Strategic Report

Contents

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Dechra Pharmaceuticals PLC

Chief Executive Officer's Statement

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Ian Page

Introduction

I am pleased to report that the Group has delivered strong growth throughout our financial year as we continue to outperform the major international markets in which we operate. After a very strong start to the year, revenue in the second half started to return to more normalised historical levels of growth as the benefit of increased spending on pets seen during the COVID-19 restrictions slowed down. This growth was delivered across all product categories, all major therapeutic areas and in all the international markets in which we trade. We have continued to progress on all aspects of our strategy; the product development pipeline was strengthened, material acquisitions were completed post year-end and a new subsidiary was established in South Korea as we continue our geographical expansion. Excellent progress has been made on systems and quality in our supply chain, which remained robust throughout the year. Information technology implementations strengthened the infrastructure of the Group and provided better management information. ESG is integrated into the way we work and our people remain highly engaged, motivated and dedicated in achieving our strategic goals.

Operational Review

EU Pharmaceuticals Segment

In the period our total European (EU) Pharmaceuticals Segment revenue increased by 8.2% at CER (4.7% at AER). This includes a 12 month contribution from the acquisition of Tri-Solfen® ANZ acquired in February 2021 and an additional month's contribution from *Osurnia* acquired on 27 July 2020. Existing net revenues increased by 6.4% at CER (3.0% at AER). This Segment includes our International business, which is detailed below. It also includes non-core business, such as the Agricultural Chemical business, which was originally acquired as part of the Genera acquisition in 2015 and was divested in January 2022; annual sales from this business were approximately £6.0 million.

The EU growth was delivered across all product segments and all countries with Iberia, Poland, Italy and Austria all achieving double digit growth. The main driver of growth was CAP; however, it is pleasing that FAP remains in growth in a challenging market and that Equine and Nutrition continue to perform well.

Education continues to be the main tool to engage our veterinary customers. Throughout the year we provided technical support for 6,000 clinical cases in the UK alone and have provided over 85,000 hours of continuing professional development (CPD) training across Europe to veterinarians through our Lunch and Learn programmes and educational seminars. Digital communication has also been an area of focus with 13,500 veterinarians and veterinary nurses in Europe and 17,600 globally, utilising our online Dechra Academy, which now has 596 educational modules in our key therapeutic areas.

International Pharmaceuticals

It is five years since we established a team to focus purely on international expansion. During this time, we have established Dechra Australia as the second largest company in CAP pharmaceuticals, have significantly strengthened our New Zealand operation through two small acquisitions and have established a strong foothold in South America through our Brazilian subsidiary. Our ANZ and Brazilian businesses delivered good growth in the year.

Glossary

AER: Actual Exchange Rates

ANZ: Australia and New Zealand

CAP: Companion Animal Products

CER: Constant Exchange Rates

EMA: European Medicines Agency

ERP: Enterprise Resource Planning

EU Pharmaceuticals: European Pharmaceuticals Segment comprising DVP EU, DVP International and Dechra Pharmaceuticals Manufacturing

FAP: Food producing Animal Products

FDA: US Food and Drug Administration; a federal agency of the US Department of Health and Human Services

NA Pharmaceuticals: North American Pharmaceuticals Segment comprising DVP US, Canada and Mexico

* All numbers in this report are at CER unless otherwise stated.

We have extended our international footprint by establishing a new subsidiary in South Korea. We terminated the agreement with our previous distributor following their change of ownership. We have appointed a senior management team, whom we have known for many years, to manage this new entity which will commence trading in the second quarter of the new financial year. Having our own operation will give us greater transparency on the opportunities in this fast growing market and will also allow us to better assess our future options for expansion in this region.

NA Pharmaceuticals Segment

Our total North America (NA) Pharmaceuticals Segment revenues increased by 23.8% at CER (25.3% at AER). This revenue includes a contribution from various products we acquired in the year, the majority of which were launched in the second half, and one month of additional *Osurnia* sales on a like-for-like basis over the previous year. Existing net revenues increased strongly by 21.3% at CER (22.7% at AER). This exceptional performance was delivered despite increased competition to three of our branded generics. We did manage to retain market share, albeit at a lower price point, due to our strong relationship with our customers and through a Dechra Rewards Scheme, managed by Vetcove, that now has 9,000 veterinary practice members. We continue to review and assess our relationship with the veterinary distributors (wholesalers) who proactively promote their own generic products that compete with ours.

In the USA we increased the marketing team with four specialists in digital and product management to support the launch of the newly developed and acquired products. We continue to increase the scale of our sales team with the appointment of 18 new representatives in the year, a number of which joined us as part of the *Laverdia* acquisition.

The majority of growth is delivered from the US; however, we also delivered strong performances in Mexico and Canada. In Mexico, we transitioned completely out of our old manufacturing site and relocated to new sales offices. In Canada, we initiated a FAP business unit with the launch of two products and added three internal sales representatives to our sales team.

As with DVP EU, education and technical support are important tools in our relationship with our customers. In the year, our veterinary technical services team dealt with 8,500 technical queries, which involved over 15,000 telephone calls; we also held 413 certified educational presentations to 15,794 attending veterinarians. Furthermore, we continued to invest in our University engagement programme to educate veterinary graduates on our key therapeutic areas.

Product Category Performance

CAP

Companion Animal Products (CAP), which represent 74.6% of Group turnover, grew by 16.0% at CER in the year. Our key therapeutic sectors, endocrinology, dermatology, anaesthesia and analgesia were the main drivers of this growth. At the end of the year, we launched Zenalpha in the USA, a new novel canine sedative, approved by the FDA, which contributed revenue of $1.3 million.

FAP

The strong performance in Food producing Animal Products (FAP) during recent years, which represents 11.6% of Group turnover, slowed to 6.0% at CER. This remains a solid performance as the European market, a key area for our FAP sales, has been challenging due to avian influenza, African swine fever and inflationary costs.

Equine

Equine, which represents 7.2% of Group turnover, grew by 12.1%. This growth was driven by locomotion, a therapeutic sector, which includes *Osphos*, Equipalazone® and *HY-50* and by internal medicine, including Equibactin® and Prednidale Horse. In the second half of the year we also launched three acquired products in the USA, which are detailed later in this report.

Nutrition

Nutrition, which represents 5.1% of Group turnover, continues to perform well and grew by 15.1%. The majority of our Specific branded diet sales are in the EU where we have continued to increase market penetration, especially with our newly launched products, such as the organic range.

Chief Executive Officer's Statement

Product Development and Regulatory Affairs (PDRA)

Pipeline Progress

We have delivered another year of consistent progress on the pipeline. We have generated positive dose range finding data in both the dog and cat for the diabetes drugs being developed in partnership with Akston Biosciences. Using its recently commissioned GMP biologics production facility, Akston Biosciences is currently on track to deliver active ingredient for our planned pivotal efficacy studies. Lifecycle innovation of our key brands, such as *Vetoryl* and *Osurnia*, are ongoing and showing good progress. New opportunities are constantly being identified and new candidates have been added to the pipeline. With the addition of the Piedmont projects (outlined later in this report), our pipeline is stronger than ever and positioned to deliver material products to support future growth.

Product Approvals

Numerous marketing authorisations have been achieved throughout the year. Although only Zenalpha® is material in its own right, they all add depth and breadth to the current product range and strengthen our international portfolio. Major approvals in Dechra territories are:

- in Europe, Metomotyl 10mg chewable tablet for dogs (Metoclopramide hydrochloride), Bupredine® Multidose 0.3mg/ml solution for injection for dogs, cats and horses (Buprenorphine), Canergy 100mg coated tablets for dogs (Propentofylline), Cefabam 1000mg, 250mg and 50mg tablets for dogs (Cephalexin monohydrate), Clindacutin 10mg ointment for dogs (Clindamycin hydrochloride), Lodisure® 1mg tablets for cats (Amlodipine besilate), Octacillin® 800mg/g powder for use in water for pigs (Amoxicillin trihydrate), Sedadex 0.1mg/ml solution for injection for dogs and cats (Dexmedetomidine hydrochloride), Vomend® vet 10mg chewable tablets for dogs (Metoclopramide hydrochloride);
- in Great Britain and Northern Ireland, Tri-Solfen® Solution for Pigs (Adrenaline tartrate, Lidocaine hydrochloride, Bupivacaine hydrochloride, Cetrimide) was approved. An exemption from the need for a maximum residue limit (MRL) for an equine product at an advanced stage of development was also approved;
- a novel canine sedative injection *Zenalpha* (Medetomidine hydrochloride, Vatinoxan hydrochloride), a generic antibiotic Amoxicillin Trihydrate and Clavulanate Potassium Drops and generic Carprofen Caplets have been approved in the USA;
- two sedative products, Dexmedesed 0.5mg/ml (Dexmedetomidine hydrochloride) and Dormazolam® (Midazolam) as well as the antimicrobial Rexxolide® (Tulathromycin) were registered in Canada;
- in Mexico, five new products were registered;
- in Australia, four new products and in New Zealand three new products were registered;
- in Brazil, three new products were registered including two vaccines; and
- additionally, in other international territories, we have received 52 approvals in countries including Egypt, Iran, Korea, Pakistan, Peru, Puerto Rico, Serbia, Sri Lanka, Switzerland, Thailand, West Africa (UEMOA), Ukraine, United Arab Emirates, Uruguay and Vietnam.

Acquisitions

We have successfully completed several product acquisitions and two material company acquisitions.

In July 2022, post the year end, we acquired Piedmont Animal Health, Inc for $210 million (£175 million), a product development company with a long, successful track record of developing major international products for multi-national animal health companies. Piedmont has eight novel products in various stages of development, all in the CAP market for cats and dogs and all within Dechra's key therapeutic areas of competence. The business significantly strengthens Dechra's pipeline of novel products with two near term opportunities, both expected to be top ten products for Dechra. The development team of 19 people who have joined Dechra, located in Greensboro, North Carolina, have added additional strength and expertise to the Company's existing product development capabilities.

Also, post the year end in August 2022 we completed the acquisition of Med-Pharmex Holdings, Inc for $260.0 million (£221.5 million). Med-Pharmex, with sales of $43.0 million and adjusted EBITDA of $15.3 million, is an established platform business located in Pomona, California with manufacturing, product development and regulatory capabilities. It has several products already approved and established in the US market. As they have no sales and marketing capabilities, these products are currently sold through third party partners. We are planning to sell many of these products under a Dechra brand through our existing sales and marketing channels, providing material margin synergies and operational leverage. In the longer term, synergies will also be realised from integration and improved utilisation of the manufacturing facilities. The facility has the capability to produce Cephalosporins, a type of antibiotic that is required to be manufactured in a dedicated suite. They currently have one product registered and one product in the development pipeline that fall into this category, which is expected to be first entrant generic in product markets of material scale in the USA.

We executed numerous bolt on product acquisitions, which complement our equine and CAP portfolios. The equine products acquired are all for the US market and are:

- Rompun® (xylazine injection) and Butorphanol Tartrate Injection from Elanco™ Animal Health, which complement our anaesthesia and analgesia portfolio;
- Sucromate™ Equine (deslorelin acetate) sterile suspension from Thorn Bioscience LLC, which expands our US Equine portfolio into reproduction; and
- ProVet APC™ (Autologous Platelet Concentrate) and ProVet BMC™ (Bone Marrow Concentrate) systems from Hassinger Biomedical. These two patented medical devices harness growth factors from the horse's whole blood, which when injected back into the horse positively enhance healing results in soft tissue injuries. The ProVet APC™ system is a revolutionary device and is arguably the fastest and most transportable platelet concentrator available to the veterinary industry.

The CAP products acquired are:

- LAVERDIA® -CA1, a novel oral SINE (selective inhibitor of nuclear export) drug and the first oral tablet for canine lymphoma acquired from Anivive Lifesciences Inc. It is currently sold under a conditional approval by the FDA Center for Veterinary Medicine in the USA with full dossier submissions planned for the USA, UK, EU, Brazil, Australia, Japan and Canada;
- Isoflurane®, USP and Sevoflurane®, USP from Halocarbon, both inhalant anaesthetics, which expand our US veterinary surgical suite;
- Atopivet® range of products for cats and dogs in collaboration with Bioiberica, which offer unique alternatives to multi-modal dermatology therapy; and

- Malaseb®, a leading dermatological medicated shampoo which we already market across Europe, was acquired from Dermcare for the US market, an excellent addition to our leading topical dermatology range.

Enablers

Manufacturing and Supply Chain

The investment made in Manufacturing and Supply Chain over the last two years has resulted in higher levels of stock availability with backorders at the end of the year being at a three year low. The huge improvements in our quality systems are clearly demonstrated by successful regulatory inspections at our sites in Zagreb, Croatia, Skipton, UK and Fort Worth, USA. Investment has continued across our Manufacturing sites:

- two new automated lines were installed at Zagreb;
- a new autoclave system for sterilisation of finished goods has been installed in Bladel, Netherlands;
- a high speed tablet press was commissioned at our Fort Worth site in the USA;
- a new water for injection facility has been commissioned in Brazil; and
- work has commenced on a new building in Skipton, which will expand the site and improve work flows.

We have extended our European logistics centre in Uldum, Denmark creating over 6,000 new pallet spaces with a subterranean store for temperature controlled drugs that materially reduces the electricity required to maintain low temperatures. We have also increased our warehousing capacity in Australia.

This ongoing investment in our Manufacturing and Supply Chain will allow us to continue our strategy to bring more production in-house; nine products were transferred into Zagreb, Melbourne (USA), Bladel and Fort Worth within the year.

Technology

Information technology remains a key area of focus for the business. We are working on numerous projects which strengthen the infrastructure, improve internal information, provide educational support and improve employee and customer engagement. We are making excellent progress on two major projects outlined in the Half Year Report, these being the new quality document management system to support Manufacturing, Product Development, Regulatory Affairs and Technical Services, and in addition we have also established a project team to upgrade the Manufacturing ERP system to one consolidated cloud-based Oracle platform. Salesforce, a customer relationship management system, is now being utilised across the majority of countries in which we operate and we have also fully rolled out a new global payroll system across the Group. We have restructured and recruited new hires to increase our digital communication capabilities as we continue to expand our on-line training capabilities to our employees and to our customers through the Dechra Academy, a platform which we are constantly upgrading in both its technical capabilities and increased content.

People

On 1 January 2022, Alison Platt was appointed Chair of the Board following the retirement of Tony Rice. On 1 June 2022, John Shipsey was appointed as Non-Executive Director with the view to being the successor to Julian Heslop as Audit Committee Chair. The Board and I would like to express our thanks and gratitude for the huge contribution both Tony and Julian have made to the Board over their tenure as Non-Executive Directors.

We have commenced the recruitment process to find a successor to Ishbel Macpherson as Remuneration Chair as Ishbel is in her tenth year as a Non-Executive Director on the Dechra Board.

Following the retirement of Dr Susan Longhofer as Chief Scientific Officer, we are pleased to announce the appointment of Patrick Meeus as her replacement. Patrick, who has joined the Senior Executive Team, is a veterinary surgeon and brings a wealth of experience gained in multi-national pharmaceutical companies in animal health.

Isabelle Gaillet has been appointed as EU Commercial Director. Isabelle, who previously worked for the Company from 2015 to 2019 as French Country Manager will join the European Senior Management Team. She will support the EU Country Managers and lead our commercial strategy for the EU alongside Tony Griffin, European Pharmaceuticals Managing Director.

We have launched a Future Facing Leaders programme with 24 employees from across our global subsidiaries joining the scheme, which is designed to develop our management talent and will support the future growth of Dechra. Furthermore, we have launched leadership development programmes for our International, North America and Manufacturing management teams.

We have rolled out a Group wide applicant tracking system and also an automated talent review process that allows us to monitor our talent pipeline, succession plans, employee mobility and individuals' progress.

ESG

To enable our business to adapt to climate change, we have focused on mitigating our impact through the decarbonisation of the business. We remain committed to the Science Based Target initiatives, working towards a Net-Zero ambition by 2050. We have also released our inaugural separate Sustainability Report and provided enhanced Task Force on Climate-related Financial Disclosures, which are included later in this report.

Dividend

The Board is proposing a final dividend of 32.89 pence per share (2021: 29.39 pence per share). Added to the interim dividend of 12.00 pence per share (2021: 11.11 pence per share), this brings the total dividend for the financial year ended 30 June 2022 to 44.89 pence per share (2021: 40.50 pence per share), representing 10.8% growth over the previous year.

Subject to shareholder approval at the Annual General Meeting to be held on 20 October 2022, the final dividend will be paid on 18 November 2022 to shareholders on the Register at 28 October 2022. The shares will become ex-dividend on 27 October 2022.

Outlook

As the market returns to normal levels of trading post the impact of COVID-19 and as current macroeconomic uncertainties are expected to continue, the veterinary pharmaceutical market, particularly in the CAP sector, is resilient and in growth.

The acquisition, post year end, of Med-Pharmex strategically strengthens our position in the US market. The acquisition of Piedmont adds several novel exciting products to our development pipeline and we continue to identify new opportunities as we successfully execute our strategy.

We remain confident in our ability to outperform the markets in which we operate and in the prospects for the current financial year.

Ian Page
Chief Executive Officer
5 September 2022

Our Marketplace

Market Overview

Historically, the global animal healthcare market has been characterised by a small number of large international businesses together accounting for almost half of the overall market worth an estimated $43.0 billion in 2022. Beyond this concentration of competitors the market is very fragmented, consisting of a large number of smaller businesses with either global or more localised operations.

Animal Types

Animal health globally is generally described as comprising two segments: Food producing Animal Products (FAP) and Companion Animal Products (CAP). FAP has demonstrated continued global growth due to an increased demand for high quality protein production, whilst CAP growth (a sector in which horses are generally included) is driven by the pet owners' compassion for their animals, which has had even greater emphasis during the COVID-19 pandemic, improved nutrition and a wider range of medical products and treatments.

Product Types

The animal healthcare market typically consists of key segments such as vaccines, pharmaceuticals, diagnostics, medical devices and feed additives, along with other smaller revenue streams. Within the overall market, pharmaceuticals represents the largest segment at over 35%*, and it is this segment where Dechra mostly competes.

Territories

The geographical breakdown of the market differs between the FAP and CAP markets, but in both cases is generally viewed as consisting of the well developed European and North American markets together with the emerging markets encompassing regions such as South America, Asia-Pacific, the Middle East and Africa.

Market Dynamics and Outlook

There has been growth in the companion animal market for many years due to veterinarians' capabilities, improved nutrition, increased longevity of pets and the owners' willingness to continue to increase spending on their pets.

This trend has historically been in Western Europe, North America and other selected markets; however, we are now also seeing the status of pets increase in the developing world, creating opportunities in new markets.

Given the ongoing rise in the global population and the corresponding need to ensure that food supply is capable of keeping pace with this growth through the heightened production of animal-based food products, the FAP market also remains robust. In addition, increasing awareness of animal welfare is also supportive of the healthcare market for food producing animals.

Given these mega-trends, the global animal healthcare market is typically resilient and able to overcome any short term challenges (such as African swine fever in 2019 and the COVID-19 pandemic) to maintain buoyant growth over a longer period. These trends are expected to continue, with the market expected to grow at a CAGR of approximately 10% over the coming years to reach an estimated $93.0 billion by 2030.

Dechra Positioning

Despite not competing in market segments such as diagnostics and medical devices, and only having a very small contribution from FAP vaccines, we are still positioned within the top ten in terms of total market share.

