commenced work on a new quality management system (Veeva) and to move most manufacturing sites onto a single consolidated ERP system

Our Progress in 2023

- In-house manufacturing now approximately 50% following a number of technical transfers into Skipton and Zagreb sites
- Significant capital investment in Skipton site to create additional space and improve workflows
- First phase of Veeva rollout successfully completed across five manufacturing sites
- Appointment of Non-Executive Director
- Remained a Living Wage (or equivalent) employer globally, supporting employees through the cost of living challenges

Strategy in Action

Strategic Enabler

Manufacturing & Supply Chain

Investment at the Skipton Facility

The Skipton site manufactures a comprehensive range of products, across solid dosage forms of tablets and capsules, liquids, creams and ointments and terminally sterilised, principally for CAP. The site employs 250 people, is licensed by the VMD and FDA and includes a Pharmaceutical Product Development laboratory.

In 2021 the Board approved the first of a three phase development plan, and the site has recently embarked on its implementation. The investment of £5.7 million included the expansion of the site footprint through the acquisition and refurbishment of a neighbouring building. This has enabled the site to increase volumes by transferring product previously manufactured at third party contract manufacturers and the introduction of new products. It has also delivered a number of other key benefits, namely:

- more efficient material storage and workflow around the site, with segregation of traffic types providing improved levels of employee protection;
- enhanced sustainability credentials, through the installation of photovoltaic cells and increased levels of insulation;
- further improved levels of quality and security compliance;
- better work environment for employees and visitors; including open plan office areas, welfare facilities, meeting rooms, visitors reception, training facilities, a collaboration space and increased parking and EV charging facilities;
- a new Quality Control laboratory with increased footprint and modernised facilities, fixtures and fittings; and
- expansion and refurbishment of the Product Development laboratory and pilot facilities.

As well as the physical changes to site, the team has also led the way in adopting new ways of working by implementing a 36 hour week with revised start and finish times to facilitate a nine day fortnight (further information can be found in Stakeholder Engagement: Employees). These improvements are part of the site's ambition to build a great place to work which attracts and retains a talented workforce and provides them with the facilities and culture in which they can thrive.

Phase 1 was completed in August 2023 and was delivered to budget with no disruption to product supply. This is testament to the dedication of the team involved, both Dechra employees and the locally based contractors who have contributed to the success of the project.

As Phase 1 ends the focus turns to Phase 2, which will involve the installation of the next generation of processing equipment to provide Skipton with further levels of capacity, capability and compliance to support growth in volumes and revenue, and will position the Skipton site as the 'centre of excellence' for solid dose supply.

Strategic Growth Driver

Acquisition

Acquisition of Piedmont Animal Health

On 21 July 2023, Dechra acquired Piedmont Animal Health Inc, a Greensboro, North Carolina based company specialising in the development and approval of novel products for the companion animal market. This strategic acquisition added several complementary and innovative CAP products to Dechra's PDRA pipeline, a team of 18 development experts and an in-house laboratory with early stage development capability. The primary goal of the transition was to preserve the development and approval timelines for the pipeline products whilst simultaneously assimilating the Greensboro team into the Dechra systems and ways of working. To achieve this objective, we approached the integration from three angles:

Seamless transition of the legal and financial processes that support development work
While early stage investigative work was done in-house, Piedmont partnered with contract development organisations to fully develop and obtain product approvals. Within three months of acquisition, all existing Piedmont suppliers and open purchase orders were successfully transitioned into Oracle and the team was leveraging Dechra systems and processes to pay for development work. Further, this workstream necessitated close interaction with the Dechra legal and finance teams; as a result the Greensboro team mastered Dechra processes for new quotation and contract review and execution, as well as supplier approval and set-up within Oracle.

Enable the Greensboro team to successfully operate within the greater Dechra network
The integration lead worked closely with personnel across several divisions to map out the roles and responsibilities of each department, how each department would interact with Greensboro and to set up introductory calls or
in-person visits. This included, but was not limited to Quality, HSE, Product Launch, Labelling, External Network and Marketing. This enabled the Greensboro team to understand which departments they needed to work with for the various scopes of work and to form relationships with key stakeholders across the business.

A strong focus on talent retention
It was critical to retain the significant expertise and experience of the team through the integration period and beyond. A heavy emphasis was placed on routine face to face check ins with each team member and proactively fielded feedback, concerns, questions and unexpected issues. In this manner, the anxiety and stress that inevitably accompanies change was minimised, allowing for more rapid and smoother adjustment to Dechra by the team.

Summary

This acquisition is an example where Dechra needed to balance the competing tension between integration and development work in order to achieve a successful transition. The collaborative effort between the Dechra and the Piedmont teams allowed us to successfully strike this balance as evidenced by on-time, per plan submission of major technical sections for lead pipeline projects, the Greensboro team effectively leveraging Dechra systems and processes, and retention of all key talent throughout the transition. That said, Dechra is proactively applying the learnings from this integration process to further hone and optimise our approach to company acquisitions.

Product Development

Product Development

It is our mission to improve animal health and welfare globally, and as such the wellbeing of animals used in the development of our products is always a top priority. In line with that commitment, we carefully consider the responsible use and humane treatment of animals in all of our studies. When we are required to conduct studies to achieve product registrations, we minimise the number of animals to achieve the necessary outcomes. Whenever possible, we will use information that can be derived from in vitro systems, computer models or existing publications in an effort to limit the number of studies needed.

Regulatory agencies, governmental bodies, or animal welfare review boards approve the scientific purpose for involving animals as dictated by country specific requirements.

We are committed to the following principles:

- We will comply with all relevant regulations.
- Any animal studies should only be performed after considering whether the numbers of animals can be Reduced, Replaced by in vitro methods, or the procedures Refined to minimise distress, the 3"R's".
- Animals will be treated humanely with greatest consideration given to their health and welfare and consistent with meeting the necessary scientific objectives.
- All studies conducted by or on behalf of Dechra will be reviewed by an Animal Welfare Committee or similar oversight committee.
- For clinical trials involving client owned animals an owner consent will be obtained and the study will be reviewed by Dechra's Animal Welfare Committee.

The Difference Between Novel, Generic and Generic Plus Products

Novel and Generic products are the main types of new animal drug applications that Dechra applies for:

- **Novel:** are products registered for the first time and require the submission of a dossier containing three key sections for the registration process:
    - Safety: examines risks to the environment, the human administrator of the product, as well as the safety of the product in the target animal at multiples of the intended dose
    - Efficacy: includes the study(ies) in which the best dose is identified, and the effectiveness of the drug is demonstrated in animals with the targeted disease
    - Manufacturing: the quality and purity of the product are demonstrated along with proof that the product can be manufactured consistently through the production of several independent large scale batches
- **Generic:** are products that are near identical to an already registered pioneer product and contain the same chemical substance(s). Approvals for a generic require demonstration of in vivo bioequivalence of the proposed product to the novel (reference) product. There are exceptions for some classes of drugs, primarily those intended for intravenous injection or those not absorbed from the digestive system. The manufacturing section for a generic may require fewer pilot batches than for a pioneer drug, but the emphasis on quality and purity is identical.
- **Generic Plus:** are products which are approved as a generic but improve on it through the development of a better formulation, dosage form, delivery system or packaging. It may include use in additional species or for additional indications.

Animal Welfare Committee

As a veterinary pharmaceutical company, we work diligently to maintain the highest standards of putting animal health and welfare as a priority in everything we do. When we run clinical trials we have the study protocols reviewed by our Animal Welfare Committee to ensure that all aspects of the study that affect the animal have been robustly evaluated for proper ethical treatment and that, if applicable, owner interests have been addressed in the owner consent form. To achieve this, Dechra's Animal Welfare Committee:

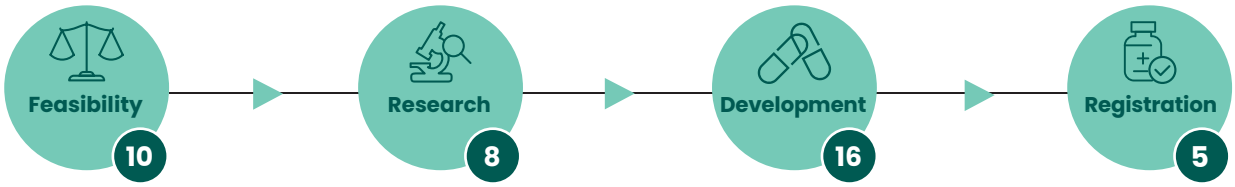
- protects animal welfare by providing ethical review of studies for best practices and appropriate ethical treatment;
- promotes awareness of animal welfare and subscribes to the guiding principles of 3R's (reduction, replacement, and refinement) whenever possible;
- assesses that animal risks are minimised and outweighed by the potential benefits of the study;
- reviews informed consent documents ensuring that the information provided fully outlines the nature, purpose and risks to the animal and is comprehensive and understandable to the owner;
- provides critical feedback by asking questions and freely communicating with the researchers; and
- is comprised of veterinary professionals, members educated in science and regulations, and member(s) that represent the public-at-large who ensure the research follows the Company's position on animal welfare.

The Committee holds twice yearly meetings in which the Committee Members are required to attend at least one meeting in a 12 month period. Protocols are reviewed on a continuous basis throughout the year and a Committee Member is required to participate in those reviews on a rotational basis.

All members of the Committee are required:

- to attend an orientation session with additional sessions offered as needed and as different circumstances arise;
- to participate in training on Dechra's Animal Welfare Statement, the Animal Welfare Committee Mission Statement and to review any other guidance/resources that are provided; and
- to participate in training on protocol review procedures.

Dechra's pharmaceutical and vaccine development pipeline contains a mixture of short, medium and long term new opportunities and lifecycle products.



Whilst retaining an opportunistic and entrepreneurial approach, Dechra employs a structured development process consisting of six phases, defined as: Evaluation, Feasibility, Research, Development, Registration and Launch. Focus is given to the Group's key therapeutic sectors, and new development and in-licence opportunities are evaluated for strategic fit within these sectors. Therapies outside the key areas are considered for inclusion in the pipeline if they are novel and address medical needs in the veterinary market.

A product's return on investment can vary; innovative products tend to have medium to long term realisation with attractive high value returns, whilst generic developments generally have shorter timescales with returns dependent upon the number of other entrants and speed to market relative to competition.

Generating and Prioritising Ideas

Ideas are usually generated by our cross-functional Therapeutic Area Leadership (TALT) and Business Development (BD) Teams, but Dechra encourages all employees to share ideas for new or existing products. Ideas will be prioritised by Marketing and the most attractive ones are evaluated by a small cross functional Evaluation team. During the **EVALUATION** phase, the team defines the scope of the project and assesses whether the cost benefit ratio is favourable considering market need, market value, strategic fit and the probability of technical and regulatory success. The team also defines the work required to be completed in the Feasibility phase.

Making the Chemistry Work

In the second phase of the development process, **FEASIBILITY**, proof of concept level data is generated for pharmaceutical development (formulation and manufacturing process), efficacy and safety, and a regulatory pathway is identified. The purpose of this phase is to eliminate, as early as possible, projects with low probability of success.

All necessary pilot data is generated in the **RESEARCH** phase to:

- understand the efficacy and safety profile (innovation) or the likelihood of establishing bioequivalence (generics);
- enable high quality pharmaceutical development; and
- establish the best strategy to maximise the probability of technical and regulatory success.

The main purpose of the Research phase is to de-risk the expensive, long and resource intensive Development phase. In addition, during the Research phase the formulation and manufacturing processes are finalised, and the dose that is both safe and effective is determined.

For some projects, this phase can be relatively straightforward, while for others it can be iterative, for example finding a formulation that gives the desired safety and efficacy profile.

Entering the Development Phase

The **DEVELOPMENT** phase is often the longest part of the process, potentially taking between two and four years. After the formulation has been demonstrated to be stable, up to three registration batches are manufactured for use in safety studies, efficacy studies and stability testing. For generic products, the batches are used in one or more bioequivalence studies to demonstrate that activity will replicate the pioneer product. If the studies conducted during Development phase demonstrate the required safety, efficacy and chemical stability of the product, regulatory dossiers are prepared for **REGISTRATION.**

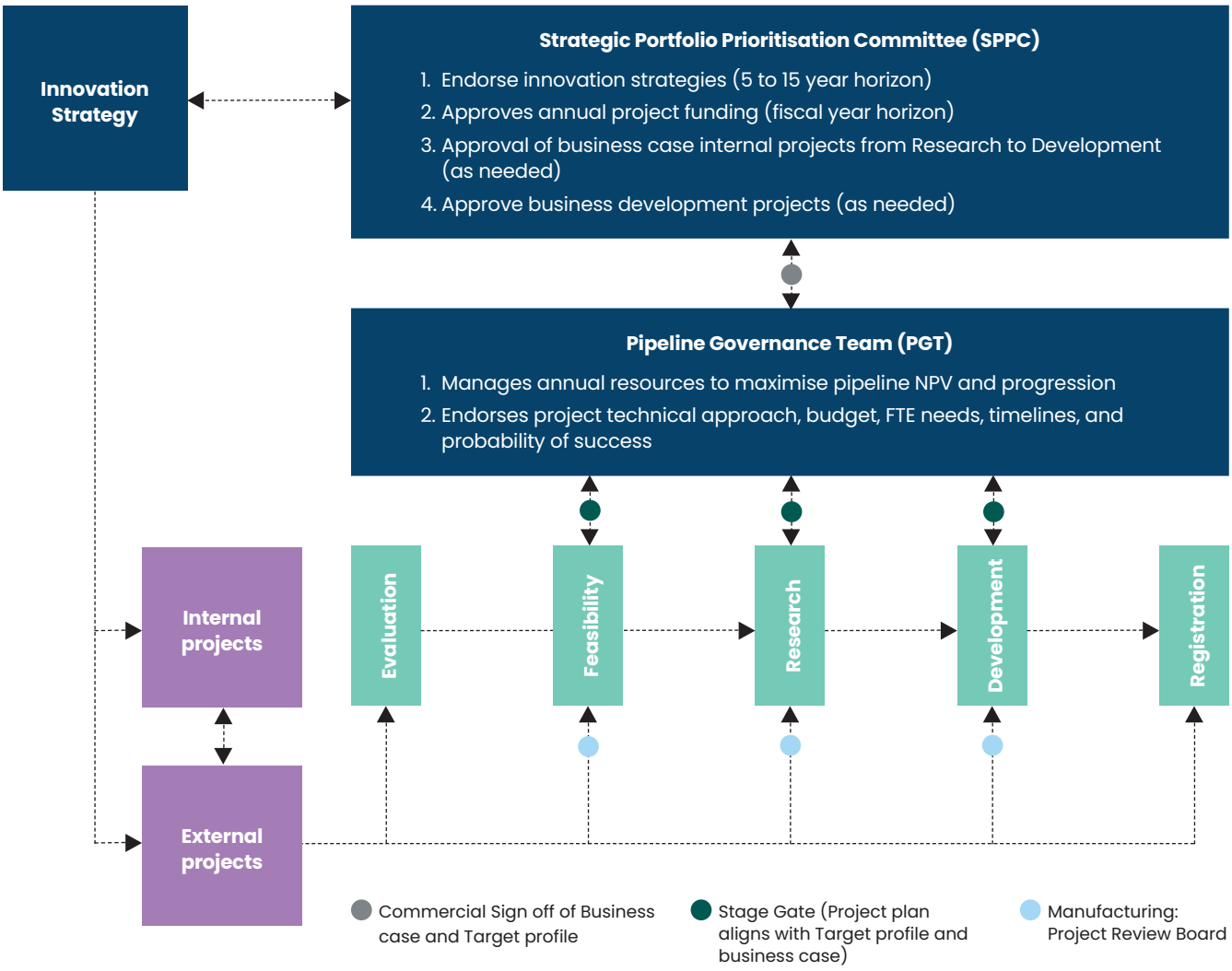
The whole process from beginning to end can take between three and ten years before **LAUNCH,** depending on the complexity and nature of the product.

Stage Gate Process

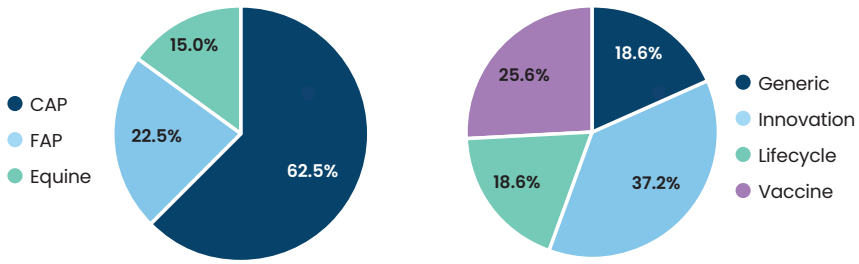
The Pipeline Governance Team (PGT) analyses each project after each phase for technical or regulatory risks and issues, and for any changes to the business case. Pipeline strategy and annual project resource allocations are endorsed by the Strategic Portfolio Prioritisation Committee (SPPC) based on their overall commercial and strategic value within resource constraints.

Read more about our **Pipeline Delivery** on pages to 40 and 41.

Product Development



Pipeline by Number of Projects



Product Pipeline

The table below outlines the status of the major projects. Owing to the nature of product development, the content of our pipeline will change over time as new projects progress from Evaluation to Launch or as projects are terminated. For competitive reasons, exact project details are not disclosed.

Evaluation

CAP/Equine	FAP

New opportunities are constantly being evaluated and will move into Feasibility quickly if of interest.

Feasibility

CAP/Equine	FAP
Antibiotic for Dogs and Cats	Poultry Vaccine
Renal Therapy for Cats	Poultry Vaccine
Antibiotic for Dogs and Cats	
Dermatological Therapy for Dogs	
Dermatological Therapy for Dogs	
Anti-Viral Therapy for Cats	
Endocrine Therapy for Dogs	
Ophthalmic Therapy for Dogs	

Research

CAP/Equine	FAP
Ophthalmic Therapy for Dogs	Poultry Vaccine
Endocrine Therapy for Cats	
Endocrine Therapy for dogs	
Antibiotic for Dogs	
Analgesic Therapy for Dogs	
Analgesic Therapy for Dogs	
Gastrointestinal Therapy for Horses	

Development

CAP/Equine	FAP
Anaesthetic for Dogs and Cats	Poultry Vaccine
Dermatological Therapy for Dogs	Poultry Vaccine
Dermatological Therapy for Dogs	Poultry Vaccine
Cardiovascular Therapy for Dogs	Poultry Vaccine
Dermatological Therapy for Dogs	
Endocrine Therapy for Dogs	
Gastrointestinal Therapy for Cats	
Analgesic Therapy for Horses	
Horse Vaccine	
Horse Vaccine	
Horse Vaccine	
Endocrine Therapy for Horses	

Registration

CAP/Equine	FAP
Antibiotic for Cats	Antibiotic for Cattle and Pigs
Gastrointestinal Therapy for Dogs	
Endocrine Diagnostic	
Endocrine Therapy for Dogs	

Key to Product Pipeline

- Analgesic, Anaesthesia, Anti-inflammatory
- Antibiotic
- Anti-Viral
- Dermatology
- Endocrinology
- Gastrointestinal
- Renal
- Vaccines
- Ophthalmology
- Cardiovascular

Global Product Offering

Analgesia, Anaesthesia and Anti-inflammatory

Key Product	Animal	Australia	Austria	Belgium	B&H	Brazil	Canada	Croatia	Denmark	Finland	France	Germany	Ireland	Italy	Mexico	N'lands	NZ	Norway	Poland	Portugal	Serbia	Slovenia	S Korea	Spain	Sweden	UK	US	INTERNATIONAL* Africa	Asia	Europe	Americas
Atipam/Sedastop	Cats, Dogs		●	●	●		●	●	●	●	●	●	●	●	●	●		●	●	●	●	●	●	●	●	●		1	6	5	
Carprofren/Caprovet	Dogs	●	●	●					●	●	●			●	●	●	●		●	●				●			●		2		
Comfortan	Cats, Dogs		●	●	●		●	●	●	●	●	●	●	●		●		●	●	●		●		●	●	●					
Dexmedesed	Cats, Dogs		●	●			●	●	●	●	●	●	●	●		●			●	●		●		●	●	●	●				
Domidine	Cattle, Horses		●	●			●				●	●	●	●	●	●			●	●		●		●	●	●		1	3	1	
Euthosal	Cat, Dogs, Rabbits, Cattle, Horses																				●									3	
Melexoral/Meloxicam	Cat, Dogs	●	●	●	●			●	●	●	●	●		●			●	●	●	●	●	●		●	●				4	8	
Pardale V	Dogs																														
Sedator/Sedastart	Cats, Dogs		●	●	●			●	●	●	●	●	●	●	●			●	●	●	●	●	●	●	●	●			7	6	
Tilzolan	Cats, Dogs																										●	1	6	6	
Tralieve/Tramadol	Cats, Dogs		●	●	●			●	●	●	●	●	●	●		●		●	●	●		●		●	●	●				3	
Isoflurane	Horses, Dogs			●							●	●				●											●				
Butorphanol	Horses		●		●		●	●	●	●	●	●	●	●				●	●	●			●		●	●	●	●		1	3	
Rapidexon	Cat, Dogs, Rabbits, Cattle, Horses		●	●					●	●	●	●	●	●	●	●			●	●		●		●		●		1	2	3	

Other products: Anesketin, Bupredine, Euthasol, Fentadon, Intubeaze,Ketamine, Meloxidolor, Myorelax, Nerfasin, Relaquine, Rominervin, Sedadex, Sympagesic, Tranquinervin, Willcain

Antibacterial and Antibiotics

Key Product	Animal	Australia	Austria	Belgium	B&H	Brazil	Canada	Croatia	Denmark	Finland	France	Germany	Ireland	Italy	Mexico	N'lands	NZ	Norway	Poland	Portugal	Serbia	Slovenia	S Korea	Spain	Sweden	UK	US	INTERNATIONAL* Africa	Asia	Europe	Americas
Amoxi-Clav/ Clavubactin/Clavacillin	Cats, Dogs	●	●	●	●			●	●	●	●	●	●	●			●		●	●		●		●		●	●		3	5	
Cefpodoxime Proxetil/ Cefppoderm	Dogs																										●		0	0	
Diatrim	Cats, Dogs, Cattle, Pigs		●	●							●	●	●	●		●			●	●				●		●			0	1	
Doxybactin	Cats, Dogs	●	●	●		●		●	●	●	●	●	●	●		●	●		●	●		●		●		●			2	6	
Equibactin	Horses		●	●					●	●	●	●	●	●		●			●	●				●	●	●			0	3	
Enroquin	*Cats, Dogs*	●	●	●		●			●	●			●	●		●	●		●							●	●		1	1	
Marboquin	Cats, Dogs																										●				
Metrobactin	*Cats, Dogs*	●	●	●	●			●	●	●	●	●	●	●		●			●	●		●		●		●			2	6	
Animax	Cats, Dogs																										●				

Other products: Gentacalm, Muricin

Dermatology and Care

Key Product	Animal	Australia	Austria	Belgium	B&H	Brazil	Canada	Croatia	Denmark	Finland	France	Germany	Ireland	Italy	Mexico	N'lands	NZ	Norway	Poland	Portugal	Serbia	Slovenia	S Korea	Spain	Sweden	UK	US	INTERNATIONAL* Africa	Asia	Europe	Americas
Canaural	Cats, Dogs	●	●	●			●		●	●	●		●	●	●		●	●	●	●	●			●	●	●			4	3	
Isaderm	Dogs	●	●	●	●		●	●	●	●	●	●	●	●		●	●	●	●	●		●		●	●	●			5	6	
Malaseb/Miconahex	Cats, Dogs		●	●	●		●	●	●	●	●	●	●	●	●	●	●	●	●	●		●		●	●	●	●		8	7	
Malacetic	Cats, Dogs		●	●			●	●	●	●		●	●		●	●	●	●	●			●			●	●	●		7	9	
Osurnia	Dogs	●	●	●		●	●	●	●	●	●	●	●	●	●	●	●	●	●	●		●		●	●	●	●		5	10	6
Triz Range	Cats, Dogs		●	●	●		●	●	●	●	●	●	●		●	●	●	●	●			●			●	●	●		8	7	

Other Dermatology and Care: Recicort, CerumAural, CleanAural, Dermanolon, Sporimune, Anti-Sept, DermAllay, DermBenSS, DermLyte, EpiKlean, KlearOtic

Endocrinology

Key Product	Animal	Australia	Austria	Belgium	B&H	Brazil	Canada	Croatia	Denmark	Finland	France	Germany	Ireland	Italy	Mexico	N'lands	NZ	Norway	Poland	Portugal	Serbia	Slovenia	S Korea	Spain	Sweden	UK	US	INTERNATIONAL* Africa	Asia	Europe	Americas
Felimazole	Cats	●	●	●			●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●		●	●	●	●		3	5	
Forthyron/ Thyroxine/ Thyroxanil	Dogs	●	●	●					●	●	●	●	●	●	●	●		●	●	●	●	●		●	●	●			4	8	
Vetoryl	Dogs	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●		5	10	
Zycortal	Dogs	●	●	●		●	●		●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●		4	9	

Other Endocrinology products: Cosacthen

Lameness

Key Product	Animal	COUNTRY: Australia	Austria	Belgium	B&H	Brazil	Canada	Croatia	Denmark	Finland	France	Germany	Ireland	Italy	Mexico	N'lands	NZ	Norway	Poland	Portugal	Serbia	Slovenia	S Korea	Spain	Sweden	UK	US	INTERNATIONAL*: Africa	Asia	Europe	Americas
Cyclospray	Cattle, Pigs, Sheep		●	●	●		●	●	●		●	●	●	●	●	●	●		●	●	●	●		●		●		1	2	10	
Equipalazone	Horses	●	●	●					●		●	●	●			●	●	●	●	●		●			●	●			6	2	
HY-50	Horses			●			●		●	●		●		●	●	●		●						●	●	●			5	1	
Osphos	Horses	●	●	●		●	●		●	●	●	●	●	●	●	●	●	●	●	●		●		●	●	●	●		5	3	
Phycox	Dogs, Horses						●																				●				

Nutrition

Key Product	Animal	COUNTRY: Australia	Austria	Belgium	B&H	Brazil	Canada	Croatia	Denmark	Finland	France	Germany	Ireland	Italy	Mexico	N'lands	NZ	Norway	Poland	Portugal	Serbia	Slovenia	S Korea	Spain	Sweden	UK	US	INTERNATIONAL*: Africa	Asia	Europe	Americas
Specific	Cats, Dogs			●					●	●	●		●			●		●	●	●	●	●	●	●	●	●			1	10	

Water Solubles

Key Product	Animal	COUNTRY: Australia	Austria	Belgium	B&H	Brazil	Canada	Croatia	Denmark	Finland	France	Germany	Ireland	Italy	Mexico	N'lands	NZ	Norway	Poland	Portugal	Serbia	Slovenia	S Korea	Spain	Sweden	UK	US	INTERNATIONAL*: Africa	Asia	Europe	Americas
Altidox	Pigs, Chickens, Turkeys		●	●							●	●							●	●				●							
Otacillin/Solamocta	Pigs, Chickens, Turkeys		●	●				●	●		●	●	●	●		●			●	●	●	●		●		●		1	4	3	
Soludox	Pigs, Chickens, Turkeys		●	●	●			●	●		●	●	●	●		●			●		●	●		●		●		3	5	2	

Other FAP products: Metaxol, Methoxasol, Phenocillin, Solacyl, Tialin

Vaccines

Key Product	Animal	COUNTRY: Australia	Austria	Belgium	B&H	Brazil	Canada	Croatia	Denmark	Finland	France	Germany	Ireland	Italy	Mexico	N'lands	NZ	Norway	Poland	Portugal	Serbia	Slovenia	S Korea	Spain	Sweden	UK	US	INTERNATIONAL*: Africa	Asia	Europe	Americas
Avishield ND	Chickens, Turkeys		●	●	●			●	●			●				●			●	●	●	●				●		3	7	6	
Excell 10	Cattle, Pigs, Sheep, Goats					●																									5
Vencomax	Dogs					●																						1	1		8

Other Brands

Key Product	Animal	COUNTRY: Australia	Austria	Belgium	B&H	Brazil	Canada	Croatia	Denmark	Finland	France	Germany	Ireland	Italy	Mexico	N'lands	NZ	Norway	Poland	Portugal	Serbia	Slovenia	S Korea	Spain	Sweden	UK	US	INTERNATIONAL*: Africa	Asia	Europe	Americas
Cardisure	Dogs	●	●	●				●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●			7	9	
Isathal	Cats, Dogs, Rabbits	●		●	●		●	●	●	●	●	●	●	●		●	●	●		●	●	●		●	●	●			4	5	
Libromide	Dogs		●	●					●	●	●	●	●	●		●		●	●	●				●	●	●				2	
Miratax	Cats		●	●				●	●	●	●	●	●	●	●	●		●	●	●		●		●	●	●	●		5	7	
Phenoleptil	Dogs		●	●					●	●	●	●	●	●		●		●	●	●				●	●	●				4	
Prednicortone	Cats, Dogs		●	●	●			●	●	●	●		●	●		●		●	●	●		●		●	●	●			1	7	
Prevomax	Dogs	●	●	●	●		●	●	●	●	●	●	●	●	●	●		●	●	●	●	●	●	●	●	●			8	7	
Tri-Solfen	Cattle, Pigs, Sheep	●					●										●											1			
Vetivex	Cat, Dogs, Cattle, Horses			●					●		●	●	●			●		●							●	●	●	1			

Other products: Apovomin, Fruesdale, Hypertonic, Laxatract, Lubrithal, Ophtocycline, CleanOcular, Puralube, Vetropolycin

* Not all products are sold in each country within a continent.

Financial Review

"End user demand for our products has remained strong and our increased investment in R&D will help to fuel future growth."

Paul Sandland
Chief Financial Officer

Glossary

IFRSs: UK-adopted International Financial Reporting Standards

CER: Constant Exchange Rates

AER: Actual Exchange Rates

CAP: Companion Animal Products

FAP: Food producing Animal Products

bps: basis points

Operating profit (EBIT) margin: operating profit as a percentage of revenue

Underlying 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 and product rights 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.

Including non-underlying items, the Group's consolidated operating profit decreased by (89.8)% at CER ((93.4)% at AER). Consolidated profit before tax decreased by (141.4)% at CER ((146.5)% at AER), a greater decline than operating profit due to an increase in net finance costs including a higher impact from the unwind of the discount associated with contingent consideration liabilities.

Existing operating profit of £96.0 million includes underlying operating profit of £168.8 million and non-underlying charges of £(72.8) million principally relating to amortisation of intangibles and cloud computing costs (further detail is provided below). The acquisition operating loss of £(89.7) million includes an underlying operating loss of £(3.7) million and non-underlying charges of £(86.0) million reflecting to the impairment of an acquired intangible relating to one of the near term candidates in the Piedmont product pipeline, the amortisation of acquired intangibles, the unwind of the fair value uplift on inventory, expenses relating to acquisitions and subsequent integration activities, and costs associated with the acquisition of the Company by Freya Bidco Limited.

Diluted EPS was (140.7)% lower than the prior year at CER ((146.0)% at AER) reflecting the combined effect of a lower profit before tax and higher share capital following the equity raise in July 2022.

Reported segmental performance is presented in note 2.

Reported	2023 Existing £m	2023 Acquisition £m	2023 Consolidated £m	2022 £m	Growth at AER Consolidated	Growth at CER Consolidated
Revenue	**728.6**	**32.9**	**761.5**	681.8	11.7%	5.5%
Gross profit	**418.4**	**7.9**	**426.3**	384.8	10.8%	4.9%
Gross profit %	**57.4%**	**24.0%**	**56.0%**	56.4%	(40) bps	(30) bps
Operating profit/(loss) (EBIT)	**96.0**	**(89.7)**	**6.3**	95.5	(93.4)%	(89.8)%
Operating profit (EBIT) %	**13.2%**	**(272.6)%**	**0.8%**	14.0%	(1,320) bps	(1,270) bps
Profit/(loss) before tax	**64.5**	**(100.6)**	**(36.1)**	77.6	(146.5)%	(141.4)%
Diluted EPS (p)			**(24.59)**	53.40	(146.0)%	(140.7)%

Overview of Underlying Financial Results

The Group presents a number of non-GAAP Alternative Performance Measures (APMs). This allows investors to understand better the underlying performance of the Group by excluding certain non-underlying items as set out in notes 3, 4, 5, 6 and 35. As underlying results include the benefits of acquisitions but exclude significant costs such as amortisation of acquired intangibles and expenses related to acquisitions and subsequent integration activities, they should not be regarded as a complete picture of the Group's financial performance, which is presented in its total Reported results. The exclusion of non-underlying items may result in underlying earnings being materially higher or lower than total Reported earnings. In particular, when significant amortisation of acquired intangibles, impairments and costs associated with acquisitions and subsequent integration activities are excluded, underlying earnings will be higher than total Reported earnings.

A reconciliation of underlying results to total Reported results in the year to 30 June 2023 is provided in the table below. In the commentary which follows, all references will be to CER movement unless otherwise stated.

		Non-underlying Items			
	2023 Underlying Results £m	Amortisation and related credits of acquired intangibles and associates £m	Acquisition, impairments and cloud computing costs £m	Tax rate changes and finance expenses £m	**2023 Reported Results £m**
Revenue	**761.5**	-	-	-	**761.5**
Gross profit	**429.6**	-	(3.3)	-	**426.3**
Selling, general and administrative (SG&A) expenses	**(207.0)**	(67.4)	(84.8)	-	**(359.2)**
Research & Development (R&D) expenses	**(57.5)**	(3.3)	-	-	**(60.8)**
Operating profit (EBIT)	**165.1**	(70.7)	(88.1)	-	**6.3**
Net finance costs	**(23.8)**	-	-	(17.7)	**(41.5)**
Share of associate (loss)	**(1.0)**	0.1	-	-	**(0.9)**
Profit/(loss) before tax	**140.3**	(70.6)	(88.1)	(17.7)	**(36.1)**
Taxation	**(32.4)**	16.8	20.1	3.7	**8.2**
Profit/(loss) after tax	**107.9**	(53.8)	(68.0)	(14.0)	**(27.9)**
Diluted EPS (p)	**94.57**				**(24.59)**

Consolidated revenue increased 5.5% on the prior year to £761.5 million. This included £728.6 million from the existing business, an increase of 1.2% on a like-for-like basis and £32.9 million from acquired businesses and product rights.

Consolidated underlying EBIT decreased (10.8)% to £165.1 million. This included £168.8 million from Dechra's existing business, a decrease of (8.8)%, where underlying EBIT growth in European (EU) Pharmaceuticals and Corporate cost savings were offset by a decline in both North American and International Pharmaceuticals plus an increase in Research & Development (R&D) costs due to ongoing investment in our existing pipeline. There was a £(3.7) million loss relating to acquired businesses and product rights in the year, mostly reflecting the net impact of R&D costs relating to the acquisition of Piedmont Animal Health, Inc and the profit contribution from Med-Pharmex Holdings, Inc. Although underlying EBIT declined overall, excluding the £25.1 million increase in R&D expenses it actually increased 1.4% to £222.6 million, largely driven by performance in the EU Pharmaceuticals segment.

Underlying EBIT margin decreased by (400) bps to 21.7%. The main driver of this was the planned increase in R&D as noted above, whilst there were also strategic investments made within operating costs to underpin the Group's future growth. Underlying diluted EPS declined by (26.8)% to 94.57 pence due to the combined effect of a lower underlying operating profit, higher finance costs and the dilutive impact of the equity raise.

A detailed explanation of our non-underlying items is included later in this Financial Review.

					Growth at CER	
Underlying	**2023 Existing £m**	**2023 Acquisition £m**	**2023 Consolidated £m**	2022 £m	Existing	Consolidated
Revenue	**728.6**	**32.9**	**761.5**	681.8	1.2%	5.5%
Gross profit	**418.4**	**11.2**	**429.6**	385.3	2.9%	5.6%
Gross profit %	**57.4%**	**34.0%**	**56.4%**	56.5%	100 bps	0 bps
Operating profit/(loss) (EBIT)	**168.8**	**(3.7)**	**165.1**	174.3	(8.8)%	(10.8)%
Operating profit (EBIT) %	**23.2%**	**(11.2)%**	**21.7%**	25.6%	(260) bps	(400) bps
EBITDA	**186.0**	**(2.3)**	**183.7**	190.6	(7.9)%	(9.1)%
Diluted EPS (p)			**94.57**	120.84		(26.8)%
Dividend per share (p)			**12.50**	44.89		(72.2)%

Financial Review

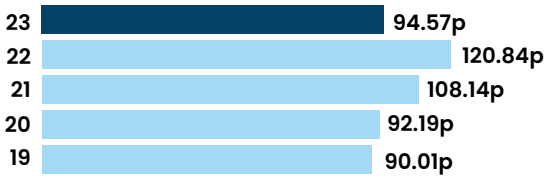
Underlying Segmental Performance

The effect of acquisitions in the year was material; the underlying 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 that first year of ownership, 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.

					Growth at AER		**Growth at CER**	
Underlying	**2023 Existing £m**	**2023 Acquisition £m**	**2023 Consolidated £m**	2022 £m	Existing	Consolidated	**Existing**	**Consolidated**
Total revenue	**728.6**	**32.9**	**761.5**	681.8	6.9%	11.7%	**1.2%**	**5.5%**
EU Pharmaceuticals	**343.5**	**-**	**343.5**	323.2	6.3%	6.3%	**4.3%**	**4.3%**
NA Pharmaceuticals	**298.0**	**32.9**	**330.9**	275.1	8.3%	20.3%	**(2.0)%**	**8.9%**
International Pharmaceuticals	**87.1**	**-**	**87.1**	83.5	4.3%	4.3%	**(0.8)%**	**(0.8)%**
Gross profit	**418.4**	**11.2**	**429.6**	385.3	8.6%	11.5%	**2.9%**	**5.6%**
Gross profit %	**57.4%**	**34.0%**	**56.4%**	56.5%	90 bps	(10) bps	**100 bps**	**0 bps**
SG&A expenses	**(199.8)**	**(7.2)**	**(207.0)**	(178.6)	(11.9)%	(15.9)%	**(6.6)%**	**(10.3)%**
R&D expenses	**(49.8)**	**(7.7)**	**(57.5)**	(32.4)	(53.7)%	(77.5)%	**(45.4)%**	**(67.0)%**
Underlying operating profit	**168.8**	**(3.7)**	**165.1**	174.3	(3.2)%	(5.3)%	**(8.8)%**	**(10.8)%**
EU Pharmaceuticals	**107.7**	**-**	**107.7**	103.4	4.2%	4.2%	**2.3%**	**2.3%**
NA Pharmaceuticals	**92.2**	**4.0**	**96.2**	87.7	5.1%	9.7%	**(5.6)%**	**(1.6)%**
International Pharmaceuticals	**25.5**	**-**	**25.5**	28.1	(9.3)%	(9.3)%	**(13.9)%**	**(13.9)%**
Pharmaceuticals R&D	**(49.8)**	**(7.7)**	**(57.5)**	(32.4)	(53.7)%	(77.5)%	**(45.4)%**	**(67.0)%**
Corporate & unallocated costs	**(6.8)**	**-**	**(6.8)**	(12.5)	45.6%	45.6%	**45.6%**	**45.6%**
Net finance costs	**(12.9)**	**(10.9)**	**(23.8)**	(3.1)	(316.1)%	(667.7)%	**(335.5)%**	**(651.6)%**
Share of associate (loss)	**(1.0)**	**-**	**(1.0)**	(1.2)	(16.7)%	(16.7)%	**(16.7)%**	**(16.7)%**
Profit before tax	**154.9**	**(14.6)**	**140.3**	170.0	(8.9)%	(17.5)%	**(15.1)%**	**(22.9)%**

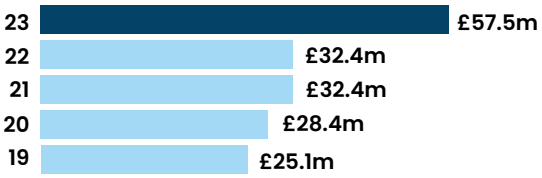
Underlying Diluted Earnings Per Share

94.57p



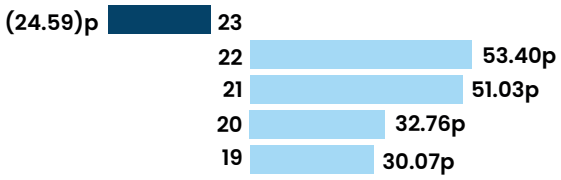
Research and Development Spend

£57.5m



Reported Diluted Earnings Per Share

(24.59)p



European Pharmaceuticals

Revenue in European (EU) Pharmaceuticals increased by 4.3% to £343.5 million, with all of this growth coming from the existing business. The EU segment now excludes the International Pharmaceuticals division, which is disclosed separately below, but does include revenue of £6.2 million related to third party contract manufacturing (2022: 9.5 million), which is a non-core part of the Group and decreased again this year. Excluding this third party revenue, growth of the core European Pharmaceutical business was 5.5%, reflecting a robust performance given country specific dynamics such as wholesaler de-stocking in the UK, local generic competition in the Netherlands and unpredictable demand in other European markets.

Operating profit increased by 2.3% with operating margin decreasing by (60) bps to 31.4%, which was largely driven by higher distribution and operating costs although we have remained pro-active in looking to offset inflationary headwinds through sales price action taken during the year.

					Growth at CER	
Underlying	2023 Existing £m	2023 Acquisition £m	2023 Consolidated £m	2022 £m	Existing	Consolidated
Revenue	**343.5**	**-**	**343.5**	323.2	4.3%	4.3%
Operating profit	**107.7**	**-**	**107.7**	103.4	2.3%	2.3%
Operating profit %	**31.4%**	**-**	**31.4%**	32.0%	(60) bps	(60) bps

North American Pharmaceuticals

Total revenue from North American (NA) Pharmaceuticals increased 8.9% year-on-year to £330.9 million, reflecting existing revenue of £298.0 million and acquisition revenue of £32.9 million. Like-for-like revenues decreased (2.0)% as the NA business was impacted by significant wholesaler de-stocking across the industry during the second half of the financial year. The vast majority of our NA revenue is derived from sales made to wholesalers rather than direct to veterinary practices; therefore although sales out from wholesalers to practices remained consistently strong, we experienced a one-off adverse impact whilst wholesalers reduced their inventory levels.

Acquisition revenue consists of £28.9 million related to Med-Pharmex (acquired on 26 August 2022) and a further £4.0 million from various product rights acquired during the prior year for which there is no comparative.

Operating profit from the existing business decreased (5.6)% with operating margin decreasing (120) bps due to investment in sales and marketing teams to support future growth of the business as we expect the NA business to become the largest part of the Group next financial year. Consolidated operating margin decreased (310) bps due to the dilutive impact from Med-Pharmex this year, where the revenue and profit contribution were lower than originally expected due to one-off factors related to planned quality improvement works and supply chain challenges on some of the higher margin products.

					Growth at CER	
Underlying	2023 Existing £m	2023 Acquisition £m	2023 Consolidated £m	2022 £m	Existing	Consolidated
Revenue	**298.0**	**32.9**	**330.9**	275.1	(2.0)%	8.9%
Operating profit	**92.2**	**4.0**	**96.2**	87.7	(5.6)%	(1.6)%
Operating profit %	**30.9%**	**12.2%**	**29.1%**	31.9%	(120) bps	(310) bps

International Pharmaceuticals

Revenue from our International Pharmaceuticals segment, disclosed for the first time in this report, was £87.1 million. This represented a decline of (0.8)% for the year overall, but a strong recovery in the second half of the year when sales grew 10.0% following a decline of (9.0)% in the first half. The marked difference in performance during the year reflects the impact of establishing our own sales and marketing organisation in South Korea, whereby no revenue was generated during the first seven months, and disruption caused by a change of nutrition distribution partner in Japan.

Operating profit decreased (13.9)% compared to the prior year, largely due to a full year of costs relating to the newly established South Korean subsidiary but without a full year profit contribution.