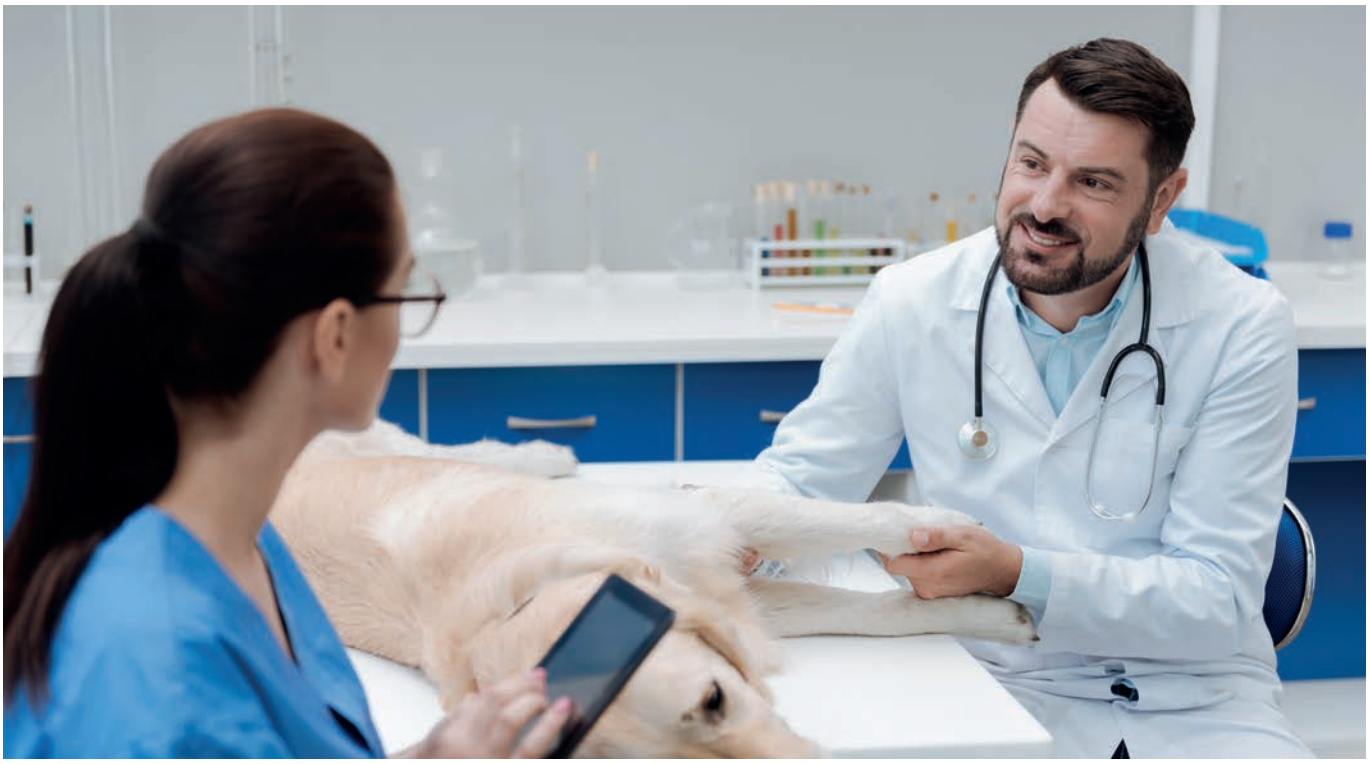
We have a track record of outperforming the underlying market through our strategy of organic growth supplemented by carefully chosen acquisitions. This growth is also being driven across multiple territories, with Dechra now operating in a total of 26 countries.

We already have a wide range of existing CAP products and will continue to innovate in specialist medicine 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.

In our FAP business, we are consistently strengthening our position through new products and international expansion. We are enhancing our product range, including our market leading swine and poultry water soluble antibiotics and continue to seek marketing authorisations in new markets for our vaccines. We also own the global marketing rights to Tri-Solfen®, Animal Ethics' ethical pain treatment for farm animals, which we are registering for sheep, cattle and pigs in numerous markets across the globe.

Against this backdrop, there remains a number of market share growth opportunities for Dechra. By leveraging our existing products, developing our pipeline of new products, and remaining attuned to potential acquisition opportunities to further expand the breadth and depth of our proposition, we believe we are well positioned to continue performing well within a growing market.

* Grand View Research 2022

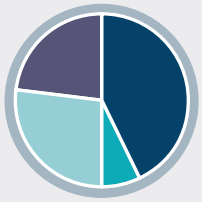


Animal Pharmaceuticals vs. Human Pharmaceuticals

The business of developing and marketing animal pharmaceuticals shares a number of characteristics with human pharmaceutical businesses. These similarities include the need to conduct clinical trials to prove product safety and efficacy, obtain regulatory approval for new products, adhere to complex and highly regulated product manufacturing, and market products based on approved clinical claims. However, there are also significant differences between animal and human pharmaceutical businesses, including:

- **Generally faster, cheaper, more predictable and sustainable product development:** Development of animal medicines typically requires fewer clinical studies with fewer subjects and is conducted directly in the target species. Decisions on product safety, efficacy and likelihood of success can therefore be made more quickly.
- **Diversified product portfolios:** Animal pharmaceuticals businesses are generally less reliant on a small number of 'blockbuster' products. Animal health products are sold across different regions, which may have distinct product requirements. As a result, animal health products often have a smaller market size and the performance of any single product typically has less impact on overall business performance.
- **Stronger customer relationships and brand loyalty:** Companion Animal Products are directly prescribed and often dispensed and sold by veterinarians, contributing to building brand loyalty, which often continues after the loss of patent protection or regulatory exclusivity.
- **Lower pricing pressure:** Livestock producers and pet owners generally pay for animal healthcare themselves. Pricing decisions are not influenced by government payors that are involved in product and pricing decisions for human medicines.
- **Less price erosion by generic competition:** Generic competition in animal healthcare, whilst playing an important role, has a lower impact on prices compared to human pharmaceuticals because of the smaller average market size of each product opportunity, stronger customer relationships and brand loyalty.

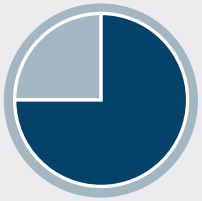
Veterinary Practices – Europe



Independents	43%
Large-scale Pig and Poultry Customers	7%
Local Consolidated Groups	27%
Pan-EU Consolidated Groups	23%

Source: DVP EU Sales Data June 2022

Veterinary Practices – North America



Independents	75%
Corporates	25%

Source: DVP NA Sales Data June 2022

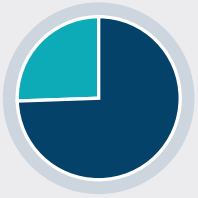
Types of Veterinary Practices

The majority of our sales are made into veterinary practices that tend to specialise in either companion animal or food producing animal treatment; however, there are numerous practices that are classified as mixed and service all species. There is also an increasing number of equine practices and referral hospitals that provide high levels of specialisation. The veterinary profession is going through significant change as incorporated practice groups are consolidating practices at an increasing rate. In many countries, our relationships with these corporate groups are very important, and we continue to increase our focus through experienced key account managers and technical support services. With the ongoing integration of professional farming units, our FAP sales efforts are now often focused on these major integrators; however, the integrators themselves employ veterinarians who remain responsible for the prescribing and administration of our products.

Our Marketplace

Product Market Dynamics

Companion Animal Products (CAP)



74.6%
Group Revenue

Species: Dogs and cats.

Key Therapeutic Sectors: Endocrinology, dermatology, analgesia and anaesthesia, cardiovascular and critical care.

Products: The majority of products in our portfolio are Prescription Only Medicines (POMs) 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.

Market Description: The principal driver of growth in companion animal markets is the pet owners' compassion for their animals. 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, particularly in South America, parts of Asia and Eastern Europe.

Key Trends Shaping Our Markets: Expenditure on companion animals continues to grow due to increasing pet ownership, advances in nutrition, increased competence in managing complex conditions by veterinarians, preventative healthcare and wellness, and by increasing availability of more specialist pharmaceuticals.

Our Market Position: This is the basis upon which Dechra established its market position and continues to be our strongest sector. Dechra has developed a strong reputation for providing specialist and clinically necessary novel products. We also supply a range of products which complement these products in key therapeutic sectors where we are seen as the company of choice by many veterinarians.

Margin: The highest gross margin category with development costs high for relatively small volume sales. However, sales and marketing costs are relatively high compared to other categories.

Food Producing Animal Products (FAP)

11.6%
Group Revenue

Species: Poultry, pigs and an increasing presence in cattle.

Key Therapeutic Sectors: Water soluble antibiotics, vaccines, the treatment of mastitis, 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.

Market Description: As over 60% of all global animal health sales are FAP, Dechra is underweight relative to the market and our competitors.

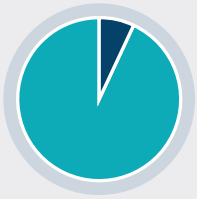
Key Trends Shaping Our Markets: The key driver for growth in this sector is a huge increase in the global demand for high quality animal protein and dairy products. Vaccines are the biggest growth sector of the veterinary market and are anticipated to continue to outgrow therapeutic treatments. There is also a growing awareness of the need for better animal welfare standards, including pain control during procedures such as pig castration and tail docking in sheep.

Our Market Position: Dechra entered the FAP sector through the acquisition of Eurovet in 2012; it currently represents 11.6% of revenue. The majority of our sales are currently antibiotics, which are sold mainly into Europe. Western Europe has been extremely proactive over the last five years in reducing antibiotic use due to concerns over antimicrobial resistance and 'super bugs'.

Dechra's portfolio is positioned to match current best practice prescribing habits. Additionally, our Brazilian vaccines business is providing growth and is anticipated to continue to provide growth opportunities in future years as we seek global registrations.

Margin: Relatively low gross margins. However, volumes are high and sales costs are relatively low as the products are sold mainly into large farm integrators.

Equine



7.2%
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 and euthanasia.

Market Description: Veterinarians that specialise in horses operate out of either mixed practices or, increasingly, specialist equine centres. There are approximately five million horses in the USA, approximately one million horses in France and Germany and less than one million in the UK. As such, the market potential is limited. The market can be divided roughly into high performance sports horses, leisure horses and ponies.

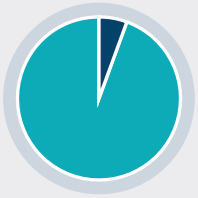
Key Trends Shaping Our Markets: The market is variable and can be linked to the economy; however, high value, insured, sports horses will be treated at almost any cost.

Our Market Position: 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.

Margin: Similar margin returns to CAP; however, it is a relatively small marketplace.

Nutrition



5.1%
Group Revenue

Species: Dogs and cats.

Key Therapeutic Sectors: Our 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.

Market Description: The global pet food market is huge and dwarfs the animal health pharmaceuticals market. The veterinarian's recommendation is respected by pet owners, which allows these products to take a small but significant part of this nutrition market.

Key Trends Shaping Our Markets: Expenditure on companion animals continues to grow due to increasing pet ownership, 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.

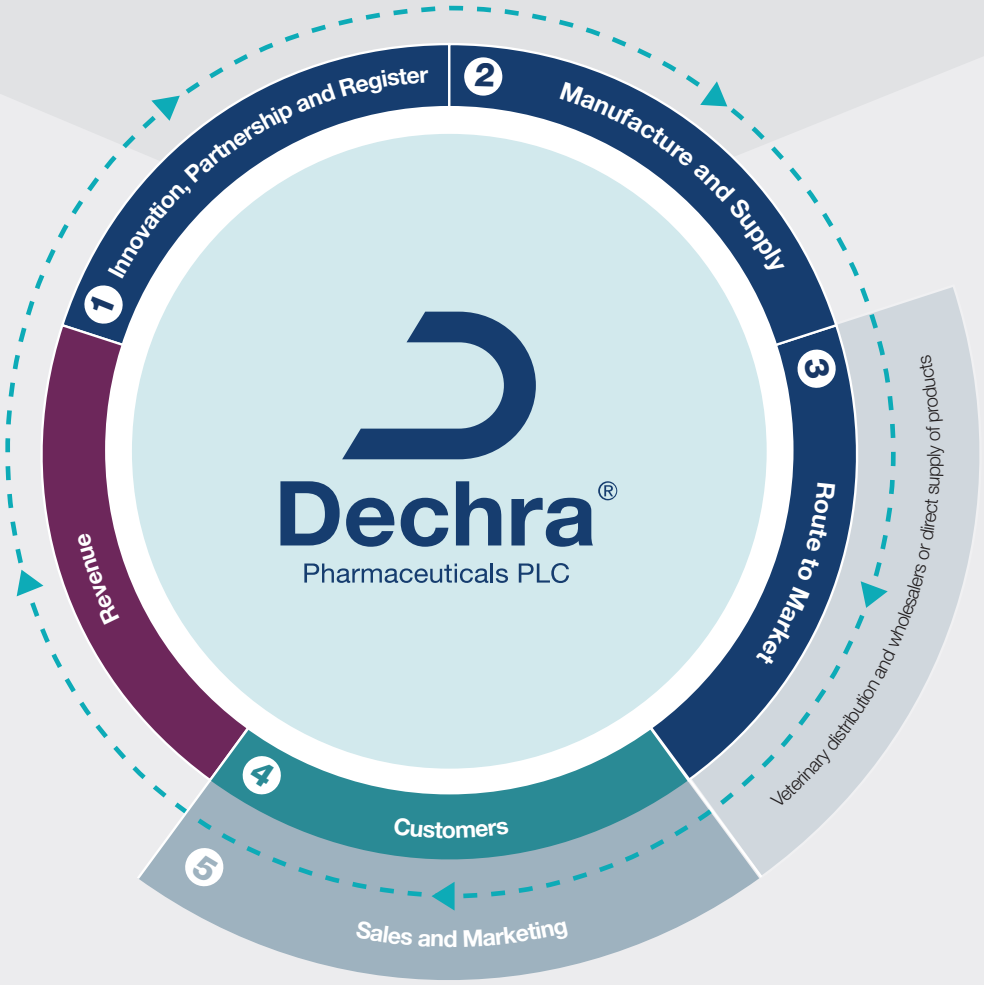
Our Market Position: Dechra's focus is predominantly therapeutic diets, which are not available for self-selection through supermarkets and require advice from the veterinarian. There are very few competitors in this specialist sector of the pet food market and although we compete with huge global multinational companies, we are able to differentiate our position through the use of higher quality ingredients and through innovation. The ability to offer our wide range of products, branded Specific®, is necessary to remain competitive in this sector.

Margin: Highly competitive market where we compete with huge multinational retail companies. However, gross margins are robust.

Our Business Model

Our Key Activities

Our objectives are to innovate, develop, register, manufacture, supply and market high quality products to the veterinary profession worldwide.



Read more about our Key Activities on pages 23 and 24

1

Innovation, Partnership and Register

We spread our development portfolio across novel entities, differentiated generics, generics and lifecycle management projects across multiple 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.
- employing talented veterinary scientists who extensively screen scientific papers looking for new human medicine-related technologies that might have an application in our marketplace.

Innovative Products that Treat a Range of Conditions

Our products give veterinarians the solutions they need in the treatment of animals. 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.

Key Expertise for In-house Product Development

Our formulation and development laboratories are located at our manufacturing sites, which allows us to emulate the manufacturing equipment at laboratory scale.

Product Development 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.

2

Manufacture and Supply

Manufacturing is a key competency of the Group; the prime objective is to deliver safe, efficacious, cost effective, high quality products.

Our Range of Competencies

We have a wide range of competencies across our seven sites including tablets, creams, liquids, ointments, powders, vaccines and sterile injections that can be packed in a multitude of different presentations. Currently we manufacture approximately 40% of our products in-house; however, we are working on bringing more products into our own production facilities. There are competencies and dosage forms that we do not have, and we have long term agreements that prevent in-house manufacturing of some products.

Batch runs for veterinary medicines are often relatively small compared to human production. Therefore, in some instances, outsourcing can prove difficult and expensive. Our Contract Manufacturing Organisation (CMO) network is an important part of our business.

3

Route to Market

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

The principal objective is to deliver a customer's order on time and in full every time.

Types of Distribution Channels

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.

There are a few markets where we offer direct supply, such as Germany and the Netherlands, that are not fully supported by veterinary wholesalers or where legislation enforces all pharmaceuticals to be sold through pharmacies, such as Denmark, Italy, Norway and Sweden.

Specialised Veterinary Wholesalers

The majority of veterinary practices are supplied through specialised veterinary wholesalers that operate as one-stop shops. They stock the majority of items veterinary practices need 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.

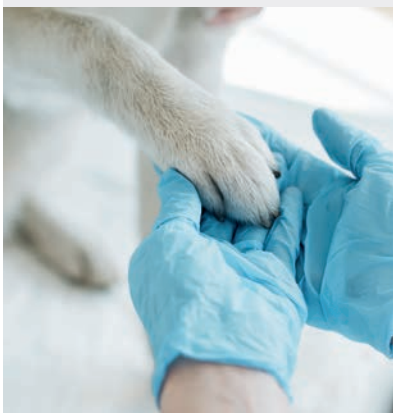
4

Customers

Our customers are veterinary professionals operating in veterinary practices and major farming units.

Our products and sales and marketing activities are mainly targeted at veterinary professionals. 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 have a range of complementary non-prescription products. Our product range includes novel, generic-plus and generic products in key therapeutic areas, in particular endocrinology and anaesthesia and analgesia.



5

Sales and Marketing

The relationship with veterinarians is key and, to this end, we provide added value services. 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 25 countries, predominantly in Europe, North America, Brazil and ANZ. In almost 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

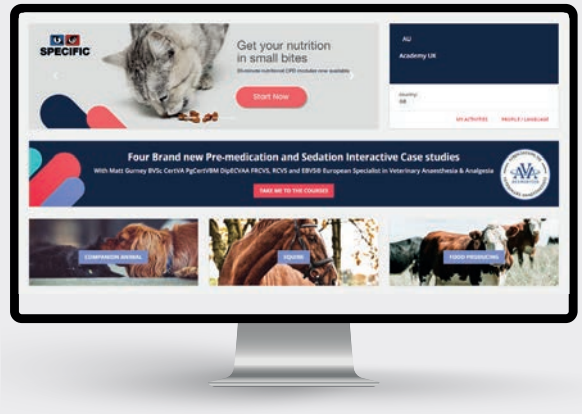
We also provide high levels of technical support and pharmacovigilance through helplines in every country in which we operate. These helplines provide veterinarians with support on how to best use our products and free advice on any difficult or complex cases that may be encountered.

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 at:
dechra.com/about/our-business



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 7

Portfolio Focus

We are a specialist veterinary pharmaceuticals business focused on Companion Animal, 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 7 8

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 10

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 product portfolio through acquisitions.

Link to our KPIs: 2 3 6 7

Link to our Risks: 6 7

Our Strategic Enablers Support the Execution of Our Strategy

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 10

Read more in our Business Model on pages 22 to 25

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

See our website for details: **dechra.com/sustainability/our-people**

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

Read more in the Technology case study on page 33

ESG

Our Sustainability strategy is fully embedded within the business. Our sustainability ambition is to 'Make a Difference' in four key areas: Our People; Our Business; Our Environment; and Our Community.

Link to our KPIs:

6 7

Link to our Risks:

7 9 10

View our online sustainability report at: **dechra.com/sustainability/reporting**

Key to KPIs:

1. 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. Retention of People Risk
10. Climate Risk

Our Strategic Progress Over the Last Five Years

Our Strategic Growth Drivers

Pipeline Delivery

Our Achievements

2018
- Two further poultry vaccines registered in EU: Avishield® IBH120 and ND B1
- Launch of further Amoxi-Clav dose sizes to complete range for the USA market
- Progress in co-development licensing opportunities

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

Our Progress

2022
- Launch of *Zenalpha*, a novel therapeutic product that is safe and effective for sedation in dogs
- Equine Strangles vaccine launched in the EU
- Amoxi-Clav suspension launched in the US market

Portfolio Focus

Our Achievements

2018
- Strong growth in European FAP following antibiotic product alignment and range additions
- Leveraging CAP product success to increase penetration across the Group
- Continued EU growth in Equine from market penetration and range addition

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

Our Progress

2022
- All product categories delivered strong growth
- Strong organic performance in key markets driven by market growth and product penetration

Geographical Expansion

Our Achievements

2018
- Over 80 new country registrations of existing portfolio products
- Acquisition of RxVet expanded our presence in New Zealand
- Successful establishment of the DVP International team

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 and New Zealand market
- Launched *Vetoryl* in Brazil and gained registrations for *Felimazole* and *Zycortal*

Our Progress

2022
- Launched *Osphos* and *Zycortal* in Brazil
- Established a new legal entity in South Korea
- Successful establishment of FAP business unit in Australia and New Zealand to support the launch of Tri-Solfen®

Acquisition

Our Achievements

2018
- Acquisition and successful integration of RxVet, expanding our presence in New Zealand
- Acquisition and successful initial integration of AST Farma and Le Vet, providing transformation in EU Pharmaceuticals' portfolio and pipeline

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 *Mirataz*, 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%

Our Progress

2022
- Acquisition of six main products for North American market
- Acquisition of the worldwide rights to Verdinexor, branded *Laverdia*, a new treatment of all form and stages of canine lymphoma

Our Strategic Enablers

Manufacturing and Supply Chain

People

Technology

ESG

Our Achievements

2018
- Progress made in Manufacturing remodelling strategy in Zagreb and Bladel
- 12 months without a lost time accident
- Completion of employee engagement survey
- Successful implementation of the Oracle project in DVP EU

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

Our Progress

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 new quality management systems and to move most manufacturing sites onto a single consolidated ERP system
- Task Force on Climate-related Financial Disclosures significantly strengthened
- Inaugural Dechra climate race completed improving employee ESG engagement

Strategy in Action

Strategic Growth Driver:

Pipeline Delivery

Development of an anaesthesia product

In February 2019, Dechra executed an exclusive license and distribution agreement with Vetcare Oy of Finland for the sales and marketing of an innovative combination sedative and analgesic for dogs, *Zenalpha*. Vetcare had early research on the combination from the University of Helsinki Veterinary School and knew they wanted to bring the drug to the market, but they needed to collaborate with a global animal health company to capitalise on the drug's market potential fully. Dechra's Business Development team successfully won the bid to be Vetcare's partner and then, throughout the drug's further development, clinical testing and registration, the Business Development team was advising Vetcare as needed on regulatory, manufacturing and commercial strategies. The joint research team has also conducted work on additional indications and additional species and built relationships with Key Opinion Leaders in anaesthesia and sedation.

Zenalpha (medetomidine and vatinoxan hydrochlorides injection) has been approved by the European Medicines Agency (EMA) and the US Food and Drug Administration (FDA) and will be fully launched in the US, UK and EU in the 2023 financial year by Dechra (with the exceptions of Finland, Latvia, Estonia and Lithuania where commercialisation will be Vetcare's responsibility).

Dechra has developed the commercial launch materials and plans for *Zenalpha* and will introduce the drug to veterinarians and veterinary nurses as a drug that improves the cardiovascular function, as compared to medetomidine alone, while the dog is sedated. Vatinoxan decreases the negative cardiovascular effects of medetomidine because it keeps the heart rate closer to normal. Medetomidine is a widely used drug in the EU; however safety concerns, which *Zenalpha* addresses, have limited the sales in the USA. Thus the combination of drugs found in *Zenalpha* improve upon the safety profile of medetomidine.

Zenalpha represents another great collaboration with a business development partner to deliver an innovative drug to the market that answers a need in veterinary practices globally. Dechra and Vetcare have worked together for the last three and a half years to deliver the long term commercial success of *Zenalpha*.

Strategic Growth Driver:

Acquisition

Acquisition of worldwide rights to Laverdia®

Acquisition and Transition of Laverdia-CA1

On 10 January 2022, Dechra acquired the worldwide rights to *Laverdia*-CA1 from Anivive Life Sciences, Inc. *Laverdia*-CA1 is an oral treatment for canine lymphoma and the first small-molecule selective inhibitor of nuclear export (SINE) drug designed specifically for veterinary use. This is a strategic acquisition which expands Dechra's niche therapy portfolio and fills an unmet market need for a convenient, low-cost alternative to traditional cancer therapies.

Laverdia-CA1 is currently conditionally approved and commercially available in the United States and is at various stages of regulatory approval globally. Due to the conditional approval status, the team faced challenges to transition that we have not experienced previously. Whilst Dechra took on all commercial and customer facing responsibilities, Anivive had to retain accountability for all quality and regulatory aspects of the product. Dechra's established approach of forming a cross-functional core transition team with a dedicated Transition Lead has enabled the successful management of this novel complexity and the team to address the challenges quickly. Anivive and Dechra were able to work collaboratively to create procedures clarifying each company's ongoing roles and responsibilities under the conditional approval and beyond. We chose to take a multi-phased approach to cover the short, medium and long term requirements of the project.

The first phase of transition focused on the immediate activities required in the USA post-close. As the product was already commercialised there, it was crucial to facilitate a seamless transfer to Dechra. To achieve this, weekly meetings were held with Anivive to identify and action critical path items, create a platform for troubleshooting, and to maintain team alignment and momentum. This joint team first prioritised transfer of tasks focused on customer support, compliance, and securing product supply. We aligned on cooperative processes for handling pharmacovigilance and product quality complaint calls, analysis, and reporting. The team agreed on quality and manufacturing roles and responsibilities under the conditional approval. Next, we coordinated intensive training for Tech Services and Sales Teams on the mechanism of action, safety, efficacy, and dosing plans for *Laverdia*-CA1. Marketing, training, and sales materials were developed and deployed. The final priority for the first phase was for the External Manufacturing and Supply Chain teams to build relationships with the external suppliers and to communicate our forecast. Inventory purchase and transfer from Anivive was completed in March, and Dechra successfully launched the product in mid-April with a secure supply chain.

The next phase of the transition plan focuses on gaining full regulatory approval for *Laverdia*-CA1 in the USA, UK, EU, Brazil, Australia, Japan, and Canada. Managing the continued and timely development through to approval in these markets is critical; to facilitate this, a joint council of subject matter experts from Anivive and Dechra has been formed. This joint council will maintain alignment with the Transition Lead on the status of registration progress globally. As we approach additional approvals, the Transition Lead will re-form the core team to ensure Dechra is able to leverage each asset to the fullest extent quickly.

The purchase of *Laverdia*-CA1 is an example of a highly complex product acquisition where Dechra acted with agility to take advantage of a unique opportunity successfully. The collaborative effort between the Dechra core transition team and Anivive allowed us to tackle immediate actions efficiently and quickly move into the routine course of business. Furthermore, we developed a healthy working relationship with Anivive, critical to the ongoing collaboration on global approvals over the upcoming years. Dechra is proactively applying the learnings from this transition process and others to hone and optimise our approach to product acquisitions further.

Strategy in Action

Strategic Growth Driver:

Geographical Expansion

South Korean sales and marketing organisation

South Korea, where we are establishing our latest sales and marketing organisation, has been one of the most challenging projects for the International business unit to date. The practicalities of language, culture and the time difference all created complexity; however, the need to complete the task in only four months to ensure continuity of supply increased the challenge still further.

The Rationale

We are constantly reviewing opportunities to deliver on our strategic goal of geographical expansion. South Korea, as our largest distribution market, was an obvious choice to establish the next Dechra sales and marketing organisation. The companion animal market of 6.3 million dogs and 2.4 million cats, makes this the world's eighth largest CAP market at €2.4 billion and is projected to grow to €4.4 billion by 2027. Research data also suggests that on average owners spend €1,240 per year on their pets with 50% of this being on pet food and snacks and a further 14% on medications for their pet's health and welfare. We believe that setting up a Dechra company will be the next step to deliver growth utilising the strength of the Dechra brand to introduce more products and to provide an enhanced technical service to support this market, which is hungry for knowledge and development. Setting up this Asian hub also provides a convenient location for collaboration with, and management of, neighbouring markets which may be suitable for future development.

Key Considerations

The four key steps for success of this project have been professional support, people engagement, product focus and customer communication.

The professional support has been managed by our internal team with the collaboration of local lawyers. The first and most critical step has been to set up a legal entity as rapidly as possible because without this, we had no rights to trade, no status for retaining licenses, were unable to import products, were unable to set up an office or a bank account nor could we offer people employment contracts. Once we had decided on using a contractual service to provide an office and registered address, this process took around six weeks, and represented a key step.

In all projects people engagement is clearly important. The key being to find like-minded, energetic and knowledgeable people, starting at the top. In South Korea we were fortunate to work with somebody whom we had known for several years and who had all the right credentials and connections in the market. Quickly establishing our values and expectations meant that the new employees were given the freedom to take ownership and execute the plan. Once again, legal and HR guidance meant we could formulate service and contract agreements, leaving the project team to focus on the establishment of the business.

Without products to sell, we have no business, we have no margin to self-fund the infrastructure and no rationale for existence. Once we had established the legal entity we could hold the necessary marketing authorisations and obtain our import permit. These activities all take time and have a process to follow that adds time to a tight schedule. Without a clear understanding of this process, it is difficult to communicate to the customer as to when products will be available.

This leads to the final and most important piece of the process, the customers. At every step of establishing our entity, it was important to keep the customer informed. The objective is to deliver high quality products that support their business by delivering high quality health and welfare services to an increasingly demanding population of South Korean pet owners.

Next Steps

We hope to be in a position to begin marketing and distributing some of our products in South Korea by the end of the calendar year.

Strategic Enabler:

Technology

Implementing an Electronic Quality Management System

As reported in the 2021 Annual Report, the Board approved the implementation of an Electronic Quality Management System, which will provide an integrated system for the information and processes in the life cycle of our products.

Why do we need a new system?

Currently our manufacturing, product development, regulatory and quality functions operate on independent and non-integrated systems which are largely manual and therefore lead to inefficiencies and a higher risk profile in critical business processes.

What are we doing?

We have selected Veeva which offers a high specification, cloud based application tailored for specific sectors, including the pharmaceutical and veterinarian pharmaceutical sectors. The application provides a system of best practice processes largely pre-configured but also, to some extent, configurable to flex to the needs of Dechra's requirement.

Dechra will utilise specific modules of the platform relating to:

- QDocs – Quality document management and approval system.
- eQMS – an Electronic Quality Management System which manages key documents within a quality management system such as Deviations, Change controls, and corrective and preventive actions (CAPAs).
- Submissions – manages the regulatory submissions electronically for all documents becoming the single authoritative source.
- Registrations – provides a global application for planning and tracking of new product submissions.

What are the benefits?

In summary, the benefits that are to be realised are significant. The realisation of these benefits will be critical in:

- reducing the overall risk around product supply and compliance;
- faster and more accurate submissions;
- enabling quicker product launch times, and supporting ongoing growth and acquisition;
- harmonising and optimising our business processes; and
- integrating different divisions and functions, allowing one version of a document available to all.

One of the key advantages to a cloud-based system versus on premises hosted application is that the system functionality is constantly being upgraded to meet the changing regulatory and quality developments as well as general system improvements and enhancements.

How long will it take?

Development and implementation of the Veeva platform is being executed in a phased approach and the initial phase is expected to take three years. A dedicated Dechra team supported by the software provider and an experienced installation partner throughout the initial phase will implement the system.

The QDocs module has been the main focus of the project so far with a successful configuration, and testing of the system now complete. In quarter three of 2022 the system will be trained and deployed in Skipton to over 200 users, with a roll out plan to the other manufacturing sites and logistic sites in the remainder of 2022 and 2023. Work is continuing on the submissions module, with configuration in the final stages and master data and meta data being aligned across PDRA and Quality. It is anticipated that the roll out will be in quarter three of 2023 and done on a product by product basis.

Strategy in Action

Strategic Enabler:

People

Future Facing Leaders

Future Facing Leaders Programme

As we continue to grow our organisation and our successful track record of internal promotion and effective succession planning, a key focus continues to be developing our internal talent to create a sustainable pipeline for our future growth and driving engagement. We are pleased that in January we launched our first global Future Facing leaders programme.

We aim to build:

- strength in our leadership pipeline to support succession;
- agile, future facing, leadership skills;
- strategic and executional excellence;
- an inclusive leadership style that is inspiring and culturally aware;
- consistency in understanding of our business; and
- capacity to build and support high performing teams.

The concept of the programme first started in 2020 when initial scoping of leaders' skill sets for the future in Dechra were defined and identified. Talent and succession planning discussions which have been undertaken since then led to a fair, inclusive group being selected to support the growth requirements needed to continue the ongoing sustainable talent pipeline within the business.

The current cohort has 24 attendees from all parts of the Dechra business both geographically and in specialist and leadership areas. The length of service of this group varies from recently joined up to nearly twenty years' service and a gender split which represents the business demographics.

This is a two year tailor made programme which is utilising a balance of virtual events to ensure frequency of learning and connection with the attendees, and live events to facilitate greater relationships and cultural experiential learning opportunities. The business needs have been identified and this programme is customised to meet these, along with personalised elements of assessments to gain greater depth of personal understanding to support the individuals in their own development journeys. Working across the globe this balance of self-learning, team coaching and personalised strategic assessment has proven a solid platform which has enabled the live learning to create synergy across the wider business groups within this programme.

Guest speakers have been well received in sharing their experiences, providing an in depth view of their own career journeys, challenges and the behaviours that have enabled them to drive their careers to be effective leaders.

There is a great understanding of the importance of recovery being vital to sustainable performance. New habit formation to build resilience, and brain and body fitness have been key to continue to drive the development of these individuals. Self-care has been key to support a growth mindset and leverage this opportunity for personal and professional growth.

The first live event was held at Holly Bush Farm in the Peak District, where having no phone signal proved helpful to ensure engagement with each other.

The engagement in person, which has been missed over the past few years, has provided a greater understanding across the business for all participants. There was much discussion about how this team can provide a conduit between their parts of the business and the Senior Executives to drive greater engagement, and delivery of an aligned business strategy to continue driving growth.

The team coaching and virtual events since this live event have had an even higher level of honesty and ambition and plans for the commencement of the second cohort are beginning, for 2023.

Product Development

Product Development

It is our mission to develop products to improve animal welfare, and as such animal health and wellbeing is always a top priority in our drug development efforts. In line with that commitment, we carefully consider the responsible use and humane treatment of animals in all of our required 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 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 in development of our products as dictated by specific country requirements. Dechra's Animal Welfare Committee is made up of Dechra employees and Community Members and reviews all studies conducted in the field.

We are committed to the following principles:

- animals must be treated humanely with greatest consideration given to their health and welfare and consistent with meeting the necessary scientific objectives; and
- all 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 Animal Welfare Committee ensures that a minimal number of animals are used and that their treatment is humane, and Dechra inspects all facilities which perform testing to confirm proper care and treatment of animals is evident. Dechra consistently oversees that all studies conducted by or on behalf of Dechra have been reviewed by an animal welfare committee. Additionally, any clinical trials will only be conducted in animals with the disease the product is intended to treat and owner consent for inclusion in the study will be obtained.

The difference between Novel, Generic and Generic Plus product

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

- Novel: for new animal drugs three key sections, known as the dossier, for the registration process:
  1. **Safety:** includes a study in healthy animals that evaluates the effects of multiples of the intended dose;
  2. **Efficacy:** includes the study(ies) in which the effectiveness of the drug is demonstrated in animals with the targeted disease; and
  3. **Manufacturing:** the quality and purity of the drug product are demonstrated along with proof that the drug product can be manufactured consistently through the production of several independent large scale batches.
- Generic: a generic is a pharmaceutical product that contains the same chemical substance as the novel drug. Approvals for a generic drug 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 injection. The manufacturing section for a generic drug may require fewer pilot batches than for a pioneer drug, but the emphasis on quality and purity is identical.
- Generic Plus: is a product which is approved as a generic but improves on it through the development of a better formulation, dosage form, delivery system or packaging.

Product Development

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, when requested, for best practices and appropriate ethical treatment;
- promotes awareness of animal welfare and subscribes to the guiding principles of 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 Community 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 Community 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.

14 Projects in Feasibility

7 Projects in Research

15 Projects in Development

5 Projects in Registration

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-license opportunities are evaluated for strategic fit within these sectors. Therapies outside of 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 Marketing and Business Development functions, 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 the necessary pilot data are 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 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 Review Committee analyses each project after each phase for technical or regulatory risks and issues, and for any changes to the business case. Project decisions are endorsed by the Strategic Portfolio Prioritisation Committee which also prioritises projects based on their overall commercial and strategic value within resource constraints.

Read more about Our Pipeline Delivery on page 30

Product Development

Strategic Portfolio Prioritisation Committee (SPPC)

Senior Management of Commercial, PDRA, DPM&S and Finance

Prioritisation considering resource availability, commercial value, pipeline balance, risk and Company strategy

Recommendations

Approvals and Prioritisation Decisions

Pipeline Review Committee (PRC)

Experts and stakeholders from all relevant departments

Project recommendations based on technical feasibility, valid business case and commercial need

GO/NO GO GO/NO GO GO/NO GO GO/NO GO

Evaluation →	Feasibility →	Research →	Development →	Registration →	Launch
Preliminary Evaluation of Ideas	Proof of Concept to Identify Early Kill Points	Pilot Studies to De-risk Development Programme	Pivotal Development Programme	Dossier Submission and Evaluation	Launch Campaign
Idea Funnel: Prioritise Ideas					
Output Initial Target Profile and Feasibility Plan	**Output** Feasibility Report and Research Plan	**Output** Research Report and Development Plan	**Output** Pivotal Data Registration Dossier	**Output** Approvals/ Authorisation and Launch Plan	**Output** Product Launch

Product Pipeline

The chart 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.

1 Evaluation

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

2 Feasibility

CAP/Equine	FAP
Anaesthetic for dogs and cats	Poultry Vaccine
Ophthalmic therapy for dogs	Swine Vaccine
Endocrine therapy for dogs	Swine Vaccine
Endocrine therapy for dogs	Anti-inflammatory therapy for poultry
Endocrine therapy for cats	Poultry Vaccine
Gastrointestinal therapy for dogs	
Cardiovascular therapy for dogs	
Ophthalmic therapy for dogs	
Antibiotic for dogs and cats	

3 Research

CAP/Equine	FAP
Analgesic therapy for dogs	Poultry Vaccine
Gastrointestinal therapy for horses	Poultry Vaccine
Endocrine therapy for horses	Poultry Vaccine
	Antibiotic for pigs

4 Development

CAP/Equine	FAP
Anaesthetic for dogs and cats	Poultry Vaccine
Analgesic therapy for horses	Poultry Vaccine
Horse Vaccine	Poultry Vaccine
Horse Vaccine	Poultry Vaccine
Horse Vaccine	
Endocrine therapy for cats	
Dermatological therapy for dogs	
Lameness therapy for horses	
Dermatological therapy for dogs	
Endocrine diagnostic	
Endocrinology for dogs	

5 Registration

CAP/Equine	FAP
Gastrointestinal therapy for dogs	Parasiticides for poultry and pigs
Analgesic therapy for dogs	Antibiotic for cattle
	Antibiotic for cattle and pigs

Key to Product Pipeline

- Analgesic, Anaesthesia, Anti-inflammatory
- Antibiotic
- Antiparasitic
- Ophthalmology
- Dermatology
- Endocrinology
- Gastrointestinal
- Vaccines
- Locomotion
- Cardiovascular

Global Product Offering

Analgesia, Anaesthesia and Anti-inflammatory

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

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

Antibacterial and Antibiotics

Key Product	Animal	COUNTRY																							INTERNATIONAL*			
		Australia	Austria	Belgium	B&H	Brazil	Canada	Croatia	Denmark	Finland	France	Germany	Ireland	Italy	Mexico	N'lands	NZ	Norway	Poland	Portugal	Serbia	Slovenia	Spain	Sweden	UK	US	Africa	Asia	Europe	Americas
Amoxi-Clav/Clavubactin/ Clavacillin	Cats, Dogs	●	●	●					●	●	●		●	●		●	●		●	●			●		●	●		2		
Cefpodoxime Proxetil/ Cefppoderm	Dogs																									●		4	7	
Diatrim	Cats, Dogs, Cattle, Pigs		●	●							●	●	●	●		●			●	●			●		●			1	1	
Doxybactin	Cats, Dogs	●	●	●		●		●	●	●	●	●	●	●		●	●		●	●		●	●		●			1	7	
Equibactin	Horses		●	●					●	●	●	●	●	●		●				●			●	●	●			1	2	
Enroquin	Cats, Dogs	●		●		●			●	●			●	●		●	●		●						●	●		2		
Marboquin	Cats, Dogs																													
Metrobactin	Cats, Dogs		●	●				●	●	●	●	●	●	●		●			●	●	●	●	●		●			5	8	
Animax	Cats, Dogs																									●				

Other products: *GentaCalm,* Muricin

Dermatology and Care

Key Product	Animal	COUNTRY																							INTERNATIONAL*			
		Australia	Austria	Belgium	B&H	Brazil	Canada	Croatia	Denmark	Finland	France	Germany	Ireland	Italy	Mexico	N'lands	NZ	Norway	Poland	Portugal	Serbia	Slovenia	Spain	Sweden	UK	US	Africa	Asia	Europe	Americas
Canaural	Cats, Dogs	●	●	●			●		●	●	●		●	●	●		●	●	●	●	●		●	●	●			7	8	
Isaderm	Dogs	●	●	●	●		●	●	●	●	●	●	●	●		●	●	●	●	●		●	●	●	●			5	8	
Malaseb/Miconahex	Cats, Dogs		●	●	●		●	●	●	●	●	●	●	●		●	●	●	●	●		●	●	●	●	●		2	9	
Malacetic	Cats, Dogs						●								●											●		8	12	1
Osurnia	Dogs	●	●	●		●	●	●	●	●	●	●	●	●	●	●	●	●	●	●		●	●	●	●	●		7	10	6
Triz Range	Cats, Dogs		●	●	●		●	●	●	●	●	●	●		●	●		●	●			●		●	●	●		9	10	

Other products: *Recicort,* CerumAural, *CleanAural, Dermanolon, Sporimune,* Anti-Sept, *DermAllay, DermBenSS, DermLyte, EpiKlean, KlearOtic*

Endocrinology

Key Product	Animal	COUNTRY																							INTERNATIONAL*			
		Australia	Austria	Belgium	B&H	Brazil	Canada	Croatia	Denmark	Finland	France	Germany	Ireland	Italy	Mexico	N'lands	NZ	Norway	Poland	Portugal	Serbia	Slovenia	Spain	Sweden	UK	US	Africa	Asia	Europe	Americas
Felimazole	Cats	●	●	●			●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●		6	6	
Forthyron/ Thyroxine/ Thyroxanil	Dogs	●	●	●					●	●	●	●	●	●	●	●		●	●	●	●	●	●	●	●			5	8	
Vetoryl	Dogs	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●		9	12	
Zycortal	Dogs	●	●	●		●	●		●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●		5	9	