					Growth at CER	
Underlying	2023 Existing £m	2023 Acquisition £m	2023 Consolidated £m	2022 £m	Existing	Consolidated
Revenue	**87.1**	**-**	**87.1**	83.5	(0.8)%	(0.8)%
Operating profit	**25.5**	**-**	**25.5**	28.1	(13.9)%	(13.9)%
Operating profit %	**29.3%**	**-**	**29.3%**	33.7%	(450) bps	(450) bps

Financial Review

Pharmaceuticals Research and Development

Pharmaceuticals Research and Development (R&D) expenses grew significantly in the year to £57.5 million or 7.6% of revenue (2022: £32.4 million and 4.8% of revenue). This represented a 280 bps increase in R&D expenditure and therefore was a key driver of the overall EBIT margin decline of (400) bps.

The increase in spend was as planned and in line with our original guidance of between 7% and 8% of revenue, driven by both ongoing investment in our existing pipeline together with development of the eight candidates acquired from Piedmont. In particular, spend included £14.2 million in relation to Akston (2022: £3.3 million), which remains on track for approval of the dog insulin product in 2026.

Revenue by Product Category

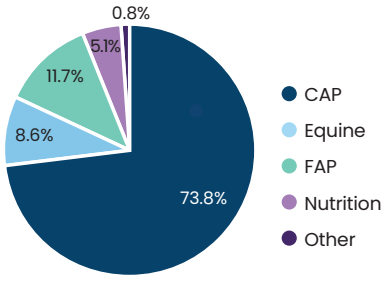
The pharmaceutical product categories of CAP, FAP and Equine all delivered growth in the year. CAP continues to be the largest proportion of the business at 73.8% of total revenue and we delivered another year of growth despite the high comparatives and disruption in the wholesaler channel as explained above. FAP performed well, reflecting a benefit from the Med-Pharmex portfolio applied to a relatively small base, whilst Equine was the strongest category this year.

Nutrition sales were impacted by operational changes in South Korea and Japan as noted above, but nonetheless grew in total. Other revenue decreased year-on-year and remains a small, non-core part of the business. The majority of this revenue is generated from one remaining third party contract manufacturing arrangement relating to a feed supplement at our Zagreb facility.

Revenue	**2023 £m**	2022 £m	Change at AER	Change at CER
CAP	**562.6**	508.4	10.7%	3.9%
FAP	**89.0**	78.8	12.9%	8.5%
Equine	**65.2**	49.5	31.7%	25.1%
Subtotal Pharmaceuticals	**716.8**	636.7	12.6%	6.1%
Nutrition	**38.5**	35.0	10.0%	8.6%
Other	**6.2**	10.1	(38.7)%	(40.7)%
Total	**761.5**	681.8	11.7%	5.5%

* 'Other' includes third party contract manufacturing revenue and other non-veterinary business

Revenue by Product Category (at AER)



Underlying Gross Profit

Underlying gross profit margin increased by 100 bps to 57.4% on an existing basis, reflecting a strong margin performance of our novel CAP portfolio in particular and effective pass-through of cost inflation through carefully implemented pricing action. On a consolidated basis, underlying gross margin was largely flat year-on-year at 56.4% due to the dilutive impact from Med-Pharmex where there was an adverse sales mix towards lower margin products.

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

Group SG&A costs grew from £178.6 million in the prior year to £207.0 million in the current year, an increase of 10.3% principally driven by people costs. Such costs include the annualised impact of salary increases across the Group, investment in additional heads, particularly in Manufacturing and the NA sales team, and consolidation of the Med-Pharmex cost base for the first time. Total SG&A costs now represent 27.2% of revenue (2022: 26.2%) reflecting good management of inflation in the like-for-like operating cost base from last year and the additional operating costs associated with Med-Pharmex and South Korea.

Corporate and Unallocated Costs

Corporate costs decreased to £6.8 million (2022: £12.5 million), driven by a lower year-on-year charge relating to incentive arrangements. Central functions remain well invested to support the continued expansion of the Group.

Finance Expense

Net underlying finance expense increased to £23.8 million (2022: £3.1 million), largely due to the additional level of borrowing as a result of the Med-Pharmex acquisition, a higher variable interest rate compared to the prior year and foreign exchange movements.

Non-underlying Items

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

- Amortisation of acquired intangibles of £71.1 million has decreased from £72.8 million in 2022 principally due to new charges relating to the Med-Pharmex acquisition being more than offset by the reducing charge from the AST Farma and Le Vet acquisition and the Eurovet acquisition intangible becoming fully amortised in the prior year;
- Unwind of a non-cash inventory adjustment of £3.3 million arising through a fair value increase in the valuation of acquisition inventory of Med-Pharmex in line with IFRS 3 'Business Combinations';
- Impairment of assets of £69.6 million relates to an acquired intangible of one of the candidates in the Piedmont product pipeline;
- Cloud computing arrangement costs of £8.5 million relating to the costs of the programme to implement the Manufacturing and Supply function's new ERP and Electronic Quality Management systems;
- Expenses relating to acquisition and subsequent integration activities of £7.5 million predominantly relating to the acquisition of Med-Pharmex (£2.8 million) and to the pending acquisition of the Company by Freya Bidco Limited (£5.0 million);

- Finance charge of £17.7 million (2022: £13.6 million) represents the charge arising on the unwind of the discount relating to the contingent consideration liability of £20.8 million, the loss on extinguishment of debt of £0.6 million and associated foreign exchange gain of £3.7 million; and
- Taxation credit of £40.6 million (2022: £18.9 million) represents the tax impact of the above items.

In addition to costs relating to the acquisition of the Company by Freya Bidco Limited that have been incurred in the year, there are anticipated future costs of £26.0 million, of which £25.0 million are contingent on completion.

Taxation

The reported effective tax rate (ETR) for the year, including the tax impact of non-underlying items, was 22.8% (2022: 25.0%). On an underlying basis the ETR increased to 23.1% (2022: 22.5%), largely reflecting the regional mix of operating profits. The main differences to the UK corporation tax rate applicable of 20.5% (2022: 19.0%) relate to differences in overseas tax rates and non-deductible expenses offset by patent box allowances and other incentives.

The underlying ETR is expected to remain at a similar level in the year to 30 June 2024. We continue to monitor relevant tax legislation internationally as it may affect our future ETR.

Earnings per Share and Dividend

Underlying diluted EPS declined by (26.8)% to 94.57 pence (2022: 120.84 pence) due to the combined effect of a lower underlying operating profit, higher finance costs driven by higher borrowing costs and additional debt taken following the acquisition of Med-Pharmex and the dilutive impact of the equity raise. The weighted average number of shares for diluted earnings per share for the year was 114.1 million (2022: 109.0 million).

The reported diluted EPS for the year was (24.59) pence (2022: 53.40 pence). The year-on-year decline in reported diluted EPS is greater than the decline in underlying diluted EPS due to the significant increase in non-underlying costs as noted above.

An interim dividend of 12.50 pence per share was paid on 13 April 2023. The ongoing acquisition of the Company by Freya Bidco Limited remains conditional upon the receipt of antitrust approval in the European Union and foreign direct investment approval in Australia, in each case to the extent required, as well as the sanction of the Scheme by the Court at the Sanction Hearing (each as defined in the scheme document dated 26 June 2023) and is expected to occur in late 2023 or early 2024. If prior to the acquisition becoming effective, any dividend is announced, declared, made or paid or becomes payable in respect of the ordinary share capital of the Company (Dechra Shares), Freya Bidco Limited reserves the right to reduce the consideration payable under the terms of the acquisition for the Dechra Shares by an amount up to the aggregate amount of such dividend. Therefore the Directors are not recommending the payment of a final dividend.

Currency Exposure

The average rate for £/€ decreased by (2.6)%, and the £/$ rate decreased by (9.6)% 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		
	2023	2022	**% Change**
£/€	**1.1504**	1.1807	**(2.6)%**
£/$	**1.2038**	1.3316	**(9.6)%**

Currency Sensitivity

Euro €: a 1% variation in the £/€ exchange rate affects underlying diluted EPS by approximately +/- 0.5%.

US Dollar $: a 1% variation in the £/$ exchange rate affects underlying diluted EPS by approximately +/- 0.6%.

Current exchange rates are £/€ 1.1559 and £/$ 1.2210 as at 6 October 2023. If these rates had applied throughout the year, the underlying diluted EPS would have been approximately 1.0% lower.

Statement of Financial Position

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

- Non-current assets (excluding deferred tax) increased from £846.6 million to £1,096.6 million and include the intangible assets recognised on the acquisitions of Med-Pharmex and Piedmont, partly offset by amortisation of acquired intangibles.
- Working capital increased from £175.7 million to £234.7 million, largely driven by a higher inventory and trade receivables balance at year end.
- Net debt increased in the year by £221.9 million from £208.2 million to £430.1 million; this includes cash generated from operations before interest, tax and non-underlying items of £122.7 million, an outflow of £396.9 million principally relating to acquisitions made during the year, net capital expenditure of £22.6 million, net interest/tax outflows of £44.4 million and £51.7 million in dividends. Exchange rate variations positively impacted the net debt position by £17.8 million.
- Current and deferred tax net liabilities increased from £34.7 million to £68.6 million principally due to the recognition of deferred tax liabilities on the acquired intangible recognised on the acquisition of Piedmont and Med-Pharmex.

	2023 £m	2022 £m
Non-current assets	**1,096.6**	846.6
Working capital	**234.7**	175.7
Net debt	**(430.1)**	(208.2)
Current and deferred tax	**(68.6)**	(34.7)
Other liabilities	**(77.4)**	(112.6)
Total net assets	**755.2**	666.8

Financial Review

Cash Flow, Financing and Liquidity

The Group delivered an underlying EBITDA margin of 24.1% this year (2022: 28.0%). Working capital increased by £60.2 million mainly due to the increase in the proportion of products now manufactured in-house and the deliberate decision to invest in stock levels to maintain a robust supply chain. In addition, the impact of the significant wholesaler de-stocking seen during the second half of the year had not fully unwound by the year end, further contributing to higher inventory levels. There was also an increase in cash flows from non-underlying items relating to cloud computing arrangement costs and acquisition and integration expenses. This resulted in cash generated from operations after non-underlying items of £109.3 million, representing underlying cash conversion of 66.2% of underlying operating profit.

	2023 £m	2022 £m
Underlying operating profit	**165.1**	174.3
Depreciation and amortisation	**18.6**	16.3
Underlying EBITDA	**183.7**	190.6
Underlying EBITDA margin %	**24.1%**	28.0%
Working capital movement	**(60.2)**	(27.8)
Other	**(0.8)**	3.3
Cash generated from operations before interest, taxation and non-underlying items	**122.7**	166.1
Non-underlying items	**(13.4)**	(2.8)
Cash generated from operations before interest and taxation	**109.3**	163.3
Underlying cash conversion (%)	**66.2%**	93.7%

Net Debt Bridge

Net debt at the year end was £430.1 million, an increase of £221.9 million from £208.2 million at 30 June 2022. The Adjusted Net Debt to Adjusted underlying EBITDA (adjusted for the impact of acquisitions) banking covenant leverage (on a pre IFRS 16 basis) was 2.3 times (2022: 1.0 times) versus a covenant of 3.0 times. This reflects both a higher net debt balance due to the increase in RCF borrowings following the acquisition of Med-Pharmex and elevated levels of working capital, and the lower underlying EBITDA compared to the prior year due to the increased investment in R&D.

	£m
Net Debt 30 June 2022	**(208.2)**
Net cash generated from operations before non-underlying items	122.7
Non-underlying items	(13.4)
Net capital expenditure	(22.6)
Acquisition of intangible assets	(7.5)
Acquisition of subsidiaries	(396.9)
New lease liabilities	(5.7)
Interest and tax	(44.4)
Dividend paid	(51.7)
Equity raised	181.9
Other non-cash movements	(2.1)
Foreign exchange on net debt	17.8
Net Debt 30 June 2023	**(430.1)**

Borrowing Facilities

On 31 March 2023, the Group entered into a new multi-currency Revolving Credit Facility Agreement in the maximum amount of £340.0 million and maturing 31 March 2028. This RCF is provided by a syndicate of banks comprising BNP Paribas, CaixaBank SA UK branch, Crédit Industriel et Commercial, London Branch, Handelsbanken Capital Markets, Handelsbanken plc, HSBC UK Bank plc, PNC Capital Markets LLC, Santander UK plc and The Governor and Company of the Bank of Ireland. The covenant requirements in the RCF remain unchanged from the prior RCF Agreement (being Interest Cover in respect of any Relevant Period shall not be less than 4:1 and Leverage in respect of any Relevant Period shall not exceed 3:1).

The RCF uses Risk Free Reference (RFR) rates, with the relevant RFR rates for the principal Borrowings of the Group being SONIA (for Borrowings in GBP), SOFR (for Borrowings in USD) and EURIBOR (for Borrowings in EUR). The interest rate charged on any new Borrowings drawn under the RCF will be the relevant RFR rate plus the Margin. The Margin on the RCF is a minimum of 1.40% and a maximum of 2.30%, dependent upon the Leverage (the ratio of Adjusted Net Debt to Adjusted underlying EBITDA) of the Group. At 30 June 2023, £241.4 million was drawn against the £340.0 million RCF. The facility is not secured on any specific assets of the Group but is supported by a joint and several cross guarantee structure. All covenants were met during the year ended 30 June 2023.

In January 2020, the Group undertook a Private Placement raising EUR50.0 million and USD100.0 million (under seven and ten year new senior secured notes respectively) which remains fully drawn at 30 June 2023. The Private Placement amounts are not secured on any specific assets of the Group, but are supported by a joint and several cross guarantee structure. Interest is charged on the EUR50.0 million amount at a fixed rate of 1.19% until maturity (January 2027). Interest is charged on the USD100.0 million amount at a fixed rate of 3.34% until maturity (January 2030). On 14 July 2022 the Group undertook a further Private Placement raising EUR50.0 million and EUR100.0 million (under seven and ten year new senior secured notes respectively), the proceeds of which were used to repay existing debt. Both facilities remain fully drawn at 30 June 2023. Interest is charged on the EUR50.0 million senior secured notes at a fixed rate of 3.64% until maturity (July 2029), and on the EUR100.0 million senior secured notes at a fixed rate of 3.93% until maturity (July 2032).

The weighted average coupon of the Private Placements fixed rate notes equates to 3.2%.

Capital Management

On 21 July 2022, the Group successfully completed a share placing of 5,364,683 new ordinary shares, representing 4.95% of the existing issued share capital of the Company, at a price of 3,430 pence per placing share, raising gross proceeds of £184.0 million which were largely deployed to fund the Piedmont acquisition upon its completion on 25 July 2022.

Covenants

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

- Leverage: Adjusted Net Debt to Adjusted underlying EBITDA not greater than 3.0:1 for the RCF and 3.5:1 for the Private Placements (30 June 2023: 2.3:1); and
- Interest Cover: Adjusted underlying EBITDA to Net Finance Charges not less than 4.0:1 (30 June 2023: 8.0:1).

The above ratios are calculated excluding the impact of IFRS 16 and having adjusted for the pro-forma impact of acquisitions in accordance with the terms of the RCF and Private Placements arrangements.

Underlying Return on Capital Employed (ROCE)

Underlying ROCE decreased to 15.3% in the year (2022: 19.5%) reflecting the lower level of profitability during the year and the investments made in Piedmont and Med-Pharmex, the return on which we expect to realise in future years (see note 35).

Acquisitions

During the 2023 financial year the Group acquired Piedmont Animal Health, Inc and Med-Pharmex Holdings, Inc. See note 29 for further details.

The Group has made several acquisitions in recent years. The incremental performance during the first year of ownership of the acquisitions made during the 2022 and 2023 financial years is separately summarised compared to the existing business in the sections above.

Accounting Standards

The accounting policies adopted are outlined in note 1 to the financial statements in the 2023 Annual Report.

Going Concern

The Directors have a reasonable expectation that the Group and Company has adequate resources to continue in operational existence for the foreseeable future and will continue to be able to meet its liabilities as they fall due, within 12 months of the date of approval of these financial statements. 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 future growth and operating performance including the principal risks and uncertainties and an assessment of a number of severe but plausible stress tests on these areas (as set out on pages 79 to 87);
- The current and projected future financial position of the Group, its cash flows, available cash resources and committed debt facilities and compliance with the financial covenants associated with the Group's borrowings, which are described in the financial statements; and
- Subsequent events (see note 34 and below).

On 2 June 2023, the boards of directors of Dechra and Freya Bidco Limited (Bidco) announced that they had reached agreement on the terms and conditions of a recommended cash acquisition by Bidco of the entire issued, and to be issued, ordinary share capital of Dechra (the Acquisition). The Acquisition is being implemented by means of a Court-sanctioned scheme of arrangement under Part 26 of the Companies Act 2006 (the Scheme) and is subject to the terms and conditions set out in the circular in relation to the Scheme sent to Dechra Shareholders dated 26 June 2023 (the Scheme Document). As announced by Dechra on 20 July 2023, the Scheme and its implementation were approved by the requisite majority of Scheme Shareholders and Dechra Shareholders (as applicable) on 20 July 2023 and the Acquisition is expected to complete after the date of approval of the Annual Report and Accounts.

The going concern assessment of the Group and Company is therefore subject to uncertainties relating to the potential change in ownership of the Group and Company and the actual funding requirements and financing arrangements post completion. For this reason, the Directors cannot reasonably predict the financial position of the Group and Company post-completion, including the details of any financing arrangements related to the transaction that could affect the Group and Company. This indicates the existence of a material uncertainty which may cast significant doubt on the Group and Company's ability to continue as going concern. As noted above, the financial statements do however not include the adjustments that would result if the Group and Company were unable to continue as a going concern.

Notwithstanding this uncertainty, based on the circumstances described above, the Directors have a reasonable expectation that the Group and Company has adequate resources to continue in operational existence for the foreseeable future and the accounts are prepared on the assumption that the Group and Company is a going concern.

Subsequent Events

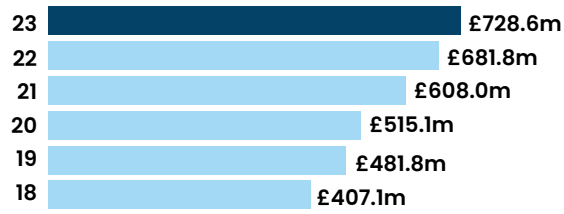
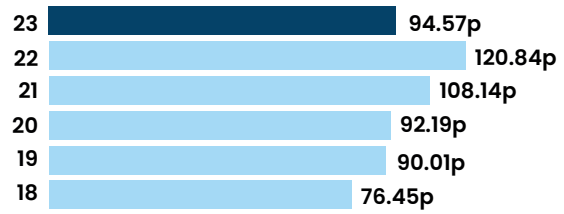
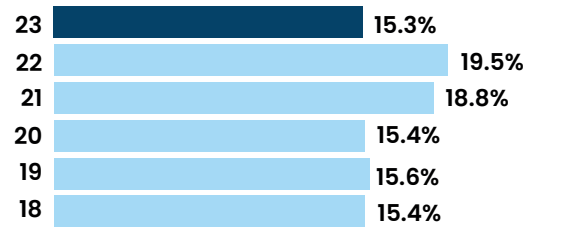
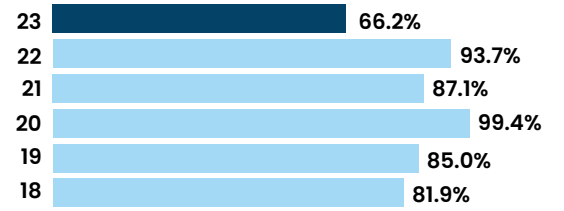
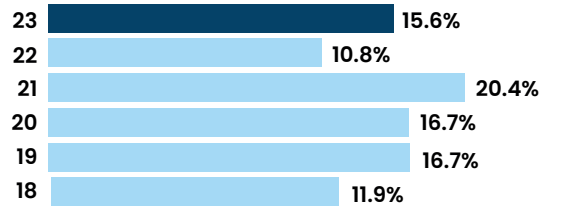
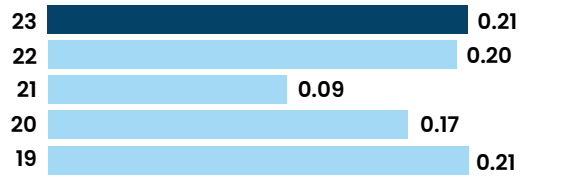
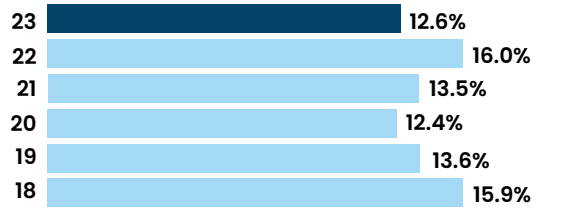
On 20 July 2023, shareholders voted in favour of the proposed cash offer for the Company by Freya Bidco Limited.

Summary

The Group delivered a satisfactory financial performance during the year considering the factors that were outside of our control. The strength of the business and attractiveness of the market in which we operate are evident by the takeover and we are well positioned to deliver future growth.