Other products: *Cosacthen*

Lameness

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	Spain	Sweden	UK	US	Africa	Asia	Europe	Americas
		COUNTRY																									INTERNATIONAL*			
Cyclospray	Cattle, Pigs, Sheep		●	●	●		●	●	●		●	●	●	●	●	●	●		●	●	●	●	●		●		1	4	11	
Equipalazone	Horses	●	●	●					●		●	●	●			●	●	●	●	●		●		●	●			5	3	
HY-50	Horses			●			●		●	●		●		●	●	●	●	●					●	●	●			5	2	
Osphos	Horses	●	●	●		●	●		●	●	●	●	●	●	●	●	●	●	●	●		●	●	●	●	●		2	3	
Phycox	Dogs, Horses						●								●											●		1		

Nutrition

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	Spain	Sweden	UK	US	Africa	Asia	Europe	Americas
		COUNTRY																									INTERNATIONAL*			
Specific	Cats, Dogs			●					●	●	●		●			●		●	●	●	●	●	●	●	●			3	11	

Water Solubles

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	Spain	Sweden	UK	US	Africa	Asia	Europe	Americas
		COUNTRY																									INTERNATIONAL*			
Altidox	Pigs, Chickens, Turkeys		●	●							●	●							●	●			●							
Centidox	Pigs, Cattle		●	●								●		●		●							●							
Otacillin/Solamocta	Pigs, Chickens, Turkeys		●	●				●	●		●	●	●	●		●			●	●	●	●	●		●			3	2	
Soludox	Pigs, Chickens, Turkeys		●	●	●			●	●		●	●	●	●		●			●		●	●	●		●		1	8	6	
Tri-Solfen	Cattle, Pigs, Sheep	●															●													

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

Vaccines

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	Spain	Sweden	UK	US	Africa	Asia	Europe	Americas
		COUNTRY																									INTERNATIONAL*			
Avishield ND	Chickens, Turkeys		●	●	●			●	●			●				●			●	●	●	●			●		5	7	5	
Excell 10	Cattle, Pigs, Sheep, Goats					●																								5
Vencomax	Dogs					●																					1	1		7

Other Brands

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	Spain	Sweden	UK	US	Africa	Asia	Europe	Americas
		COUNTRY																									INTERNATIONAL*			
Cardisure	Dogs	●	●	●					●	●	●	●	●	●	●	●	●	●	●	●	●		●	●	●			8	9	
Isathal	Cats, Dogs, Rabbits	●			●		●	●	●	●	●	●	●	●		●	●	●		●	●	●	●	●	●			5	6	
Libromide	Dogs		●	●					●	●	●	●	●	●		●		●	●	●			●	●	●				2	
Miratax	Cats		●	●			●	●	●	●	●	●	●	●		●		●	●	●		●	●	●	●	●		5	7	
Phenoleptil	Dogs		●	●					●	●	●	●	●	●				●	●	●			●	●	●				3	
Prednicortone	Cats, Dogs		●	●	●			●	●	●	●		●	●		●		●	●	●		●	●	●	●			1	6	
Prevomax	Dogs		●	●	●			●	●	●	●	●	●	●		●		●	●	●		●	●	●	●			7	8	
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

// **Our excellent trading performance has been facilitated by a robust global supply chain, supplemented by healthy contributions from our product acquisitions in the year."**

Paul Sandland

Overview of Reported Financial Results

To assist with understanding our reported financial performance, the consolidated results below are split between existing and acquired businesses; acquisition includes the incremental effect of those businesses acquired in the current and prior year, reported on a 'like-for-like' basis. Additionally, the following table shows the growth at both reported actual exchange rates (AER), and constant exchange rates (CER) to identify the impact of foreign exchange movements. The acquisition operating profit of £1.8 million includes underlying operating profit of £6.7 million and non-underlying charges of £4.9 million relating to amortisation of acquired intangibles.

Including non-underlying items, the Group's consolidated operating profit increased by 16.2% at CER (13.7% at AER) whilst consolidated profit before tax increased by 7.8% at CER (4.9% at AER), impacted by an increase in net finance costs. Diluted EPS growth was 7.5% at CER (4.6% at AER) reflecting the marginal reduction in the effective tax rate.

As Reported	2022 Existing £m	2022 Acquisition £m	2022 Consolidated £m	2021 £m	Growth at AER Consolidated %	*Growth at CER Consolidated %*
Revenue	**669.4**	**12.4**	**681.8**	608.0	12.1%	***13.8%***
Gross profit	**377.0**	**7.8**	**384.8**	345.9	11.2%	***12.9%***
Gross profit %	**56.3%**	**62.9%**	**56.4%**	56.9%	(50bps)	***(40bps)***
Operating profit	**93.7**	**1.8**	**95.5**	84.0	13.7%	***16.2%***
EBIT %	**14.0%**	**14.5%**	**14.0%**	13.8%	20bps	***30bps***
Profit before tax	**75.8**	**1.8**	**77.6**	74.0	4.9%	***7.8%***
Diluted EPS (p)			**53.40**	51.03	4.6%	***7.5%***

Glossary

IFRSs: UK-adopted International Accounting Standards

CER: Constant Exchange Rates

AER: Actual Exchange Rates

CAP: Companion Animal Products

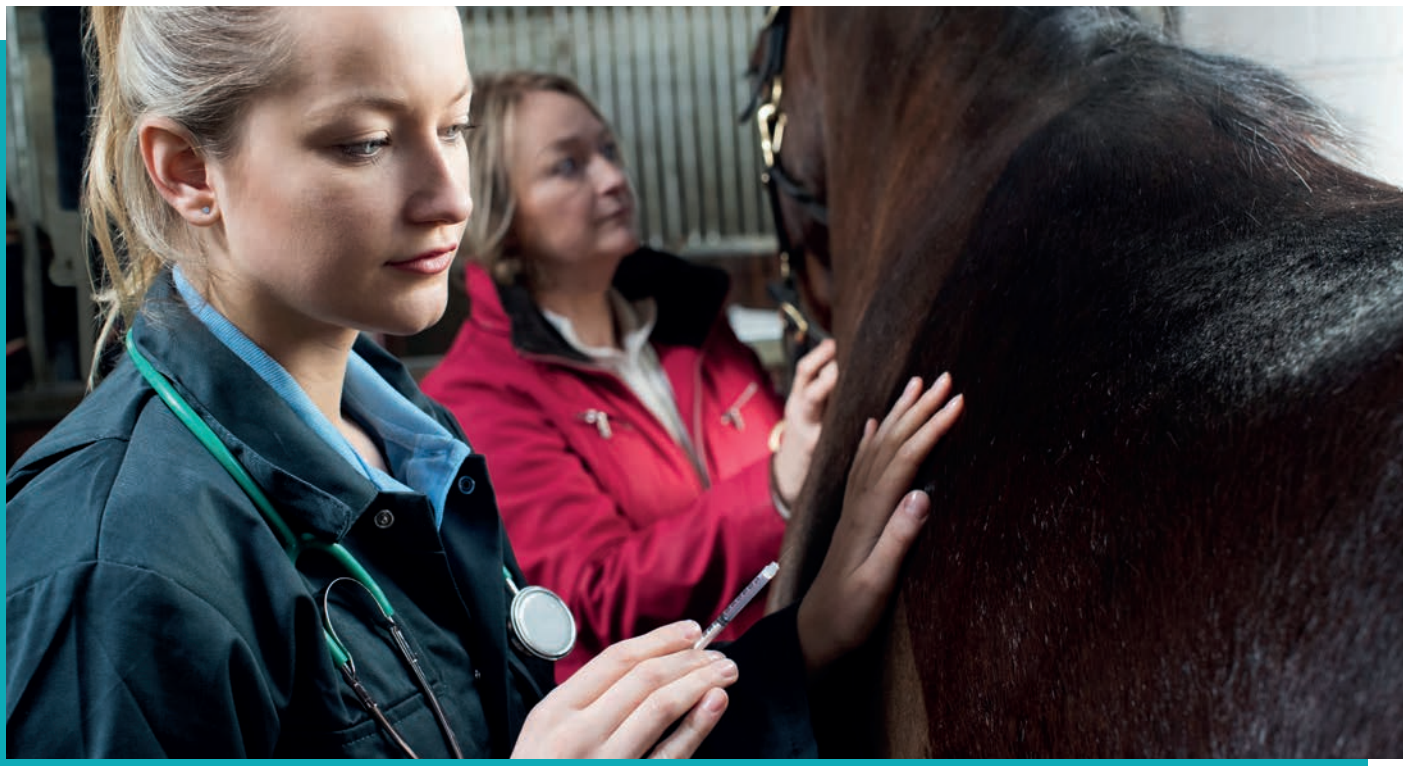
FAP: Food producing Animal Products

bps: basis points

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

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

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



Overview of 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, 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 is excluded, underlying earnings will be higher than total Reported earnings. A reconciliation of underlying results to Reported results in the year to 30 June 2022 is provided in the table below. In the commentary which follows, all references will be to CER movement unless otherwise stated.

		Non-underlying Items			
	2022 Underlying Results £m	Amortisation and related costs of acquired intangibles £m	Acquisition, impairments and cloud computing costs £m	Tax rate changes and finance expenses £m	**2022 Reported Results £m**
Revenue	**681.8**	–	–	–	**681.8**
Gross profit	**385.3**	–	(0.5)	–	**384.8**
Selling, general and administrative expenses	**(178.6)**	(69.1)	(5.5)	–	**(253.2)**
R&D expenses	**(32.4)**	(3.7)	–	–	**(36.1)**
Operating profit	**174.3**	(72.8)	(6.0)	–	**95.5**
Net finance costs	**(3.1)**	–	–	(13.5)	**(16.6)**
Share of associate profit	**(1.2)**	(0.1)	–	–	**(1.3)**
Profit before tax	**170.0**	(72.9)	(6.0)	(13.5)	**77.6**
Taxation	**(38.3)**	17.3	1.2	0.4	**(19.4)**
Profit after tax	**131.7**	(55.6)	(4.8)	(13.1)	**58.2**
Diluted EPS (p)	**120.84**				**53.40**

In the year, Dechra delivered consolidated revenue of £681.8 million, representing an increase of 13.8% on the prior year. This included £669.4 million from its existing business, an increase of 11.8%, and a £12.4 million contribution from acquired product rights.

Consolidated underlying operating profit of £174.3 million represents a 9.4% increase on the prior year. This included £167.6 million from Dechra's existing business, an increase of 5.2% on a like-for-like basis, and a £6.7 million contribution from acquired product rights.

Underlying EBIT margin decreased by 110 bps to 25.6%, principally due to the increase in Selling, General and Administrative expenses (SG&A) spend as a percentage of revenue with our cost base normalising following lower levels of spend during the COVID-19 pandemic.

Underlying diluted EPS grew by 14.0% to 120.84 pence reflecting the profit growth from the existing and acquired businesses and benefiting from lower net finance costs driven by realised foreign exchange gains.

Financial Review

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

Underlying	2022 Existing £m	2022 Acquisition £m	2022 Consolidated £m	2021 £m	Growth at CER Existing %	Growth at CER Consolidated %
Revenue	**669.4**	**12.4**	**681.8**	608.0	***11.8%***	***13.8%***
Underlying gross profit	**377.5**	**7.8**	**385.3**	345.9	***10.8%***	***13.1%***
Underlying gross profit %	**56.4%**	**62.9%**	**56.5%**	56.9%	***(50bps)***	***(40bps)***
Underlying operating profit	**167.6**	**6.7**	**174.3**	162.2	***5.2%***	***9.4%***
Underlying EBIT %	**25.0%**	**54.0%**	**25.6%**	26.7%	***(170bps)***	***(110bps)***
Underlying EBITDA	**183.9**	**6.7**	**190.6**	177.7	***5.3%***	***9.2%***
Underlying diluted EPS (p)			**120.84**	108.14		***14.0%***
Dividend per share (p)			**44.89**	40.50		***10.8%***

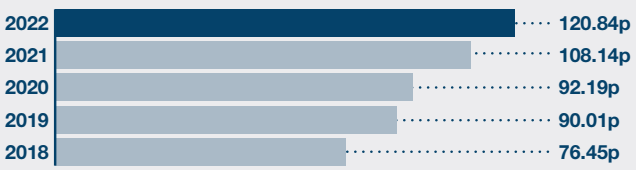
Reported Segmental Performance

Reported segmental performance is presented in note 2 on pages 179 to 180. The effect of acquisitions in the year was material; the reported segmental performance is analysed between existing and acquired businesses, and at AER and CER in the table below. The acquisition elements capture the additional base business coming into the Group up to the first anniversary of their acquisition, including the growth Dechra generated in them during the year, and the synergies that have already been realised by the Group since acquisition. This analysis becomes less definitive the further in time from the completion of the acquisition, as the acquired business is progressively integrated with the existing business.

Reported	2022 Existing £m	2022 Acquisition £m	2022 Consolidated £m	2021 £m	Growth at AER Existing %	Growth at AER Consolidated %	Growth at CER Existing %	Growth at CER Consolidated %
Revenue by segment								
EU Pharmaceuticals	**400.0**	**6.7**	**406.7**	388.5	3.0%	4.7%	***6.4%***	***8.2%***
NA Pharmaceuticals	**269.4**	**5.7**	**275.1**	219.5	22.7%	25.3%	***21.3%***	***23.8%***
Total	**669.4**	**12.4**	**681.8**	608.0	10.1%	12.1%	***11.8%***	***13.8%***
Underlying operating profit/(loss) by segment								
EU Pharmaceuticals	**127.7**	**3.8**	**131.5**	127.8	(0.1%)	2.9%	***3.8%***	***6.9%***
NA Pharmaceuticals	**84.8**	**2.9**	**87.7**	75.9	11.7%	15.5%	***9.7%***	***13.6%***
Pharmaceuticals Research and Development	**(32.4)**	**–**	**(32.4)**	(32.4)	0.0%	0.0%	***(1.5%)***	***(1.5%)***
Underlying segment operating profit	**180.1**	**6.7**	**186.8**	171.3	5.1%	9.0%	***6.9%***	***10.9%***
Corporate and unallocated costs	**(12.5)**	**–**	**(12.5)**	(9.1)	(37.4%)	(37.4%)	***(37.4%)***	***(37.4%)***
Underlying operating profit	**167.6**	**6.7**	**174.3**	162.2	3.3%	7.5%	***5.2%***	***9.4%***
Non-underlying operating items	**(73.9)**	**(4.9)**	**(78.8)**	(78.2)				
Reported operating profit	**93.7**	**1.8**	**95.5**	84.0	11.5%	13.7%	***13.9%***	***16.2%***

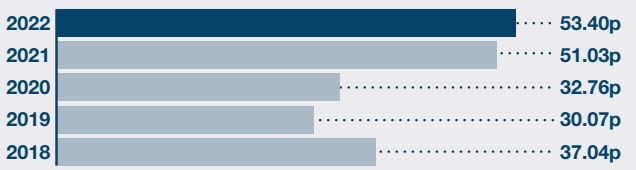
Underlying Diluted Earnings Per Share

120.84p



Reported Diluted Earnings Per Share

53.40p



Underlying Segmental Performance

European Pharmaceuticals

Revenue in European (EU) Pharmaceuticals grew by 8.2% to £406.7 million. The existing business grew by 6.4% with this growth driven by a robust performance across all established European markets and also in the key International businesses in ANZ and Brazil. The acquisitions of Tri-Solfen® (for the ANZ market) and *Osurnia* (July sales) contributed a combined £6.7 million to revenue for the period where there is no comparative.

Operating profit from existing business increased by 3.8%, with operating margin decreasing to 31.9% and consolidated operating margin decreasing to 32.3% as our cost base normalised following COVID-19.

Underlying	2022 Existing £m	2022 Acquisition £m	2022 Consolidated £m	2021 £m	Growth at CER Existing %	Growth at CER Consolidated %
Revenue	**400.0**	**6.7**	**406.7**	388.5	***6.4%***	***8.2%***
Operating profit	**127.7**	**3.8**	**131.5**	127.8	***3.8%***	***6.9%***
Operating profit %	**31.9%**	**56.7%**	**32.3%**	32.9%	***(100bps)***	***(60bps)***

North American Pharmaceuticals

Revenue from North American (NA) Pharmaceuticals grew by 23.8% to £275.1 million. The existing business grew by 21.3% reflecting strong demand for our CAP products in the US, Canada and Mexico. *Osurnia* (July sales), along with the product acquisitions made in the latter part of 2021 and early in 2022, contributed a combined £5.7 million to revenue for the period where there is no comparative.

Operating profit from existing business grew 9.7% with operating margin decreasing to 31.5% and consolidated operating margin decreasing to 31.9% as our cost base normalised following COVID-19.

Underlying	2022 Existing £m	2022 Acquisition £m	2022 Consolidated £m	2021 £m	Growth at CER Existing %	Growth at CER Consolidated %
Revenue	**269.4**	**5.7**	**275.1**	219.5	***21.3%***	***23.8%***
Operating profit	**84.8**	**2.9**	**87.7**	75.9	***9.7%***	***13.6%***
Operating profit %	**31.5%**	**50.9%**	**31.9%**	34.6%	***(310bps)***	***(270bps)***

Pharmaceuticals Research and Development

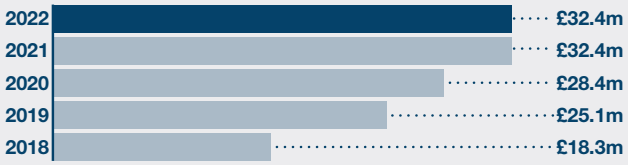
Pharmaceuticals Research and Development (R&D) expenses of £32.4 million represented 4.8% of existing revenue with some project spend being delayed due to the impact of COVID-19 and specifically our ability to recruit and perform clinical study work. This spend included £3.3 million in relation to Akston.

	2022 Existing £m	2022 Acquisition £m	2022 Consolidated £m	2021 £m	Growth at CER Existing %	Growth at CER Consolidated %
R&D expenses	**(32.4)**	**–**	**(32.4)**	(32.4)	***(1.5%)***	***(1.5%)***
% of revenue	**4.8%**	**–**	**4.8%**	5.3%		

Research and Development Spend

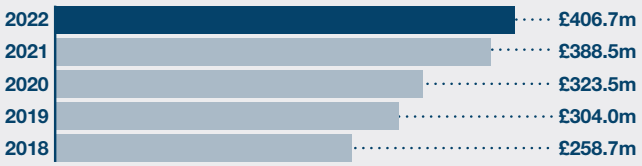
£32.4m

1.5%

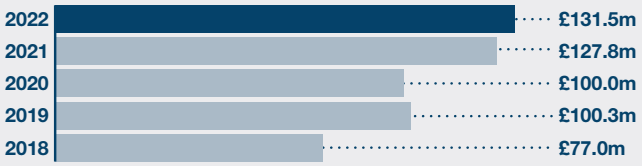


Financial Review

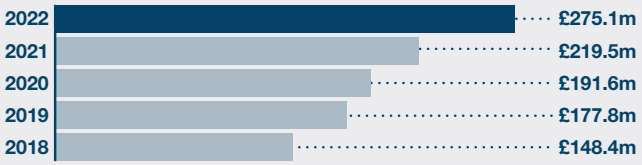
EU Pharmaceuticals Revenue
£406.7m



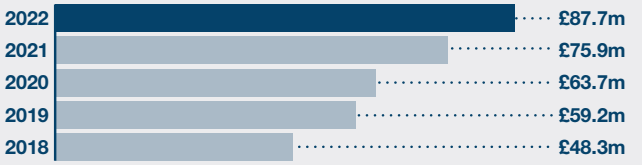
EU Pharmaceuticals Underlying Operating Profit
£131.5m



NA Pharmaceuticals Revenue
£275.1m



NA Pharmaceuticals Underlying Operating Profit
£87.7m



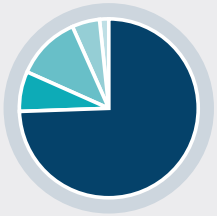
Revenue by Product Category

CAP revenue continues to be the largest proportion of Dechra's business at 74.6%, up from 72.8% in the prior year. CAP grew 16.0% in the year with further market penetration across all therapeutic areas. Equine revenue grew by 12.1% in the year driven by the US product rights acquisitions. FAP revenue growth was 6.0% benefiting from the launch of Tri-Solfen® in ANZ following the acquisition of rights in July 2021, but offset by the divestment of the non-core Agricultural Chemicals business in January 2022 (revenue growth on an existing basis was 5.6%). Nutrition revenue increased by 15.1% on the prior year reflecting the continuing success of our strategy with key customers in our key markets.

Other revenue reduced by 12.6% to £10.1 million, now representing only 1.5% of the business as we continue our planned exit from third party contract manufacturing in line with our manufacturing strategy, to improve the production efficiency of Dechra's own products.