Paul Sandland
Chief Financial Officer
12 October 2023

Key Performance Indicators

KPI and Definition	Performance
Existing Revenue Growth Existing revenue includes the impact of previous acquisitions where there is a comparator period, and therefore growth rates are stated on a like-for-like basis using constant exchange rates.	 ↑1.2%
Underlying Diluted EPS Growth Underlying profit after tax divided by the diluted average number of shares, calculated on the same basis as note 11 to the Accounts using constant exchange rates.	 ↓(26.8)%
Underlying Return on Capital Employed Underlying operating profit expressed as a percentage of the average of the opening and closing operating assets (excluding cash/debt and net tax liabilities).	 ↓(420)bps
Underlying Cash Conversion Cash generated from operations before tax and interest payments as a percentage of underlying operating profit.	 ↓(2,740)bps
New Product Revenue Revenue from new products as a percentage of total Group revenue. A new product is defined as any molecule launched in the last five years.	 ↑480bps
Lost Time Accident Frequency Rate (LTAFR) All accidents resulting in the absence or inability of employees to conduct a full range of their normal working activities for a period of more than three workings days after the day when the incident occurred, normalised per 100,000 hours worked.	 ↑5.0%
Employee Turnover Number of leavers during the period as a percentage of the average total number of employees in the period.	 ↓(340)bps

Commentary	Relevance to Strategy
Dechra's existing business grew by 5.5% in EU Pharmaceuticals (excluding third party manufacturing) which was offset by the one-off adverse impact of the US wholesaler destocking in NA Pharmaceuticals.	A key driver of our strategy is to deliver sustainable sales growth through delivering our pipeline, maximising our existing portfolio and expanding geographically.
This reflects a lower operating profit, higher financing costs and the dilutive impact of the July 2022 equity raise.	Underlying EPS is a key indicator of our performance and the return we generate for our stakeholders. It is one of the performance conditions of the LTIP.
A decline in the underlying return on capital employed reflects the lower level of profitability during the year and the investments made in Piedmont and Med-Pharmex.	As we look to grow the business, it is important that we use our capital efficiently to generate returns superior to our cost of capital in the medium to long term. It underpins the performance conditions of the LTIP.
Lower cash conversion is driven by an investment in stock levels to maintain a robust supply chain, and higher non-underlying cash outflows driven by acquisition costs and cloud computing arrangement costs.	Our stated aim is to be a cash generative business. Cash generation supports investment in the pipeline, acquisition and people.
Increase in new product revenue is driven by the acquisition of Med-Pharmex during the year.	This measure shows the delivery of revenue in each year from new products launched in the prior five years, on a rolling basis. It shows the performance of our R&D and sales and marketing organisations when launching newly developed or in-licensed products.
The lost time accidents increased to 0.21. The majority of the incidents occurred at our Manufacturing sites with one incident at our central logistics centre in Denmark. None of these incidents resulted in a work related fatality or disability.	The safety of our employees is core to everything we do. We are committed to a strong culture of safety in all our workplaces.
We are pleased to see that moving annual turnover has reduced back to 12.6%. We felt the post Covid impact of the changing nature of the workforce and increased competition for talent, particularly in more specialist roles. We have introduced a range of measures to manage turnover.	Attracting and retaining the best employees is critical to the successful execution of our strategy.

Strategic Driver/Enabler Key:

- Pipeline Delivery
- Portfolio Focus
- Geographical Expansion
- Acquisition
- Manufacturing & Supply Chain
- Technology
- People

Long Term Incentive Plan (LTIP) performance condition

Non-Financial and Sustainability Information Statement

This section of the Strategic Report constitutes the Group's Non-Financial and Sustainability Information Statement, produced to comply with Sections 414 CA and 414 CB of the UK Companies Act 2006. The information is incorporated by cross-reference.

Reporting Requirement	Where to read more	Policies and Handbook
Environmental matters (including the impact of the Company's business on the environment)*	Task Force on Climate-related Financial Disclosures Pages 69 to 75 Environment Pages 76 to 78 Understanding Our Key Risks Page 87 Section 172 Statement Pages 56 and 57 Sustainability Report **dechra.com/sustainability**	Our Group **Code of Conduct** confirms the Groups commitment to adopting responsible environmental practices and compliance with the applicable legislation. Our Group **Third Party Code of Conduct** outlines what is expected of those we work with to minimise the impact of our operations on the environment. Our Group **Environmental Policy** applies to all Dechra employees, Directors, temporary staff, agency workers, contractors and other persons acting on behalf of the Group.
Employees*	Chief Executive Officer's Statement Pages 03 to 07 Composition, Succession and Evaluation Pages 113 to 122 Stakeholders: Employees Pages 58 to 61 Section 172 Statement Pages 56 and 57 Understanding Our Key Risks Page 86 Sustainability Report **dechra.com/sustainability**	Our Group **Diversity Policy** recognises that the diversity of our team and an inclusive culture is beneficial for our business, its processes, and its performance. Our Group **How to Raise a Concern** handbook encourages individuals to report genuine concerns. Our external audit of our Culture with **Great Place to Work for the UK.** Our Group **Code of Conduct** outlines what is expected of our employees during the course of our business. Our **Dignity at Work Policy** outlines how we treat people fairly and do not tolerate bullying and harassment. We do not discriminate for reasons such as age, gender, sexual orientation, marital status, race, colour, ethnicity, disability, religion, political affiliation or union membership. Our **Health & Safety Policy** sets out our requirements for all aspects of our business to be conducted in compliance with the applicable Health and Safety laws, regulations, Company policies, standards and best practices to ensure the Health and Safety of our employees, contractors and visitors.
Social matters*	Stakeholders: Communities Page 64 Section 172 Statement Pages 56 and 57 Sustainability Report **dechra.com/sustainability**	Our Group **Human Rights Policy** confirms our commitment to acting responsibly and with integrity, respecting the laws, regulations, traditions and cultures of the countries within which we operate, whilst supporting the dignity, wellbeing and human rights of our employees. Our Group **Third Party Code of Conduct** outlines what is expected of the third parities we engage with. Our Group **Donations Policy** promotes engagement between our employees and the community and in particular the support of local community groups and charities Our **Volunteer Service Toolkits for Large and Small Events** provides guidance on how to develop and manage volunteer service events. Our Group **Data Protection Policy** outlines how our people protect suppliers and customers data.

Reporting Requirement	Where to read more	Policies and Handbook
Respect for human rights*	Stakeholders: Suppliers Page 63 Sustainability Report **dechra.com/sustainability**	Our Group **Human Rights Policy** confirms our commitment to acting responsibly and with integrity, respecting the laws, regulations, traditions and cultures of the countries within which we operate, whilst supporting the dignity, wellbeing and human rights of our employees. Our **Modern Slavery Statement** confirms our commitment to ethical behaviour and sourcing products from suppliers who share this value.
Anti-Bribery and Anti-Corruption*	Stakeholders: Suppliers Page 63 Audit, Risk and Internal Control Pages 123 to 131 Sustainability Report **dechra.com/sustainability**	Our Group **Third Party Code of Conduct** outlines our commitment to conducting business in a way that is honest and fair. It confirms that we are committed to preventing bribery and corruption and outlines how third parties should act in respect of this commitment. Our Group **ABC Policy** provides guidance on business practices that are acceptable and those that are not. The policy applies to officers, employees and consultants of the Group. Our Group **Code of Conduct** confirms we do not give or receive bribes or participate in corruption. Our Group **How to Raise a Concern** handbook encourages individuals to report genuine concerns.
Business Model	Our Business Model Pages 28 to 31 Stakeholders: Veterinary Professionals Page 62	
Description of Principal Risks and Impact of Business Activity	How the Business Manages Risk Pages 79 to 82 Understand Our Key Risks Pages 83 to 87 Our Business Model Pages 28 to 31	
Non-Financial Key Performance Indicators	Key Performance Indicators Pages 52 and 53 Strategic Report Pages 24 to 87	

* References to our policies, due diligence processes and information on how we are performing on various measures in these areas are contained throughout the Strategic Report.

Section 172 Statement and Stakeholder Engagement

The Board is responsible under section 172 of the Companies Act 2006 for promoting the long term success of the Company for the benefit of its shareholders, and acknowledges that its decisions have a long term impact on other stakeholders, the environment and the Company's reputation for high standards of business conduct.

The Board appreciates that wider engagement with stakeholders is an important component of long term sustainability and success and believes that by engaging with all important stakeholders, the business is made stronger and more resilient. The Board has identified six key stakeholder groups that it believes are important to engage with regularly to continue to make Dechra successful: employees; veterinary professionals; suppliers, communities; shareholders and regulatory authorities.

Our business model sets out the impact and the value we generate for stakeholders on pages 28 to 31. The section on understanding our key risks includes an overview of

Employees

Objective
- To make Dechra a great and safe place to work by attracting, retaining and developing talent

Material Issue
- Development opportunities
- Making a difference
- Agile and friendly place to work
- Living Wage/Fair pay

How We Engage
- Group intranet site
- Regular site visits by Senior Management
- Engagement surveys
- Employee meetings with the Employee Engagement Designated Non-Executive Director, Lisa Bright
- Employee development and training

Performance
- Living Wage employer or local equivalent since 2021
- 20,207 Delta courses completed
- 77% Trust Index (Engagement Survey)

Where to Read More
- Stakeholder Engagement: Employees (pages 58 to 61)
- Understanding Our Key Risks (page 86)
- Governance Report (pages 102 to 112)
- Sustainability Report (pages 08 and 22 to 24)

Veterinary Professionals

Objective
- To improve animal health and welfare

Material Issue
- Innovative and effective products
- Information on correct use of products
- Educational opportunities

How We Engage
- Educational and training programmes
- Technical support via helplines and product information
- PhD veterinary student funding

Performance
- 205,012 CPD hours
- 16,300 Technical support enquiries (USA and UK)

Where to Read More
- Stakeholder Engagement: Veterinary Professionals page 62)
- Understanding Our Key Risks (pages 83 to 87)
- Governance Report (pages 102, 104, 105, 111 and 112)
- Sustainability Report (pages 08, 13 and 14)

Suppliers

Objective
- To trade with honesty and integrity, and to source quality raw materials, finished products and services

Material Issue
- Fair payment terms
- Long term relationships

How We Engage
- Quality audits
- Due diligence
- ABC training
- Third Party Code of Conduct

Performance
- 15 Quality/CMO audits completed
- 107 ABC training courses provided

Where to Read More
- Stakeholder Engagement: Suppliers page 63)
- Understanding Our Key Risks (page 84)
- Governance Report (pages 103 to 105, 111 and 112)
- Sustainability Report (pages 08 and 14)

the potential impacts, controls and mitigating actions in connections with our key stakeholders. Our Sustainability strategy is centred around the four pillars of Business, Environment, People and Community, and we believe that effective engagement drives sustainable value for all stakeholders. Details on our Group's Sustainability strategy can be found on pages 66 to 78 and in our Sustainability Report.

Engagement with all our stakeholders is led by our Senior Executive Team, who provide updates to Board members, via Board papers and presentations. The table below and the stakeholder sections on pages 58 to 66 detail how the Board and the Group as a whole engages with the its key stakeholders, and why the key stakeholders are important. This section should be read in conjunction with the Governance Report, on pages 101 to 103, which contains information on how the Board engages with key stakeholders and their impact on principal decisions made over the year.

Communities

Objective
- To give back to the communities in which we operate

Material Issue
- Prosperity within our communities
- Community projects and initiatives

How We Engage
- Community activities
- Group donations
- Product and local donations
- Development and education of young people

Performance
- 3,147 Community hours
- £432,181 Cash donations
- £201,464 Product donations

Where to Read More
- Stakeholder Engagement: Communities (page 64)
- Governance Report (pages 103 to 105, 111 and 112)
- Sustainability Report (pages 08, 14 and 25 to 27)

Shareholders

Objective
- To instil trust and confidence and allow informed investment decisions to be made

Material Issue
- Financial performance
- Delivery of strategy
- Environmental, Social and Governance performance

How We Engage
- Annual Report and RNS announcements
- Annual General Meeting
- Investor presentations
- Corporate website
- One-to-one meetings

Performance
- 3,471% total shareholder return (TSR) between IPO and 12 April 2023

Where to Read More
- Stakeholder Engagement: Shareholders page 65)
- Governance Report (pages 101, 104, 105, 111 and 112)
- Sustainability Report (page 08)

Regulatory Authorities

Objective
- To meet high standards of product safety and efficacy

Material Issue
- Safety
- Efficacy
- Responsible marketing of regulated pharmaceuticals

How We Engage
- Regulatory training for employees
- Manufacturing facility inspections
- Market authorisation applications
- Product Safety Update Reports

Performance
- 206 new market authorisations
- 15 manufacturing facility inspections

Where to Read More
- Stakeholder Engagement: Regulatory Authorities (page 66)
- Product Development (pages 38 to 41)
- Understanding Our Key Risks (pages 84 to 86)
- Governance Report (pages 103, 104, 105, 111 and 112)
- Sustainability Report (pages 08 to 11)

Section 172 Statement and Stakeholder Engagement

Employees

12.6% Employee Turnover

55.0% Females in Workforce

0.41 Accident Frequency Rate

We employ 2,457 employees in 26 countries in manufacturing, logistics, laboratories, offices as well as mobile working. At Dechra, we acknowledge that our people are our greatest asset and know that an inclusive culture is beneficial for our business performance. Our ongoing objective is to continue to be a purpose focused business driven by high performing and committed teams. We are committed to the following focus areas:

- **Culture and Values:** strengthening and communicating the Dechra Culture and striving to ensure our Values encompass our business ethics and standards;
- **Talent Management and Engagement:** attracting, retaining and developing talent to build and maintain a top quality team;
- **Diversity and Inclusion:** valuing the difference and diversity of people, recognising that their skills and abilities are strengths that can help us to achieve our best;
- **Fair Employment Practices:** complying with national legal requirements regarding wages and working hours; and
- **Safe Working Practices:** reinforcing a strong culture of health and safety, within a zero harm environment.

Culture and Values

Our Values, entrepreneurial attitude and agile approach to the way we do things are the backbone of our Culture. We expect our people to make a difference by working together and we support them by providing clear guidance on expectations. We believe that our Values encapsulate our business ethics and set the standards that we wish to achieve and ultimately exceed. They outline the type of people we are, the services we provide and the way we aim to do business.

Our Values are supported by our Code of Conduct, which has been translated into eight languages and is available in English at www.dechra.com. Our training programme which is also translated into eight languages is mandatory for all employees to complete on an annual basis.

We encourage all employees if they see or suspect something which they believe to be a breach of Dechra's standards of conduct, to report their concerns via our How to Raise a Concern procedure. In addition to the four internal reporting channels, we have a third party confidential hotline, which is available to both employees and Dechra's third parties. Reports can be submitted through an online portal, which is available in 46 languages, or via a hotline, which is available twenty-four hours a day and is supported in 170 languages. All reports are treated with utmost confidentiality by independent staff, who will summarise the content of the call or online report and pass it to the Company Secretary, Group HR Director and Head of Internal Audit and Risk Assurance for investigation.

Every effort is made to protect confidentiality to encourage reporting. We fully investigate reports and take appropriate actions to address these issues. The actions taken will depend on the circumstances and the severity of the issues identified. These actions may include process improvements, training and coaching, or formal disciplinary actions up to and including termination of employment for the most severe issues. The Board receives a summary of the investigation reports once a year. Further details can be found in the Governance Report.

Talent Management and Engagement

Talent Management

Dechra is committed to enhancing the skills of our workforce, planning for a successful future and creating a sustainable talent pipeline.

Training

Delta is our dedicated internal digital learning platform for Dechra employees across the world. Training includes Dechra's Code of Conduct, Information Security and Health, Safety and Wellbeing. This is only one element of training that we provide; our employees have logged a total of 24,687 hours in the 2023 financial year, which equates to 10.0 hours per employee.

We have been running our Leadership programme since 2020. The programme is run as a mixture of virtual and live sessions and the leadership teams across all functions except DVP EU (which has its own programme) have attended or are currently on a programme. The strategic intent of this development activity is:

- to develop future senior leadership by improving readiness and capabilities that deliver success; and
- building confidence for internal and external stakeholders that the business has access to talented, ready now and emerging leaders.

The key learning objectives of the programme are to build on executional excellence, develop the capacity to build and establish value creating teams, have an agile and future facing leadership, and continue to focus on having an inclusive approach and being culturally aware. The programme commences with psychometric and cognitive assessments of the team, and has been followed by online team business simulations, team and peer coaching and some virtual and face to face content.

This year we have reached the conclusion of our first pilot of the Future Facing Leaders programme, which commenced in February 2022. With 24 employees in attendance, the course was delivered both virtually and via three live sessions, two in the UK and one in Croatia, including an immersion experience at our site in Zagreb. The final stage of the programme focused on leading enterprise, and the group worked in teams to present strategic proposals to a selection of the Senior Executive team and the Executive Board. Two of the four proposals are planned for implementation in the 2024 financial year. Deemed a success, the next cohort of Future Facing Leaders will commence their programme in early 2024.

Dedication Enjoyment Courage Honesty Relationships Ambition

Apprenticeships and Internships

We believe that offering internships and apprenticeships is a great way to attract new employees to Dechra. We offer a small number of internship opportunities each year. We have been delighted with the quality of young people who have worked with us and hope that the experiences of working with Dechra will support them in their future careers. We currently have a total of 31 Apprenticeships/Internships of which 14 are in Europe and 17 are in Brazil.

Engagement

Case Study: Employee Engagement

One of our strategic objectives this year was to continue to adapt to the changing needs of our workforce. We face challenging labour markets with candidates having more options as well as seeing an increased focus on wellbeing and work-life balance, and particularly in our manufacturing environments flexibility is an opportunity for us to pursue.

During the 2023 financial year the Skipton site explored flexible options for the team to improve work-life balance; without impacting on pay and business output, continue building a great place to work for our employees, and create an attraction and retention tool in a competitive labour market.

The leadership team worked closely with the Works Council to generate ideas from the workforce. A number of options were put forward and worked through, evaluating feasibility as well as impact on the objectives of the pilot. In January, the site started a trial with two working patterns, a nine day fortnight and a four and half day week, reducing working hours from 37.5 to 36 hours per week with no impact to pay and benefits. Success criteria were defined, linked to site performance metrics and communicated to all teams.

The trial was initially for three months with the Works Council and site team meeting regularly to review feedback from employees as well as the success criteria. It was agreed to extend the trial to allow for the implementation of some suggested changes from the employees to improve ways of working, one of which was to align all employees to the nine day fortnight to give them a regular full day away from work.

The trial successfully concluded after six months with the changes becoming permanent. The trial has been a fantastic engagement tool with the site team, demonstrating great teamwork and collaboration as well as encouraging innovative solutions to problems they faced. We have seen increased levels of employee engagement and an improvement in the overall site productivity across a range of key performance indicators. The new working pattern is being utilised as a recruitment tool helping us to become an employer of choice in the local area. Following the success of this trial, we are also adapting flexible working patterns across the rest of the UK and planning for similar trials in both Australia and Brazil.

Informing and engaging our employees through internal channels of communication is of utmost importance to the Group. We have multiple channels of communication to provide both formal and informal updates including a Group newsletter that is issued twice a year (following the half-yearly and year end results), intranet, and management and team meetings at the business units. These keep our employees informed of the financial performance of the Group, as well as the sharing of updates which are relevant to all Group employees such as management and team changes, progress in relation to strategic objectives and updates on our Sustainability strategy. Wherever possible, we seek to engage our employees in change projects. We also have a small number of Works Councils, in Croatia, France, Netherlands, Spain and Skipton, the UK, who we regularly meet with. Our intranet, OneDechra, includes two way communication encouraging comments, sharing and community participation.

Our next GPTW survey was scheduled to run in March 2023; however this was postponed until the first half of the 2024 financial year, following the acquisition of both Piedmont and Med-Pharmex, as we wanted to allow our newest employees the opportunity of having a year of experience working as part of Dechra before being surveyed. We look forward to gaining further feedback to continue developing our employee experience.

During the year, Lisa Bright, in her role as the Employee Engagement Designated Non-Executive Director, met with a number of employees across the business. Further information on how the Board engages with Employees can be found on pages 102 and 106 in the Governance Report.

Diversity and Inclusion

It is the Group's policy to recruit and promote people on the basis of their personal ability, contribution and potential, regardless of age, gender, sexual orientation, marital status, race, colour, ethnicity, disability, religion, political affiliation or union membership. We are committed to seeing that everywhere across our Group we promote, support and maintain a culture of fairness, respect and equal opportunity for all. The Group gives full consideration to applications from disabled people, where they adequately fulfil the requirements of the role. Where existing employees become disabled, it is the Group's policy, whenever practicable, to provide continuing employment under the Group's terms and conditions and to provide training and career development whenever appropriate.

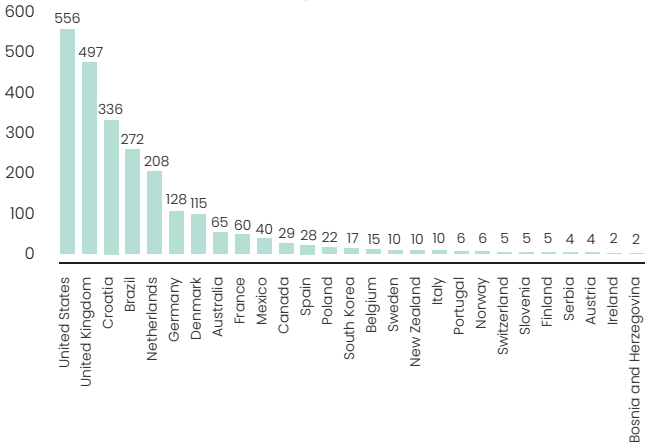
We firmly believe that our Dechra Values support the culturally diverse business that we have become and, although we are separated by time zones, geographically and by language, we share common goals and ways of working that are underpinned by our Values. We believe that our position on diversity and inclusion is key to providing a place of work that is free from bullying and harassment, and which is characterised by respect, collaboration, openness, safety and equality. One of our aims is to promote a climate in which employees feel able to raise complaints of harassment, bullying or discrimination without fear of victimisation. The Group does not tolerate bullying, harassment or discrimination.

In the UK we provide online training to a wider audience using an externally hosted online training portal where licensed Dechra managers can deliver professionally developed training programmes using virtual classrooms. In addition, a Diversity and Inclusion module, which also covers unconscious bias, is one of three core modules that has been included initially in all Leadership and Management development programmes, and will later be rolled out more widely across our employee base.

The Board, via the Nomination Committee, reviews the Diversity Policy and its implementation on an annual basis. Further details can be found in the Governance Report on page 118. The gender diversity statistics required to be disclosed under the Companies Act can be found on page 119 of the Governance Report.

Section 172 Statement and Stakeholder Engagement

Headcount Per Country



Fair Employment Practices

We are committed to fair employment practices and comply with national legal requirements regarding wages and working hours. In the UK, only one of our subsidiaries, Dechra Limited, is required to report under Gender Pay Gap regulations, and we are pleased to report that our gender pay median gap has reduced from 17.7% in 2017 to 1.3% in 2022. Manufacturing makes up the largest proportion of workers within Dechra Limited and traditionally this sector has a talent pool available externally that is predominantly male; however, we are pleased that our male/female representation remains at almost 50/50, largely reflective of the UK population. At Dechra we pride ourselves on our fair and honest recruitment process; however, we acknowledge that we need to do more to support our females into technical and senior positions. Over the last 12 months in particular, we have focused efforts around our talent attraction and development and benchmarking and reward.