	2022 £m	2021 £m	% Change at AER	**% Change at CER**
CAP	**508.4**	442.6	14.9%	***16.0%***
Equine	**49.5**	44.8	10.5%	***12.1%***
FAP	**78.8**	77.0	2.3%	***6.0%***
Subtotal Pharmaceutical	**636.7**	564.4	12.8%	***14.3%***
Nutrition	**35.0**	31.7	10.4%	***15.1%***
Other	**10.1**	11.9	(15.1%)	***(12.6%)***
Total	**681.8**	608.0	12.1%	***13.8%***

Revenue by Product Category (at AER)



CAP	**74.6%**
Equine	**7.2%**
FAP	**11.6%**
Nutrition	**5.1%**
Other	**1.5%**

Underlying Gross Profit

Underlying gross profit margin for the existing business decreased by 50 bps to 56.4% on an Existing basis and decreased by 40 bps to 56.5% on a consolidated basis reflecting the strong CAP performance offset by the increased generic competition, particularly in our NA Business.

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

SG&A costs grew from £151.3 million in the prior year to £178.6 million in the current year, an increase of 19.8%. This growth principally represents the full year impact of the investment in our people costs following the review of compensation across the Group in January 2021 and the normalisation of our cost base (including sales & marketing and travel & entertainment costs) following COVID-19 lockdowns in the prior year.

Non-underlying Items

Non-underlying items incurred in the year are fully described in note 5 on page 182. In summary, they relate to the following:

- Amortisation of acquired intangibles of £72.8 million has decreased from £75.2 million in 2021 principally due to new charges relating to the product acquisitions more than offset by the reducing charge from the AST Farma and Le Vet acquisition;

- Cloud computing arrangement costs of £2.8 million relating to the initial costs of the programme to implement the Manufacturing and Supply function's new ERP and Electronic Quality Management systems;
- Impairment costs of £2.9 million predominately relating to the sale of the Agricultural Chemicals business (£1.0 million) and an impairment of a small number of In-Process R&D assets recognised on the acquisition of AST Farma and Le Vet (£1.7 million);
- Finance charge of £13.5 million (2021: credit of £2.8 million) represents the charge arising on the unwind of the discount relating to the contingent consideration liability of £3.4 million and associated foreign exchange loss of £10.1 million driven by the depreciation of Sterling against the US and Australian Dollars;
- Taxation credit of £18.9 million (2021: £14.0 million) represents the tax impact of the above items (£21.1 million), offset by the revaluation of deferred tax balance sheet items (£2.2 million charge) following changes in corporate tax rates, including a further revision to the Netherlands rate (which is increasing to 25.8%);
- Expenses relating to acquisition and subsequent integration activities were £0.3 million (2021: £1.4 million) with costs relating to the product rights acquisitions in the current year being immaterial so treated as underlying; and
- Costs relating to rationalisation of the manufacturing organisation were nil (2021: £1.6 million), as this programme was completed in the prior year.

Taxation

The reported effective tax rate (ETR) for the year is 25.0% (2021: 25.0%) and includes the one-off impact of the substantively enacted increase in corporate tax rates in the Netherlands (from 25.0% to 25.8%) on deferred tax balances. On an underlying basis the ETR is 22.5% (2021: 21.7%); the main differences to the UK corporation tax rate applicable of 19.0% (2021: 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 2023. We continue to monitor relevant tax legislation internationally as it may affect our future ETR.

Reported Profit

Reported profit before tax increased by 4.9% at AER reflecting the reported operating profit growth of 13.7% at AER and the increase in net finance costs which include a foreign exchange loss of £10.1 million on the remeasurement of the contingent consideration liabilities driven by the depreciation of Sterling against the US and Australian Dollars.

Earnings per Share and Dividend

Underlying diluted EPS for the year was 120.84 pence, a 14.0% growth on the prior year reflecting the underlying EBIT growth of 9.4% and the benefit from a lower net finance expense principally due to foreign exchange gains realised. The weighted average number of shares for diluted earnings per share for the year was 109.0 million (2021: 108.8 million).

The reported diluted EPS for the year was 53.40 pence (2021: 51.03 pence). This represents an increase of 4.6% (at AER) in reported EPS which is lower than the reported EBIT growth of 13.7% (at AER) reflecting the increase in net finance expense due to the foreign exchange losses recognised on contingent liabilities.

The Board is proposing a final dividend of 32.89 pence per share (2021: 29.39 pence); added to the interim dividend of 12.00 pence, the total dividend per share for the year ended 30 June 2022 is 44.89 pence.

This represents 10.8% growth over the prior year. Dividend cover based on underlying diluted EPS is 2.7 times (2021: 2.7 times). The Board continues to operate a progressive dividend policy, recognising investment opportunities as they arise.

Currency Exposure

The average rate for £/€ increased by 4.6%, and the £/$ rate decreased by 1.1% 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		
	2022	2021	***% Change***
£/€	**1.1807**	1.1287	***4.6%***
£/$	**1.3316**	1.3466	***(1.1%)***

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 +/- 0.5%.

Current exchange rates are £/€ 1.1623 and £/$ 1.1623 as at 1 September 2022. If these rates had applied throughout the year, the underlying diluted EPS would have been approximately 8.3% higher.

Statement of Financial Position

The Statement of Financial Position is summarised in the table on the next page.

- Non-current assets (excluding deferred tax) increased from £819.9 million to £846.6 million and include the intangible assets recognised on the product acquisitions, partly offset by amortisation of acquired intangibles.
- Working capital increased from £142.7 million to £175.7 million (£33.0 million at AER, £27.8 million cash flow impact) mainly due to the growth of the Group with an investment in inventory made to maintain service levels during this continuing period of heightened growth and uncertainty.
- Net debt increased in the year by £8.0 million from £200.2 million to £208.2 million; this includes cash generation from operations at £166.1 million, an outflow of £54.4 million relating to product acquisitions made during the year, net capital expenditure of £20.3 million, net interest/tax outflows of £39.8 million and £44.8 million in dividends. Exchange rate variations negatively impacted the net debt position by £7.2 million.
- Current and deferred tax assets and liabilities reduced from £45.8 million to £34.7 million principally due to the realisation of deferred tax liabilities relating to the amortisation of acquired intangibles.

	2022 £m	2021 £m
Non-current assets	**846.6**	819.9
Working capital	**175.7**	142.7
Net debt	**(208.2)**	(200.2)
Current and deferred tax	**(34.7)**	(45.8)
Other liabilities	**(112.6)**	(83.7)
Total net assets	**666.8**	632.9

Financial Review

Cash Flow, Financing and Liquidity

The Group enjoyed good cash generation during the year, with a strong Underlying EBITDA margin of 28.0% (2021: 29.2%). However, as mentioned above, working capital has increased by £27.8 million, mainly due to the growth of the Group with an investment in inventory made to maintain service levels during this continuing period of heightened growth and uncertainty. This resulted in net cash generated from operations after non-underlying items of £163.3 million, representing cash conversion of 93.7% of underlying operating profit.

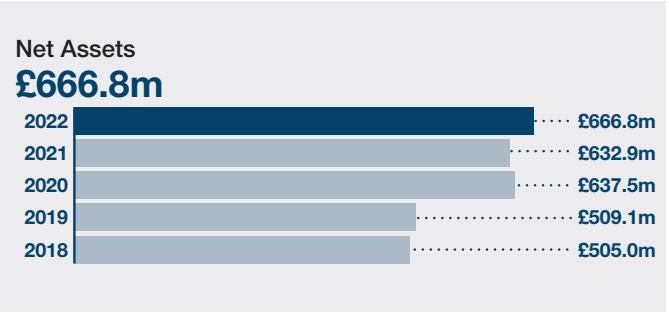
	2022 £m	2021 £m
Underlying operating profit	**174.3**	162.2
Depreciation and amortisation	**16.3**	15.5
Underlying EBITDA	**190.6**	177.7
Underlying EBITDA %	**28.0%**	29.2%
Working capital movement	**(27.8)**	(36.0)
Other	**3.3**	2.5
Cash generated from operations before interest, taxation and non-underlying items	**166.1**	144.2
Non-underlying items	**(2.8)**	(3.0)
Cash generated from operations before interest and taxation	**163.3**	141.2
Cash conversion (%)	**93.7%**	87.1%

Net Debt Bridge

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

- Net capital expenditure on tangible assets increased to £20.3 million (2021: £19.8 million), representing 1.8 times depreciation.
- Acquisitions of intangible assets of £57.3 million includes the product acquisitions (see below) and capitalised development expenditure (£1.2 million).
- The net debt/underlying EBITDA leverage ratio per the borrowing facilities' leverage covenant, which includes the proforma adjustment to full year EBITDA for the acquisitions, was 1.0 times (2021: 1.1 times) versus a covenant of 3 times.

	£m
Net Debt 30 June 2021	**(200.2)**
Net cash generated from operations before non-underlying items	166.1
Non-underlying items	(2.8)
Net capital expenditure	(20.3)
Acquisition of intangible assets	(57.3)
Acquisition of subsidiary	(0.8)
New lease liabilities	(3.8)
Interest and tax	(39.8)
Dividend paid	(44.8)
Other movements	2.3
Other non-cash movements	0.4
Foreign exchange on net debt	(7.2)
Net Debt 30 June 2022	**(208.2)**



Borrowing Facilities

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

In January 2020 the Group undertook a Private Placement raising €50.0 million and USD100.0 million (under seven and ten year new senior secured notes respectively), the proceeds of which were used to repay existing debt. The placement achieved the Group's aims of diversifying the sources of debt financing and extending the debt maturity profile.

On 14 July 2022 the Group undertook a further Private Placement raising €50.0 million and €100.0 million (under seven and ten year new senior secured notes respectively), the proceeds of which were used to repay existing debt.

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 3430 pence per placing share, raising gross proceeds of £184.0 million which were largely deployed to fund the Piedmont Animal Health, Inc acquisition upon its completion on 20 July 2022.

Covenants

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

- Leverage: Net Debt to underlying EBITDA not greater than 3.0:1 for the RCF and 3.5:1 for the Private Placements (30 June 2022: 1.0:1); and
- Interest Cover: underlying EBITDA to Net Finance Charges not less than 4.0:11 (30 June 2022: 24.6:1).

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.

On 22 December 2021, the Group entered into an Amendment and Restatement Agreement in relation to the £340.0 million Revolving Credit Facility (RCF) maturing 25 July 2024. With effect from 1 January 2022, any new Borrowings drawn on the RCF will now use Risk Free Reference (RFR) rates instead of LIBOR rates. The relevant RFR rates for the principal Borrowings of the Group will be 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 plus a Credit Adjustment Spread (CAS). The CAS charged on the RCF will be a

minimum of 0.0326% and a maximum of 0.42826%, dependent upon the term and currency of the new Borrowings. The CAS will not be charged on any new Borrowings that are drawn in EUR currency. The margin over LIBOR (or equivalent) remains in the range from 1.3% for leverage below 1.0 times, up to 2.2% for leverage above 2.5 times.

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

Underlying Return on Capital Employed (ROCE)

Underlying ROCE increased to 19.5% in the year (2021: 18.8%) reflecting the increased contribution from the Group's existing businesses.

Acquisitions

The Group has made several acquisitions in recent years. The incremental performance during the first year of ownership of the acquisitions made during the 2021 and 2022 financial years is separately summarised compared to the existing business in the sections above.

During the year the Group completed the following product rights acquisitions:

- In July 2021 the rights to Isoflurane® and Sevoflurane® were acquired from Halocarbon Life Sciences LLC for USD12.0 million (£8.7 million).
- In September 2021 the rights to ProVet APC™ and ProVet BMC systems were acquired from Hassinger Biomedical and DSM Medical for USD4.0 million (£3.0 million). A payment of £0.1 million was also made for inventory.
- In October 2021 the rights to Rompun® (xylazine injection) and Butorphanol Tartrate injection were acquired from Elanco™ Animal Health for USD4.0 million (£3.0 million). A payment of £0.2 million was also made for inventory.
- In October 2021 the rights to Sucromate™ Equine sterile suspension were acquired from Thorn Bioscience LLC for USD9.0 million (£6.5 million). A minor payment was also made for inventory.
- In January 2022, the global product rights to Verdinexor, a novel treatment for all forms and stages of canine lymphoma in dogs, including a first right of refusal for other species along with the trademark (*Laverdia)* were acquired from Anivive Lifesciences Inc. Following the initial payment of USD19.0 million (£14.0 million) there are subsequent milestone payments totalling USD45.5 million (£33.5 million) due on the achievement of various approval and sales milestones for the product in the USA, UK, EU, Brazil, Australia, Japan and Canada. Royalties are also payable as part of this transaction and have been accrued as part of the contingent consideration liabilities.

Accounting Standards

The accounting policies adopted are outlined in note 1 to the Accounts.

In April 2021, the IFRS Interpretations Committee published its final agenda decision on Configuration and Customisation costs in a Cloud Computing Arrangement. The agenda decision considers how a customer accounts for configuration or customisation costs in a cloud computing arrangement. The agenda decision does not have a material impact on the Group in respect of the current period or prior periods (note 5). There are no other accounting policy changes which have materially impacted the 2022 financial year.

Going Concern

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

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

- The Group's business activities, together with factors likely to impact the future growth and operating performance;
- The financial position of the Group, its cash flows, available debt facilities and compliance with the financial covenants associated with the Group's borrowings, which are described in the financial statements;
- The cash generated from operations, available cash resources and committed bank and other facilities and their maturities, which taken together, provide confidence that the Group will be able to meet its obligations as they fall due; and
- Post balance sheet events see note 34 to the financial statements.

As at 30 June 2022, the Group had net debt of £208.2 million (2021: £200.2 million), and had available cash balances and unutilised committed borrowing facilities of £271.2 million. Further information on available resources and committed bank facilities is provided in notes 18 and 21 to the financial statements.

Subsequent Events

On 20 July 2022, the Group acquired 100% of the share capital of Piedmont Animal Health, Inc. (Piedmont) for US$210.0 million (£175.0 million) in cash. Piedmont is an established product development business with a strong track record of developing products for multi-national animal health companies.

On 26 August 2022, the Group acquired 100% of the share capital of the Med-Pharmex Holdings, Inc. group of companies (Med-Pharmex) for US$260.0 million (£221.5 million) in cash. Med-Pharmex is an established platform business with manufacturing, product development and regulatory capabilities, and has several products already approved and being sold in the US market.

Summary

Our business continued to benefit from strong market conditions which remained heightened from pre COVID-19 levels accelerating growth in our existing business. This excellent revenue performance, particularly in North America, has been facilitated by a robust global supply chain and supplemented by healthy incremental contributions from our product acquisitions in the year.

R&D expenditure was lower than expected during the period, but we continued to invest heavily in our people and have seen the rest of our cost base return to more normalised levels following COVID-19.

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

Paul Sandland
Chief Financial Officer
5 September 2022

Key Performance Indicators

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.

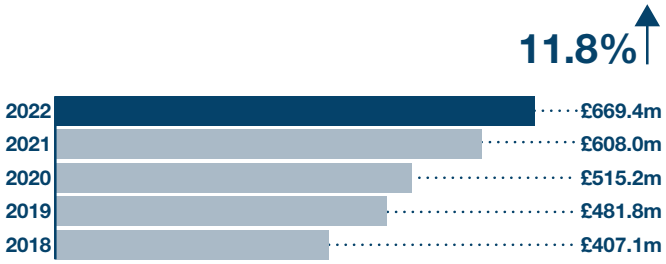
Commentary

Dechra's existing business grew by 6.4% in EU Pharmaceuticals (excluding third party manufacturing), and by 21.3% in NA Pharmaceuticals.

Relevance to Strategy

A key driver of our strategy is to deliver sustainable sales growth through delivering our pipeline maximising our existing portfolio and expanding geographically.

Performance



Underlying Diluted Earnings Per Share Growth

Underlying profit after tax divided by the diluted average number of shares, calculated on the same basis as note 11 to the Accounts.

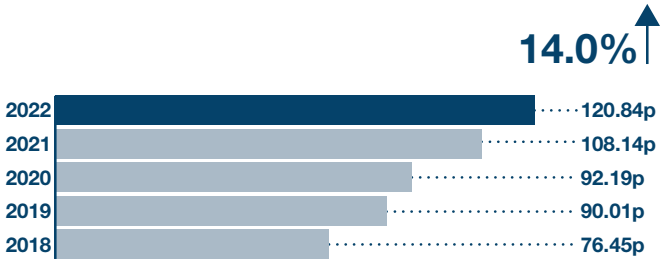
Commentary

This reflects profit growth from the existing and acquired products and benefiting from lower net finance costs driven by foreign exchange gains realised.

Relevance to Strategy

Underlying diluted 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.

Performance



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).

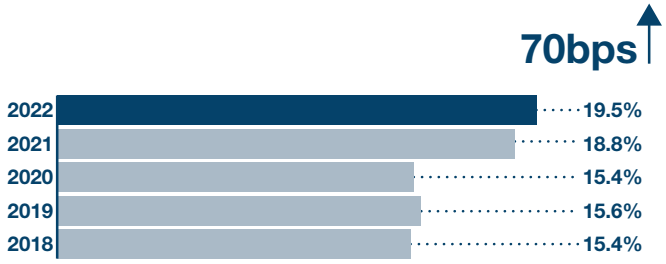
Commentary

There was an increase in ROCE during the year reflecting the increased contribution from the Group's existing business. The Group's target is 15%.

Relevance to Strategy

As we look to grow the business, it is important that we use our capital efficiently to generate returns superior to our costs of capital in the medium to long term. It underpins the performance conditions of the LTIP.

Performance



Cash Conversion

Cash generated from operations before tax and interest payments as a percentage of underlying operating profit.

Commentary

Cash conversion increased during the year as a result of the increase in working capital representing a smaller proportion of the underlying operating profit compared to the prior year.

Relevance to Strategy

Our stated aim is to be a cash generative business. Cash generation supports investment in the pipeline, acquisitions and people.

Performance

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.

Commentary

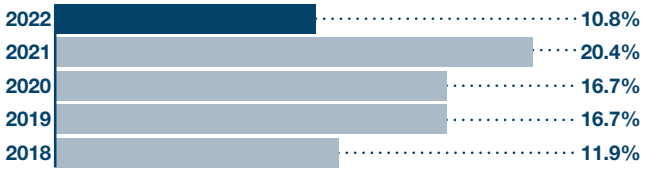
New product revenue reflects market penetration of product launches in the year and new product right acquisitions made in the second half offset by products no longer defined as new. The new product right acquisitions will deliver a greater uplift next year.

Relevance to Strategy

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 or acquired products.

Performance

960bps ↓



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.

Commentary

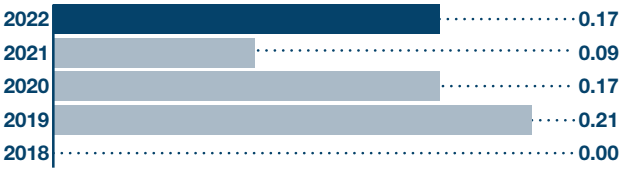
The lost time accident frequency increased this year to 0.17. All of the incidents occurred in our manufacturing sites. None of these incidents resulted in a work-related fatality or disability.

Relevance to Strategy

The safety of our employees is core to everything we do. We are committed to a strong culture of safety in all our workplaces.

Performance

88.9% ↑



Employee Turnover

Number of leavers during the period as a percentage of the average total number of employees in the period.

Commentary

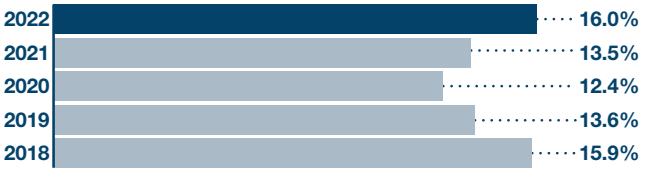
We saw an increase in employee turnover in the period due to a reorganisation at Londrina, Brazil and resignations across the business.

Relevance to Strategy

Attracting and retaining the best employees is critical to the successful execution of our strategy.

Performance

250bps ↑



Key to Strategic Growth Drivers:

- Pipeline Delivery
- Portfolio Focus
- Geographical Expansion
- Acquisition

Key to Strategic Enablers:

- Technology
- People
- Manufacturing and Supply Chain
- ESG

- Long Term Incentive Plan (LTIP) performance condition

Section 172 Statement 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 internal and external stakeholder groups that they believe are important to engage with regularly to continue to make Dechra successful: employees; veterinary professionals; suppliers, communities; shareholders and regulatory authorities.

The table below and the stakeholder sections on pages 54 to 63 detail how the Group engages with the its key stakeholders, and why the key stakeholders are important. Further details on how the Board engages with key stakeholders and how they influence decisions can be found on pages 96 to 98.