Since 1 January 2021, our lowest paid workers globally have been paid the Living Wage or where there is no equivalent we have either used the OECD formulation, or paid at least twice the local/federal minimum wage. Furthermore, we have increased our employer pension contribution to 8% with effect from July 2022 in the UK.

Further information can be found in our **Sustainability Report** page 22

Safe Working Practices

We believe that work related injuries and ill health are preventable and that all employees have the right to work in safe and healthy conditions. Achieving a mature culture of Health and Safety across our business requires strong leadership. Our Group Health, Safety and Wellbeing Committee (HSW Committee) meets quarterly and is chaired by Paul Sandland, the nominated Director responsible for health, safety and environmental matters, who is supported by the Group HSE Director. Committee members include members of our Senior Executive Team and other senior leaders from across the whole organisation who together monitor that risks are identified and controlled, so that all workers are protected to the same safe standard regardless of their role or geographical location.

The core responsibility of the HSW Committee is to promote a strong culture of Health and Safety through the development of Strategies and Policies related to Health, Safety and Wellbeing. The Committee discussed the safety priorities highlighted during 2023 financial year audits of four manufacturing sites (Londrina, Pomona, Somersby and Bladel) and the proposed remedial actions. An update of the status of the actions is provided at each meeting until they are resolved. The HSW Committee has also reviewed and approved the THRIVE Line Manger training and the High Level Risk Assessment for the business to guide priorities for Workplace Transport and Pedestrian Safety.

Safety Alerts

The HSW Committee has a duty to regularly review the Health and Safety performance across the business, to identify trends and take remedial action to reduce any Health and Safety risks. Where learnings are identified from any incident, Safety Alerts are issued across the Group to promote organisational learning. The number of safety alerts remained at ten this year.

Assure

Our online Health and Safety reporting system, Dechra Assure, is available to all employees. We encourage employees to remain vigilant at all times and empower them to take action to resolve unsafe situations. By reporting accidents, near misses and hazards we are constantly monitoring the risks across our business and can take appropriate actions to make workplaces and working practices safer. In addition to monitoring the total number of hazards raised across each site, we also set a target for each person to report hazards, demonstrating their personal commitment to safety. This year our Manufacturing sites increased the number of hazards raised by 17%, and with the exception of one site, 100% of employees across all our Manufacturing facilities were involved in reporting and resolving at least one hazard. Through our communication campaigns and B-Safe walks, employees have also developed a greater awareness of potential risks. The number of near miss reports which have been raised, where accidents could have happened if circumstances were slightly different, increased from 58 to 87.

High Level Risk Assessments

The HSW Committee is also responsible for maintenance of the safety critical tasks which determines our priorities in the safety programme. HSE Standards have been developed initially for High Risk activities, most of which reside in Manufacturing. Each Group Standard has an accompanying self-assessment compliance checklist and each location conducts an internal gap analysis to establish an action plan to achieve full compliance with each internal standard. Dechra locations conduct Health and Safety audits according to their local internal audit plan, which is in addition to any regulatory inspections and audits which may be conducted by external bodies.

Behavioural Safety

Strong safety leadership is the best way to influence safety on a daily basis. The behaviours demonstrated by our leaders, their attitudes to safety and the conversations they have in relation to safety have the most powerful influence on the safety culture of our organisation. B-Safe is our behavioural safety programme which teaches our manufacturing leaders to hold positive conversations about safety, including our Life Saving Rules.

Further information can be found in our **Sustainability Report** pages 23 to 24

Lost Time Accidents (LTA)

For a number of years the Group has reported Lost Time Accident Frequency Rate (LTAFR) as a non-financial key performance indicator; this measures where the employee was absent or unable to conduct their full range of normal working activities for a period of more than three working days after the day when the incident occurred (see pages 52 and 53). In order to improve transparency and increase learnings related to injuries across the business, we are now also reporting all lost time accidents which resulted in any absence or inability to conduct the full range of normal working activities (not including the day of the accident). Using this new and more rigorous reporting standard we have experienced 17 LTAs resulting in an AFR of 0.41 compared to 0.36 last year (13 accidents). Fourteen of these accidents occurred within our Manufacturing sites, with three of the accidents occurring in the newly acquired facility in Pomona, California. Ten of these accidents were influenced by unsafe behaviours and this will be addressed throughout the coming year through the continued delivery of our B-Safe, behavioural safety programme for leaders. In addition, there were four contractor accidents reported in Brazil. There were no fatalities (employees or contractors).

Any material health and safety issues or incidents that occur are discussed in detail by our HSW Committee and escalated to PLC Board meetings as required. Discussions include details of incidents and any remedial action taken to mitigate or prevent recurrence. Twice a year a comprehensive Health and Safety report is presented to the Board meeting by the Group HSE Director for discussion and review by the Directors.

THRIVE

THRIVE aims to provide a global programme for Dechra employees which supports positive physical, emotional, social and financial wellbeing, enabling employees to THRIVE at work by increasing employee energy, creativity and collaboration to drive personal and business success. Building on the firm foundations of effective HR policies and safe working practices, THRIVE aims to provide information and opportunities for employees to empower them to take ownership of their own wellbeing, making use of the resources provided on our OneDechra platform. Our THRIVE strategy has four pillars of Physical, Emotional, Social and Financial:

Pillar	Purpose
Physical	Providing education, information and support for employees to make healthy lifestyle choices and remain fit and healthy.
Emotional	Building resilience in our employees and supporting them in good times and bad.
Social	Encouraging good connections between colleagues and with the communities in which we operate.
Financial	Supporting long term stability and achievement of life goals.

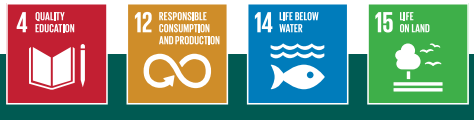
Our strategy recognises that achieving overall wellbeing is a shared responsibility where both Dechra and employees must work together. As an employer, Dechra commits to providing foundation support and encouraging employees to take personal responsibility for their own wellbeing by making use of all wellbeing information and interventions provided. At a foundation element we have committed to providing an Employee Assistance Programme (EAP) to all employees globally. Following a gap assessment, it was identified that approximately 600 employees do not have access to an EAP. Following a review of potential providers, we have chosen a service which covers emotional, physical, financial and social support. This service is being launched in all countries who currently do not have an EAP with the exception of Croatia (as it was not available in this language) in August 2023. An alternative provider is being evaluated for Croatia. In addition, the Global EAP provision is being enhanced to provide financial information to employees. The support from existing EAPs will be evaluated to ensure they meet our target standards.

In order to make THIRVE feel more connected into each country, the THRIVE Champion team has been formed. This group of 23 employees cover all countries and regions and their role is to:

- understand the THRIVE wellbeing programme and local employee benefits;
- be a point of contact for employees to ask questions about THRIVE and wellbeing; and
- quickly signpost employees to official sources of information and support and not attempt to provide any health, emotional, financial or legal advice themselves.

Section 172 Statement and Stakeholder Engagement

Veterinary Professionals



Our relationship with veterinarians is key to our business and therefore we are committed to the following focus areas:

- the development and promotion of products to improve animal health and welfare;
- the provision of high levels of technical support and pharmacovigilance; and
- maintaining and improving the knowledge and skills of veterinarians who prescribe and use our products.

Development and Promotion

Our products are all targeted at providing veterinary professionals with solutions for their customer needs. We have developed a strong position in providing specialist and clinically necessary novel Companion Animal Products, especially in internal medicine and critical care products. Our Food producing Animal Products are positioned to match current best practice prescribing habits and to meet the growing awareness of the need for better animal welfare standards. It is our mission to develop products to improve animal welfare. In line with that commitment, we carefully consider the responsible use and humane treatment of animals in all of our required studies.

For further information on our **Product Development** please refer to page 38

To maintain the trust of veterinarians and the public, it is important that we provide accurate, fair and objective information on our products and medicines to support their safe and effective use. We do not make false or misleading claims about our products. We advertise and promote our products fairly using promotional materials which contain balanced, accurate and truthful information. We only promote based on the information included on the Summary of Product Characteristics (SPC)/Product Insert which is a document that is approved by the regulators as part of the marketing authorisation of each medicine. We train all customer-facing employees so that they have sufficient product and disease knowledge to enable them to present information on our products accurately and responsibly. We promote our products to veterinary professionals and professional farming units, using promotional materials approved by authorised persons independent of the sales force. Promotional compliance is monitored by our country managers and regional sales managers, and the internal audit team also conduct a regular review of compliance processes, and corrective actions are taken to address any issues identified.

The volume and value of payments to animal health professionals is very modest compared to payments to healthcare professionals by the human pharmaceutical industry. We only make modest fee-for-service payments to key opinion leaders who help us develop and deliver educational materials events and to veterinarians who we use to conduct clinical trials.

Technical Support and Pharmacovigilance

With the wide range of products we offer, which includes those that treat complex and less frequently occurring disorders such as Cushing's and Addison's diseases, the provision of high quality veterinary technical support is a service that the veterinarians truly value. Veterinarians across the globe can email technical services or call the telephone support lines provided in all the countries where Dechra operates. Veterinarians call Dechra to discuss diagnosis, treatment options, and the ongoing monitoring and management of conditions, particularly those that are lifelong. Our aim is to help veterinarians optimise the case management of each individual patient, and some veterinarians will call a number of times for support and advice on more complex cases. In the last financial year, our UK and US teams handled a total of 16,300 technical customer enquiries, many of which related to endocrinology, procedural sedation and in the US oncology. In addition, these larger markets also have field-based veterinarians providing technical support and continuing professional development events.

For further information on **Pharmacovigiliance** please refer to page 66

Education

We deliver education through many channels, including conferences and our online digital e-learning environment, the Dechra Academy, helps veterinary professionals across the globe to upskill and keep up-to-date with the latest thinking through completely free, modern learning experiences. With over ten years of experience of educating veterinary professionals, we are passionate and proud to provide reputable learning resources which help veterinary professionals continuously evolve their knowledge. We differentiate ourselves from our competitors by focusing on challenging and interactive educational experiences. Each Dechra market has its own tailored Academy with courses that are relevant to their veterinary professionals. Where possible our educational resources are accredited by local professional/regulatory bodies.

During the financial year the Dechra Academy was awarded the status of being an internationally recognised accredited Learning Provider by the Learning and Performance Institute (the LPI). Dechra Academy is the first veterinary education provider that has been accredited by the LPI. The accreditation was due to the Academy's commitment to high quality and process improvement in the provision of learning and development services to veterinary professionals across the world.

The Academy now has a total of 945 courses available across markets and learners from across the world have enrolled. In addition to 20,196 CPD hours provided directly via the Academy, we also held a large number of in-person events and presentations covering the full range of species and therapeutic areas this year. In total, these educational events delivered a further 184,818 hours of CPD hours globally.

Suppliers

We are committed to acting responsibly and with integrity. We comply with all applicable laws and regulations and respect the traditions and cultures of the countries in which we operate. The Code of Conduct, Third Party Code of Conduct, ABC Policy, Sanctions Policy, the How to Raise a Concern Procedure, Human Rights and Modern Slavery Statements are all reviewed annually by the Board. These policies are integral to our risk management programme and reinforce our expectation of compliant behaviours across the business.

We expect our third parties to trade with honesty and integrity, and to support this we have a Third Party Code of Conduct. This communicates what we expect from our trading partners in relation to health, safety and environmental standards, internationally accepted standards of workers' rights, use of child and forced labour, ethical standards, anti-bribery and anti-corruption, and compliance with relevant laws and regulations. Our internal Code of Conduct, supported by the mandatory Code of Conduct training, sets out the standards of behaviour that we expect of our employees. Our employees are encouraged to report behaviours that are contrary to our Code of Conduct via our How to Raise a Concern Procedure which provides five reporting channels. Further details of which can be found on pages 58 and 107.

Risk Management System

During the year we have developed a Third Party Risk Management (TPRM) Platform, which will be integral to our risk management programme. The TPRM Platform is designed to manage the full third party risk management life cycle, from initial entity creation, profiling, tiering and risk assessing, followed by due diligence, ongoing monitoring and potential offboarding. The TPRM Platform provides a Group-wide consistent approach to risk management, as well traceability of decisions, risk rejection or risk mitigation and acceptance.

The TRPM Platform currently covers risk assessments and screening on areas of Anti-Bribery and Anti-Corruption, Sanctions, Data Privacy, IT, Modern Slavery, ESG and Health and Safety, with other compliance topics due to be added throughout the next year. The system will generate automated reminders for the business to refresh the due diligence on an annual or triennial basis, subject to the risk level associated with the vendor and is the central storage point for risk records, with assessments being completed by both employees and third parties within the Platform itself.

A phased launch of the Platform commenced in July 2023 with our DVP International business who were selected due to the territories in which they operate, together with the nature of their distribution activities, being generally considered to pose a higher compliance risk. It is envisaged that the system will be rolled out across all divisions by the end of the calendar year.

Anti-Bribery and Anti-Corruption (ABC)

We remain committed to acting professionally, fairly and with integrity in all our business dealings and relationships wherever we operate. The development of the ABC legislative landscape elsewhere in the world by the adoption of legal frameworks similar to those in the UK and US, as well as increased enforcement by authorities across the globe, means that ABC is an area of focus for Dechra. Our continuous growth in new markets through geographical expansion, product launch and relationship development drives us to review and develop our policies and procedures in this area on an ongoing basis.

Our commitment to conduct all business in an honest and ethical manner is conveyed through our policies, procedures and training programmes. Our zero tolerance approach to bribery and corruption is communicated to our employees and third party network via such programmes. We continue to implement and enforce effective systems to counter bribery and corruption through our due diligence processes, contractual arrangements and monitoring and audit programmes, and the linchpin of these programmes will be the TPRM Platform.

The ABC Policy clearly defines what constitutes bribery and corruption, outlines prohibited activities and provides guidance on what activities are and are not allowed. The Audit Committee and Senior Executive Team are kept regularly informed of the ABC programme and the Group Legal team, together with the newly formed Compliance function, delivers face-to-face updates and targeted training to different teams across the business, addressing the areas of risk specific to their activities and the markets in which they operate. Every employee and sales agent engaged by Dechra is required to complete our e-learning ABC course on an annual basis, with the exception of operational blue collar workers who are engaged in low risk roles and do not interact with third parties.

Human Rights and Modern Slavery

Dechra is committed to upholding and respecting human rights both in our own business and within our supply chain, and has put in place steps aimed at ensuring there is no modern slavery or human trafficking in any part of our business. During the year, the Board reviewed the Human Rights Policy, a copy of which can be found on our website. Our Human Rights Policy sets out our Human Rights principles which are all embedded into our Code of Conduct for employees and our Third Party Code of Conduct for our suppliers and customers. Our Modern Slavery Statement can also be found on our website.

The new TPRM Platform will enable us to risk assess all suppliers for modern slavery risks, and where relevant, undertake modern slavery due diligence. In addition, any identified high risk suppliers (identified using key information such as supplier type, supplier services/products, spend and geographical location) are subject to further due diligence and screening, as well as being required to adhere to the Dechra Third Party Code of Conduct. This risk assessment and due diligence are refreshed for high risk third parties, such as contract manufacturing organisations, on a regular basis.

Reporting

Our employees and third parties have access to the independent externally provided hotline to report any situations that they feel violate any of the standards detailed in the Third Party Code of Conduct, which includes ABC and Modern Slavery. No concerns have been raised during the 2023 financial year.

Section 172 Statement and Stakeholder Engagement

Communities

We believe that it is important to give back to the communities in which we live and operate. Our community ethos is aligned with our Purpose and Values, in particular, our Relationships and Enjoyment Values. Our Community pillar focuses on Community Activities and Donations.

Community Activities

We encourage our employees to engage in community activities, in particular, in the fields of animal welfare, human service and environmental stewardship.

We committed, in the 2019 financial year, to give every employee one day in the community. In the 2023 financial year, we dedicated a total of 3,147 hours across our global operations. We have a ten year target to achieve 100,000 hours by 30 June 2030. As at 30 June 2023 we have achieved 7,537 hours. We acknowledge that we are currently running short of our ten year target and that whilst some elements of our business have taken the community ethos to heart and are continuing year on year to participate, prioritisation in other parts of our business has been slow. To achieve our target, we have made available a Volunteer Service Toolkit and encourage all of our employees to identify and lead events. Additionally, we have established a reporting tool where employees are able to log their volunteer hours following an event; quarterly reporting of average hours per employee and total by division are communicated to the senior leadership team to track progress against their Community KPIs.

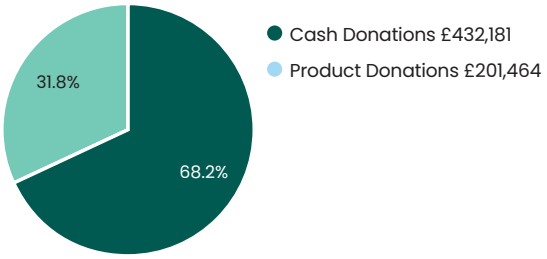
Dechra has a partnership with Not One More Vet (NOMV), a US based charitable organisation whose mission is to transform the status of mental wellbeing within the profession so veterinary professionals can survive and thrive through education, resources, and support. We partner with NOMV to raise awareness of this topic and the resources that are available to veterinary professionals. In 2022, Dechra sponsored the Student Support and Mentorship programme, a new initiative aimed at providing a support system for veterinary and veterinary technical students. Dechra has also encouraged its employees globally to participate in NOMV's Race Around the World, to help raise funds and awareness. In 2019 a small team of veterinarians and veterinary technicians participated in the race, and by 2020 over 60 employees in the US participated. We were excited to encourage global participation in their 2022 and now 2023 sponsored race, furthering our support of an organisation that supports the wellbeing of our customers. Dechra also partnered with NOMV in 2023 with their development of an accredited course in Dechra's Academy, with the first module released in September 2023 focused on the Flavors of Fatigue. Modules will be released periodically to provide wellbeing education and resources to veterinarians worldwide. To increase international awareness of NOMV's resources, Dechra will sponsor the development of international Chapters; an ambassador programme to create and grow local networks to unite and support the veterinary community.

Community Donations

We have operated a Group Donations scheme for 13 years, and in the last two years we have empowered our employee community by setting up decentralised regional giving committees. A budget of £368,000 was allocated across the countries based on the number of employees as at 30 June 2022. Each country has a regional giving committee which consists of volunteer employees who have agreed to be members of their respective committee for two years. All employees are given the opportunity to nominate non-profit organisations meaningful to them and the community in which they live, and donations are awarded after the committee's due diligence on the organisations is conducted. In many instances, the nominator and the committee member visit the organisation to make the donation in person. This new scheme is empowering and moving for all involved, making a difference in and outside of Dechra.

In addition to the regional giving committees, each business unit has the discretion to allocate funds and/or products to local community, environmental and/or animal welfare charities.

Total Donations



Further details of our Community Donations and Activities can be found in our **Sustainability Report**

The Group has also committed to the provision of finance in the form of a AUD 6 million loan and minority investment in AgCo Tech Ltd, an Australian private limited company which provides practical help to livestock owners in developing countries (further details can be found on page 14 and in the Sustainability Report). The loan will be repayable, following a one year repayment holiday, over a six year period in the form of verified carbon credits (calculated at market value), which will be retired through our income statement upon receipt. This will be treated as a donation. Due to the philanthropic nature of the investment we will not look to profit from this investment, with any income being reinvested in other climate stewardship projects.

Further details on how the Board engages with Communities can be found in the **Governance report** on page 103

Shareholders

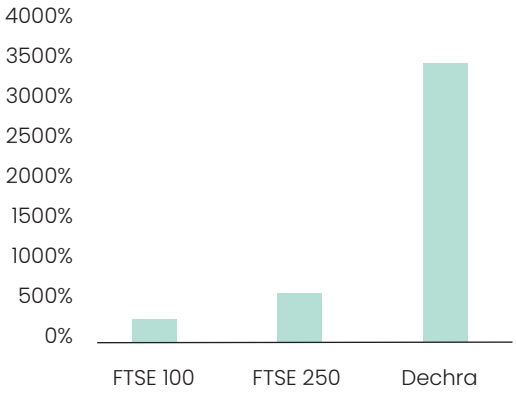
3,471% TSR between IPO and 12 April 2023

99% votes cast in favour of the acquisition

Creating Value for Shareholders

We have a strong track record of delivering against our strategic objectives, resulting in consistent growth and value creation ever since IPO on 21 September 2000 when Dechra shares were first admitted to the London Stock Exchange at a price of £1.20 per share. Between IPO and 12 April 2023, being the latest practicable date prior to the announcement that we had received a proposal from EQT to acquire the Company, Dechra delivered a total shareholder return (TSR) of 3,471% compared to the FTSE 100 of 177% and FTSE 250 of 425% over the same period.

TSR for the period 21 September 2000 to 12 April 2023



In recommending that shareholders accepted the price of £38.75 per share offered by Freya Bidco Limited, the Dechra Board believed this was at a level that enabled shareholders to accelerate the crystallisation of value in full and in cash, at a level commensurate with its judgments, the opportunities and risks of future potential performance. This offer was subsequently accepted at the shareholder vote on 20 July 2023, with over 99% of votes cast being in favour.

Investor Relations Strategy

Prior to the approach by Freya Bidco Limited, the Company had been developing its long standing approach to shareholder engagement with the support of the recently appointed Head of Investor Relations. This aimed to build on the strong relationships already established with a number of long term shareholders whilst extending the reach of investor communication to potential new shareholders.

The Company placed a high priority on relationships with shareholders and a summary of the main events during the year is shown below. These meetings sought to foster a mutual understanding of both the Company's and shareholders' objectives and were conducted in a format to protect price sensitive information that had not already been made generally available to all the Company's shareholders.

Equity raise	July 2022	Chief Executive Officer and Chief Financial Officer
Rolling programme of investor meetings until 11 April 2023	Over 60 individual meetings throughout the year	Chief Executive Officer, Chief Financial Officer and Head of Investor Relations
Results Roadshow	September 2022 and February 2023	Chief Executive Officer, Chief Financial Officer and Head of Investor Relations
Investor Conferences	November 2022	Chief Financial Officer and Head of Investor Relations
Remuneration Consultation	January and February 2023	Remuneration Committee Chair, Company Secretary and Group HR Director
Shareholder calls relating to the proposed acquisition	Numerous calls during the Offer Period from 12 April 2023 to 2 June 2023	Chief Executive Officer, Chief Financial Officer and Head of Investor Relations, all of which were chaperoned by Investec in their role as corporate broker under the rules of the Takeover Panel

Further details on how the Board engages with Shareholders can be found in the **Governance report** on page 101

Section 172 Statement and Stakeholder Engagement

Regulatory Authorities

It is vital to our business that our products meet the appropriate standards for quality, safety and efficacy. This ensures safety for our customers, animals, the environment and the food chain.

We engage with our Regulators through formal channels and through more informal connections. At the initiation of a new product development programme, communication is key to opening a two way dialogue with the Regulators to build a productive partnership to bring innovation to the market. Communication is then maintained through update meetings and exchanges of information throughout the development of the product and the scientific review of the marketing authorisation application.

Our manufacturing sites are regularly inspected by authorities as required under Good Manufacturing Practice (GMP), and our distribution centres under Good Distribution Practice (GDP). This is a collaborative process whereby our teams and inspectors identify and implement best practices to ensure product quality and robust supply.

Work with Regulatory Agencies continues throughout the life of all products, as we provide updates to manufacturing processes, availability, sales data and changes to the registrations. Dechra is required to provide full adverse event reports for all of our products through regular signal detection analyses and periodic Drug Experience Reports (DERs). We have developed signal detection processes which analyse trends in adverse events to identify emerging issues early so that we can inform our Regulators and take appropriate action pro-actively. We have an obligation to notify our Regulators of any new evidence which emerges which may alter the benefit: risk assessment of any of our products, and the Global Safety Council is key to providing cross functional input into this process.

We participate in Industry Associations and Agency led consultations providing scientific and technical input into drafting of new legislation and guidance documents, helping to shape the regulatory landscape that we operate in. Good examples would be a recent review of antimicrobials proposed to be reserved for human use, negotiation for the ongoing use of NMPs (N-methyl pyrrolidone) in veterinary medicines and the recent survey of plastic use in veterinary products. We engage with Regulators on how their fees are set and how the approval process operates, holding them accountable for a high standard of scientific review and timely service delivering new products to market and maintaining supply of our existing ones.

Several of our regulatory staff have worked in key Regulatory Agencies at National, Regional or International levels prior to joining Dechra; this enables our relationships to be both personal and professional, and helps support a collaborative relationship. This high level of trust and esteem in which Dechra's regulatory and product development teams are held enables Dechra to successfully launch new products, to maintain our existing portfolio and where necessary, to challenge constructively the decisions of our Regulatory Agencies when it is appropriate to do so.

Pharmacovigilance

All employees receive pharmacovigilance (PV) training within one month of joining Dechra. This is then verified by the PV e-learning module on Delta or in person training. All employees undertake an annual pharmacovigilance refresher training. The PV training outlines the procedure that should be followed by all Dechra personnel if they become aware of a product complaint or defect.

Any time that Dechra receives a report of an adverse event occurring after the administration of one of its products, it is our obligation to review the case to determine whether our product may have caused or contributed to the adverse event. The PV team actively monitors adverse events to determine if any trends can be identified which may indicate an underlying issue (signal detection). All suspect adverse reactions are reported to the appropriate regulatory authorities who also perform data analysis across groups of products with similar ingredients and indications to look for signals that require further investigation. As Dechra continues to grow, we are moving more local PV work into our central PV group so that we can have clear consolidated oversight of our products at a global level, which further enhances our signal detection capability.

Regulatory Agencies

ACVM: Agricultural Compounds and Veterinary Medicines (New Zealand)

APQA: Animal and Plant Quarantine Agency (South Korea)

APVMA: Australian Pesticides and Veterinary Medicines Authority (Australia)

EMA: European Medicines Agency (EU)

FDA: Food and Drug Administration (USA)

MAPA: Ministério da Agricultura, Pecuária e Abastecimento (Department of Agriculture, Livestock and Food Supply) (Brazil)

VDD: Veterinary Drugs Directorate (Canada)

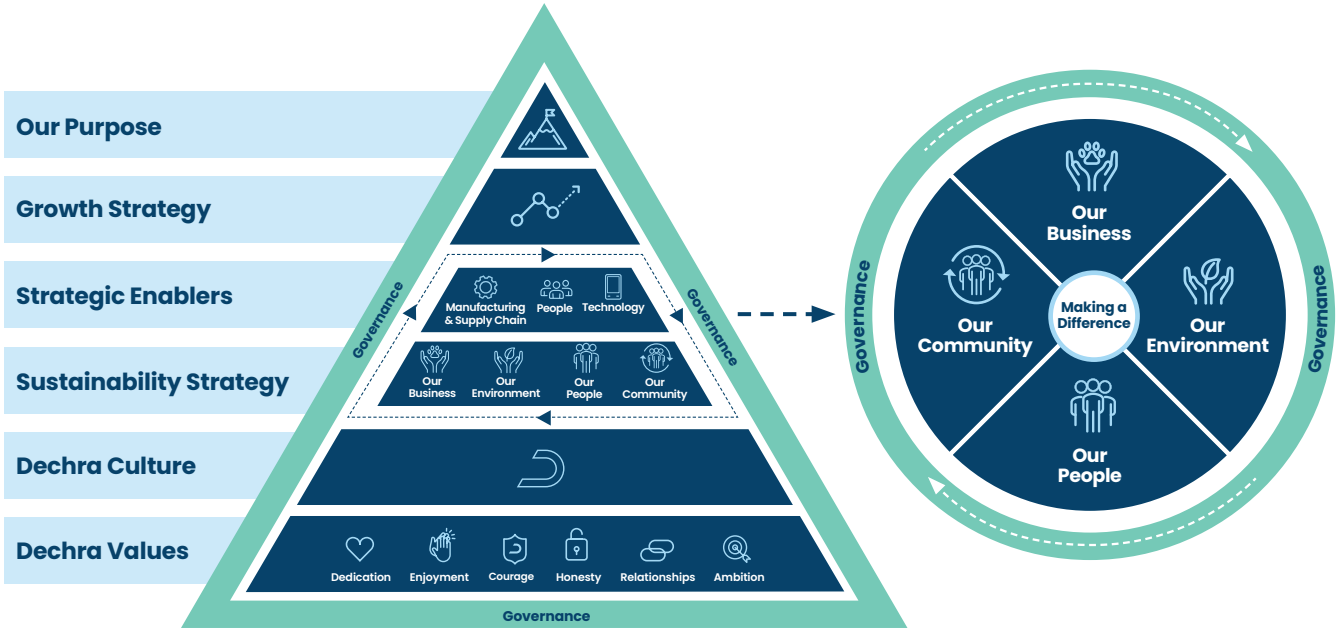
VMD: Veterinary Medicines Directorate (UK)

Further details on how the Board engages with Regulatory Authorities can be found in the **Governance report** on page 103

Sustainability

Our Sustainability Framework

Our Purpose, the sustainable improvement of animal health and welfare globally, continues to guide all that we do and we are embedding our Making a Difference sustainability strategy deeper within the business.



Our Integrated Approach

This year, we have made a subtle but important change to how we think about and present the interaction between our corporate strategic enablers and our Sustainability strategy.

Our corporate growth strategy remains very much unchanged, consisting of four clear strategic drivers as discussed on page 32. Historically, we have regarded delivery of this strategy as being driven by the Strategic Enablers of Manufacturing & Supply, Technology, People and ESG.

However, such is the importance that we place on building a resilient, sustainable business capable of delivering superior long term performance, it became clear to us that ESG is no longer a standalone Strategic Enabler. Rather, it has in fact become central to all that we do. In recognition of this, we have taken the opportunity to re-position our sustainability strategy such that it now serves as a fundamental underpin to delivering our corporate growth strategy and, ultimately, our Purpose. Doing so will help deliver even better alignment between our corporate and sustainability strategies, including a clearer way of demonstrating their interdependencies.

Our long term approach to sustainability, articulated through our Making a Difference strategy, remains centred around the four pillars of Business, Environment, People and Community, and more information on our progress this year can be found in our standalone Sustainability Report.

Our Business
Provide sustainable products, education and technical support to veterinarians

Our Environment
Minimise our impact on the environment

Our People
Be a great and safe place to work

Our Community
Give back to the communities in which we operate

Sustainability

Our Approach to Materiality

Our Material Issues

Animal Health & Welfare	**Human Rights**	**Equality and the Workplace**
Trust and Transparency	**Customer Satisfaction**	**Living Wage Policy**
Waste Management	**Integrated Climate Strategy**	**Plastic Leakage**
Community Involvement	**Philanthropic Activities on Grass Root Level**	

Read more about our **Material Issues** in our Sustainability Report

Sustainability Strategy Update

Sustainability Pillar	Sustainability topic	Target(s)	Performance in the 2023 financial year
Our Business	Animal Health and Welfare	Invest 5% to 6% of revenue on product development per annum	7.6% invested in Research & Development (see note 1 below)
	Customer Satisfaction	Provide 100,000 of continuous professional development (CPD) hours per annum	204,912 CPD hours provided globally
	Trust and Transparency	Perform value chain sustainability assessment by June 2030	Project remains on track
Our Environment	Integrated Climate Strategy	Reduce Scope 1, 2 and 3 emissions in line with climate science through the Science Based Targets initiative (SBTi); Achieve net zero by 2050; 100% FSC paper & wood by June 2023	13% reduction in GHG emissions intensity ratio (see note 2 below); Science based targets submitted to the SBTi; 66% FSC paper & wood (see note 3 below)
	Waste Management	Zero to landfill by June 2025	Reduced waste sent to landfill from 7% to 5%
	Plastic Leakage	Review full product range by June 2025	Project remains on track
Our People	Wage Policy	Remain a Living Wage Employer or equivalent	Retained UK accreditation and pay relative to OECD standards
	Human Rights	Zero lost time accidents (LTAs)	17 LTAs
	Equality in the Workspace	Increase the number of women in senior and technical roles	Reduced gender pay gap from 1.7% to 1.3%
Our Community	Community Involvement	100,000 community hours by June 2030	3,147 hours this year 7,537 hours cumulative (three years)
	Philanthropic Activities	£5 million donated in cash or products by June 2030	£633,645 this year £1,361,297 cumulative (three years)

1. Our longer term target is to invest between 5% and 6% of revenue on R&D. However, for financial years 2023 to 2025 inclusive, we have committed to temporarily increasing this investment to between 7% and 8% to help drive further innovation and future growth.
2. The GHG emissions intensity ratio is calculated with reference to our Scope 1, 2 & 3 emissions reported historically under the GHG Protocol Corporate Accounting and Reporting Standard, which differs to our carbon footprint for the purposes of Science Based Targets. See our Annual Report for further details.
3. We did not meet our target to source 100% of our internally procured paper & wood from FSC sources by the end of June 2023, with 66% of our suppliers currently FSC approved. Wherever possible, we have endeavoured to adopt a localised approach to sourcing FSC materials and to work collaboratively with existing suppliers rather than adopt a blanket approach across all Dechra operations. This process has taken longer than anticipated, however we expect to achieve our target by June 2024.

Task Force on Climate-related Financial Disclosures

Our Commitment to Climate Change

We support the Task Force on Climate-related Financial Disclosures (TCFD) framework, and our disclosures are consistent with its four TCFD core elements and the eleven recommended disclosures, in line with the compliance requirements of Listing Rule 9.8.6R(8) of the UK Financial Conduct Authority. The required disclosures are set out in detail along with an explanation where further information can be found on pages 69 to 75. Further information can also be found in our Sustainability Report which is published separately to this Annual Report.

We have disclosed our assessment of our compliance to the TCFD framework annually since 2020 and continue to apply it to describe our activities in 2023. All our business operations worldwide are in scope, unless otherwise stated. The framework applies a risk-based approach focusing on material risks and opportunities.

During the year, we have completed our initial review into all material Scope 3 emission categories, which has enabled us to establish our base year data, calculate our corporate footprint and submit our near term targets to the Science Based Targets initiative (SBTi) which are in the process of being validated. Our footprint is dominated by Scope 3 indirect value chain emissions with Scope 1 and 2 emissions together accounting for 8% of our footprint.

Further information on our **Science Based Targets** can be found on page 78

Governance

Climate change presents various economic, business and social risks which will affect our business over the short, medium and longer term. Given its importance, climate change is overseen at the highest level of the Company and integrated into business processes.

The Dechra Board is accountable for approving our Sustainability strategy and overseeing the delivery of our climate-related objectives, with Executive responsibility belonging to the Chief Financial Officer with support provided by the Group Sustainability Director and the Group HSE Director. Our Senior Executive Team (SET) is responsible for delivering on these objectives within their functional areas and business units.

At an operational level the Board and SET are supported by well established groups including a global cross-functional ESG Committee and associated sub committees (see the governance diagram in our Sustainability Report) who work with them to deliver our Sustainability strategy, and set objectives and targets which are aligned with the United Nations Sustainable Development Goals and SBTi. The outcomes from these groups were reported directly to the Board at meetings in February 2023 and June 2023. The Audit Committee also discussed and approved the TCFD disclosures for 2022 in August 2022, updated disclosures for 2023 in October 2023 and climate risk, which continues to be identified as a principal risk to the Group, in June 2023.

Given the importance of managing climate risk, factors relevant to it have been considered as part of the remuneration of the Executive Directors and SET since 2021. As part of their personal objectives within the annual bonus plan, which constitutes 10% of Executive Directors' and 5% of SET annual salary, each senior executive team member had an ESG objective in the 2023 financial year.

Identifying and Managing Climate Risk and Opportunity

To inform the wider Group risk management process of any specific risks and opportunities posed by climate change, and/or the transition to a low carbon economy, we have integrated climate assessments into the overall Group risk management process. As a Company with a global footprint and with operations across the entire animal health value chain, from research and development through to after-sales support, we are potentially exposed to a number of varied factors.

Climate Change and Our Strategy for Physical Risks

Understanding the potential impact of future climate scenarios, together with proactive mitigation, intervention plans and targeted investment, will help future proof our business and build resilience to protect our long term financial sustainability and continued supply of products to customers. It is critical to understand the physical hazards from climate change (e.g. extreme heat, floods and storm damage) and the risks to our value chain, which includes our workforce, local communities, suppliers, partners and customers as well as our physical assets. Working in a preventative way, we will implement planned response strategies and minimise interruptions from extreme weather events across our operations and value chain. During the 2022 financial year, we assessed the impact of climate risk to our business using the Intergovernmental Panel on Climate Change (IPCC) data under two transition scenarios and two physical scenarios over a 30 year time horizon; the first two modelled a positive scenario – Representative Concentration Pathway (RCP 1.9) indicating a 1.5°C temperature rise in accordance with the Paris Agreement and the second two (RCP 7.5) a 4°C temperature rise deemed to be a worst case which assumes that there will be no significant change in people's attitudes and priorities, or no major changes in technology, economics, or policies, so that normal circumstances are expected to continue unchanged.

Using these assessments we have screened climate impacts across our own business critical operations and identified that all were potentially exposed to some form of risk, with three sites warranting further assessment. We have prioritised our Pomona site for a more detailed review in the 2024 financial year due to the high risk of earthquake and increasing risk of extreme heat over the time horizon assessed. We will then review our Bladel and Somersby sites, both of which were identified as having an increasing risk of water scarcity in the medium to long term. We will now also start to focus on our strategic partners with a critical role in

Task Force on Climate-related Financial Disclosures

our value chain that are most exposed to climate-related hazards in our predictions, to understand their resilience to climate change and to work collaboratively across the animal health industry. This will include, but not be limited to, Contract Manufacturing Organisations (CMO's), Active Pharmaceutical Ingredient (API) producers, packaging suppliers and transport and distribution service providers.

Climate Change and Our Strategy for Transition Risks and Opportunities

The nature of the risks and opportunities we face is not solely driven by the physical aspects of climate change. Regulatory, technical, and commercial changes in the markets in which we operate, are already resulting in pressures to reduce the greenhouse gas (GHG) footprint of specific pharmaceutical products.

To respond to the identified climate risks and opportunities, we are taking action across the Group, and are committed to:

- achieving science-based net zero GHG emissions by maximising our energy efficiency, shifting to renewable energy sources, and investing in beyond value chain mitigation activities (such as our recent investment in AgCoTech) to support the global objective to halve emissions by 2030 and achieve science-based net zero by 2050; and
- building resilience by managing the physical and transitional risks and opportunities from climate change in the value chain, through adaptation and business continuity planning.

As part of our 'Making a Difference' sustainability plan we have submitted our near term targets for Scope 1, 2 and 3 emissions to the SBTi and are awaiting validation. We remain committed to a long term target to reach science-based net zero emissions across our full value chain by no later than 2050. We will continue to transition to a low carbon business and since 2021 we have also supported the UN-backed Race to Zero.

Near Term Targets

- Reduce Scope 1, 2 and 3 GHG emissions in line with climate science through the SBTi
- Eliminate the remaining 34% of suppliers who are non FSC approved by June 2024;
- Zero waste to landfill by 30 June 2025;
- Maximise our transition to electric vehicles in our road fleet by end of June 2027; and
- Complete the AUD$6 million investment in AgcoTech by the end of June 2024, representing an investment in beyond value chain activities aiming to eliminate 100 million tonnes of CO2 per annum by June 2032.

Further information on our **Science Based Targets** can be found on page 78

Long Term Targets

- Become science-based net zero by 2050.

We recognise that cross-sector collaboration and supplier engagement are essential to decarbonise pharmaceutical supply chains. To reduce our Scope 3 emissions we will need to engage our suppliers across our entire value chain as well as continuing to bring more of our manufacturing in-house.

For further information please refer to our Sustainability Report.

Risk or Opportunity	Time Horizon	Potential impact	How it is managed
	Short Mid Long		
Key Physical Risks			
Increased frequency of extreme weather and climate-related natural disasters	● ● ●	Detailed manufacturing site-level climate risk assessments have been completed. Outcomes indicate potential for: • Increased exposure to extreme heat events. This risk has the potential to impact our manufacturing and logistic sites in North America, Croatia and Australia; • Heavy rainfall causing local flooding. This risk has the potential to impact our manufacturing and logistics sites in Florida, Skipton, Bladel and Australia; and • Increased risk of storms that can damage site structures. This risk has the potential to impact our manufacturing site in Florida. Risks relate primarily to disruption or delays at a site, along with potential for higher energy consumption and cost for cooling to maintain GMP compliance, delays and/or losses in distribution and damage to site infrastructure resulting in increased insurance premiums and reputational damage. We do not foresee a material business impact arising from these short term events.	Identified risks have been addressed in site continuity plans and/or incorporated into the site master plans. Any investments required are integrated into our financial planning process. For example to improve business resilience we are continuing to invest at our sites to mitigate reliance on third party energy suppliers via increased on-site use of solar panels complemented by emergency generators. During the financial year, solar panels were installed at our Skipton facility and we already have a significant solar power capability at our site in Zagreb. We also aim to mitigate risk by reducing the number of contract manufacturers we engage with and produce more of our own products in-house. We have a broad portfolio and therefore are not overly reliant on a small number of individual products. For those more important products, we look to dual source from CMOs or to manufacturer at two different in-house locations insofar as is possible. **Metrics:** Please refer to our Sustainability strategy update on page 68.

Key:

- Low Risk
- Medium Risk
- High Risk
- Opportunity

Time Horizons for Impact

Short term: 1 to 2 years

Mid term: 2 to 5 years

Long term: 5 to 25 years

Task Force on Climate-related Financial Disclosures

Risk or Opportunity	Time Horizon	Potential impact	How it is managed
	Short Mid Long		
Transition Risks and Opportunities			
Increased demand for low carbon products	● ● ●	Our customers will increasingly look to select suppliers based on their GHG footprint to reduce their own Scope 3 footprint, as part of their net-zero targets. Future revenue from our generic portfolio could be at risk should substitution become widespread before we are able to transition. We have an opportunity to gain market share if we can transition in the short term. The risks are currently deemed to be low and more likely to occur in a medium term timeframe on products which are 'me too' in nature.	As part of our Making a Difference plan we have committed to reach net zero emissions by no later than 2050, backed by science based targets. All new products brought to market for the first time now include a sustainability review pre-launch. This review will focus on utilising sustainable ingredients and packaging. In 2023 we have continued the project to screen the carbon footprint of our existing product range utilising an IT system to review the GHG footprint to help assess and manage risks and target interventions to reduce the environmental footprint of our products (initiated in 2022). **Metrics:** Please refer to our Sustainability strategy update on page 68.
Carbon pricing and future environmental taxation	● ● ●	There is uncertainty over the future environmental policy and fiscal landscape of many countries in which we operate. We anticipate increased regulation and other developments related to carbon pricing and broader environmental taxation over the medium to long term. Increased carbon pricing based on the International Energy Agency Net-Zero Emissions by 2050 scenario forecast which follows the 1.5°C warming pathway ($140/tCO2 by 2030). We do not foresee a material impact.	Our Making a Difference plan and associated net zero commitment will help to mitigate some exposure to future carbon pricing and environmental taxation for our operations and our wider value chain. Managed correctly, this may actually present a commercial opportunity where peers have yet to establish a path to decarbonisation and net zero. In the 2023 financial year we incorporated an internal carbon price of $100/Tco2 on emissions at all of our manufacturing facilities which will support our transition to net zero. In 2024 we will increase this to $140/Tco2. **Metrics:** Please refer to our Sustainability strategy update on page 68.