1 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
- 16,611 Delta courses completed
- 77% Trust Index (Engagement Survey)
- Seven meetings with the Employee Engagement Designated Non-Executive Director

Where to Read More
- Stakeholder Engagement: Employees
- People Enabler
- Governance Report
- Sustainability Report

2 Veterinary Professionals

Objective
To improve animal 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
- 130,290 CPD hours
- 14,499 Technical support enquiries
- 2,962 Lunch and learn events

Where to Read More
- Stakeholder Engagement: Veterinary Professionals
- Sustainability Report
- Governance Report

3 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
- 11 Quality/CMO audits completed
- 85 ABC training courses provided

Where to Read More
- Stakeholder Engagement: Suppliers

4 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
- 4,390 Community hours
- £314,163 Donations
- £31,965 Product donations

Where to Read More
- Stakeholder Engagement: Communities
- Governance Report
- Sustainability Report

5 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-on-one meetings

Performance
- 9.2% growth in underlying EBITDA to £190.5 million
- 10.8% growth in total dividend to 44.89 pence
- Publication of inaugural standalone Sustainability Report

Where to Read More
- Stakeholder Engagement: Shareholders
- Strategy
- Governance Report

6 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
- 95 Product registrations
- Three manufacturing facility inspections

Where to Read More
- Stakeholder Engagement: Regulatory Affairs
- Product Development

Section 172 Statement
Stakeholder Engagement

1 Employees

16.0%
Employee Turnover

53%
Females in Workforce

0.17
Lost Time Accident Frequency Rate

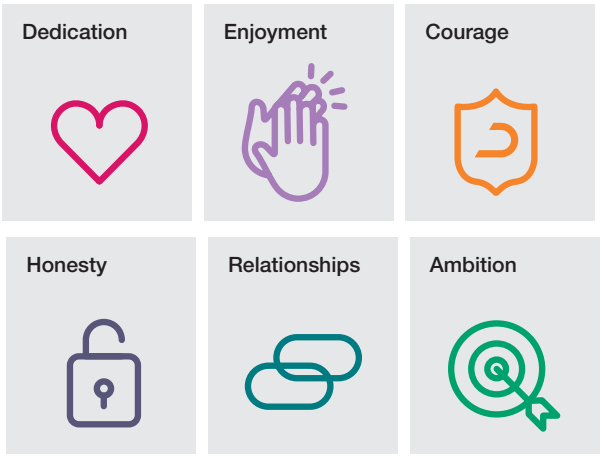
We employ 2,163 employees in 25 countries in a wide range of working environments including manufacturing, logistics, laboratories, offices and mobile working. At Dechra, we acknowledge that our people are our greatest asset and know that an inclusive culture is beneficial for our business performance. 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. During the financial year, our training programme was also translated into eight languages and rolled out to all employees. The training programme 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 our existing four internal reporting channels, we have launched a third party confidential hotline, which went live globally in April 2022, and 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.

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.

Delta

Delta is our dedicated internal digital learning platform for Dechra employees across the world. As well as launching brand new modules around Dechra's Code of Conduct, Information Security and Health, Safety and Wellbeing, the Digital Learning team has also consolidated the onboarding process for new employees joining the business and launched a mandatory course calendar. The team has been working closely with our Global Quality Assurance teams to streamline the rollout of Standard Operating Procedure (SOP) and Guidance Note training. Next year, the team also plans to update the design and user experience of Delta to make it easier for employees to navigate the system and find courses most relevant to them.

This is only one element of training that we provide, and during the 2022 financial year we have introduced a system whereby all employees can log their training with the view to self-certification at the end of the 2023 financial year. Our employees have logged a total of 36,676 hours in the 2022 financial year, which equates to 17 hours per employee. In addition, we provide other forms of training to our employees, placement students and graduates.

Leadership Programme

We have been running our Leadership programme since 2020. The programme is run virtually and a total of 50 people across the North American, PDRA, International and Corporate teams have taken part. The development programme's strategic intent 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 virtual content.

Following a refinement of our talent planning process, in the 2022 financial year 24 people were selected to attend the first Future Facing Leaders programme. This programme focuses on three core elements: leading self; leading others; and the wider leading enterprise elements across a two year learning pathway.

Refer to People Case Study – Future Facing Leaders on page 34

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 24 interns in Europe, two in the USA, one in Australia and ten in Brazil. For further information on our internships and partnerships with universities please refer to our Sustainability Report on www.dechra.com.

Engagement

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), intranets, 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 corporate social responsibility objectives. Wherever possible, we seek to engage our employees in change projects. We also have a small number of Works Councils we regularly meet with. Our intranet, OneDechra, includes two way communication encouraging comments, sharing and community participation.

We conducted our second Employee Engagement Survey in April 2021 using the Great Place to Work (GPTW) survey. We had 1,720 respondents to the survey, this equated to 90% of the organisation which is positive when compared to the average response rate for an organisation of our size (78%) (further information can be found in the 2021 Annual Report). Across the Company, employee perceptions improved on all 75 survey statements. Perceptions improved most of all about Reward, with high levels of improvement also seen in Leadership Effectiveness, Innovation, and Values with double digit improvement.

Since the survey took place we have spent time communicating the results to our employees. Initially, we produced a short video with the overall highlights of the survey, and this was followed by feedback of the results at a business unit, department, site or country level through key meetings with employees or team briefings.

Section 172 Statement
Stakeholder Engagement

Employees continued

Action planning took place with employee groups across the Group where employees had the opportunity to identify areas that they wanted to address as a result of the survey and we built a database of plans, predominantly led by the employee groups. A huge variety of approaches has been taken depending on the size of the teams and the types of development areas identified.

As a Group, there are two key areas of focus for us for the year ahead: communication and wellness. Our focus on wellbeing has been strengthened by our launch of THRIVE which covers four key aspects of wellbeing for a holistic approach. These being social, emotional, physical and financial. These reflect local requirements and a global approach where suitable. Further information on THRIVE can be found on page 58.

Communication continues to be an area of focus and during the second half of the year we had the benefit of being able to reconnect with much of Dechra as travel reopened. This enabled greater understanding and strengthening of relationships across divisions and geographies. We have also strengthened our communication teams across various divisions to support flexibility in how we provide access to all our employees to information and communication using online, face to face and more formal employee representation bodies such as our works councils.

Our next GPTW survey will run in March 2023 and we look forward to gaining further feedback to continue 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 via virtual and in person coffee mornings. Further information on this can be found on page 101.

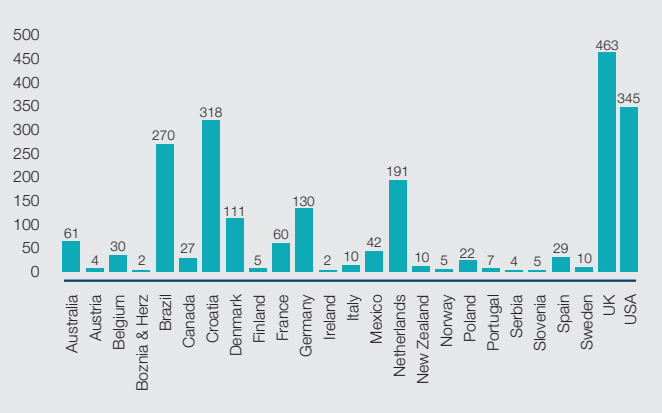
Diversity and Inclusion

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. The Group does not tolerate bullying or harassment.

84% of our employees responded positively to the statement regarding diversity in the workplace in our most recent employee engagement survey. 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.

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 112. The gender diversity statistics required to be disclosed under the Companies Act can be found on page 113 of the Governance Report.

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 2.8% in 2021. However, the latest decrease relates largely to the payment of COVID-19 bonuses to all site-based staff at the Skipton site during the pandemic and the gap will rise again next year as this is unlikely to remain applicable on an ongoing basis. 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 organisational design.

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 from 6% to 8% with effect from July 2022 in the UK.

Dignity at Work

Our Dignity at Work Policy has been rolled out globally during the financial year, and it is incorporated into the Code of Conduct. In accordance with the Dechra 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.

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.

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. During the 2022 financial year, we launched our Group Health and Safety Policy which was supported with a video from Paul Sandland on the importance of health and safety. This was translated into ten languages. The extended Policy applies to all employees, contractors and visitors to Dechra premises globally, as well as field-based and home based employees. The HSW Committee has also reviewed and approved the Corporate Health and Safety and Wellbeing Induction for all new starters, the High Level Risk Assessment for the business to guide priorities for risk management and the Drive Responsibly Campaign.

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 reduced to ten this year (2021:23).

Assure

Our online Health and Safety reporting system, Dechra Assure, is available to all employees and opens up the ways in which our employees can engage in our safety programme, including employees working hybrid patterns and our mobile 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. Hazards are unsafe conditions which if left could cause an accident and spotting and resolving hazards is an important part of a successful safety programme. 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 37%, this is equivalent to 2.3 hazards raised for each employee, with 71% of all Manufacturing employees involved in actively raising a hazard report in the year. Through our communication campaigns, 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, have increased from 38 to 57.

High Level Risk Assessments

The HSW Committee is also responsible for maintenance of the high level risk assessment which determines our priorities in the safety programme. HSE Standards have been developed initially for High Risk activities, most of which reside in Manufacturing. These standards are developed by subject matter experts working together with the site representatives and set out our expected standards for HSE compliance. 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. In addition, the Group HSE team has visited the manufacturing facilities in Zagreb, Fort Worth and Melbourne during the 2022 financial year.

Life Saving Rules

Human behaviour is a factor in over 85% of all accidents; therefore to reach our Zero Harm goal this year we have been focusing on safe behaviours. From our high level risk assessments for our organisation, we recognised that there are some risks associated with safety critical tasks where incidents could occur with a low frequency but very high severity. We have safe systems of work for these tasks; however we have launched our Life Saving Rules to reinforce positively safe behaviours and allow people to recognise the unsafe behaviours which could lead to injury.

We have identified seven Life Saving Rules which apply to both Manufacturing & Logistics and Road Safety. Clear Life Saving Rules, and consistent enforcement of our non-negotiable behavioural standards, aim to reduce the risk of a fatality and/or severe injury significantly.

Behavioural Safety

Strong safety leadership is the most impactful 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.

In the 2022 financial year, we therefore launched our B-Safe training for leaders across our manufacturing sites. B-Safe is our new behavioural safety programme which teaches our manufacturing leaders to hold positive conversations about safety, focusing on safe behaviours, including our Life Saving Rules.

Further information can be found in our Sustainability Report

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 (see page 51). In previous years we reported any LTA 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. Using this definition, over the course of the last 12 months, the LTAFR has increased from 0.09 to 0.17. The number of incidents has increased from three to six. All incidents occurred in our manufacturing facilities. There were no fatalities (employees or contractors). Two of the manufacturing facilities, Bladel and Melbourne, have now had over 48 months without an LTA and one of the manufacturing facilities, Zagreb, has had over 36 months without an LTA.

However in order to improve transparency and increase learnings related to injuries across the business, we are now reporting all lost time accidents which resulted in any absence or inability to conduct

Section 172 Statement Stakeholder Engagement

Employees continued

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 12 LTAs resulting in an AFR of 0.34 compared to 0.31 last year (11 accidents). Seven of the accidents occurred at our manufacturing sites in Australia and Brazil, who joined the Manufacturing Safety programme in 2020 and have a developing safety culture. Eight of these accidents were influenced by unsafe behaviours and this will be addressed throughout the coming year through the delivery of our B-Safe programme for leaders.

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. In the 2022 financial year we have evolved THRIVE to provide meaningful support to all employees globally.

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.

During the 2022 financial year, highlights of progress made against each pillar include:

Emotional Wellbeing: Dechra has offered subscriptions to all employees globally to an online platform, which provides sessions of guided meditation and promotes mindfulness. This was launched in October 2021, and is now regularly used by over a quarter of all Dechra employees. Our employees are encouraged to use the platform on a private and voluntary basis at any time they choose. We have also provided live global webinars to promote the benefits of meditation and mindfulness in a more communal way.

Physical Wellbeing: Menopause is not just an issue for women; it is a critical business issue. At Dechra we recognised that, if left unsupported, some women could actually leave the workforce, resulting in a loss of valuable experience for our business. In the UK we hosted a live webinar, delivered by a medical practitioner and this was attended by an audience of over 50 employees; both male and female employees were encouraged to attend. The webinar was very positively received and following the session we have developed a short guide available to all employees and Line Managers stating simple adaptations which are available to support women during this life stage.

Social Wellbeing: The return to the workplace following the pandemic has occurred at different times across our regions. We believe strongly in supporting social interactions but we also recognise the benefits of hybrid working and how this can help to create a good work-life balance. We have established our principles for hybrid working and developed training for all employees who continue to work from their home either full or part time, including health, safety and wellbeing content. Many of our locations have organised events to welcome employees back to the workplace and re-establish face to face contact and promote use of our safe office spaces. These events have been organised locally and have been very diverse, including yoga, BBQs, quizzes, and lunches.

Financial Wellbeing: Financial wellbeing supports all other aspects of our life as it provides stability. We are committed to providing our employees with resources and access to information that enables them to understand their finances better, take action and plan their future. In addition to being a Living Wage employer across the globe, we have launched a third party financial education platform as a free resource for all employees, initially in the UK, to provide financial information and coaching. Over 48% of UK employees have signed up to the service and we will be looking to extend similar support to other countries where this is available.

2 Veterinary Professionals

Our relationship with veterinarians is key to our business and therefore we provide added value services in the form of educational programmes and technical support to maintain and improve the knowledge and skills of veterinarians who prescribe and use our products.

We are committed to the following focus areas:

- The development and promotion of products to improve animal health and welfare.
- To provide high levels of technical support and pharmacovigilance.
- To maintain and improve the knowledge and skills of veterinarians who prescribe and use our products.

Our Products

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 such as anaesthesia and analgesia, where we have a wide range providing the veterinarian with an optimal solution for most cases. 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 pages 35 to 39

Promotion of Products

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. In addition, 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.

For further information on promotional compliance and payments to animal health professionals, please refer to the Sustainability section of **www.dechra.com**

Technical Support

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 14,499 technical customer enquiries, many of which related to endocrinology. In addition, these larger markets also have field-based veterinarians providing technical support and carrying out 'lunch and learn' events; 2,962 of which were held in the 2022 financial year.

For information on Pharmacovigilance please refer to page 63

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. The Academy now has a total of 730 courses available across 24 markets and 43,883 learners from across the world have enrolled. In addition to 23,039 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 107,251 hours of CPD hours globally.

Section 172 Statement Stakeholder Engagement

3 Suppliers

Acting with Integrity and Honesty

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.

Honesty and Integrity

We are committed to acting responsibly and with integrity, which is reflected through our Values. 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 them and others, including third parties. 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 page 55.

Anti-Bribery and Anti-Corruption (ABC)

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 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 employee and third party network via such programmes and we remain committed to acting professionally, fairly and with integrity in all our business dealings and relationships wherever we operate. 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.

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 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.

Previously every employee and sales agent engaged by Dechra was required to complete our e-learning ABC course on an annual basis. This year we have analysed the global list of course recipients and agreed to remove employees engaged in operational roles such as packing line operatives, cleaners and canteen staff from the course circulation list. The rationale for this decision is that those individuals are engaged in low risk roles and do not interact with third parties, and therefore the ABC risk is low. The content of the ABC course has been reviewed during the year and the updated course was rolled out in May 2022. We have also delivered some refresher training to business leaders in Mexico, together with further guidance on Dechra's hosting of CPD and/or sponsorship events.

Our third party onboarding programme is reviewed and developed regularly throughout the year, taking into account feedback from the business and the growth in our activities. Compliance with this programme is monitored through regular audits. We continue to utilise, and see the benefits of, our ABC and Sanctions screening software which assesses Dechra's new and existing third party network on a continuous basis. If a third party does not have in place its own ABC policies and procedures, we provide them with access to our training course in order to educate them on the legislative landscape. We have also extended access to the external hotline to our third parties so that they can report any concerns in relation to adherence to our Third Party Code of Conduct.

Human Rights and Modern Slavery

Dechra is committed to upholding and respecting human rights both in our business and from our suppliers. 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 be found at www.dechra.com. During the year we have undertaken a risk assessment of CMOs, API suppliers and excipient suppliers by initially reviewing the list of third parties against the US Department of Labor's 2020 List of goods produced by child labour or forced labour. Any third party identified as being located in a high risk country or in a high risk industry was screened via a third party screening software, and no issues were identified.

4 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 business Purpose and Values, in particular, our Relationships and Enjoyment Values. Our Community pillar focuses on:

- Community Activities
- Community 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, and we were able to provide 935 hours in the 2020 financial year before all activities were halted due to the COVID-19 pandemic. In the 2021 financial year, we were able to recommence activities in only a small number of locations so it is pleasing this year that we have been able to dedicate a total of 4,390 community hours across our global operations, which equates to 2.2 hours per employee using the base figure of employees (1,975).

Our Brazilian team organised nine events, which included planting 40 seedlings, and assisting with leisure and care activities for 186 children and 83 senior people in the local community, while the Polish team spent their volunteer day on the Polish-Ukrainian border helping displaced families. Further details of our activities can be found in our Sustainability Report.

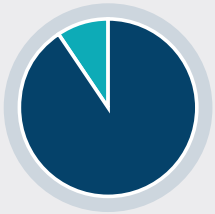
Dechra explored a partnership with Not One More Vet (NOMV), a US based charitable organisation whose mission is to transform the status of mental wellbeing within the profession so veterinary professionals can survive and thrive through education, resources, and support. Dechra has plans in place, in partnership 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 by NOMV aimed at providing a support system for veterinary and veterinary technical students. Dechra has also encouraged its employees globally to participate in NOMV's annual fundraiser Race Around the World to help raise funds and raise 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 are excited to encourage global participation in their 2022 race, furthering our support of an organisation that supports the wellbeing of our customers.

Community Donations

We have operated a Group Donations scheme for 12 years, but 2022 was the first year we have operated a decentralised global process, after a successful trial in 2021 in the USA. A budget of £300,000 was allocated across the countries based on the number of employees employed at 30 June 2021. Each country established a regional giving committee which consisted of volunteer employees who have agreed to be members of their respective committee for two years. Half of the regional giving committees decided to reallocate a portion of their funds this year to Poland to support local Ukrainian relief efforts that were already underway.

In addition to the Group Donations scheme, each business unit has the discretion to allocate funds and/or products to local community, environmental and/or animal welfare charities.

Donations by Cash and Product



Included in the products donated were 10 tonnes of SPECIFIC dog and cat food to support Ukrainian refugees, many of whom are coming across the Polish border with their pets.

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

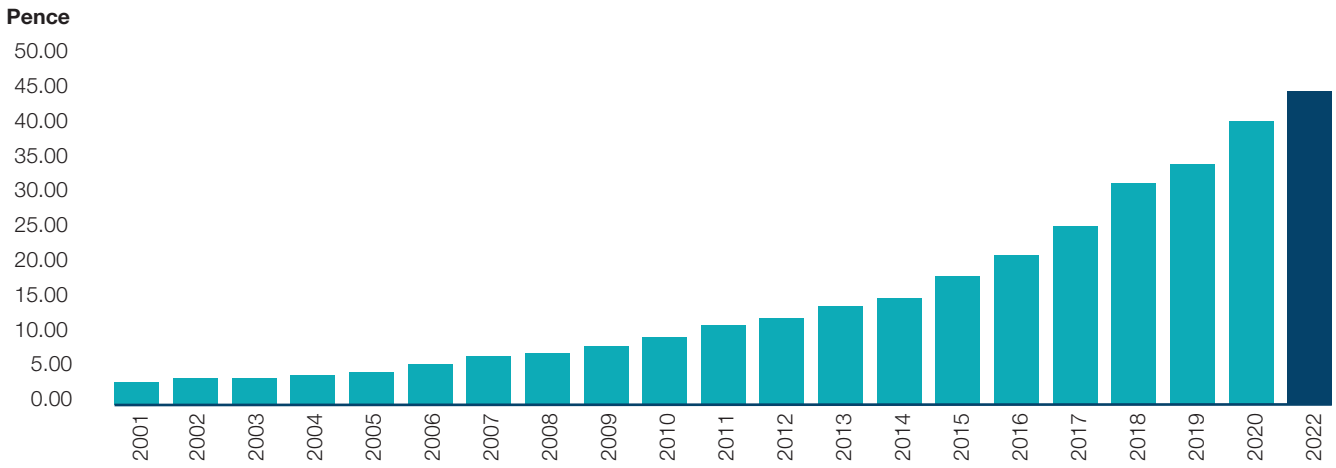
Section 172 Statement
Stakeholder Engagement

5 Shareholders

22
years of dividend per share growth

44.89p
total dividend per share in 2022

Dividend Growth



We have consistently delivered on our strategic objective resulting in a strong record of growth.

Relationships with shareholders receive high priority and a rolling programme of meetings between institutional shareholders and the Chief Executive Officer and Chief Financial Officer has been running throughout the year (a summary of the main events is shown opposite). These meetings seek to foster a mutual understanding of both the Company's and shareholders' objectives. Such meetings are conducted in a format to protect price sensitive information that has not already been made generally available to all the Company's shareholders.

Investor Meetings	40 individual meetings during the year	Chief Executive Officer and Chief Financial Officer
Investor Roadshow	September 2021 and February 2022	Chief Executive Officer and Chief Financial Officer
Investor Conference	November 2021	Chief Financial Officer
Remuneration Consultation	July 2021	Remuneration Committee Chair, Company Secretary and Group HR Director

Further details on how the Board engages with shareholders can be found in the Governance report on page 96

6 Regulatory Authorities

It is vital to our business that our products meet the appropriate standards for quality and safety. 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, and changes to the registrations. Dechra is required to provide full adverse event reports for all of our products though periodic safety update reports (PSURs) and deviation 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.

Regulatory Agencies

AVMPA: Australian Pesticides and Veterinary Medicines Authority (Australia)

EMA: European Medicines Agency

FDA: Food and Drug Administration (USA)

MAPPA: Multi-Agency Public Protection Arrangements (Brazil)

VDD: Veterinary Drugs Directorate (Canada)

VMD: Veterinary Medicines Directorate (UK)

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, and the recent survey of plastic use in veterinary products.

Several of our regulatory staff have worked in key Regulatory Agencies 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 pharmacovigilance e-learning module on Delta or in person training. All employees undertake an annual pharmacovigilance refresher training. The pharmacovigilance 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.

Our Environment

We are committed to minimising the impact of our operations on the environment

We recognise the importance of good environmental practices. 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:

- **Waste:** prudent use of all natural resources, minimising waste in all activities, and the appropriate disposal of waste; and
- **Energy:** optimising the energy we use; and improving energy effectiveness through initiatives on transport and reducing our greenhouse gas emissions.

Our carbon emission software, in addition to energy usage, captures 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.

Waste

Total waste, which includes waste from all activities across Dechra manufacturing and logistic sites, can fluctuate according to production volumes, project activities and obsolete stock/packaging material clearances. Our goal is therefore to make responsible decisions to minimise waste at source and reduce the environmental impact of treatment/disposal for any remaining waste, whilst continuing to support the efficient management, development and growth of the business.

For this reason, we have selected two indicators for waste which we aim to improve:

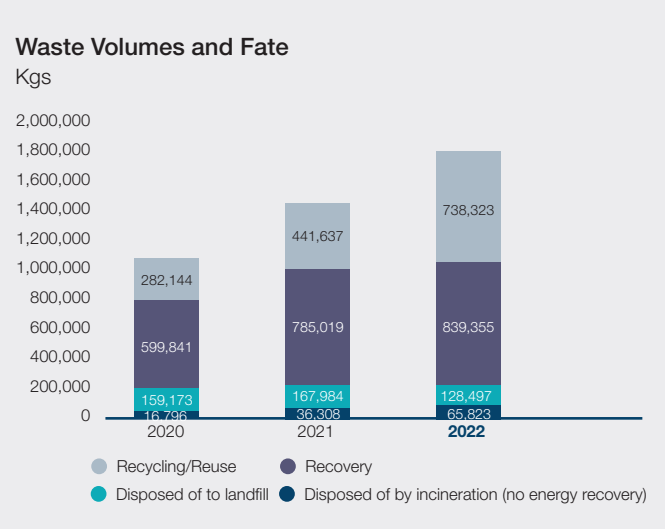
- percentage of hazardous waste generated of total waste generated; and
- percentage of waste which is recovered and recycled of total waste generated.

Hazardous Waste

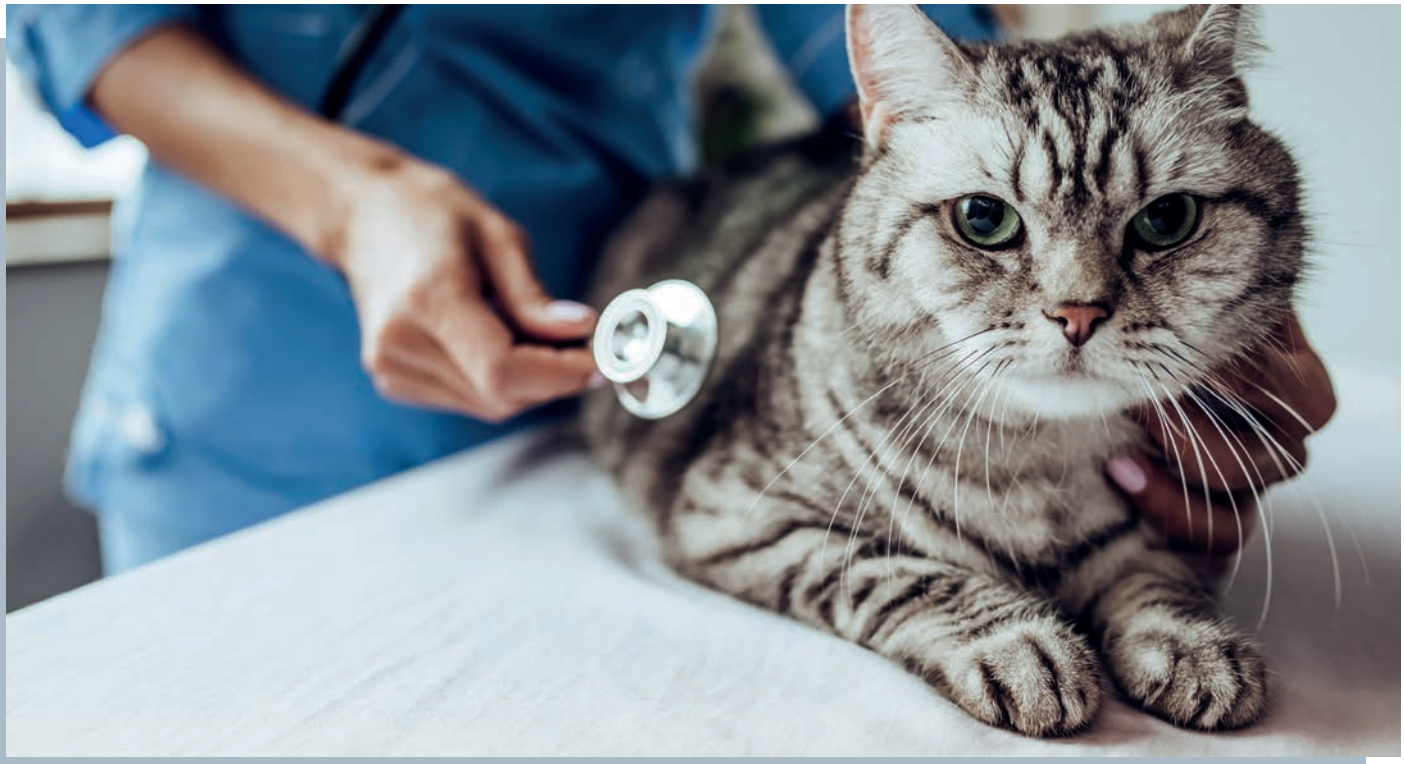
Waste contaminated with pharmaceutical products is often classified as hazardous waste. Waste management for Manufacturing and Logistics facilities must be carefully controlled in order that any hazardous substances, or contaminated materials are disposed of correctly.

In the 2022 financial year, hazardous waste volumes decreased by 40,088 kgs (9.0%). The overall percentage of hazardous waste reduced to 23.0% of Total Waste (2021: 31.0%). The reduction in the hazardous waste rate across Manufacturing has been supported by improved classification and segregation of hazardous waste across the sites. This also helped to drive a reduction of 33.0% in hazardous waste from warehouses, in addition to the more accurate calculation of non-hazardous waste from Oudewater, the Netherlands. In Manufacturing sites, hazardous waste is generated from general production and laboratory analysis waste, whereas in Warehousing most hazardous waste is associated with stock write offs.

Recycled and Recovered



The fate of waste significantly influences the environmental impact. For waste that cannot be eliminated at source, Dechra has set a strategic goal to achieve zero waste to landfill by June 2025, and will look to achieve this by reusing, recycling or recovering waste where these options are available. Our approach to responsible waste management is formalised in the Group HSE Standard – HSE 203 – Waste Minimisation and Management.



In the 2022 financial year, the total volume of waste was 23.8% higher than the prior year due to increased production; however, waste recovery, recycling and reuse rates improved from 86% to 89%. The portion of waste materials for reuse and recycling increased significantly from 30.0% in the 2021 financial year to 42.0% in 2022. This has been achieved by directly targeting Manufacturing sites to increase waste recycling and reuse. Waste for disposal reduced to 11.0% (2021: 14.0%) and the percentage of waste landfilled reduced to 7.3% (2021: 12.0%).

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

Energy

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 and from purchased electricity (which are not included in Scope 2) and water, and waste in the 2022 financial year. A full review of all categories of the GHG Protocol is near completion, and we hope to be in a position to disclose them in the 2023 financial year.

	2022	**% relates to UK**	2021	% relates to UK	2020	% relates to UK
Scope 1 (tonnes)	**6,709**	**7.3%**	7,027	6.5%	6,747	6.0%
Scope 2 (tonnes)	**4,896**	**12.4%**	5,261	12.4%	4,969	10.1%
Scope 3 (tonnes)	**2,770**	**5.2%**	1,934	4.2%	2,347	7.4%
Total Carbon Footprint (tonnes of CO_2e)	**14,375**		14,222		14,063	
Intensity Ratio (tonnes of CO_2e per £m revenue)	**21.1**		23.4		27.3	

tCO_2e by location type (excluding waste)

Site	**2022**	2021	Variance
Manufacturing	**11,907**	12,768	(6.7%)
Offices	**1,501**	830	80.8%
Warehousing	**708**	624	13.5%
TOTAL	**14,116**	14,222	(0.7%)

Our Manufacturing is the main contributor to our carbon footprint representing 85.0% of our total carbon footprint. During the 2022 financial year carbon emissions increased by only 1.1%, which was mainly due to the substantial savings achieved by the Brazilian site from reducing refrigerant gas emission by 992 tonnes of CO_2e (further details are provided below) as well as a change in carbon factors assigned to grid electricity production with nations adopting more renewable energy sources. Our Offices contribute 10.4% to our carbon footprint, and the 80.8% increase was due to the return to the workplace and the facility in Mexico changing from a manufacturing facility to an office. The 13.5% increase in CO_2e emissions from the warehouses was due to the commissioning of the new warehouse in Uldum, Denmark, which is now fully operational. The new warehouse needed to be brought up to the correct temperature and this was achieved through gas heating.

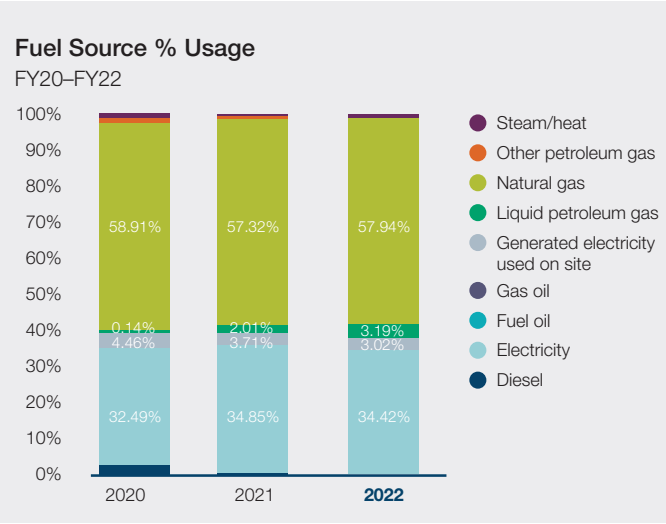
Our Environment

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.

	2022	**% relates to energy consumed in UK**	2021	% relates to energy consumed in UK	2020	% relates to energy consumed in UK
Scope 1	**35,418,610**	**5.9%**	31,522,041	6.3%	33,509,013	6.3%
Scope 2	**19,229,812**	**15.1%**	17,185,952	16.2%	16,647,278	11.7%
Scope 3	**9,528,775**	**3.6%**	6,610,981	0.9%	8,444,662	6.1%
Total kWh	**64,177,197**	**8.3%**	55,318,974	8.7%	58,600,953	7.8%

Fuel Source



The fuel mix across the business remains consistent. Natural gas continues to be the predominant source of fuel across Dechra, accounting for 58.0% of overall fuel usage (2021: 57.0%). Electricity from the grid accounts for 34.0% of energy (2021: 35%). The use of LPG increased slightly to 3.19% (2021: 2.01%) of overall energy due to the fact that the Brazilian site installed a new boiler; however the corresponding Diesel usage declined by 59.0%.

Manufacturing continues to be the major user of energy across the Group accounting for 95.0% of all energy used, whereas the Warehouses use 4.4% and the Offices 0.6%.

The Zagreb Manufacturing site has the highest energy consumption across the Group and in the 2022 financial year accounted for 63% of all energy used (2021: 61%). The high energy demand is linked to the volumes and range of products manufactured at the site including Mepron, which uses 70% of site gas and 40% of site electricity. The team at Zagreb has already made many improvements to make the site more sustainable. In 2019 the site installed what was at the time the largest solar power plant in Croatia and in the 2022 financial year this generated 22% of electricity used at the site in addition to exporting excess electricity to the national grid (48,715 kWh). They also operate a solvent recovery plant to recover sustainably and reuse 95% of all ethanol from one of their key manufacturing processes. The site has successfully retained ISO 50001 accreditation, the international standard for Energy Management, following their first annual surveillance audit and continues to set targets and objectives to reduce energy in line with the requirements of this standard. The site has identified a number of projects to reduce energy consumption and also to switch to renewable energy sources. Examples include:

- investigating the availability of geothermal energy at the site, with exploratory drilling scheduled for the 2023 financial year;
- installation of a new heat pump for heating the QC/Immuno-biological lab in June 2022, which is powered by renewable electricity from the national grid. This area was previously serviced by heat from the site gas fired boiler. The site is also exploring the use of these localised heaters in other site buildings to reduce distribution losses from the central boiler house, once the technology is proven; and
- the installation of an economiser on one steam boiler flue gas to recover heat from emissions to atmosphere. Commissioning for this project is expected by August 2023 and is projected to provide an annual saving of 2% gas.

Refrigerant Gases

Refrigerant gases from cooling equipment lost to the atmosphere pose a threat to the environment because of their global warming potential. Minor gas losses are generally identified during annual maintenance of cooling equipment, when gas top ups are added. More significant losses are identified through leak detection systems or when equipment fails to operate correctly.

A total of 200 kgs of refrigerant gas was lost to atmosphere in the 2022 financial year (2021: 521 kgs) which was a reduction of 62.0%. This was mainly achieved through a reduction of 292 kgs from the Londrina site in Brazil. Overall global refrigerant gas losses reduced by 321 kgs, a carbon equivalent saving of 1050 tonnes. The total carbon impact from refrigerant gas losses has been reduced from 21% of all Scope 1 emissions in the 2021 financial year to 6.3%.

Improve Energy Effectiveness Through Transport Initiatives

The main activity at Dechra Service Center (DSC) in Uldum, Denmark is warehousing and distribution of goods to customers worldwide. The majority of the pharmaceutical products received by DSC are supplied from our manufacturing sites in Bladel, the Netherlands and Skipton, the UK. The products from Bladel are transported by road, whereas the products from the UK are shipped by sea and road. All road transport is only to be made with companies who can guarantee that the vehicles used conform to the Euro6 standard or higher. All sea transport agreements are with Shipping Conference companies, which requires high standards for shipping.

The Global Transport Committee, a team of logistics and distribution experts from Europe and North America, is responsible for identifying and implementing sustainable optimisation solutions within distribution, logistics and warehousing.

By bringing all own-manufactured products from our sites and all in-licensed products from external suppliers to Uldum, we have an opportunity to consolidate the shipments to North America, Mexico and Canada and are able to ship full containers by sea. This solution reduces the number of small and inefficient shipments and the aim is to eliminate air shipment completely.

For Europe, the committee is working with the DVP EU markets to optimise the road transportation by reducing the shipping frequencies and increasing the amounts shipped per delivery. This optimisation plan has already been implemented in Belgium and the Netherlands where service level agreements have been signed. The goal is to reduce shipments in Europe by 20% for the 2023 financial year.

Another action of this committee is the optimisation of pallet wrapping where we have changed from black plastic which is not recyclable to white plastic which is recyclable and a better sustainable solution.

	2022	2021	2020	2019
Shipments	**46,515**	51,569	39,067	36,905
Total Weight (GRT)	**22,667,426**	29,843,353	19,304,216	19,399,930
CO_2 Outlet (kg)	**1,705,256**	2,130,262	1,684,872	1,670,037
CO_2 per kg	**13.29**	14.0	11.5	11.6

Case Study:

Refrigerant Gas Loss Reduction at Londrina

In the 2021 financial year, across Dechra globally, refrigerant gas losses contributed 21% of all Scope 1 emissions (1,477 tonnes), with the Londrina site in Brazil accounting for 86% of this total. This site produces vaccines, and equipment containing refrigerant gases is used to control the temperature of the working environment and also for process cooling applications.

One of the key processes at the site involves freeze drying vaccines. The lyophilisation (freeze drying) plant uses refrigerant gas R404A to achieve the correct process temperatures to desiccate the vaccine. In the 2021 financial year, Londrina lost 254.0 kgs of refrigerant gas to atmosphere from this equipment which prompted the site to run a project to improve losses from equipment. Working with the Engineering team at the Zagreb manufacturing site, best practices for equipment operation and maintenance were shared. The Londrina team applied these shared learnings to the equipment in Brazil and also conducted an investigation to identify the root cause of current losses. Actions included:

- installation of a new level sensor with an audible alarm for recognition of low-level condition at the cooling tower and water tank;
- installation of interlocks between the cooling tower and freeze-dryer, when the tower is at low water level;
- engaging the equipment manufacturer to refurbish the equipment compressors and optimise plant operation;
- reducing equipment vibration and replacing fixed pipework with flexible pipework to reduce the opportunities for leaks from joint fractures; and
- engaging a specialist engineer to continue to maintain the equipment according to an optimised planned maintenance schedule.

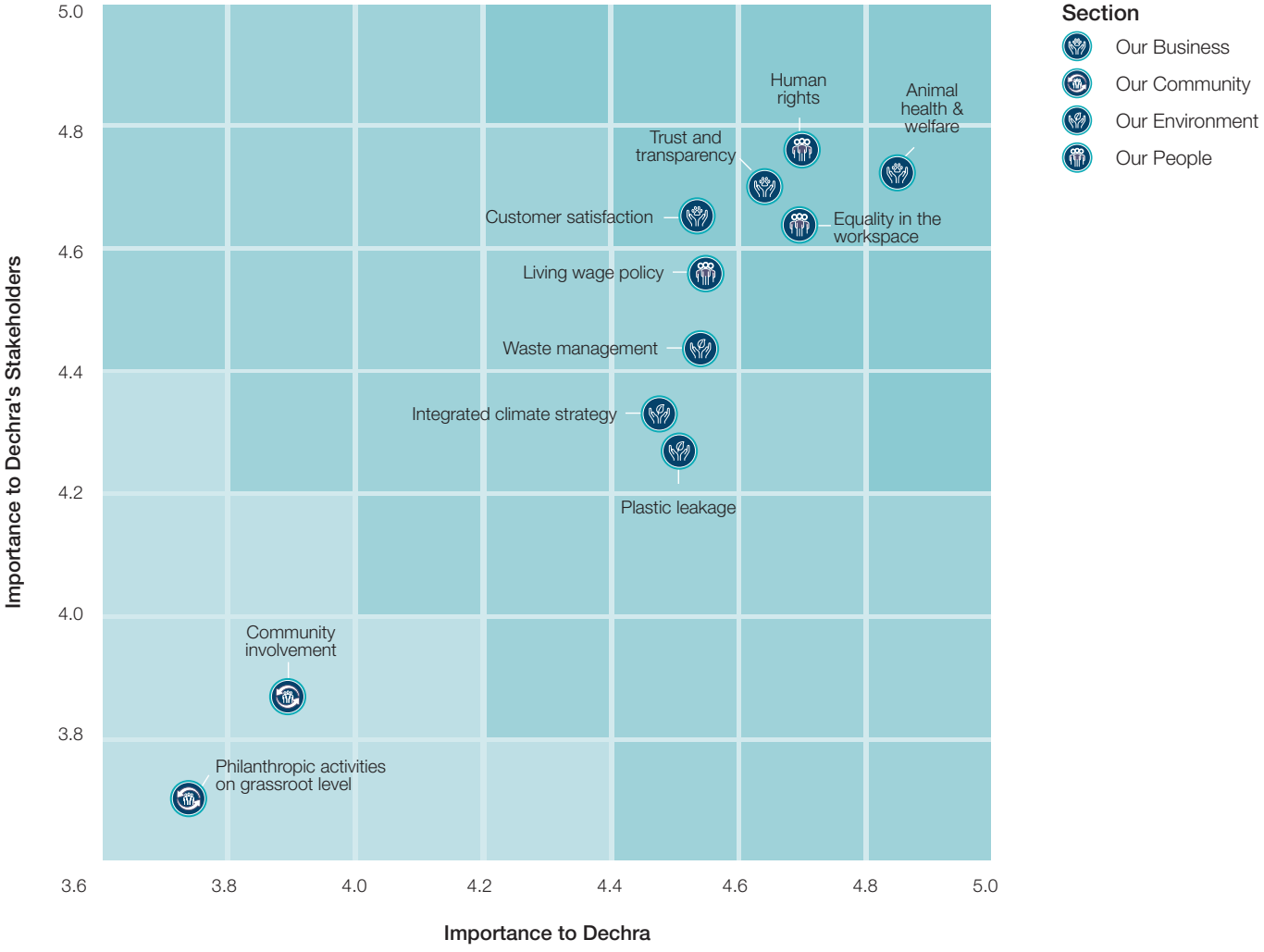
Through improved equipment management the Londrina site has reduced refrigerant gas losses from the freeze-drying process by 91% to just 21.9 kgs. This is equivalent to a CO_2e saving of 911.78 tonnes, or 13.6% of Dechra's total Scope 1 emissions globally. The site has also reduced losses from other equipment reducing total refrigerant gas losses by 292.94 kgs, which is equivalent to 991.78 tonnes of carbon (14.8% of Annual Scope 1 emissions).