Risk or Opportunity	Time Horizon	Potential impact	How it is managed
	Short Mid Long		
Transition Risks and Opportunities			
Supply-demand of renewable energy (power and heat)	● ● ●	Competition for renewable energy due to increased demand. Security of renewable energy supply due to impact of climate change. Access to clean heat alternatives to natural gas, such as biomethane, generally requires higher investment. Opportunity to adopt energy efficiency measures to reduce operating costs and exposure to future fossil fuel price/ carbon price increases. We do not foresee a material impact.	Energy efficiency reviews are conducted across our sites and incorporated into our capital expenditure and financial planning processes and are a primary metric alongside return on investment: • Our management team at Zagreb holds the ISO 50001 accreditation, the international standard for Energy Management and have obtained planning permission to explore the potential viability of geothermal energy at the site as well as increasing the utilisation of solar energy. • Our Brazilian team reduced refrigerant gas losses in 2022 by 91.0% through collaboration with our European engineering and maintenance team. Transition to renewable power at all sites as quickly as possible including exploring the viability of solar panel utilisation at manufacturing sites beyond our existing installation at the Zagreb site and newly installed panels at our Skipton site. **Metrics:** Please refer to our Sustainability strategy update on page 68.
Change in raw material or sourcing cost	● ● ●	Costs and availability associated with low carbon products from core sectors, particularly in areas such as raw materials and packaging. There could be a significant risk associated with increased costs for using high carbon transport modes. Use of lower emission sources of energy will reduce costs and will reduce exposure to fossil fuel and carbon price changes. Use of more efficient production and distribution processes will reduce operational and logistical costs. We do not believe the net impact to be material as we envisage being able to pass on any increased costs to customers.	We have identified four key industries that are crucial to Dechra's value chain; chemicals/ plastic, aluminium, pulp, and paper and glass. Risk assessments have been performed on each and we have started collaborating with key suppliers to mitigate transition risks and maximise transition opportunities. Commencing engagement with upstream and downstream partners to recognise sustainable performance during contract renewal processes. Many of the risks associated with incremental cost exposure are not unique to Dechra. They will also be faced by our peers and the wider animal health sector, which should encourage collaboration. Exploring positive recognition for sustainable ambition and performance within the procurement process. **Metrics:** Please refer to our Sustainability strategy update on page 68.

Monitoring Our Progress

We report on our GHG emissions and progress towards near and long term targets in line with the World Resources Institute GHG Protocol guidance for defining and calculating our GHG footprint. Our Sustainability Report reflects how we plan to decarbonise the business and by that, reduce exposure to transition risks and unlock future opportunities for the Group. During 2023, we were recognised for our efforts by being included in Sustainalytics' 2023 Top-Rated ESG Companies List.

Task Force on Climate-related Financial Disclosures

TCFD Compliance

The below provides an explanation of where in this Annual Report (or other relevant document or location in respect of supplementary information) the various TCFD recommended disclosures can be found:

	Dechra's Current Status	Links to More Information on Key Developments
Governance		
Describe the Board's oversight of climate-related risks and opportunities.	Our Board and SET are supported by well established groups including a global cross-functional ESG Committee and associated sub committees to monitor the execution of our sustainability strategy.	• TCFD statement • Page 109 • Sustainability Report pages 21 to 28
Managing climate-related risks and opportunities.	Our Chief Financial Officer is responsible to the Board for the development and performance of our climate strategy and related risks and opportunities, as part of his overall responsibilities. The ESG committee coordinates management of physical and transitional risks and opportunities.	• TCFD statement • Page 103 • Sustainability Report pages 2 and 21
Strategy		
Describe the climate-related risks and opportunities which have been identified over the short, medium, and long term.	Physical risks from climate change are primarily disruption or delays to manufacturing or distribution and increased liability insurance premiums and reputational damage. Transition risks and opportunities are primarily regulatory and market changes, and/or pressure and ability to reduce product carbon footprints and decarbonise our value chain.	• TCFD statement • Page 87 • Sustainability Report page 21
Describe the impact of climate-related risks and opportunities on the businesses, strategy, and financial planning.	We are taking Group-wide action to reduce our GHG emissions from our global operations by 2030 (from a 2021 base year). We are committed to reducing Scope 1, 2 and 3 emissions in line with climate science through the SBTi to fully prepare for a low carbon economy. Near term targets have been submitted and are awaiting validation. We have disclosed our transition plan to science-based net zero.	• TCFD statement • Page 78 • Sustainability Report pages 18 and 21
Describe the resilience of the strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	We are building resilience against a worse-case scenario (RCP 7.5) in our supply chain by investing in at risk sites, supply chain design and inventory levels to manage interruption risks. No material business impact from short term events is foreseen. Value chain decarbonisation, with net zero targets aligned to a 1.5°C scenario, will secure low carbon business resilience with the opportunity to continue to add scale.	• TCFD statement • Sustainability Report page 21

	Dechra's Current Status	Links to More Information on Key Developments
Risk Management		
Describe the processes for identifying and assessing climate-related risks.	Climate assessments integrated into overall Group risk management inform the Group of specific risks and opportunities posed by climate change and/or the transition to a low carbon economy.	• TCFD statement • Page 80 • Sustainability Report page 21
Describe the processes for managing climate-related risks.	Identified risks are owned by the responsible SET member and addressed in local site continuity plans or by technical mitigation in site master plans. Short, mid and long term financial planning includes required investments. Our 'Making a Difference' plan includes initiatives aimed at reducing our GHG footprint, mitigating some physical and transition risks and making our business more resilient to climate change.	• TCFD statement • Page 87 • Sustainability Report page 21
Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the overall risk management.	Identified risks are managed locally and escalated to the SET member responsible and Board level if material.	• TCFD statement • Page 80 • Sustainability Report page 21
Metrics and Targets		
Disclose the metrics used to assess climate-related risks and opportunities in line with the strategy and risk management process.	Our GHG footprint for the full value chain (Scopes 1, 2 and 3) for our base year (calendar year 2021) are disclosed in our Annual Report and Accounts and separately in our Sustainability Report. Scope 3 includes 15 categories, of which 11 categories are material to Dechra. Our Scope 2 emissions have been calculated on a market based approach.	• TCFD statement • Pages 76 to 78 • Sustainability Report pages 07, 17 and 21
Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	We have continued to disclose our GHG emissions relating to emissions arising from sources over which we have operational control as in previous financial years. In addition we have disclosed our expanded base year carbon footprint emissions which have been submitted to SBTi along with our targets for verification. The related risks can be found in this TCFD report and Understanding Our Key Risks.	• TCFD statement • Pages 76 to 78 • Sustainability Report pages 07, 17 and 21
Describe the targets used to manage climate-related risks and opportunities and performance against targets.	Relevant metrics and KPI's disclosed in our Annual Report and Accounts and separately in our Sustainability Report reflect the extent of decarbonisation and thereby reduced exposure to transition risks as well as showing future opportunities. We have also disclosed our proposed pathway to net zero.	• TCFD statement • Pages 68 and 78 • Sustainability Report pages 07, 18 and 21

Environment

We are committed to minimising the impact of our operations on the environment by adopting responsible and sustainable environmental practices and complying with applicable environmental legislation. Our key focus areas are disclosed in our Sustainability Report along with how we have performed during the 2023 financial year. This section of the Annual Report will focus mainly on the Companies Act requirements in relation to Greenhouse Gas (GHG) emissions. It will also provide some details in relation to our commitment to reduce Scope 1, 2 and 3 emissions in line with climate science through the SBTi.

Our Emissions

Group Greenhouse Gas Emissions

Our carbon emission software, in addition to energy usage, records the impacts from waste generation, water use, effluent disposal and refrigerant gas losses from locations where this is likely to be material. The sites that have a material impact are our Manufacturing and Logistics facilities.

In order to determine our carbon emissions, we use the GHG Protocol Corporate Accounting and Reporting Standard and we report on emissions arising from those sources over which we have operational control under the location-based method. Any acquisitions during the year are included from the first full month that they become part of the Dechra Group. The disclosures below encompass:

- **Scope 1:** includes emissions from combustion of fuel and operation of facilities;
- **Scope 2:** includes emissions from purchased electricity, heat, steam and cooling; and
- **Scope 3:** includes emissions from vehicles, purchased electricity (which are not included in Scope 2), water and waste.

The GHG emissions are in relation to our financial year (1 July to 30 June). For continuity of reporting with previous years, we have excluded flights in this data. However, we have recently improved our capture of flight data and will be included in future years' reporting.

	2023	% relates to UK	2022	% relates to UK	2021	% relates to UK
Scope 1 (tonnes)	**5,927**	**9.0%**	6,709	7.3%	7,027	6.0%
Scope 2 (tonnes)	**5,067**	**11.0%**	4,896	12.4%	5,261	10.1%
Scope 3 (tonnes)	**2,982**	**9.5%**	2,770	5.2%	1,934	7.4%
Total Carbon Footprint (tonnes of CO_2e)	**13,975**		14,375		14,222	
Intensity Ratio (tonnes of CO_2e per £m revenue)	**18.4**		21.1		23.4	

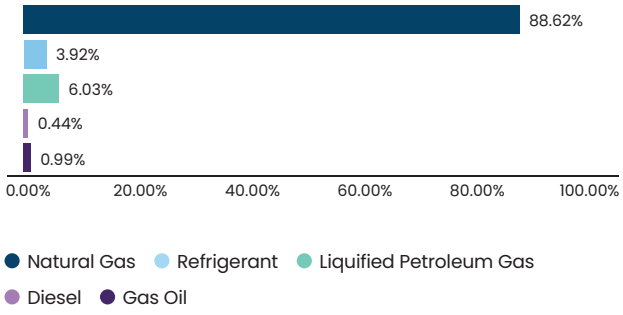
The decrease in Scope 1 emissions is due to a 10% decrease in natural gas used, and an improvement in refrigerant gas management in minimising losses.

The increase in Scope 2 emissions is a factor of increased electricity consumption of 13%; however, the total carbon associated with this reduced, due to a change in carbon conversion factors used for national grid electricity as countries adopt more renewable fuel sources in their national energy strategies. There was also a 113% (79.7 tCO2e) increase in energy use from steam/heat, primarily driven by Uldum as the new Warehouse went into full use. This resulted in an overall 3% increase in Scope 2 emissions.

The main contributor to the increase in Scope 3 is increased business driving, as well the corresponding Scope 3 (transmission losses / impacts) related to higher use of electricity (Scope 2).

The predominate source of Scope 1 emissions is Natural Gas.

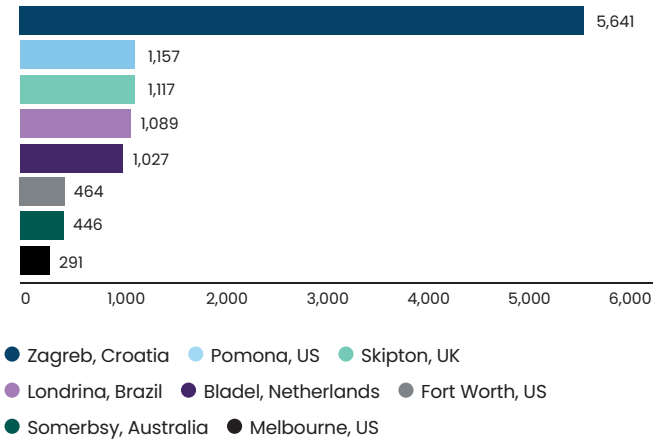
Scope 1 Emissions by Source



	2023	2022 Restated	Variance
Manufacturing	**11,232**	**12,156**	(7.6%)
Offices	**2,039**	**1,501**	36.1%
Warehousing	**704**	**718**	(2.0%)
Total	**13,975**	**14,375**	(2.8%)

[1] The 2022 financial year figures have been restated to include waste

tCO_2e by Manufacturing Site



Our Manufacturing facilities are the main contributor to our carbon footprint representing 80.3% of our total carbon footprint. During the 2023 financial year carbon emissions decreased by 7.6% despite the acquisition and inclusion of new facilities during the period. As in previous years, our site in Croatia contributed the highest amount of carbon in the 2023 financial year which is linked to the production of the energy intensive product, Mepron. In the 2023 financial year, total Mepron volumes declined by 16%, reducing energy consumption and in combination with investment in energy conservation measures the site achieved a total reduction in carbon emissions of 21% versus the 2022 financial year. Projects included installation of local ground source heat pumps (to reduce heat loss in distribution) and the fitting of an economiser on one of the main production boilers to recover stack heat losses and pre heat boiler feed water. A further economiser will be fitted to the second site boiler in the 2024 financial year.

At our largest warehousing site, Uldum, a migration away from the use of natural gas to the use of steam district heating, decreased carbon emissions by 17 $teCO_2e$. Office $teCO_2e$ increased due to the inclusion of new sites in South Korea and North Carolina, and also improved reporting at existing office sites.

For further information on **Waste and Water Consumption** please read our Sustainability Report

Kilowatt-Hour (kWh)

The kWh figures in the table below are the quantities of energy from activities for which the Group is responsible worldwide and the annual quantity of energy consumed resulting from the purchase of electricity, heat, steam or cooling and vehicle fuel by the Group for its own use and arising from those sources over which we have operational control.

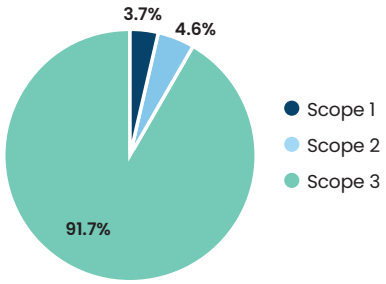
	2023	% relates to energy consumed in UK	2022	% relates to energy consumed in UK	2021	% relates to energy consumed in UK
Scope 1	**32,207,280**	**8.3%**	35,418,610	5.9%	31,522,041	6.3%
Scope 2	**22,141,070**	**13.0%**	19,229,812	15.1%	17,185,952	16.2%
Scope 3	**11,801,497**	**8.5%**	9,528,775	3.6%	6,610,981	0.9%
Total kWh	**66,149,847**	**9.9%**	64,177,197	8.3%	55,318,974	8.7%

The reasons for the increases and decreases in KWH are the same as for the GHG emissions, that is the reduction in Scope 1 kWh is linked to the reduction in natural gas usage, the increase in Scope 2 KWh is due to the increased electricity use, and the increase in Scope 3 KWh is linked to the increased business driving and improved reporting/collection of this data through the implementation of Concur.

Environment

Science Based Targets

During the 2023 financial year, we concluded the comprehensive data collection (Scopes 1, 2 and 3) for our carbon footprint base year, which is the 2021 calendar year. This work expands our Scope 3 emissions, which includes data from across our supply chain. Dechra's near term targets have been submitted to the SBTi and are awaiting validation, and we are committed to reaching net zero by 2050. Unlike our Greenhouse Gas Emissions disclosed on pages 76 and 77, the emissions below are shown for the calendar year:



The chart above shows that our footprint is dominated by Scope 3 (indirect value chain emission) with Scope 1 and 2 combined only accounting for 8.3% (13kt CO2e) of the footprint. Natural gas combustion for manufacturing and warehousing is the major source for direct emissions (natural gas accounts for 74% of Scope 1 emissions, being 4% of the total footprint).

Scope 2 (Indirect emissions associated with generated electricity and purchased heat and steam) have been calculated on a market based approach and accounts for 4.5% of the total footprint. This differs to the GHG emissions reported on page 79, which have been calculated under the location-based approach and relate to the 2023 financial year as opposed to the 2021 calendar year shown above.

Going forward we will disclose our Scope 2 emissions using both market-based and locations methods. The market-based calculation uses both supplier-specific emission factors and factors from emission factor libraries. The location-based calculation method takes into consideration the national average mix of energy sources available in the countries we operate in.

Scope 3 includes 15 categories, of which 11 categories are material to Dechra. Due to the indirect nature of Scope 3 emissions and the variety of the emissions sources, our footprint calculations include both collected primary data and applied relevant data with verified emission factors. We will continue to improve the accuracy of our calculations as we proceed with our road map.

The main contributors to Scope 3 emissions are purchased goods and services, upstream and downstream distribution, acquisition of capital goods and business travel and employee commuting:

	%	$ktCO_2e$
Scope 1	3.7%	5.8
Scope 2	4.6%	7.2
Cat 1 - Purchased goods and services	65.2%	102.0
Cat 2 - Capital goods	7.3%	11.4
Cat 3 - Fuel and energy related activities	2.2%	3.5
Cat 4 - Upstream distribution	8.8%	13.7
Cat 5 - Waste in operations	0.3%	0.5
Cat 6 - Business Travel	3.6%	5.7
Cat 7 - Employee commuting	1.2%	1.8
Cat 9 - Downstream distribution	2.8%	4.8
Cat 11 - Use of sold products	<0.1%	0.001
Cat 12 - End of life of sold products	0.3%	0.5
Cat 15 - Investments	0%	0

Our Road Map

In order to be resource efficient, it is essential to increase energy efficiency and reduce the energy intensity of our processes. To reach our reduction targets for Scope 2, we will continue to focus on increasing the share of renewable energy in our operations by procuring renewable electricity alongside our implementations of solar panels. A key focus area will be to engage with our supply chain and improving visibility of our Scope 3 emissions across our supply chain and contracted manufacturing partners. To strengthen collaboration within our supply chain, we have included environmental questions in our new third party onboarding tool. This will enable us to collate environmental information on our third parties and tailor our communications accordingly. In the 2024 financial year we will develop our roadmap to reduce Scope 1, 2 and 3 emissions in line with climate science through the SBTi to achieve net zero by 2050 at the latest.

Furthermore, we will continue the effort to understand and disclose the risks posed by climate change as well as opportunities by transforming to a low carbon economy. Further information on climate impacts and how we propose to manage them can be found in the TCFD report and our proposed actions to address particular emission hotspots can be found in our Sustainability Report.

Submission of science based targets to the SBTi

As noted throughout this report, we have submitted our near term carbon reduction targets to the Science Based Targets initiative for validation. These targets will be used to help us manage climate risks and opportunities, and illustrate our commitment to decarbonising our business.

These near term targets:

- Make reference to a base year of the 2021 calendar year;
- Have a 10 year time horizon to 2030;
- Represent an absolute reduction target for Scope 1 and 2 emissions; and
- Represent an intensity reduction target for the 11 categories of Scope 3 emissions that are material to us.

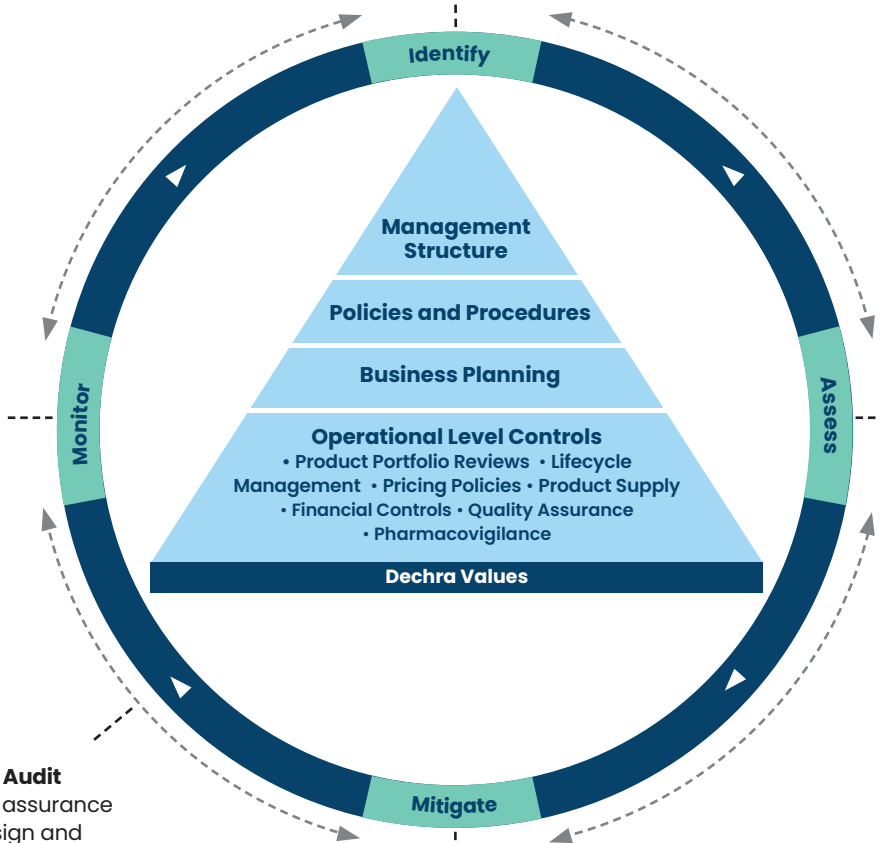
We are hopeful that the validation process will be complete by the end of the 2023 calendar year and therefore we expect to be able to disclose the targets in our 2024 Annual Report and Sustainability Report. In the meantime, we have already commenced work to engage the wider business on various initiatives that will help us achieve these targets.

How the Business Manages Risk

Effective risk management and control is key to the delivery of our business strategy and objectives.

Our risk management and control processes are designed to identify, assess, mitigate and monitor significant risks, and provide reasonable, but not absolute, assurance that the Group will be successful in delivering its objectives.

Board
Oversight of the Group's risk management and internal controls



Audit Committee
Review the effectiveness of the risk management and internal audit framework

Senior Executive Team
Owners of the risk management process and responsible for embedding risk management into business units

Internal Audit
Independent assurance on the design and operation of the internal control framework

Business Units
Identification, mitigation and monitoring of risks

How the Business Manages Risk

Risk Management Process

Our strategy informs the setting of objectives across the business and is widely communicated. Strategic risks and opportunities are identified as an integral part of our strategy setting process, whilst operational, financial, compliance and emerging risks are identified as an integral part of our functional planning and budget setting processes.

The Board oversees the risk management and internal control framework and the Audit Committee reviews the effectiveness of the risk management process and the internal control framework.

Our Senior Executive Team (SET) owns the risk management process and is responsible for managing specific Group risks. The SET members are also responsible for embedding sound risk management in strategy, planning, budgeting, performance management, and operational processes within their respective Operating Segments and business units.

The Board and the SET together set the tone and decide the level of risk and control to be taken in achieving the Group's objectives.

SET members present their risks, controls and mitigation plans to the Board for review on a rolling programme throughout the year, whilst the Audit Committee undertakes a full review of the risk management process biannually. The SET is responsible for conducting self-assessments of their risks and the effectiveness of their control processes. Where control weaknesses are identified, remedial action plans are developed, and these are included in the risk reports presented to the Board.

Internal Audit coordinates the ongoing risk reporting process and provide independent assurance on the internal control framework.

Emerging Risks

Emerging risks are new risks that are unlikely to impact the business in the next year but have the potential to evolve over a longer term and could have a significant impact on our ability to achieve our objectives. They may develop into key risks or may not arise at all.

As part of our risk management process, both the Board and SET are tasked with identifying and assessing our emerging risks. These are then monitored on an ongoing basis and reviewed alongside existing risks. No material emerging risks were identified in the 2023 financial year.

Dechra Culture

The Dechra Values are the foundation of our entire business culture including our approach to risk management and control. The Board expects these Values to drive the behaviours and actions of all employees. We encourage an open communication style where it is normal practice to escalate issues promptly so that appropriate action can be taken quickly to minimise any impact on the business.

Internal Control Framework

Our internal control framework is designed to ensure:

- proper financial records are maintained;
- the Group's assets are safeguarded;
- compliance with laws and regulations; and
- effective and efficient operation of business processes.

The key elements of the control framework are described below:

Management Structure

Our management structure has clearly defined reporting lines, accountabilities and authority levels. The Group is organised into business units. Each business unit is led by a SET member and has its own management team.

Policies and Procedures

Our key financial, legal and compliance policies that apply across the Group are:

- Code of Business Conduct and How to Raise a Concern;
- Delegation of Authorities;
- Dechra Finance Manual, including Tax and Treasury policies;
- Anti-Fraud;
- Anti-Bribery and Anti-Corruption;
- Data Protection;
- Health and Safety;
- Sanctions; and
- Charitable Donations.

Strategy and Business Planning

We have a five-year strategic plan which is developed by the SET and endorsed by the Board annually. Business objectives and performance measures are defined annually, together with budgets and forecasts. Monthly business performance reviews are conducted at both Group and business unit levels.

Operational Controls

Our key operational control processes are as follows:

- Product Pipeline Reviews: We review our pipeline regularly to identify new product ideas and assess the fit with our product portfolio, prioritise development projects, review whether products in development are progressing according to schedule, and assess the expected commercial return on new products.
- Lifecycle Management: We manage and monitor lifecycle management activities for our key products to meet evolving customer needs.
- Pricing Policies: We manage and monitor our national and European pricing policies to deliver equitable pricing for each customer group.
- Product Supply: We continue to develop our demand forecasting and supply planning processes, with monthly reviews of demand and production forecasts, inventory controls, and remediation plans for products that are out of supply.
- Quality Assurance: Each of our manufacturing sites has an established Quality Management System. These systems are designed to ensure that our products are manufactured to a high standard and in compliance with the relevant regulatory requirements.
- Pharmacovigilance: Our regulatory team operates a robust system with a view to ensuring that any adverse reactions and product complaints related to the use of our products are reported and dealt with promptly.

- Financial Controls: Our controls are designed to prevent and detect financial misstatement or fraud and operate at three levels:
  - Entity Level Controls performed by senior managers at Group and business unit level;
  - Month end and year end procedures performed as part of our regular financial reporting and management processes; and
  - Transactional Level Controls operated on a day-to-day basis.

The key controls in place to manage our principal risks are described in further detail on pages 83 to 87. Internal Audit provides independent and objective assurance and advice on the design and operation of the Group's internal control framework. The internal audit plan seeks to provide balanced coverage of the Group's material financial, operational and compliance control processes.

Improvements in 2023

We have continued to strengthen and improve our governance and control processes and the following changes have been implemented:

- Recruitment of a Compliance Manager to support Dechra's compliance with key legislation including Data Protection, Anti-Competitive Practices, Anti-Money Laundering, Fraud and Fraud Awareness, Modern Slavery, Anti-Bribery and Anti-Corruption, and Sanctions.
- We have continued to make improvements to our manufacturing, quality and supply processes, with additional investments in people and production facilities.
- We completed the roll out of an enhanced Financial Control Framework in response to the BEIS white paper on Restoring Trust in Audit and Corporate Governance. This will put the business in a strong position to comply with the requirements of the BEIS proposals.
- Our Environmental, Social and Governance (ESG) strategy has been further enhanced with the appointment of a Sustainability Project Manager. We continue to execute our 'Making a Difference' plan as well as working towards our commitment of setting verifiable targets across the entire value chain through the Science Based Targets initiative.
- We commenced the roll out of a Global Travel and Expense management and reporting system. This will help to ensure that travel and expenses costs deliver value for the company, and improve the efficiency and accuracy of reporting.
- We continued with our project to upgrade the Manufacturing ERP system to one consolidated cloud-based Oracle platform.

Plans for 2024

We will continue to refine and strengthen our internal control framework where required in response to changes in our risk profile and improvement opportunities identified by business management, quality assurance and internal audit. Our Manufacturing and Supply processes continue to be the primary focus area for 2024.

We also plan to make further improvements and enhancements to our Sustainability strategy, financial control framework and Group policies.

Viability Statement

Assessment of Prospects

Dechra has consistently delivered on its strategic objectives resulting in a strong track record of growth. The Group's strategy remains unchanged and is set out on pages 32 and 33 of the Strategic Report. The key factors supporting the Group's prospects are explained throughout the Annual Report and are summarised below:

- a clear strategic focus;
- a growing global animal health market;
- a clear portfolio focus with strong market positions in a number of key therapeutic areas;
- a strong development pipeline and a track record of pipeline delivery;
- manufacturing flexibility, with a wide range of dosage forms and small and large scale production batches;
- an entrepreneurial and experienced management team;
- a recognised brand with a strong reputation for providing high quality products with technical support;
- an expanding international focus;
- talented people and expertise; and
- a sound track record of successful acquisitions to expand our product portfolio and geographic reach.

The Board believes that the Group has adequate resilience due to its diversified product portfolio, its geographic footprint, a strong balance sheet, healthy cash generation and access to external financing, which includes committed facilities.

The Assessment Process and Key Assumptions

The Group's prospects are assessed primarily through its strategic and financial planning processes over a five year time period. The strategic plan is supported by a five year financial plan, both of which are updated annually by the SET and reviewed by the Board. The Board also reviews the Group's principal risks on a rolling basis throughout the year, based on updates from SET members. The planning process considers risks to sales and cost forecasts for each part of the Group, the Group's consolidated income and cash flow forecasts, and includes key assumptions to support longer term projections. The financial plans are reviewed to confirm that adequate financing facilities are in place for the period of the plan. Progress against financial budgets, forecasts and key business objectives are reviewed through monthly business performance reviews at both Group and business unit levels. Mitigating actions are taken to address under-performance. The latest updates to the plan were reviewed in June 2023 and considered the Group's current position, its future prospects and reaffirmed the Group's stated strategy.

How the Business Manages Risk

Assessment of Viability and Time Period

The Board has determined that a three year period to 30 June 2026 is an appropriate period over which to provide its viability statement. This time period is supported by the Group's budget process, which includes detailed projections for the next two financial years, and broader projections from the third year of the five year strategic planning process. The Board believes this provides a sound framework for providing reasonable assurance on the Group's viability given the inherent uncertainty associated with longer term forecasts. The Board's assessment has been made with due regard to the Group's current position, its future prospects, adequacy of financing facilities, the strategic plan and the management of the Group's principal risks. The viability assessment takes account of all the committed expenditure of the Group. Although the output of the Group's strategic and financial planning processes reflects the Board's best estimate of the future prospects of the business, the Group has also conducted stress testing to assess the liquidity impact of a range of alternative scenarios. These scenarios have been developed by considering those principal risks that could have a material impact on viability. The potential impact of each principal risk is described on pages 83 to 87 of the Strategic Report. A number of severe but plausible stress tests have been conducted on these areas including a significant pipeline delay, significant profit reduction on top ten products, and loss of key high margin products. A combination of the individual scenarios and an overall reverse stress test on the Group's borrowing facilities and covenant commitments have also been considered. The Board believes the results of the stress testing demonstrate that the Group should be able to withstand the impact in each case due to its strong cash generation, strong balance sheet, and existing financing arrangements.

Viability Statement

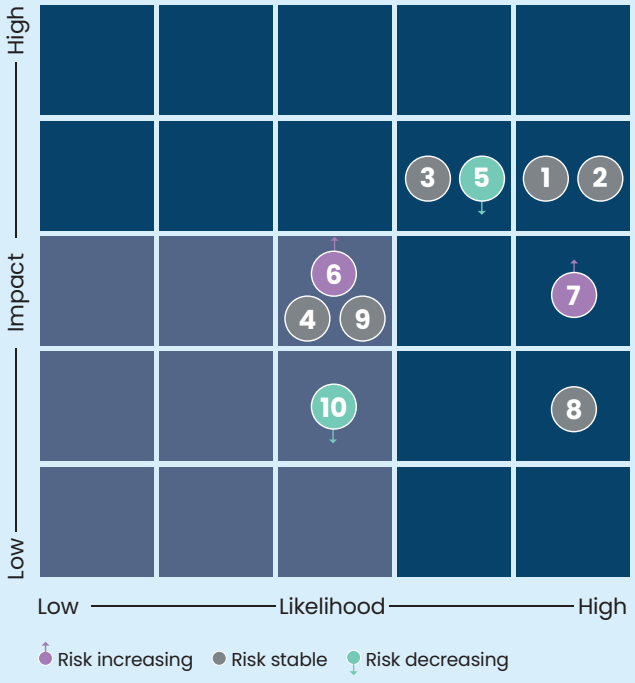
Based on the results of this analysis and the assumptions used in the Group's planning process, the Board has a reasonable expectation that the Group and Company will be able to continue in operational existence for the foreseeable future and meet its liabilities as they fall due over the three year period from 30 June 2023. On 2 June 2023, the Board reached an agreement with Freya Bidco Limited (Bidco) on the cash acquisition by Bidco of the entire issued ordinary share capital of Dechra (the Acquisition). The Acquisition is being implemented by means of a Court-sanctioned scheme of arrangement (the Scheme). On 20 July 2023 the Scheme and its implementation were approved by the Scheme Shareholders and Dechra Shareholders and the Acquisition is expected to complete after the date of approval of the Annual Report and Accounts. The going concern and viability assessments of the Group and Company are therefore subject to uncertainties relating to the potential change in ownership of the Group and the actual funding requirements and financing arrangements post completion. For this reason, the Board cannot reasonably predict the financial position of the Group and Company post-completion, including the details of any financing arrangements related to the transaction that could affect the Group and Company. This indicates the existence of a material uncertainty which may cast significant doubt on the Group and Company's ability to continue as a going concern. The financial statements do however not include the adjustments that would result if the Group and Company were unable to continue as a going concern. Notwithstanding this uncertainty, based on the circumstances described above, the Board has a reasonable expectation that the Group and Company has adequate resources to continue in operational existence for the foreseeable future and is able to meet its liabilities as they fall due over the three year period from 30 June 2023.

Principal Risks

The SET has identified and agreed key risks with the Board. Of these, a number are deemed to be generic risks facing every business including failure to comply with financial reporting regulation, foreign exchange and non-compliance with legislation.

The risk profile below therefore details the ten principal risks that are specific to our business and provides information on:

- their prioritisation;
- how they link to Group strategy;
- their potential impact on the business; and
- what controls are in place to mitigate them.



Understanding Our Key Risks

Risk	Potential Impact	Control and Mitigating Actions	Link to Strategic Growth Driver and Enabler	Trends
1 **Market Risk:** The growth of veterinary buying groups and corporate customers impacts the distribution landscape. We sell and promote primarily to veterinary practices and distribute our products through wholesaler and distributor networks in most markets. In a number of mature markets, veterinarians have established buying groups to consolidate their purchasing, and corporate customers are continuing to expand.	The growth of corporate customers and buying groups represents an opportunity to increase sales volumes and revenue but may result in reduced margins.	We manage and monitor our pricing policies to deliver equitable pricing for each customer group. Our relationships with larger customers are managed by key account managers. Our marketing strategy is designed to support veterinarians in retaining customers by promoting the benefits of our product portfolio in our major therapeutic areas.	Portfolio Focus	→
2 **Competitor Risk:** Competitor products launched against one of our leading brands (e.g. generics or a superior product profile). We depend on data exclusivity periods or patents to have exclusive marketing rights for some of our products. Although we maintain a broad portfolio of products, our unique products like *Vetoryl* and *Zycortal* have built a market which continues to be attractive to competitors.	Revenues and margins may be adversely affected should competitors launch a novel or generic product that competes with one of our unique products upon the expiry or early loss of patents. Costs may increase due to defensive marketing activity.	We focus on lifecycle management strategies for our key products such that they can fulfil evolving customer requirements. Product patents are monitored, and defensive strategies are developed towards the end of the patent life or the data exclusivity period. We monitor market activity prior to competitor products being launched and develop a marketing response strategy to mitigate competitor impact.	Pipeline Delivery Portfolio Focus Geographical Expansion	→

Strategic Driver/Enabler Key:

- Pipeline Delivery
- Portfolio Focus
- Geographical Expansion
- Acquisition
- Manufacturing & Supply Chain
- Technology
- People

Risk Trend

- ↑ Increased Risk
- ↓ Decreased Risk
- → No Change

Understanding Our Key Risks

Risk	Potential Impact	Control and Mitigating Actions	Link to Strategic Growth Driver and Enabler	Trends
3 **Product Development and Launch Risk:** Failure to deliver major products either due to pipeline delays or newly launched products not meeting revenue expectations. The development of pharmaceutical products is a complex, risky and lengthy process involving significant financial, R&D and other resources. Products that initially appear promising may be delayed or fail to meet expected clinical or commercial expectations or face delays in regulatory approval. It can also be difficult to predict whether newly launched products will meet commercial expectations.	A succession of clinical trial failures could adversely affect our ability to deliver shareholder expectations and could also damage our reputation and relationship with veterinarians. Our market position in key therapeutic areas could be affected, resulting in reduced revenues and profits. Where we are unable to recoup the costs incurred in developing and launching a product this would result in impairment of any intangible assets recognised.	Potential new development opportunities are assessed from a commercial, financial and scientific perspective by a multi-functional team to allow senior management to make decisions as to which ones to progress. The pipeline is discussed regularly by senior management, including the Chief Executive Officer and Chief Financial Officer. Regular updates are also provided to the Board. Each development project is managed by project leaders who chair project team meetings. Before costly pivotal studies are initiated, smaller proof of concept pilot studies are conducted to assess the effects of the drug on target species and for the target indication. In respect of all new product launches a detailed marketing plan is established and progress against that plan is regularly monitored by a new product launch team. The Group has detailed market knowledge and retains close contact with customers through its management and sales teams which are trained to a high standard.		
4 **Supply Chain Risk:** Inability to maintain supply of key products due to manufacturing, quality or product supply problems in our own facilities or those of third party suppliers. We rely on third parties for the supply of all raw materials for products that we manufacture in-house. We also purchase many of our finished products from third party manufacturers.	Raw material supply failures may cause: • increased product costs due to difficulties in obtaining scarce materials on commercially acceptable terms; • product shortages due to manufacturing delays; or • delays in clinical trials due to shortage of trial products. Shortages in manufactured products and third party supply failures on finished products may result in lost sales. Our robust response to recent global supply chain challenges, such as the impact of the Russian invasion of Ukraine, has seen the supply chain risk remain stable.	We monitor the performance of our key suppliers and act promptly to source from alternative suppliers where potential issues are identified. The Group's top products are regularly reviewed in order to identify the key suppliers of materials or finished products. A dedicated external network team exists to manage and support our CMOs to deliver quality products to our regulatory specifications. Demand forecasting and supply planning processes are in place, with monthly reviews of demand and production forecasts, inventory levels, and remediation plans for products that are out of supply. Processes are in place to monitor and improve product robustness, including quality and technical analyses of key products and engagement with internal and external regulatory stakeholders. Business continuity plans are in place at our key manufacturing sites. A new procurement structure and performance measures have been put in place to improve supplier performance management and implement a second source strategy.		

Risk	Potential Impact	Control and Mitigating Actions	Link to Strategic Growth Driver and Enabler	Trends
5 **Regulatory Risk:** Failure to meet regulatory requirements. We conduct our business in a highly regulated environment, which is designed to ensure the safety, efficacy, quality, and ethical promotion of pharmaceutical products. Failure to adhere to regulatory standards or to implement changes in those standards could affect our ability to register, manufacture or promote our products.	Delays in regulatory reviews and approvals could impact the timing of a product launch and have a material effect on sales and margins. Any changes made to the manufacturing, distribution, marketing and safety surveillance processes of our products may require additional regulatory approvals, resulting in additional costs and/or delays. Non-compliance with regulatory requirements may result in delays to production or lost sales. Regulatory risk is high due to the increasing regulatory burden, including compliance with the European Medicines Agency's (EMA) Union Product Database (UPD). However, we have increased resource in our Regulatory Affairs team. Additionally, the proportion of our products manufactured by CMOs, which present higher regulatory compliance risks, has declined.	The Group strives to exceed regulatory requirements and ensure that its employees have detailed experience and knowledge of the regulations. Manufacturing and Regulatory teams have established quality systems and standard operating procedures in place. A dedicated External Network Quality Director supports our CMOs in complying with our regulatory specifications. Regular contact is maintained with all relevant regulatory bodies in order to build and strengthen relationships and facilitate good communication lines. The Regulatory and Quality teams update their knowledge of regulatory developments and implement changes in business procedures to comply with new requirements. Where changes are identified which could affect our ability to market and sell any of our products, a response team is created in order to mitigate the risk. External consultants are used to audit our manufacturing quality systems. Our Regulatory team operates a robust Pharmacovigilance (PV) process to report any adverse reactions and product complaints related to the use of our products.		
6 **Acquisition Risk:** Identification of acquisition opportunities and their potential integration. Identification of suitable opportunities and securing a successful approach involves a high degree of uncertainty. Acquired products or businesses may fail to deliver expected returns due to overvaluation or integration challenges. The risk has increased due to the complexity of integrating Piedmont Animal Health, Inc and Med-Pharmex Holdings, Inc.	Failure to identify or secure suitable targets could slow the pace at which we can expand into new markets or grow our portfolio. Acquisitions could deliver lower profits than expected or result in intangible assets impairment.	We have defined criteria for screening acquisition targets, and we conduct commercial, clinical, financial, environmental and legal due diligence. The Board reviews acquisition plans and progress regularly and approves all significant potential transactions. The SET manages post acquisition integration and monitors the delivery of benefits and returns through a defined process.		

Understanding Our Key Risks

Risk	Potential Impact	Control and Mitigating Actions	Link to Strategic Growth Driver and Enabler	Trends
7 **People Risk:** Failure to resource the business to achieve our strategic ambitions, particularly on geographical expansion and acquisition. As Dechra expands into new markets and acquires new businesses or science, we recognise that we may need additional people with different skills, experience and cultural knowledge to execute our strategy successfully in those markets and business areas. Our growth plans and future success are also dependent on retaining knowledgeable and experienced senior managers and key staff. Increased competition in the market, particularly in specialist roles, challenges the recruitment and retention of key talent and skills.	Failure to recruit, develop and retain quality people could result in: • overstretched resources; • weakened succession planning; • capability gaps in new markets; or • challenges in integrating new acquisitions. This could lead to erosion of our competitive advantage, and delay implementation of our strategy. Rising cost of living challenges and ongoing wage inflation have the potential to impact workforce stability.	The Chief People Officer reviews the organisational structure with the SET and the Board twice a year to confirm that the organisation is fit for purpose and to assess the resourcing implications of planned changes or strategic imperatives. A development programme is in place to identify opportunities to recruit new talent and develop existing potential. A talent acquisition team and applicant tracking software are in place. The Nomination Committee oversees succession planning for the Board and the SET. Succession plans are in place for the SET together with development plans for key senior managers. Remuneration packages are reviewed on an annual basis in order to help ensure that the Group can continue to retain, incentivise and motivate its employees.		↑
8 **Antimicrobials Regulatory Risk:** Continuing pressure on reducing antimicrobial use. The issue of the potential transfer of antibacterial resistance from animals to humans is subject to regulatory discussions globally. Whilst EU regulations (Regulation (EU) 2019/6) restricting antimicrobial use in animals became effective in 2022, the impact on our FAP antimicrobial portfolio is limited as our products are used for treatment rather than prevention. However, there remains continuing pressure on reducing antimicrobial risk. This is driven by market and cultural trends.	Reduction in sales of our antimicrobial product range. Our reputation could be adversely impacted if we do not respond appropriately to government regulations and recommendations.	Regular contact is maintained with relevant veterinary authorities to enable us to have a comprehensive understanding of regulatory changes. We strive to develop new products and minimise antimicrobial resistance concerns. We communicate appropriate antimicrobial use in line with best practice.		→

Risk	Potential Impact	Control and Mitigating Actions	Link to Strategic Growth Driver and Enabler	Trends
9 **Climate:** Severe weather patterns caused by climate change or natural disaster cause damage to manufacturing or distribution facilities impacting our ability to meet customer demand. In addition, the business will face transition risk, such as carbon pricing, change in raw material pricing and movement to renewable energy sources.	Damage to our facilities as a result of climate change could impact our ability both to supply and manufacture product, which may weaken customer confidence and impact performance, both over a shorter and longer term. Natural disaster could impact on local employability and the communities in which our sites are based. Please read about TCFD on pages 69 to 75	Dechra has committed to setting verifiable targets across the entire value chain through the Science Based Target initiative (SBTi), with a Letter of Intention already submitted. Dechra has also joined the United Nations Framework Convention on Climate Change Race to Zero. Scenario planning has been conducted for both physical and transition risks to enable us to mitigate climate related risks. The share of key products manufactured by Dechra, as opposed to CMOs, is being increased in order to manage physical risks better. Dechra has implemented an internal shadow carbon price to bring clarity and to identify climate related opportunities and the best areas to reduce emissions. Renewable electricity is generated from an existing solar plant at our Zagreb site. We are investigating other renewable energy sources across the Group. Site based ESG committees will be established to manage sustainability, including energy efficiency, renewables and effluent.		→
10 **Cybersecurity and IT Failure Risk** Information security breach or significant disruption to our IT systems, resulting from a cyber-attack or failure of key IT software or infrastructure.	Failure to prevent or adequately respond to a data breach or cyber-attack could result in business disruption, fines, loss of personal data or loss of intellectual property/commercially sensitive information. Software or infrastructure failure could result in significant disruption to operations and management decision making.	Key systems, including email and ERP, are being migrated to cloud based hosting. Remaining on-premise systems are replicated across dual servers and backed-up. Disaster and data recovery plans are in place and tested regularly. Data encryption and multi-factor authentication are employed on mobile devices. Endpoint protection and intrusion prevention/ detection are in place. Regular information security and data protection training for employees. Business interruption and cyber insurance are in place.		↓

The Chief Executive Officer's Statement and the Strategic Report covering pages 03 to 07 and 24 to 87 respectively of the Annual Report and Accounts 2023, has been approved by the Board of Directors in accordance with the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

Melanie Hall
Company Secretary
12 October 2023