Sustainability

Making a difference in global health and welfare

Our Materiality Assessment

We have conducted a sustainability materiality assessment for the first time this year to identify the most important sustainability topics to us as a business and to our stakeholders. The results of this assessment have helped shape our sustainability strategy, drive our engagement with stakeholders and prioritise areas of focus and target setting whilst guiding our reporting and disclosure in this area moving forward. For further information please read our Sustainability Report.



Our Sustainability Strategy

Our sustainability strategy is based around four pillars: Business; Community; Environment; and People. During the 2021 financial year we set targets for each pillar. We have committed to a long term strategy to reach net zero emissions by no later than 2050, backed by science based targets across the entire value chain. We will:

- continue the effort to understand and disclose the climate change risks and opportunities by transforming to a low carbon economy; and
- refine our environmental targets by setting verifiable science based targets through the Science Based Targets initiative (SBTi).

Our People

Our Strategic Priority: A great and safe place to work.

Read more in Employees on pages 54 to 58

Our Environment

Our Strategic Priority: We are committed to minimising the impact of our operations on the environment and complying with applicable environmental legislations, by achieving zero to landfill by 2025 and net zero emissions by 2050.

Read more in Environment on pages 64 to 67

Our Business

Our Strategic Priority: To provide sustainable innovative products, technical and educational support and to act responsibly and with integrity with all stakeholders.

Read more in Veterinary Professionals on page 59

Our Communities

Our Strategic Priority: To contribute to the social and economic welfare of the local communities in which we operate through the giving of our time, products and cash donations.

Read more in Communities on page 61

Read more about all our pillars in our Sustainability Report

Pillar	Sustainability Topic	Focus Area	Objective	Target (s)	Status
Business	Animal Health and Welfare	Ethical and sustainable products	Develop and promote products to improve animal health and welfare sustainably	Invest 5% to 6% of revenue on product development per annum	
	Customer Satisfaction	Supporting veterinary professionals	Maintain and improve the knowledge and skills of veterinarians	Provide 100,000 CPD hours per annum	
	Trust and Transparency	Ethics	Act with honesty and integrity	Perform value chain sustainability assessment by June 2030	
People	Wage Policy	Fair employment practices	Comply with national legal requirements regarding wages and working hours	Living Wage Employer or equivalent by 2022	
	Human Rights	Safe working practices	Reinforce health and safety practices, with a culture of zero harm	Zero lost time accidents	
	Equality in the Workspace	Fair employment practices	Eliminate the gender pay gap	Increase the number of women in senior and technical roles	
Environment	Integrated Climate Strategy	Emissions, Land & water and Biodiversity	Reduce GHG emissions and waste to landfill, use water responsibly and protect biodiversity	Achieve net-zero by latest 2050. Initial target is 25% reduction by 30 June 2025	
	Waste Management	Circularity	Recover, reduce, recycle, reuse	Zero to landfill by 30 June 2025	
	Plastic Leakage	Responsible sourcing	Implement sustainable packaging and decrease plastic usage	100% FSC paper by June 2023 and review full product range by 30 June 2025	
Community	Community Involvement	Community activities	The donation of time, products and skills to local charities	100,000 community hours by 30 June 2030	
	Philanthropic Activities	Community donations	Establish Regional Giving Committees to allow our people to make a difference locally	£5 million donated in cash or products by June 2030	

Task Force on Climate-related Financial Disclosures

Our response to climate change

Task Force on Climate-related Financial Disclosures (TCFD)
We believe that companies should be transparent about how they plan to mitigate and be resilient in the face of climate change. Therefore, we support efforts, such as the TCFD to increase transparency and to promote stakeholders' understanding of companies' strategies to respond to the risks and opportunities presented by climate change.

During the year, we have worked to achieve alignment to TCFD and are pleased to confirm that the disclosures included in the Annual Report are consistent with the TCFD recommendations, except for the completion of our review into all material Scope 3 emission categories, which will be concluded in the 2023 financial year. We acknowledge that the disclosures around the metrics used to assess our climate risks and opportunities can, and will, be improved following submission and verification of our targets to the Science Based Targets initiative (SBTi). This is an evolving process that we hope to conclude in 2023.

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. 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 a cross-functional ESG Committee and associated sub committees (see the governance diagram in our Sustainability Report) who work with them to define our Sustainability strategy, and set objectives and targets which are aligned with the United Nations Sustainable Development Goals and SBTi.

The Board formally discusses climate change-related updates at least biannually, and the Chief Financial Officer updates the Board on any significant matters arising as and when required.

Given the importance of managing climate risk, factors relevant to it are considered as part of the remuneration of the Executive Directors and SET. Specifically each senior leader will have an ESG objective as part of their personal objectives within the annual bonus plan (introduced in 2021) and constitutes 5% of Executive Directors' and 5% of SET annual salary under the terms of the plan, increasing to 10% for Executive Directors in the 2023 financial year.

Strategy

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.

We have assessed the impact of climate risk to our business using the Intergovernmental Panel on Climate Change (IPCC) data under two transition scenarios over a 30-year time horizon; the first modelled a 1.5°C temperature rise in accordance with the Paris Agreement and the second a 4°C temperature rise deemed to be a worst case. These assessments have enabled us to identify climate risks, strategies to mitigate risk and any climate opportunities. The impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning is included in the table on the following pages.

To respond to the identified climate risks and opportunities we have developed our 'Making a Difference' plan. As part of this plan we have committed to a long term target to reach net zero emissions by no later than 2050. We will continue to transition to a low carbon business and by setting greenhouse gas (GHG) emissions targets verified through the SBTi. We also support the UN-backed Race to Zero. For further information please refer to our Sustainability Report.

Risk

During the previous financial year, in response to developing climate science, government action and the concerns of our stakeholders, the Board classified climate risk as a principal risk to the Group. To understand fully the implications of climate change, the Board instigated a review of the key risks and opportunities to the Group's business model, considering both the physical effects of changing weather and the economic and regulatory transitions required either to mitigate climate change or adapt to a new environment. This involved consulting with external experts and senior management representing disciplines from across the Group to determine possible climate outcomes.

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

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	Medium	Medium	Medium	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, Northern Europe 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 our site in Zagreb, Croatia produces approximately 30% of its energy requirement via on-site solar panels complemented by emergency generators. 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. **Metrics:** Please refer to our Environmental pillar on page 69.
Transition Risks and Opportunities					
Increased demand for low carbon products	Low	Medium	Opportunity	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 to market will include a sustainability review pre-launch by 2023 (initiated 2021). This review will focus on utilising sustainable ingredients and packaging. In 2022 we have initiated a project utilising an IT system to review the GHG footprint for existing products to help assess and manage risks and target interventions to reduce the environmental footprint of our products. **Metrics:** Please refer to our Environmental pillar on page 69.

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					
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. We do not foresee a material impact.	Our Making a Difference plan and associated net zero commitments 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. As part of our 2023 budget process we have incorporated an internal carbon price on emissions at all of our manufacturing facilities which will support our transition to net zero. **Metrics:** Please refer to our Environmental pillar on page 69.
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. 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 successfully gained accreditation to ISO 50001, the international standard for Energy Management and are currently exploring the potential viability of geothermal energy at the site. • 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. **Metrics:** Please refer to our Environmental pillar on page 69.
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. **Metric:** Please refer to our Business pillar on page 69.

Metrics and targets

We are committed to mitigating our impact on climate change. We have committed to SBTi, continued to work towards a net-zero ambition by 2050 and released our first separate Sustainability Report this year. Our GHG emissions (Scope 1, Scope 2 and Scope 3) can be found on page 65 and a number of our key metrics and targets are set out below:

Near term targets

- submission and verification of Science Based Targets;
- all paper and wood material to be FSC by June 2023;
- zero waste to landfill by 30 June 2025; and
- sustainability review of all products by June 2023.

Long term target

- net-zero by no later than 2050.

These metrics and targets will help us to track our progress and ability to mitigate the risks to our business, safeguarding our ability to improve animal health and welfare sustainably over the longer term (see page 69 and our separate Sustainability Report).

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:

	Annual Report	Sustainability Report
Governance: The Company's governance around climate-related risks and opportunities		
The Board's oversight of climate-related risks and opportunities	70, 104 and 106	12 and 23
Management's role in assessing and managing climate-related risks and opportunities	70, 76 and 106	12 and 23
Strategy: The actual and potential impact of climate-related risks and opportunities on the Company's business, strategy, and financial planning where such information is material		
The climate-related risks and opportunities which have been identified over the short, medium, and long term	71 to 73 and 80	10
The impact of climate-related risks and opportunities on the businesses, strategy, and financial planning	69, 70 to 73 and 80	
The resilience of the strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	70 and 80	12
Risk: How the Company identifies, assesses, and manages climate-related risks		
The processes for identifying and assessing climate-related risks	70 to 73 and 80	12
The processes for managing climate-related risks	70 to 73 and 80	
How processes for identifying, assessing, and managing climate-related risks are integrated into the overall risk management	70 to 73 and 80	12, 23 to 24
Metrics and Targets: The metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material		
The metrics used to assess climate-related risks and opportunities in line with the strategy and risk management process	64 to 67 and 69	10 and 12
Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	65, 69, 71 and 72	10 and 16
The targets used to manage climate-related risks and opportunities and performance against targets.	69 and 73	10 and 12

Non-Financial Information Statement

This section of the Strategic Report constitutes the Group's Non-Financial 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.

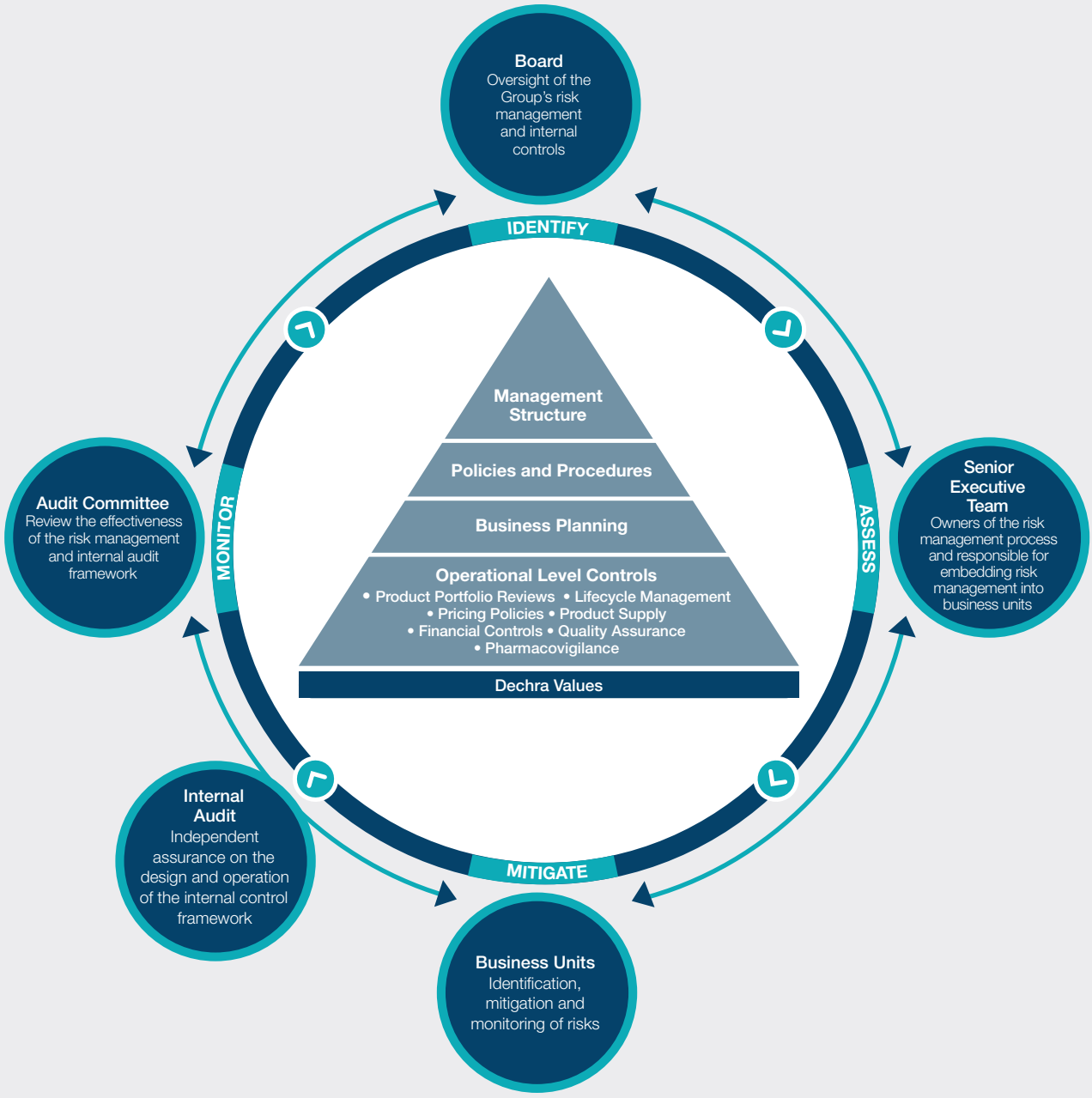
Reporting Requirement	Where to read more	Page number	Policies and Handbook
1 **Environmental matters (including the impact of the Company's business on the environment)***	• Stakeholders: Our Environment • Understanding Our Key Risks	64 to 67 78 to 80	• Code of Conduct
2 **Employees***	• Stakeholders: Employees • Chief Executive Officer's Statement • Section 172 Statement • Understanding Our Key Risks • Sustainability Report	54 to 58 14 to 17 52 78 to 80 **dechra.com/sustainability**	• Staff Handbook • Dignity at Work Policy • Health & Safety Policy • How to Raise a Concern Handbook • HR Policies
3 **Social matters***	• Stakeholders: Communities • Sustainability Report • Section 172 Statement	61 **dechra.com/sustainability** 53	• Volunteer Service Toolkits for Large and Small Events • Donations Policy
4 **Respect for human rights***	• Stakeholders: Suppliers • Sustainability Report	60 **dechra.com/sustainability**	• Human Rights Policy • Modern Slavery Statement
5 **Anti-Bribery and Anti-Corruption***	• Stakeholders: Suppliers • Audit, Risk and Internal Control • Sustainability Report	60 117 to 124 **dechra.com/sustainability**	• Code of Conduct • ABC Policy • Third Party Code of Conduct • How to Raise a Concern Handbook
6 **Business Model**	• Our Business Model • Stakeholders; Veterinary Professionals	22 to 25 59	
7 **Principal Risks in relation to (1) to (5)**	• How the Business Manages Risk • Understanding Our Key Risks	75 to 77 78 to 80	
8 **Relevant non-financial KPIs**	• Key Performance Indicators	51	

* 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.

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.



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 Board 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.

Ukraine

Russia's invasion of Ukraine has had some impact on our business, with increased energy costs and additional supply chain uncertainty. Our sales to Russia, which were not material, have also ceased. We will continue to monitor the situation in Ukraine and the associated impacts this may have on our principal risks, with regard to our markets, supply chain and people.

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-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 78 to 80. 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 2022

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

- New governance and oversight processes to provide transparency of performance, decisions and actions across the manufacturing and supply network.
- We have continued to make improvements to our manufacturing, quality and supply processes, with additional investments in people and production facilities.
- Recruitment of a new Head of Good Distribution Practices and Head of Good Practices to further strengthen the Quality team.
- Launched an independent hotline to enable employees to submit confidential reports using our How to Report a Concern Procedure.
- 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 potential requirements of the BEIS proposals.
- Our Environmental, Social and Governance (ESG) strategy has been further enhanced. 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.

Plans for 2023

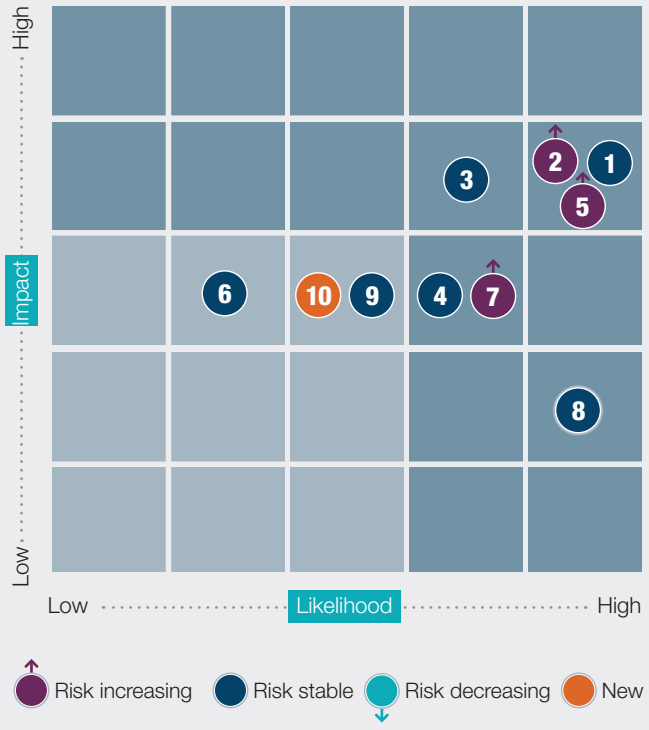
We will continue to refine and strengthen our internal control framework where required in response to changes in our risk profile and improvement opportunities identified by business management, quality assurance and internal audit. Our Manufacturing and Supply processes continue to be the primary focus area for 2023.

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

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

Link to Strategic Growth Driver and Enabler	Risk	Potential Impact	Control and Mitigating Actions	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 national and European 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.	→
	**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.	↑
	**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.	→

Key to Strategic Growth Drivers:

- Pipeline Delivery
- Portfolio Focus
- Geographical Expansion
- Acquisition

Key to Strategic Enablers:

- Technology
- People
- Manufacturing and Supply Chain
- ESG

Key to Risk Trend:

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

Link to Strategic Growth Driver and Enabler	Risk	Potential Impact	Control and Mitigating Actions	Trends
	**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. Whilst the impact of COVID-19 on the supply chain is receding, materials price inflation and the Russian invasion of Ukraine have created new supply chain challenges. However our robust response to recent developments 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 are being implemented to improve supplier performance management and implement a second source strategy.	→
	**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 increasing due to a lack of clarity around Regulation 2019/6; with the new veterinary regulation that legislates for the authorisation, use and monitoring of veterinary medicinal products in the European Union. The Regulation was applied in all EU Member States from January 2022.	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 over-valuation or integration challenges.	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 potential transactions. The SET manages post acquisition integration and monitors the delivery of benefits and returns through a defined process.	→

Understanding Our Key Risks

Link to Strategic Growth Driver and Enabler	Risk	Potential Impact	Control and Mitigating Actions	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. Post COVID-19, recruitment has been challenging with increased competition for the best talent.	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. Recent wage inflation has the potential to impact workforce stability.	The Group HR Director 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 new EU regulations restricting antimicrobial use in animals were not implemented in 2022, there remains continuing pressure on reducing antibiotic risk. This is driven by market & 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.	→
	**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 abilities 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 70 to 73	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 UNFCCC 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, will be increased in order to manage physical risks better. Dechra is preparing to implement 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.	→
	**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.	Regular information security and data protection training for employees. Key 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 is employed on mobile devices. Business interruption and cyber insurance is in place.	N

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 26 to 27 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. This review is based on the reasonable assumption that the Group will be able to refinance its £340.0 million revolving credit facility, which is currently committed until July 2024.

Progress against financial budgets, forecasts and key business objectives is 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 2022 and considered the Group's current position, its future prospects and reaffirmed the Group's stated strategy.

Assessment of Viability and Time Period

The Board has determined that a three year period to 30 June 2025 is an appropriate period over which to base 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 78 to 80 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 will be able to continue in operation and meet its liabilities as they fall due over the three year period from 30 June 2022.